**MXC Capital Limited**
**("MXC" or the "Company")**

**Interim results for the six months ended 29 February 2016**

MXC Capital Limited (AIM:MXCP), the AIM quoted technology focused merchant bank, announces its results for the six months ended 29 February 2016 together with an update on current trading.

**Highlights:**

- Encouraging first half with step change in scale of the business
- Portfolio valued at £73m at 29 February with 23% (£14m) growth in value achieved since year end
- Post tax profit for the period of £12.4m (H1 2015: £2.9m)*
- Underlying EBITDA** of £1.2m (H1 2015: £0.1m), £0.5m on a consolidated basis (H1 2015: £0.1m), reflecting profitability of capital markets and advisory businesses
- Board to increase distributions to shareholders (£0.8m already returned via tender offer)
- Company working on full pipeline of both new transactions and opportunities for existing investments
- Board confident of outlook for second half and outcome for year

**Peter Rigg, Chairman of MXC Capital, commented:**
"We have had a very good start to the year, demonstrating the strength of our merchant banking business model. Our Capital Markets and Advisory services are driving high returns on our increasing capital base. In light of this performance, the Board has decided to increase the quantum of distributions to shareholders, so that in future, we will return net proceeds of realisations after retaining sufficient investment capital in the business. We have a full pipeline of opportunity and I am optimistic about our prospects for the second half".

* Post tax profit includes consolidated trading income and unrealised gains & losses on the group's investment portfolio

**Underlying EBITDA represents earnings before net finance costs, tax, depreciation and amortisation, restructuring costs, share-based payments and unrealised movements in the fair value of investments. It is stated before the elimination on consolidation of certain transactions of the MXC Capital Markets and MXC Advisory businesses.

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**About MXC Capital**

MXC is a specialist merchant bank with a track record of supporting growth companies in the TMT sector through our range of merchant banking activities. We bring together a deep knowledge of technology, first-hand experience of managing companies in the sector, an ability to make meaningful investments and a highly experienced corporate advisory team in support, all of which we combine to grow shareholder value.

## Finance Review

*Investments:*
The Group has continued to grow its investment portfolio in the period, investing £21.4 million by making three new investments and increasing its holding in two companies. In addition, the acquisition of MXC Holdings Limited added investments valued at £21.7 million to the Group's portfolio. At 29 February 2016, the investment portfolio was valued at £72.9 million as shown in the table below:

| | Original Cost | Fair value at 1 September 2015 | Investment in period | On acquisition of MXC Holdings Limited at fair value | Increase in fair value in period | **Fair value at 29 February 2016** | Total unrealised gain on investments as at 29 February 2016 |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | **£000** | £000 |
| Castleton Technology plc | 4,605 | 10,521 | 135 | 385 | 3,253 | **14,294** | 9,689 |
| 365 Agile Group plc | 1,334 | 3,314 | - | - | (543) | **2,771** | 1,437 |
| Pinnacle Technology Group plc | 2,472 | 466 | 2,087 | 87 | 1,972 | **4,612** | 2,140 |
| Redcentric plc | 3,058 | - | - | 10,558 | 336 | **10,894** | 7,836 |
| Coretx Holdings plc * | 12,900 | - | 12,900 | - | 4,085 | **16,985** | 4,085 |
| Eco City Vehicles plc | 1,333 | - | 1,333 | - | 1,809 | **3,142** | 1,809 |
| Private companies | 5,479 | - | 4,964 | 515 | - | **5,479** | - |
| Total investments | 31,181 | 14,301 | 21,419 | 11,545 | 10,912 | **58,177** | 26,996 |
| Warrants | - | 1,792 | - | 10,166 | 2,813 | **14,771** | 14,771 |
| Total investments and warrants | 31,181 | 16,093 | 21,419 | 21,711 | 13,725 | **72,948** | 41,767 |

*formerly Castle Street Investments plc; name changed on 12 April 2016.

