MXC Capital Limited
("MXC", the "Company" or the "Group")
Interim results for the six months ended 28 February 2019

MXC Capital Limited (AIM: MXCP), the AIM quoted technology focused adviser and investor, announces results for the six months ended 28 February 2019.

Highlights

- Strong balance sheet, net assets of £62.3 million as at 28 February 2019 (H1 2018: £63.2 million);
- Net asset value[1] per share of 97 pence (H1 2018: 94 pence);
- Return to profit at a Trading EBITDA[2] level of £0.2 million (H1 2018: loss £0.8 million);
- Net cash of £3.3 million (H1 2018: £5.1 million), no borrowings;
    - Net cash of £23.5 million at 7 May 2019, following realisations post-period end
- Acquisition by Ravenscroft Limited of 25% of MXC Capital (UK) Limited, the Group's trading business, for £2.25 million;
- Investments made during and post period end in relation to the joint venture with Liberty Global plc and the partnership with Ravenscroft Limited to advise the GIF Technology & Innovation Cell;
    - Both of these relationships are now generating significant revenues for MXC
- Post period end disposal of investment in Tax Systems plc, generating a cash profit of £9.3 million and proceeds of £24.2 million;
- Loans advanced during the period of £7.3 million, including £4.3 million to IDE Group Holdings plc ("IDE") with a further £3.7 million advanced post the period end in order to enable IDE to repay its bank debt; and
- Proposed reintroduction of capital return programme.

[1] *Represents net assets plus market value of shares held by the Employee Benefit Trust as at 28 February 2019*

[2] *Trading EBITDA represents earnings from trading activities before interest payable, tax, depreciation, amortisation, non-recurring and exceptional items, share-based payments and movements in fair value of investments*

Peter Rigg, Chairman, commented: "The results for the six months show good progress both with our investments and our partnerships. The period also saw us return to a profit at trading level. We remain confident of driving shareholder value both from our existing portfolio and partnerships and from new opportunities."

Enquiries:

MXC Capital Limited	
Ian Smith	+44(0)20 7965 8149
Zeus Capital Limited (NOMAD)	
Nick Cowles/Dan Bate	+44 (0)161 831 1512

About MXC Capital

MXC is a technology focused adviser and investor with a track record of supporting growth companies in the TMT sector. 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.

Chief Executive's Review

The six months to 28 February 2019 show MXC returning to a profit at the Trading EBITDA[2] level. As we have right-sized our business and secured additional fee income from our relationships with other investment partners, this has in turn resulted in a £0.2 million trading profit for the first six months. I am confident that this positive trading performance will continue and that FY19 will see improved results. Generating profits at the trading level gives the Group more options and means that we can once again be in a position to return cash to shareholders, something which I shall expand on later.

During the period we have made good progress both with our investments and our partnerships. In February, the potential take-private of Tax Systems plc ("Tax Systems") by a subsidiary of funds managed by Bowmark Capital LLP ("Bowmark"), a private equity entity, was announced at a value of 110p per share, which was subsequently increased to 115p per share. This transaction completed post the period end, resulting in our exit from Tax Systems. The proceeds from the sale of our Tax Systems shares and warrants amounted to £24.2 million. Our investment into this business was made in a number of parts with the initial investments, predominantly in July 2016, totaling £10.0 million and a second investment totaling £4.9 million in August 2018. The initial investments showed a 1.78x return and the latter investment a 1.28x return, generating a combined profit of £9.3 million and an aggregate return of 1.62x. This excludes the £2 million fee that was generated at the time of the original IPO of the company which, if added into the return, would have shown a 1.75x return. Furthermore, MXC has received a £0.3 million fee in relation to the transaction. Tax Systems was a relatively short-term but very satisfactory investment for MXC and we wish the management team and Bowmark the very best with the next phase of the company's journey.

