MXC Capital Limited

Annual Report and
Consolidated Financial Statements for
the year ended 31 August 2020

Registered in Guernsey
with company number 58895

Company information

Directors	Ian Smith (Chief Executive Officer) Paul Guilbert (Non-executive Director) Peter Rigg (Non-executive Director, resigned 16 March 2020) Simon Freer (Non-executive Director, resigned 16 March 2020)
Secretary	C.L. Secretaries Limited
Country of incorporation and registration	Guernsey
Company number	58895
Registered office	1st & 2nd Floor Elizabeth House Les Ruettes Brayes St Peter Port Guernsey GY1 1EW
Bankers	HSBC Bank plc Arnold House St Julian's Avenue St Peter Port Guernsey GY1 3NF
Solicitors	Carey Olsen (Guernsey LLP) PO Box 98 Carey House Les Banques St Peter Port Guernsey GY1 4BZ
Auditor	Grant Thornton Limited Chartered Accountants PO Box 313 Lefebvre House Lefebvre Street St Peter Port Guernsey GY1 3TF

Contents

Chief Executive Officer's Report

Post-period end, on 2 September 2020, we updated shareholders on the Group's progress in a circular relating to a proposed tender offer to shareholders. That document provided information on the events occurring in the year ended 31 August 2020 and therefore I repeat the salient details below.

Following a thorough review of the strategic options open to the Company earlier in the financial year, we concluded that it was in the best interests of the Company and its shareholders to seek shareholder approval for the cancellation of admission of the Ordinary Shares to trading on AIM (the "Delist"). The shareholders approved the Delist at a general meeting held on 2 March 2020 and the last day of dealing in the Company's Ordinary Shares on AIM was 13 March 2020.

In its February 2020 circular to shareholders proposing the Delist, we set out the intended way forward as a private company, as follows:

- Continuation of the Company's stated strategy of investing in technology companies and subsequently exiting those investments once a satisfactory return has been made;

- Commitment to return a minimum of 50 per cent. of the proceeds received (after costs) in respect of each exit by the Company from its investments ("Investment Return"). It is anticipated that the Investment Return will be facilitated by way of tender offer, the price for the tender offer being the then NAV of the Company. The remaining proceeds will be retained to enable the Company to continue to execute its stated strategy of investing in technology companies;

- To facilitate further liquidity, at certain other times, and at the Board's discretion, Shareholders may be able to benefit from offers from the Company to buy back shares. In line with the Company's stated buyback policy, and given the intended capital return programme above, such purchases will continue to be at a discount to NAV; and

- The Investment Return will continue until the Company ultimately exits all of its investments, at which point the cash remaining in the Company will be returned to shareholders and the Company wound up. The Directors currently anticipate this will occur within the next five years.

During the year ended 31 August 2020, the Group invested a total of £11.9 million in the form of both equity and loan capital. We are encouraged with the underlying performance of our investee companies. However, the intended exit from certain investments has been deferred due to the wider market conditions resulting from the COVID-19 pandemic. We continue to have confidence that satisfactory returns will be made from our investee companies within the original five-year timescale.

In July 2020, we took the opportunity to agree an accelerated exit from our investment in The Guernsey Investment Fund PCC Limited ("GIF"), thereby enabling the Company to remain on track to meet its commitment of returning all monies to shareholders within the stated five-year period. Furthermore, the disposal of the Company's investment in GIF has released the Group from its commitment to provide investment funds of a further £1.3 million. We also received proceeds from a property sale within another of our investments. Together, these events resulted in a cash inflow to the Group of approximately £4.3 million.

Following these disposals and in line with the Board's commitment to return a minimum of 50 per cent. of the proceeds of investment exits, we were pleased to announce a £4.3 million tender offer to shareholders in September 2020. This tender offer resulted in the purchase, and subsequent cancellation, by the Company of 5.8 million of its shares. By reducing the number of Ordinary Shares in issue, returns per share will be increased.

To ensure that the maximum amount of cash is ultimately returned to shareholders, we have undertaken a broad-ranging cost reduction programme. To date, the Group's annualised costs have reduced by in excess of £0.8 million since the Delist and we anticipate further reductions.