In the prior period's consolidated financial statements, the investments were classified as available-for-sale financial assets. During the period ended 29 February 2016, management made a comprehensive assessment of its investments. Given the relative size of the Group's holdings in its investee companies, particularly following the investments made in the period, the board considered that the more appropriate treatment and classification for the investments is at fair value through profit or loss. The investments must be designated at fair value through profit or loss on initial recognition and therefore the prior period consolidated financial statements have been restated to reflect the more applicable accounting treatment in accordance with IAS 8. Accordingly, the unrealised gains and losses recognised in other comprehensive income and reported within the fair value reserve within equity in the 2015 consolidated financial statements are now presented as part of the profit and loss account. The retained earnings, the fair value reserve and the profit and loss have therefore been restated as detailed in note 2.

*Income Statement:*

The results for the six months reflect income and profit generation from each element of the Company's merchant banking model: its investments, its corporate finance practice and its advisory business. Together these delivered revenue for the six months of £1.7 million (H1 2015: £0.6 million).

The Board measures the underlying trading performance of the Group based on a measure of EBITDA (earnings before interest, tax, depreciation and amortisation), stated before unrealised fair value movements in investments and certain non-trading costs such as share-based payments and restructuring costs ('Adjusted EBITDA'). The Adjusted EBITDA for the six months to 29 February 2016 was £0.5 million (H1 2015: £0.1 million). This is stated after the elimination on consolidation of revenues charged by the corporate finance and advisory businesses to other group companies, which the businesses undertook in lieu of third party mandates. Allowing for these revenues, on an unconsolidated basis the Adjusted EBITDA was £1.2 million in the period (2015: £0.1 million).

During the period the Group incurred restructuring costs of £0.3 million (2015: £0.2 million) and a non-cash share-based payments charge of £1.3 million (H1 2015: £nil). This charge is in relation to the share incentive scheme implemented in September 2015 and a further non-cash charge will accrue over the next two years. After accounting for these costs and the unrealised gain on the movement in investment fair values of £13.7 million (H1 2015: £3.2 million) the operating profit for the period was £12.6 million (H1 2015: £3.0 million).

After interest costs and taxation, the reported profit for the period was £12.4 million (H1 2015: £2.9 million).

*Balance Sheet and Cash:*
During the period the Company completed the acquisition of MXC Holdings Limited ('MXCH') for a net consideration of £18.3 million, settled by the issue of shares in the Company. As shown in the table above, the fair value of MXCH's investments on acquisition was £21.7 million. After accounting for borrowings and other liabilities of MXCH, provisional goodwill of £2.5 million has been recognised in these interim consolidated statements. See note 5 for further details.

The fair value of the Group's investments and warrants at 29 February 2016 was £72.9 million (31 August 2015: £16.1 million) as detailed in the above table. Further details are shown in note 4. Net assets at the end of the period were £81.1 million (H1 2015: £24.0 million).

The Group's cash flow from operating activities in the period was £0.1 million (H1 2015: outflow of £0.6 million). Investments of £21.4 million were made in the period and loans were advanced of £1.5 million with a further £0.2 million spent on tangible fixed assets. After accounting for the net overdraft of £4.0 million in MXCH on acquisition, the net cash balance at the end of the period was £1.4 million (31 August 2015: £28.4 million). Post period-end £0.8 million was returned to shareholders by way of a tender offer which had been approved by shareholders immediately before the period end. This amount is included in creditors at 29 February 2016.

*Distribution and Capital Returns policy*

Further to the Board's commitment to distribute up to 20% of realised gains on our portfolio to our shareholders, the Board has decided to extend its distribution policy. The Company will distribute to shareholders all of the net proceeds of realisations, except for a retention of sufficient capital to fund the company's twelve month investment pipeline at the time of the distribution.

## Outlook

We have had a very good start to the year, with our team generating high returns on our increasing capital base. We have a full pipeline of opportunities. Whilst our market remains competitive, the MXC model combining management expertise, access to capital and corporate advice is an increasingly powerful differentiator in the marketplace. We are optimistic about our prospects for the second half and remain confident we can continue to generate strong returns for our shareholders.