In our results for the year ended 31 August 2018, we highlighted the investment from Ravenscroft Limited ("Ravenscroft") into MXC Capital (UK) Limited, the trading arm of the Group and indicated that we believed the valuation of this division could increase above the £9 million at which Ravenscroft invested. I am pleased to note that this part of the business has been busy and has generated a good level of fee income in the first half of the year, with a healthy pipeline of activity for the second half. Our two partnerships, one with Liberty Global plc ("Liberty Global") and the other with Ravenscroft in respect of the GIF Technology and Innovation Cell ("the GIF"), a protected cell of Guernsey Investment Fund PCC Limited, are now generating over £1 million a year in fee income. We believe that this division represents unrealised value for shareholders and it remains our intention to establish a mechanism by which we can realise this inherent value. Our partnership and relationship with Ravenscroft are very rewarding and enjoyable and we are delighted that they saw the value in our trading division, as demonstrated by their investment therein.

As consultant to Ravenscroft, the investment manager to the GIF, it is the role of MXC to find investments that suit the criteria of the fund. The fund was established with an initial investment pool of £38 million of which MXC have committed to invest up to £5 million. I am pleased to say that a total of eight investments have been made to date with a further four close to completion. This is a fabulous effort from our team and we are confident that the investments will deliver a healthy return for The States of Guernsey and all other shareholders, including MXC. The fund has a ten to twelve-year life and we are hoping to have fully invested or committed the funds by the end of this calendar year allowing a full eight-year period of value accretion. I would like to thank the MXC team in London and the Ravenscroft team in Guernsey for the huge efforts in making this happen.

MXLG is our joint venture with Liberty Global. The progress to date has been solid rather than exciting but is now gaining momentum. At the period end of these interim statements only one investment had been made but since the period end a further two investments have been completed. There is significant potential in this joint venture to build a UK IT services business. The key to success with this type of roll up, which we have concluded successfully four times previously, is to acquire cost effectively and then retain the hearts and minds of key staff. The pace of acquisitions is very much determined by this ethos and I respect the team's diligence and patience in not rushing in and overpaying for acquisition targets. This will, in turn, pay dividends at the eventual exit. I have every confidence that this joint venture will deliver the customary return on capital that we have seen across our portfolio in previous years.

MXC came to market in August 2014, four and half years ago. Since then we have enjoyed four sizeable exits, being Calyx Managed Services Limited ("Calyx"), Redcentric plc, Castleton Technology plc and most recently Tax Systems, generating a combined cash return of £80.6 million and an average multiple of 2.2x. Although this represents a healthy return for shareholders, the multiple could have been higher were it not for the fact that Calyx was an asset held for a very short period of time and the return on Tax Systems was lessened by the fact that we increased our holding by 36% within the six months prior to disposal. We nonetheless believe that this level of return on capital is a good indicator of the performance of the team and it is against this value that the business will be measured over the next four to five years.

IDE Group Holdings plc ("IDE") and Adept4 plc ("AD4") are the last remaining public company assets that the Group holds and are both investments where MXC tried to scale its business by deploying executive management teams, a strategy which has not rewarded us as investors. We have demonstrated considerable support for IDE and now hold an equity stake of over 40% and loan notes of £8.0 million. We have been fortunate to secure the services of Andy Parker as Executive Chairman of the business and both myself and Max Royde, as the representative of another sizeable investor, sit on the board of IDE, with Charlotte Stranner, an MXC partner sitting as interim CFO. The period has been one of stabilisation as we rapidly sought to right size the company from the bloated state it had become. To date, more than £8 million of costs have been reduced with ongoing initiatives continuing to eat away at the cost base. There are several onerous contracts that the company has to work through which will impact cash generation for the next 18 months but we believe there is a good underlying business and a platform from which we can recover value.