Chief Executive Officer's Report *(continued)*

To assist with the cost reduction programme, we repurchased a minority stake in MXC (UK) Limited (the holding company of the Group's UK transactional businesses) held by a third party. MXC Capital (UK) Limited is now a wholly-owned subsidiary of the Company. This has allowed us to significantly wind down the Group's UK trading operations and related costs and has also removed the requirement to pay dividends to a third party. The Group is now wholly focused on the return of capital from its investments.

To further simplify our operations and reduce ongoing running costs, we entered into agreements to settle certain staff share awards and to terminate our Employee Benefit Trust. 7.8 million Ordinary Shares were held by the Employee Benefit Trust and these have now been acquired by the Company and cancelled. The Company will not grant any new share options. By reducing the number of Ordinary Shares in issue, returns per share will be increased.

We are pleased with the progress made by the Company during the year and we look forward to updating shareholders with further progress in due course.

Ian Smith
Chief Executive Officer

Financial Review

Revenue

Total consolidated revenue for the year, reflecting both fee income and interest income, was £2.9 million (2019: £3.3 million). In addition to its fee income of £1.3 million (2019: £2.4 million), the Group has generated £1.6 million (2019: £0.8 million) of interest income in respect of loan financing advanced.

The Board considers its interest income to be part of the trading activities of the Group and therefore it has been presented as a component of revenue. In accordance with IFRS 9, the 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 by the Group. The analysis of revenue and trading by segment is shown in note 3 to the consolidated financial statements.

Other income

During the year the Group received £3.2 million (2019: £0.7 million) of dividends from investee companies. £3.1 million of the dividends related to the disposal of a property within an investee company.

Movement in fair value of investments

The Group prepares its accounts in accordance with IFRS as adopted by the EU, accounting for its investments 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 quoted investee companies, which, given the stage of development of those companies, can be quite volatile. The Group saw a fall in the fair value of its investment portfolio in the year of £8.8 million (2019: increase of £9.2 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 on page 4.

Operating expenses

Total operating expenses for the year were £2.9 million (2019: £3.5 million). Following the delist from AIM in March 2020, the Group has reduced its annualised running costs by £0.8 million to date and anticipates further reductions will be made going forward.

IFRS 16, the new accounting standard dealing with leases, was adopted during the year. The impact of the adoption on the Group's property rental expense is detailed on page 19.

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 stated before share-based payments, exceptional items, movements in the fair value of investments and the IFRS 9 loans receivable expected credit loss provision, but 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 for the year to 31 August 2020 was £3.5 million (2019: £1.8 million).

Trading EBITDA, together with revenue, cash balances and the value of the Group's investments are the principal financial key performance indicators used by the Board in monitoring the performance of the business.

Impairment charges on goodwill

The Board reviews goodwill at least annually for any signs of impairment. Following the de-list of the Group from AIM and the announcement of the Group's intention to exit from its investments and return capital to shareholders over the course of the next five years, the Directors believe the goodwill, which arose on the historical acquisition of its subsidiaries, to be fully impaired. A non-cash impairment charge in respect of goodwill of £11.4 million has therefore been recognised in the year.

Profit for the year attributable to owners of the parent company

After all costs and income (including the changes in the fair value of investments and the non-cash goodwill impairment charge), and after a tax charge of £0.1 million (2019: £0.3 million), the reported Group loss for the year was £17.1 million (2019: profit of £9.4 million). Of this loss, £20.2 million was attributable to owners of the parent company and a profit of £3.1 million was attributable to non-controlling interests. An interim dividend of £0.1 million payable to non-controlling interests was declared and paid during the year (2019: £0.2 million).

Financial Review *(continued)*

Non-controlling interests
During the year the Group repurchased a minority stake in MXC (UK) Limited (the holding company of the Group's UK transactional businesses) held by a third party. MXC Capital (UK) Limited is now a wholly-owned subsidiary of the Group. The purchase price was £2.2 million of which £1.1 million was paid on completion and £1.1 million is due in July 2021. This has allowed the Directors to significantly wind down the scale of the Group's UK trading operations and related costs and has also removed the requirement to pay dividends to a third party. Further details of the non-controlling interests are given in note 26.