## Unaudited interim consolidated statement of profit or loss for the six months ended 29 February 2016

| | Note | **Unaudited 6 months to 29 February 2016** | Restated[3] Unaudited 6 months to 28 February 2015 | Restated[3] Unaudited Year to 31 August 2015 |
|---|---|---|---|---|
| | **Note** | **£000** | **£000** | **£000** |
| **Continuing operations** | | | | |
| Revenue | | **1,710** | 574 | 2,094 |
| Realised profit on disposal of assets | | **-** | 77 | 5,385 |
| Cost of sales | | **(45)** | - | (66) |
| **Gross profit** | | **1,665** | 651 | 7,413 |
| Other income | | **146** | - | - |
| Adjusted administrative expenses [1] | | **(1,309)** | (586) | (1,761) |
| **Adjusted EBITDA[2]** | | **502** | 65 | 5,652 |
| Restructuring costs | | **(273)** | (178) | (604) |
| Share-based payments | | **(1,313)** | - | - |
| Depreciation | | **(67)** | - | (3) |
| Amortisation of intangible assets | | **(12)** | - | - |
| Unrealised fair value movement in investments | 4 | **13,725** | 3,158 | 9,903 |
| **Operating profit** | | **12,562** | 3,045 | 14,948 |
| Net finance (costs)/income | | **(41)** | 14 | 23 |
| **Profit before taxation** | | **12,521** | 3,059 | 14,971 |
| Taxation | | **(167)** | (161) | (161) |
| **Profit for the period** | | **12,354** | 2,898 | 14,810 |
| **Earnings per share** | | | | |
| Basic | 3 | **0.44p** | 1.33p | 0.71p |
| Diluted | 3 | **0.41p** | 1.11p | 0.69p |

[1] Adjusted administrative expenses excludes depreciation, amortisation, restructuring costs and share-based payments.

[2] earnings from continuing operations before net finance costs, tax, depreciation, amortisation, restructuring costs, share-based payments and unrealised movements in the fair value of investments.

[3] comparative figures have been restated to reflect the treatment of unrealised movements in the fair value of investments. For further details see note 2.

## Unaudited interim consolidated statement of other comprehensive income for the six months ended 29 February 2016

| | **Unaudited 6 months to 29 February 2016** | Restated[1] Unaudited 6 months to 28 February 2015 | Restated[1] Unaudited Year to 31 August 2015 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| Profit for the period | **12,354** | 2,898 | 14,810 |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Available-for-sale financial assets, gains arising during the period | **-** | 728 | 610 |
| Less: reclassification for gains included in profit | **-** | (30) | (439) |
| **Other comprehensive income for the period, net of tax** | **-** | 698 | 171 |
| **Total comprehensive income for the period** | **12,354** | 3,596 | 14,981 |

[1] comparative figures have been restated to reflect the treatment of unrealised movements in the fair value of investments. For further details see note 2.

## Unaudited interim consolidated statement of financial position as at 29 February 2016

| | Note | **Unaudited 29 February 2016** | Restated[1] Unaudited 28 February 2015 | Restated[1] Unaudited 31 August 2015 |
|---|---|---|---|---|
| | | **£000** | £000 | £000 |
| **Non-current assets** | | | | |
| Intangible assets | | **8,508** | 6,000 | 6,000 |
| Property, plant and equipment | | **363** | 6 | 8 |
| Investments | 4 | **72,948** | 6,388 | 16,093 |
| Other financial assets | | **1,506** | - | - |
| | | **83,325** | 12,394 | 22,101 |
| **Current assets** | | | | |
| Trade and other receivables | | **1,081** | 1,482 | 1,020 |
| Cash and cash equivalents | | **5,694** | 981 | 28,447 |
| Assets classified as held for sale | | **-** | 11,338 | - |
| | | **6,775** | 13,801 | 29,467 |
| **Total assets** | | **90,100** | 26,195 | 51,568 |
| **Current liabilities** | | | | |
| Trade and other payables | | **(2,111)** | (2,241) | (1,661) |
| Bank overdraft | | **(4,289)** | - | - |
| Borrowings | | **(288)** | - | - |
| Current tax liabilities | | **(1,127)** | - | - |
| | | **(7,815)** | (2,241) | (1,661) |
| **Non-current liabilities** | | | | |
| Current tax liabilities | | **(1,202)** | - | - |
| **Total liabilities** | | **(9,017)** | (2,241) | (1,661) |
| **Net assets** | | **81,083** | 23,954 | 49,907 |
| **Capital and reserves attributable to equity holders of the parent** | | | | |
| Share premium | | **55,047** | 22,970 | 37,538 |
| Merger reserve | | **(23,712)** | (23,712) | (23,712) |
| Share option reserve | | **2,073** | 760 | 760 |
| Fair value reserve | | **-** | 527 | - |
| Retained earnings | | **47,675** | 23,409 | 35,321 |
| **Total equity attributable to the owners of the parent** | | **81,083** | 23,954 | 49,907 |