AD4 has been through an incredibly challenging time. The last acquisition it made, funded by a loan from BGF of £5 million has proven to be a poor one. This acquisition, being the namesake of the company, Adept4, resulted in a substantial warranty claim brought by AD4 as a result of actions the previous owners had taken to enhance the company at the time it was acquired. It is fair to say that the wasted time, energy and opportunity resulting from having to resolve these issues has had a serious impact on that company and it is likely to be a long way back for shareholders. All strategic options continue to be considered but as the largest shareholder we are very cognisant that this situation must change by way of some form of significant action in the near term.

As has been demonstrated in its track record over the last four and a half years, the Group can deliver a 2.2x return on its capital and that is our aim for the next four to five years. This, combined with the return to a profitable trading position, leads the Board to believe it is time for MXC to re-establish a method of returning cash to our shareholders. Therefore, the Board would like to introduce a capital return programme to be based on our NAV[1] which we believe will increase as we deliver against our objectives. The programme will be largely funded by the cash profits from the trading business but will represent a percentage of the NAV declared at each reporting period. By example, at 28 February 2019 the NAV was £65.4 million, representing 97p per share. The Board is currently undertaking a review of the appropriate percentage and the best way to effect this return, whether by way of dividend or share buyback.

At the beginning of the period, the Company established an Employee Benefit Trust ("EBT") to buy MXC shares in the market to be held to satisfy existing and future share incentivisation awards, so reducing any future dilution for shareholders. The intention is for the EBT to continue to buy back shares, however given the intended capital return programme described above, this will only ever be at a price which represents a discount to the current NAV. To date, £2.9 million has been invested by the EBT in purchasing the Company's shares.

In conclusion, it has been two testing years to get to a point where we see a normalised trading performance for MXC and I thank our team for all their hard work and loyalty in getting us here. We now have a platform from which to grow again and I am quietly confident that there are good times in front of us and that we will be reporting ever stronger returns as we grow our now established partnerships with Liberty Global and Ravenscroft and look to add new ones.

Ian Smith
Chief Executive Officer

[1] *Represents net assets plus market value of shares held by the Employee Benefit Trust as at 28 February 2019*

[2] *Trading EBITDA represents earnings from trading activities before interest payable, tax, depreciation, amortisation, non-recurring and exceptional items, share-based payments and movements in fair value of investments*

Financial Review

Trading Results

The results for the six months reflect trading from each element of the Group's model: its investments, its corporate finance practice and its advisory business.

Revenue

Together, these divisions delivered consolidated revenue for the period of £0.9 million (H1 2018: £0.3 million) with the Group's agreements with the GIF and Liberty Global now generating revenue. The analysis of revenues and trading by segment is shown in note 3 to these interim statements.

In addition to its fee income of £0.7 million (H1 2018: £0.3 million), the Group has generated £0.2 million (H1 2018: £21k) of interest income in respect of loans made in the period. In accordance with IFRS 9, interest is recognised using the effective interest method and thus interest income is recognised over the term of the loan, even if the interest is not physically received until the end of the term, as is the case with the loan notes held in IDE.

As a result of the adoption of IFRS 9 in the period, the interest income calculated under the effective interest method is shown separately in the consolidated statement of profit or loss. The Board considers this interest income to be part of the trading activities of the Group and therefore the interest income calculated under the effective interest method has been presented as a component of revenue. The comparative figures have been restated to reflect this treatment.

Movement in value of investments

The Group prepares its accounts in accordance with IFRS as adopted by the EU, accounting for its investments in associates and joint ventures under IAS 28. This accounting standard mandates that all changes to the fair value of investments are shown in profit or loss, irrespective of whether those changes are considered short-term or permanent. The Group's profit or loss for any given period is, therefore, directly affected by the period-end share price of its listed investee companies, which, given the nature of these companies, can be quite volatile. The Group suffered a fall in the fair value of its investment portfolio in the period of £0.5 million (H1 2018: £5.0 million), which is directly reflected in the consolidated statement of profit or loss. The movement in the value of investments is detailed in the investments table below.