Investments and loans
During the year, the Group invested £6.7 million into its equity investment portfolio and advanced loans of £5.2 million. Proceeds of £3.8 million were raised (in cash and deferred consideration) from the disposal of certain of the Group's investments.

At the year end, the Group had outstanding loan capital and accrued interest (including deferred consideration) of £17.9 million (2019: £8.7 million) and its equity investment portfolio was valued at £25.0 million (2019: £30.8 million) as shown in the following table:

	Fair value at 1 September 2019	Investment cost	Change in fair value	Disposal/ exercise proceeds	**Fair value at 31 August 2020**
	£000	£000	£000	£000	**£000**
Cloudcoco Group plc	2,416	98	(1,613)	-	**901**
IDE Group Holdings plc	12,703	-	(9,073)	-	**3,630**
Private companies	15,726	6,632	1,862	(3,782)	**20,438**
Total investments	30,845	6,730	(8,824)	(3,782)	**24,969**

Cash flow
The Group's cash inflow from operating activities in the period was £1.3 million (2019: outflow of £0.3 million). The cash inflow is lower than the Trading EBITDA as interest receivable on the loan notes, whilst included in the trading results for the year, is not payable until the end of the loan note term. Cash proceeds from the sale of investments of £1.2 million were received and £6.7 million was invested into the Group's equity portfolio. Loans advanced in the year totalled £5.2 million. £1.1 million was paid to acquire a minority shareholding in one of the Group's subsidiaries from a non-controlling interest and a dividend of £0.1 million was paid to non-controlling interests. £1.7 million was used to purchase shares of the Company from shareholders by way of a tender offer in October 2019 and £0.4 million was spent servicing the Group's borrowings. The cash balance at the end of the period was £8.8 million (2019: £21.5 million).

Net assets
Following the impairment of the Group's goodwill, net assets at the end of the year were £50.1 million (2019: £71.3 million). Of this, £43.6 million (2019: £65.9 million) was attributable to equity holders of the Company and £6.5 million (2019: £5.4 million) was attributable to non-controlling interests.

In July 2020, the Group's Employee Benefit Trust was wound up and the shares cancelled by the Company, increasing the net asset value per share attributable to equity holders of the Company which, at 31 August 2020, was 75 pence.

Post-period end, in September 2020, the company returned £4.3 million to shareholders by way of a tender offer at a price of 75 pence per share, in line with the Board's commitment to return capital to shareholders upon the exit from investments.

Strategic Report

The directors present their Strategic Report for the year ended 31 August 2020.

Review of the business and future developments
A detailed review of the business for the year is set out in the Chief Executive Officer's Report and the Financial Review. Included in these reviews are comments on the key performance indicators that are used by the Board on a monthly basis to monitor and assess the performance of the business. These indicators include the level of revenue, Trading EBITDA and cash balances together with the value of the Group's investments. Future developments and current trading and prospects are set out in the Chief Executive Officer's Report and the Financial Review. These reports are incorporated into this Strategic Report by reference and should be read as part of this report. The Group's strategy is focused on maximising its returns from all elements of its investment and advisory model.

Risks and risk management
Identifying, evaluating and managing the principal risks and uncertainties facing the Group is an integral part of the way we do business. We have policies and procedures in place throughout our operations that enable us to do so, embedded within our management structure and as part of our normal operating processes. Market and economic conditions are recognised as one of the principal risks in the current trading environment. This risk is mitigated by the close monitoring of trading conditions and the performance of our investment portfolio.
The Group is affected by a number of risks and uncertainties, not all of which are wholly within its control as they relate to the wider macroeconomic and legislative environment within which the Group operates. The key financial risks of the Group are detailed in note 19. The key non-financial risks that the Group faces are listed below.

Portfolio of investments and loans receivable
The Group's largest asset is the portfolio of investments and loans receivable it holds in both quoted and unquoted businesses. The Group is therefore subject to a number of risks in this area, both in terms of its own engagement with these companies and also with the performance of those companies themselves. The key risks the Group faces in this area are:

Prospective investments
The value of the Group is dependent, inter alia, upon acquiring interests in other businesses. There can be no guarantee that suitable companies will be available for investment or acquisition, or that the Group will successfully identify and invest in such businesses. To mitigate this risk, the Group has a pipeline of potential investment opportunities across its target markets.