[1] comparative figures have been restated to reflect the treatment of unrealised movements in the fair value of investments. For further details see note 2.

## Unaudited interim consolidated statement of changes in equity
## for the six months ended 29 February 2016

| | Share premium £000 | Investment in own shares £000 | Merger reserve [(1)] £000 | Share option reserve £000 | Fair value reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 September 2014 (restated[(2)]) | 15,012 | (16) | (23,712) | 760 | (171) | 20,527 | 12,400 |
| Profit for the period | - | - | - | - | - | 2,898 | 2,898 |
| **Other comprehensive income** | | | | | | | |
| Available-for-sale financial assets, gains arising during the period | - | - | - | - | 728 | - | 728 |
| Reclassification for gains included in profit | - | - | - | - | (30) | - | (30) |
| **Total comprehensive income for the period** | - | - | - | - | 698 | 2,898 | 3,596 |
| **Transactions with owners** | | | | | | | |
| Issue of share capital | 7,958 | - | - | - | - | - | 7,958 |
| Reduction in value of investment in own shares | - | 16 | - | - | - | (16) | - |
| | 7,958 | 16 | - | - | - | (16) | 7,958 |
| **Balance at 28 February 2015 (restated[(2)])** | **22,970** | **-** | **(23,712)** | **760** | **527** | **23,409** | **23,954** |
| | | | | | | | |
| Balance at 1 September 2015 (restated[(2)] ) | 37,538 | - | (23,712) | 760 | - | 35,321 | 49,907 |
| Profit and total comprehensive income for the period | - | - | - | - | - | 12,354 | 12,354 |
| **Transactions with owners** | | | | | | | |
| Issue of share capital | 18,355 | - | - | - | - | - | 18,355 |
| Purchase of own shares | (846) | - | - | - | - | - | (846) |
| Share based payments | - | - | - | 1,313 | - | - | 1,313 |
| | 17,509 | - | - | 1,313 | - | - | 18,822 |
| **Balance at 29 February 2016** | **55,047** | **-** | **(23,712)** | **2,073** | **-** | **47,675** | **81,083** |

[(1)] The merger reserve relates to the acquisition by MXC Capital Limited of its principal subsidiary, MXC Capital (UK) Limited. This acquisition did not meet the definition of a business combination and therefore fell outside the scope of IFRS 3. The acquisition was accounted for in accordance with the principles of predecessor value method accounting and a merger reserve arises on consolidation.

[(2)] comparative figures have been restated to reflect the treatment of unrealised movements in the fair value of investments. For further details see note 2.