Administrative expenses

Administrative expenses were incurred in the running of all Group entities and include the cost of the Board and its advisers, and the fees associated with maintaining the AIM listing. The Group has continued to control its costs during the period, whilst retaining the capability to originate and execute investments and transactions for its investee companies and co-investors. Total administrative expenses for the period were £1.6 million (H1 2018: £1.4 million). This figure includes a non-cash share-based payments charge of £0.1 million (H1 2018: £0.2 million) and an exceptional staff bonus of £0.4 million (H1 2018: £nil) which relates to the increase in value of an investment as opposed to the generation of trading profits. Excluding these items, underlying administrative expenses fell during the period by £0.1 million from £1.2 million in H1 2018 to £1.1 million in H1 2019.

Trading EBITDA

As any changes in the fair value of the Group's investment portfolio at any given point in time can affect profit or loss significantly, the Board measures the underlying trading performance of the Group excluding the gains or losses on its investments. This is based on a measure of EBITDA (earnings before interest payable, tax, depreciation and amortisation) before movements in the value of its investments and certain non-trading items such as share-based payments and non-recurring items, and after interest income under the effective interest method as this is considered to be part of the trading activities of the Group ("Trading EBITDA"). The Trading EBITDA profit for the period to 28 February 2019 was £0.2 million (H1 2018: loss of £0.8 million).

Loss for the period

After all costs (including the changes in the fair value of investments), together with a tax credit of £nil (H1 2018: £0.3 million), the reported Group loss for the period was £0.8 million (H1 2018: £5.8 million). Of this, a loss of £0.9 million was attributable to owners of the parent company and a profit of £0.1 million was attributable to non-controlling interests following the disposal of 25% of MXC Capital (UK) to Ravenscroft. All of the H1 2018 loss was attributable to owners of the parent company. An interim dividend of £0.2 million payable to non-controlling interests was declared, paid after the period end.

Investments

During the period, the Group invested £0.3 million into its investment portfolio and advanced loans of £7.3 million.

At the half year end, the Group had outstanding loan capital and interest of £8.1 million and its investment portfolio was valued at £40.95 million as shown in the table below:

	Fair value at 1 September 2018	Investment cost	Change in fair value in period	Disposal/ exercise proceeds	**Fair value at 28 February 2019**
	£000	£000	£000	£000	**£000**
Tax Systems plc	19,417	-	3,098	-	**22,515**
Adept 4 plc	965	124	(477)	-	**612**
IDE Group Holdings plc	6,308	-	(3,629)	-	**2,679**
Private companies	13,483	188	-	-	**13,671**
Total investments	40,173	312	(1,008)	-	**39,477**
Warrants - Tax Systems plc	945	-	528	-	**1,473**
Total investments and warrants	41,118	312	(480)	-	**40,950**

Post-period end, the Group disposed of its investments and warrants in Tax Systems plc for total proceeds of £24.2 million, generating a further profit of £0.2 million to be recognised in the year ending 31 August 2019 and a total profit since acquisition of £9.3 million plus fees.

Cash flow

The Group's cash outflow from operating activities in the period was £1.2 million (H1 2018: £0.6 million) which includes the payment of staff bonuses accrued at the end of FY18 and paid in H119 totalling £0.6 million (H1 2018: £nil). Interest and dividend income of £0.5 million was received and £0.3 million was invested into the Group's portfolio, whilst loans were advanced totalling £7.3 million.

£2.3 million was received in respect of the sale of 25% of the issued share capital in one of the Group's subsidiary companies, MXC Capital (UK) Limited, whilst £2.9 million was used to purchase shares of the Company into the Group's newly established Employee Benefit Trust ("EBT").

The net cash balance at 28 February 2019 was £3.3 million (31 August 2018: £12.4 million).