Ability to realise value of investee companies or loans
Once the Group has acquired an interest in a business it is likely that such asset may not be realisable immediately, particularly given the nature of the sectors of interest, the size of the targeted businesses and that targeted businesses may be private companies. In addition, smaller companies frequently lack the financial strength, diversity and resources to overcome or survive periods of economic slowdown. Furthermore, the share prices of such companies, if publicly traded, are often subject to significant fluctuations which could be caused by the trading underperformance of the investee companies themselves or other internal and external factors. Any volatility in the value of one or more of such businesses could have a substantial impact upon the value of the Group. Any such underperformance in an investee company may also affect its ability to repay any loan financing advanced to it by the Group.

The Group is also reliant upon the integrity of the financial and non-financial governance within the investee companies. The Group's operating model aims to ensure that sufficient oversight is applied to the investee companies to minimise exposure to such risks.

Strategic Report *(continued)*

Risks and risk management *(continued)*

Competition in the market place of the Group's investee companies
Investee companies may be companies which operate in highly competitive markets characterised by evolving customer needs and rapid technological change. Such businesses may well compete with a number of other companies, some of which may well have significantly greater financial, technical and marketing resources. In addition, those competitors may have the ability to respond more quickly to new or emerging technologies, adapt more quickly to changes in customer requirements, have stronger customer relationships, have greater name recognition, and may devote greater resources to the development, promotion and sale of their products than the investee companies. In the markets in which such companies operate, competition may also be based on a variety of factors including product performance, functionality, value, and breadth of sales and service organisation. Competition could result in price reductions, reduced margins, and loss of market share by businesses. The Group's strategy is to invest in companies with the ability to build resilience by way of growth, and focus on quality of product to ensure market share.

Early stage of development and limited operating history of investee companies
Many of the businesses in which the Group invests may be companies at an early stage of commercial development. The commencement of such businesses' generation of material revenues is difficult to predict and there is no guarantee that such businesses will generate any material revenues after investment by the Group or any revenues at all. The resources available to such businesses may not be sufficient to fund the businesses until they are profitable. Some of the businesses may be companies which have a limited sales and operating history upon which their performance and prospects can be evaluated and they may well face the risks frequently encountered by developing companies. These risks include the potential inability to retain key personnel, as well as uncertainty as to which areas to target for growth and expansion. In addition, there can be no assurance that the businesses' proposed operations will be profitable or produce a reasonable return, or any return, on investment. The Group's strategy is, however, formulated by an experienced management team with a strong track record of generating significant gains from early stage companies within the Technology, Media and Telecommunications sector, approved by the Board of MXC and executed by a seasoned group of executives.

Reliance on key personnel and management
The success of the Group is dependent on the services of key management and personnel. Therefore, the directors believe that the ability to attract and retain highly skilled and qualified personnel is crucial. Most employees hold shares in the Company but there can be no guarantee that such individuals will be retained or new employees identified and employed.

Exit of UK from European Union
The UK left the European Union during the period under review and entered a 12-month transition period (commonly referred to as "Brexit"). Whilst negotiations between the UK and the European Union continue the impact of Brexit is not yet clear, but it may significantly affect the fiscal, monetary and regulatory landscape in the UK (and by extension through Protocol 3 of the Treaty of Accession of the United Kingdom to the EEC, Guernsey), and could have a material impact on its economy and the future growth of its various industries. Depending on the exit terms negotiated between EU Member States and the UK following Brexit, the UK is likely to lose access to the single European Union market and the global trade deals negotiated by the European Union on behalf of its members.

The UK could, however, correspondingly acquire the right to secure additional trade deals with non-EU countries and with the EU itself. Such a change in trade terms could affect the attractiveness of the UK as an investment centre and, as a result, could have a detrimental or positive effect on UK companies and financial markets. Although it is not possible to predict fully the effects of an exit of the UK from the European Union, it could have a material effect on the business, financial condition and results of operations of both the Group and its investee companies. The Group pays attention to the progress and direction of the negotiations and will take any actions open to it to mitigate any risk as the impact becomes clearer. The Group does not expect to have to make significant operational changes or incur significant operational disruption as a consequence of Brexit.