## Unaudited interim consolidated statement of cash flows for the six months ended 29 February 2016

| | **Unaudited 6 months to 29 February 2016 £000** | Restated[1] Unaudited 6 months to 28 February 2015 £000 | Restated[1] Unaudited Year to 31 August 2015 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | **12,521** | 3,059 | 14,971 |
| Adjustments for: | | | |
| Realised profit on disposal of assets held for sale | **-** | (77) | (5,385) |
| Unrealised fair value movements | **(13,725)** | (3,158) | (9,903) |
| Share based payments charge | **1,313** | - | - |
| Loss on cancellation of treasury shares | **-** | 16 | - |
| Net finance costs/(income) | **41** | (14) | (23) |
| Depreciation | **67** | - | 3 |
| Amortisation | **12** | - | - |
| (Increase)/decrease in trade and other receivables | **541** | (1,373) | (960) |
| (Decrease)/increase in trade and other payables | **(641)** | 985 | 463 |
| **Net cash flows from operating activities** | **129** | (562) | (834) |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | **(220)** | (5) | (10) |
| Cash/(net debt) acquired on acquisition of subsidiary undertaking | **(3,967)** | 444 | 444 |
| Purchases of investments | **(21,419)** | (12,410) | (16,544) |
| Proceeds on disposal of investments | **-** | 447 | 17,739 |
| Loans advanced | **(1,500)** | - | - |
| Net interest (paid)/received | **(47)** | 14 | 23 |
| **Net cash flows from investing activities** | **(27,153)** | (11,510) | 1,652 |
| **Cash flows from financing activities** | | | |
| Net proceeds from issue of equity | **-** | 1,950 | 16,526 |
| Repayment of borrowings | **(18)** | - | - |
| **Net cash flows from financing activities** | **(18)** | 1,950 | 16,526 |
| **Net (decrease)/increase in cash and cash equivalents in the period** | **(27,042)** | (10,122) | 17,344 |
| Cash and cash equivalents at beginning of period | **28,447** | 11,103 | 11,103 |
| **Cash and cash equivalents at end of period** | **1,405** | 981 | 28,447 |

[1] comparative figures have been restated to reflect the treatment of unrealised movements in the fair value of investments. For further details see note 2.

## Notes to the consolidated unaudited interim financial statements

## 1. Basis of preparation

These interim financial statements, which are unaudited, consolidate the results of MXC Capital Limited (the "Company" or the "Parent") and its subsidiary undertakings (the "Group") up to 29 February 2016. The Group's accounting reference date is 31 August. The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange (AIM). The Company is a private limited liability company incorporated and domiciled in Guernsey. The consolidated financial information is presented in Pounds Sterling (£) which is also the functional currency of the Parent.

The Group has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK AIM listed Groups, in the preparation of these interim financial statements. The accounting policies used in the preparation of the financial information for the six months ended 29 February 2016 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards as adopted by the European Union (IFRS) and The Companies (Guernsey) Law, 2008 (as amended) and are consistent with those which will be adopted in the annual financial statements for the year ending 31 August 2016. While the financial information included has been prepared in accordance with the recognition and measurement criteria of IFRS, these financial statements do not contain sufficient information to comply with IFRS.

The comparative financial information for the period ended 28 February 2015 has been extracted from the interim financial statements for that period, restated for the transactions detailed in note 2 below. The comparative financial information for the year ended 31 August 2015 has been extracted from the annual financial statements of the Group and has also been restated for the transactions detailed in note 2 below.

These interim financial statements are prepared on a going concern basis as the directors have satisfied themselves that, at the time of approving these interim financial statements, the Group has adequate resources to continue in operational existence for at least the next twelve months.

These interim financial statements for the period ended 29 February 2016, which are not audited, do not comprise statutory accounts within the meaning of The Companies (Guernsey) Law, 2008 (as amended). The financial information does not therefore include all of the information and disclosures required in the annual financial statements. The full audited accounts of the Group in respect of the year ended 31 August 2015 received an unqualified audit opinion.

## 2. Accounting policies

The accounting policies applied in these interim financial statements are consistent with those which will be adopted in the annual financial statements of the Group for the year ending 31 August 2016. They are the same as those published in the Group's statutory accounts for the year ended 31 August 2015 with the following exceptions:

**Investments**
In the prior period's consolidated financial statements, the investments were classified as available-for-sale financial assets. During the period ended 29 February 2016, management made a comprehensive assessment of its investments. Given the relative size of the Group's holdings in its investee companies, particularly following the investments made in the period, the board considered that the more appropriate treatment and classification for the investments is at fair value through profit or loss. The investments must be designated at fair value through profit or loss on initial recognition and therefore the prior period consolidated financial statements have been restated to reflect the more applicable accounting treatment in accordance with IAS 8. Accordingly, the unrealised gains and losses recognised in other comprehensive income and reported within the fair value reserve within equity in the 2015 consolidated financial statements are now presented as part of the profit and loss account. The retained earnings, the fair value reserve and the profit and loss have therefore been restated.