Net assets

Net assets at the end of the period were £62.3 million (28 February 2018: £63.2 million). Of this, £58.4 million (28 February 2018: £63.2 million) was attributable to equity holders of the Company and £3.9 million (28 February 2018: £nil) was attributable to non-controlling interests in the Group. The shares in the EBT are shown as a debit to equity in the consolidated statement of financial position. At 28 February 2019, the shares held in the EBT had a market value of £3.1 million.

Unaudited interim consolidated statement of profit or loss for the six months ended 28 February 2019

	Note	**Unaudited 6 months to 28 February 2019 £000**	Unaudited 6 months to 28 February 2018 £000	Audited Year to 31 August 2018 £000
Continuing operations				
Fee income	3	**707**	296	1,034
Interest income calculated using the effective interest method	3	**229**	21	34
Revenue		**936**	317	1,068
Other income		**372**	-	40
Movement in fair value of investments	5	**(480)**	(5,015)	(4,973)
Operating expenses		**(1,642)**	(1,389)	(4,018)
Trading EBITDA[1]	3	**230**	(817)	(1,207)
Exceptional costs		**(419)**	-	(1,221)
Share-based payments charge		**(124)**	(187)	(373)
Movement in fair value of investments		**(480)**	(5,015)	(4,973)
Depreciation		**(21)**	(56)	(84)
Amortisation of intangible assets		**-**	(12)	(25)
Operating loss		**(814)**	(6,087)	(7,883)
Finance costs		**(23)**	(27)	(56)
Loss on ordinary activities before taxation		**(837)**	(6,114)	(7,939)
Tax credit on profit on ordinary activities		**-**	347	381
Loss and total comprehensive income for the period		**(837)**	(5,767)	(7,558)
Profit/(loss) for the period attributable to:				
Owners of the parent		**(945)**	(5,767)	(7,558)
Non-controlling interests		**108**	-	-
		(837)	(5,767)	(7,558)
Loss per share				
Basic	4	**(1.28)p**	(8.59)p	(11.25)p
Diluted	4	**(1.28)p**	(8.59)p	(11.25)p

(1) earnings from trading activities before interest payable, tax, depreciation, amortisation, non-recurring and exceptional items, share-based payments and movements in fair value of investments.

Unaudited interim consolidated statement of financial position as at 28 February 2019

	Note	**Unaudited 28 February 2019 £000**	Unaudited 28 February 2018 £000	Audited 31 August 2018 £000
Non-current assets				
Intangible assets		**11,416**	11,428	11,416
Property, plant and equipment		**127**	96	148
Investments	5	**40,950**	45,453	41,118
Loans receivable		**7,757**	707	182
		60,250	57,684	52,864
Current assets				
Trade and other receivables		**961**	2,124	1,044
Cash and cash equivalents		**3,338**	5,063	12,433
		4,299	7,187	13,477
Total assets		**64,549**	64,871	66,341
Current liabilities				
Trade and other payables		**(1,312)**	(603)	(1,506)
Income tax payable		**-**	(25)	-
Borrowings		**(20)**	(25)	(19)
Other financial liabilities		**(197)**	(191)	(194)
		(1,529)	(844)	(1,719)
Non-current liabilities				
Borrowings		**(49)**	(2)	(59)
Other financial liabilities		**(629)**	(826)	(619)
		(678)	(828)	(678)
Total liabilities		**(2,207)**	(1,672)	(2,397)
Net assets		**62,342**	63,199	63,944
Equity				
Share premium		**59,464**	59,464	59,464
Shares held in Employee Benefit Trust		**(2,949)**	-	-
Share-based payments reserve		**4,833**	5,866	6,052
Merger reserve		**(23,712)**	(23,712)	(23,712)
Retained earnings		**20,796**	21,581	19,790
Equity attributable to the owners of the parent		**58,432**	63,199	61,594
Non-controlling interest		**3,910**	-	2,350
Total equity		**62,342**	63,199	63,944

Unaudited interim consolidated statement of changes in equity
for the six months ended 28 February 2019

	Share premium £000	Shares held by Employee Benefit Trust £000	Share-based payments reserve £000	Merger reserve [1] £000	Retained earnings £000	Total attributable to owners of the parent £000	Non-controlling interest £000	Total equity £000
Balance at 1 September 2017	59,464	-	5,679	(23,712)	27,348	68,779	-	68,779
Loss for the period	-	-	-	-	(5,767)	(5,767)	-	(5,767)
Transactions with owners								
Share-based payments charge	-	-	187	-	-	187	-	187
Balance at 28 February 2018	**59,464**	**-**	**5,866**	**(23,712)**	**21,581**	**63,199**	**-**	**63,199**
Loss for the period	-	-	-	-	(1,791)	(1,791)	-	(1,791)
Transactions with owners								
Share-based payments charge	-	-	186	-	-	186	-	186
Changes in ownership interests								
Sale of NCI in subsidiary without a change in control	-	-	-	-	-	-	2,350	2,350
Balance at 31 August 2018	**59,464**	**-**	**6,052**	**(23,712)**	**19,790**	**61,594**	**2,350**	**63,944**
Profit/(loss) for the period	-	-	-	-	(945)	(945)	108	(837)
Transactions with owners								
Share-based payments charge	-	-	124	-	-	124	-	124
Transfer on exercise/cancellation of share options	-	-	(1,343)	-	1,343	-	-	-
Purchase of shares by EBT	-	(2,949)	-	-	-	(2,949)	-	(2,949)
Dividends payable	-	-	-	-	-	-	(190)	(190)
	-	(2,949)	(1,219)	-	1,343	(2,825)	(190)	(3,015)
Changes in ownership interests								
Sale of NCI in subsidiary without a change in control	-	-	-	-	608	608	1,642	2,250
Balance at 28 February 2019	**59,464**	**(2,949)**	**4,833**	**(23,712)**	**20,796**	**58,432**	**3,910**	**62,342**

(1) The merger reserve relates to the acquisition by MXC Capital Limited of its 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.

Unaudited interim consolidated statement of cash flows
for the six months ended 28 February 2019

	Unaudited 6 months to 28 February 2019 £000	Unaudited 6 months to 28 February 2018 £000	Audited Year to 31 August 2018 £000
Cash flows from operating activities			
Loss before taxation	**(837)**	(6,114)	(7,939)
Adjustments for:			
Movement in fair value of investments	**480**	5,015	4,973
Profit on disposal of PPE	**-**	(17)	(40)
Share-based payments charge	**124**	187	373
Net finance (income)/charges	**(205)**	6	22
Other income	**(372)**	-	-
Depreciation	**21**	56	84
Amortisation	**-**	12	25
Decrease/(increase) in trade and other receivables	**83**	318	(255)
(Decrease)/increase in trade and other payables	**(541)**	(40)	907
Corporation tax received	**-**	10	10
Net cash flows used in operating activities	**(1,247)**	(567)	(1,840)
Cash flows from investing activities			
Interest received	**143**	-	-
Dividends received	**372**	-	-
Payments to acquire property, plant and equipment	**-**	(47)	(49)
Proceeds from disposal of property, plant and equipment	**-**	6	6
Purchases of investments	**(312)**	-	(14,269)
Proceeds from disposal of investments	**-**	598	21,539
Loans advanced	**(7,320)**	-	(122)
Loan repayments received	**-**	39	39
Net cash flows from/(used in) investing activities	**(7,117)**	596	7,144
Cash flows from financing activities			
Proceeds from sale of NCI in subsidiary	**2,250**	-	2,350
Purchase of shares by EBT	**(2,949)**	-	-
Interest paid	**(23)**	(27)	(56)
Borrowings and other liabilities repaid	**(9)**	(14)	(240)
Net cash flows used in financing activities	**(731)**	(41)	2,054
Net (decrease)/increase in cash and cash equivalents	**(9,095)**	(12)	7,358
Cash and cash equivalents at beginning of period	**12,433**	5,075	5,075
Cash and cash equivalents at end of period	**3,338**	5,063	12,433
Comprising:			
Cash and cash equivalents	**3,338**	5,063	12,433

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 (together the "Group") up to 28 February 2019. The Group's accounting reference date is 31 August. The Company's shares are listed on the AIM market of the London Stock Exchange. 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 28 February 2019 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 2019. 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 consolidated interim financial information should be read in conjunction with the annual financial statements of MXC Capital Limited for the year ended 31 August 2018, which have been prepared in accordance with IFRS.