A summary of the effect of the restatements is shown below:

| | 6 months to 28 February 2015 £000 | Year to 31 August 2015 £000 |
|---|---|---|
| (Loss)/profit for the period as previously reported | (260) | 4,907 |
| Investments designated as fair value through profit and loss | 3,158 | 9,903 |
| Profit for the period as restated | 2,898 | 14,810 |

| | 6 months to 28 February 2015 £000 | Year to 31 August 2015 £000 |
|---|---|---|
| Fair value reserve as previously reported | 3,685 | 9,903 |
| Investments designated as fair value through profit and loss | (3,158) | (9,903) |
| Fair value reserve as restated | 527 | - |

| | 6 months to 28 February 2015 £000 | Year to 31 August 2015 £000 |
|---|---|---|
| Retained earnings as previously reported | 20,260 | 25,418 |
| Investments designated as fair value through profit and loss | 3,158 | 9,903 |
| Restatement of opening H1 2015 retained earnings | (9) | - |
| Retained earnings as restated | 23,409 | 35,321 |

## 3. Earnings per share

| | **2016 Earnings per share pence** | **2016 Profit £000** | **2016 Weighted average number of ordinary shares** | Restated 2015 Earnings per share pence | Restated 2015 Profit £000 | 2015 Weighted average number of ordinary shares |
|---|---|---|---|---|---|---|
| Basic earnings per share | **0.44p** | **12,354** | **2,825,452,496** | 1.33p | 2,898 | 218,145,334 |
| Diluted earnings per share | **0.41p** | **12,354** | **3,044,587,903** | 1.11p | 2,898 | 260,128,068 |

## 4. Investments

| | Investments £000 | Warrants £000 | Total £000 |
|---|---|---|---|
| Cost | | | |
| At 1 September 2014 | - | - | - |
| Additions | 3,230 | - | 3,230 |
| Movement in fair value | 3,158 | - | 3,158 |
| **At 28 February 2015** | **6,388** | **-** | **6,388** |
| Additions | 2,960 | - | 2,960 |
| Movement in fair value | 4,953 | 1,792 | 6,745 |
| **At 31 August 2015** | **14,301** | **1,792** | **16,093** |
| Additions | 21,419 | - | 21,419 |
| Business Combinations | 11,545 | 10,166 | 21,711 |
| Movement in fair value | 10,912 | 2,813 | 13,725 |
| **At 29 February 2016** | **58,177** | **14,771** | **72,948** |

## 5. Business combinations

On 24 September 2015, the Company acquired the entire share capital of MXC Holdings Limited ('MXCH'), an investment holding company, satisfied by the issue of shares in MXC Capital Limited with a fair value of £18.3 million.

From the date of acquisition to 29 February 2016, the portion of MXCH and its subsidiaries held within continuing activities achieved revenue of £0.2 million and a profit before taxation of £0.8 million. The revenue of MXCH and its subsidiaries from the date of its last statutory period end of 31 August 2015 through to 29 February 2016 was £0.2 million and the profit for the period before taxation was £0.7 million.

The total provisional goodwill arising from the acquisition is the difference between the fair value of consideration less the provisional fair value of assets acquired:

| | £000 |
|---|---|
| Fair value of purchase consideration | 18,300 |
| Less fair value of assets acquired: | |
| Investments | (11,545) |
| Warrants | (10,166) |
| Property, plant and equipment | (202) |
| Cash | (326) |
| Trade and other receivables | (602) |
| Trade and other payables | 300 |
| Bank overdraft | 4,293 |
| Borrowings | 1,508 |
| Current tax liabilities | 960 |
| Goodwill | 2,520 |