The comparative financial information for the six months ended 28 February 2018 has been extracted from the interim financial statements for that period. The comparative financial information for the year ended 31 August 2018 has been extracted from the annual financial statements of the Group.

These interim financial statements are prepared on a going concern basis. The Group meets its day-to-day working capital requirements through its existing cash reserves, which are sufficient to meet currently maturing obligations as they fall due. The directors have reviewed the Group's financial projections and, given the cash balances the Group holds, are satisfied that it is appropriate to prepare these consolidated interim financial statements on a going concern basis. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

These interim financial statements for the period ended 28 February 2019, 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 2018 received an unqualified audit opinion.

2. Changes in accounting policies

The Group has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1 September 2018.

The adoption of IFRS 15 did not impact the timing or amount of fee income from contracts with customers and the related assets and liabilities recognised by the Group. Accordingly, there is no impact on the comparative information in these interim financial statements as a result of the adoption of IFRS 15.

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. However, there are no significant changes to the accounting treatment of the Group's assets or liabilities following the adoption of IFRS 9. The Group's equity investments and warrants continue to be accounted for at fair value through profit or loss. In the case of the Group's other financial assets, these are held to hold and collect the associated cash flows and therefore continue to be accounted for at amortised cost.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets that are debt instruments (loans receivable) but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. As at 1 September 2018, the Group's loans receivable were not material, therefore no expected credit loss has been retrospectively applied to the loan balance. There are, therefore, no differences in the carrying value of financial assets and liabilities at 1 September 2018 as a result of the adoption of IFRS 9.

The Group has assessed its loans receivable at 28 February 2019 and has determined that, given the short passage of time since the loans were advanced and the absence of any impairment indicators with respect to the financial and trading position of the loan counterparties, together with the nature of the counterparties, there is no material expected credit loss as at 28 February 2019. Therefore, no expected credit losses have been recognised. The position will be reassessed at 31 August 2019.

Following the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 'Presentation of Financial Statements', which introduced the requirement to present 'interest income calculated using the effective interest rate' as a separate line item in profit or loss. Previously, the Group disclosed this amount within 'finance income' in profit or loss. The Group has reclassified 2018 comparative interest income on loans receivable from 'finance income' to 'interest income calculated using the effective interest method'. During the period to 28 February 2019, the Group had advanced loans totalling £7.3 million. The Group considers interest receivable on loans to be part of its ordinary activities and has therefore included 'interest income calculated using the effective interest method' as part of revenue.

3. Segmental analysis

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Makers ("CODM"). The CODM has been identified as the board of directors (the "Board").

The Board is responsible for strategic decision making and for assessing the performance of the operating segments. The operating segments are defined by distinctly separate product offerings or markets. The CODM assesses the performance of the operating segments based on the Trading EBITDA generated by each segment. Assets and liabilities are monitored by the CODM on a group basis and not per individual segment, therefore that analysis is not provided below.

All revenue originates in the United Kingdom or Guernsey. Third party revenue is detailed in the segmental analysis below as are charges for professional services rendered between the Group's operating segments. Recharges of costs between segments are excluded from the revenue analysis below, in line with the internal reporting to the CODM.

The Group is comprised of the following main operating segments:

Capital Markets segment – the Group's FCA regulated corporate finance and related services division.

Advisory segment – the Group's advisory and consultancy division, responsible for originating and advising on investments and investment opportunities and providing operational and strategic guidance to clients.

Central – all other activities of the Group in performing its principal activity of the provision of advisory and investment services, including the management of its investments and other financial assets, are considered together by the CODM.

Unaudited results for the six months ended 28 February 2019

	Capital Markets £000	Advisory £000	Central £000	Inter-segment transactions £000	Total £000
Revenues:					
Third party fee income	118	589	-	-	707
Third party interest income calculated using the effective interest rate method	-	-	229	-	229
Inter-segment	-	519	-	(519)	-
Total revenue	**118**	**1,108**	**229**	**(519)**	**936**
Trading EBITDA[1]	**(110)**	**719**	**(379)**	**-**	**230**
Exceptional costs	-	-	(419)	-	(419)
Share-based payments charge	-	(124)	-	-	(124)
Depreciation	-	(13)	(8)	-	(21)
Movement in fair value of investments	-	-	(480)	-	(480)
Operating (loss)/profit	**(110)**	**582**	**(1,286)**	**-**	**(814)**
Finance costs	-	(2)	(21)	-	**(23)**
(Loss)/profit before taxation	**(110)**	**580**	**(1,307)**	**-**	**(837)**

Unaudited results for the six months ended 28 February 2018

	Capital Markets £000	Advisory £000	Central £000	Inter-segment transactions £000	Total £000
Revenues:					
Third party fee income	156	140	-	-	296
Third party interest income calculated using the effective interest rate method	-	-	21	-	21
Inter-segment	-	514	-	(514)	-
Total revenue	**156**	**654**	**21**	**(514)**	**317**
Trading EBITDA[1]	**(226)**	**301**	**(892)**	**-**	**(817)**
Share-based payments charge	(63)	(124)	-	-	(187)
Depreciation	-	(18)	(38)	-	(56)
Amortisation of intangible assets	(12)	-	-	-	(12)
Movement in fair value of investments	-	-	(5,015)	-	(5,015)
Operating (loss)/profit	**(301)**	**159**	**(5,945)**	**-**	**(6,087)**
Finance costs	-	(1)	(26)	-	**(27)**
(Loss)/profit before taxation	**(301)**	**158**	**(5,971)**	**-**	**(6,114)**

[1] earnings from trading activities before interest payable, tax, depreciation, amortisation, non-recurring items, share-based payments and movements in fair value of investments.

4. Loss per share

The calculation of basic and diluted loss per share is based on results attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period, excluding the shares held by the Employee Benefit Trust. The weighted average number of shares for the purpose of calculating the basic and diluted measures in the six months to 28 February 2019 and 2018 is the same. This is because the outstanding options would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive under the terms of IAS 33.

On 15 February 2019, the Company completed a share capital consolidation, being the consolidation of every 50 existing ordinary shares of no par value each into one new ordinary share of no par value each. For comparative purposes, the weighted average number of ordinary shares in issue has been restated as if the share capital consolidation had occurred prior to each reporting period end.

Basic and diluted unaudited loss per share are calculated as follows:

	6 months to 28 February 2019 Loss per share pence	**6 months to 28 February 2019 Loss £000**	**28 February 2019 Weighted average number of ordinary shares**	6 months to 28 February 2018 Loss per share pence	6 months to 28 February 2018 Loss £000	28 February 2018 Weighted average number of ordinary shares
Basic and diluted loss per share (reported)	**(1.28)p**	**(837)**	**65,538,651**	(0.17)p	(5,767)	3,357,767,484
Consolidation of shares (50:1)	**-**	**-**	**-**	-	-	(3,290,612,134)
Basic and diluted loss per share (restated for comparative purposes)	**(1.28)p**	**(837)**	**65,538,651**	(8.59)p	(5,767)	67,155,350

5. Investments

The movement on investments in the period, together with an analysis of investments held, is detailed in the table shown in the 'Investments' section of the Financial Review to these Interim results.