Strategic Report *(continued)*

Risks and risk management *(continued)*

COVID-19

The COVID-19 outbreak has the potential to cause significant disruption to the UK and Guernsey economies and, whilst the financial impact of the Group is difficult to quantify, several scenarios have been examined in respect of the financial impact of the COVID-19 outbreak on the Group's investee companies and therefore on the Group itself. Whilst the Group's larger investee companies operate in the IT managed services sector which continues to see new opportunities, there have been some delays experienced in the signing and implementation of those new opportunities and projects. In addition, any continued lock-down periods could lead to reductions in the underlying business performance, including cash collections, of the investee companies, affecting both the valuation of those businesses and their ability to repay any financing commitments owed to the Group. The Board continues to monitor the situation and to act to try and mitigate any financial impact as necessary.

By order of the board

Paul Guilbert
Director
26 November 2020

Directors' Report

The directors present their report together with the audited consolidated financial statements for the year ended 31 August 2020 for MXC Capital Limited (the "Company") and its subsidiaries (together the "Group").

Corporate status
The Company is domiciled in Guernsey and was incorporated and registered in Guernsey on 19 August 2014 with company number 58895. Its registered office is 1st & 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW.

Principal activity
The principal activity of the Group during the year was that of advisor to and investor in technology companies. The Company is a permanent capital vehicle that is responsible for the execution and supervision of the Group's strategy.

Results and dividends
The trading results for the year and the Group's financial position at the end of the year are shown in the financial statements set out on the following pages. The review of the year and the directors' strategy and objectives for the future are set out in the Strategic Report.

The directors do not recommend the payment of a dividend for the year ended 31 August 2020 (2019: £nil).

Principal risks and uncertainties
The principal risks and uncertainties are detailed within the Strategic Report, on pages 5 to 7.

Details of the Group's financial risk management objectives and policies are set out in note 19 of the consolidated financial statements.

Directors

Ian Smith	(Chief Executive Officer)
Paul Guilbert	(Non-executive director)
Peter Rigg	(Non-executive director, resigned 16 March 2020)
Simon Freer	(Non-executive director, resigned 16 March 2020)

The Company has agreed to indemnify its directors against any third-party claims which may be brought against them and has put in place a directors' and officers' insurance policy.

Directors' remuneration
Remuneration in respect of the directors was as follows:

	Basic salary and fees	**Additional payment/ bonus**	**Benefits**	**2020 total**	2019 total
	£000	**£000**	**£000**	**£000**	£000
Ian Smith	**230**	**146**	**38**	**414**	255
Paul Guilbert	**35**	**25**	**-**	**60**	35
Peter Rigg[1]	**34**	**-**	**-**	**34**	45
Simon Freer[1]	**23**	**-**	**-**	**23**	15
Meriel Lenfestey[1]	**-**	**-**	**-**	**-**	14

[1]figures relate to the period of directorship.

Directors' **Report** *(continued)*

Directors' interests
As at 31 August 2020 the directors and their beneficial interests and those of their families in the share capital of the Company were as follows:

Number of Ordinary shares of nil par value:

	2020	2019
Ian Smith	**10,183,622**	10,403,796
Paul Guilbert	**40,917**	40,917

Related party transactions
Details of the Group's transactions and year end balances with related parties are set out in note 24 of the consolidated financial statements.

Subsequent events
Full details of subsequent events are included in note 27 to the consolidated financial statements.

Disclosure of information to the auditor
The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor. The annual report and consolidated financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Auditor
Grant Thornton Limited have been appointed as auditor and have indicated their willingness to continue in office.

By order of the board

Paul Guilbert
Director
On behalf of the Board
26 November 2020

Registered Office:
1st & 2nd Floor
Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey
GY1 1EW

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for the Group for each financial year. The directors have prepared financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The consolidated financial statements are prepared in accordance with IFRS and The Companies (Guernsey) Law, 2008 (as amended) for each financial period and give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss for that period.

In preparing each of the consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Group consolidated financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008 (as amended). They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of MXC Capital Limited

Opinion

We have audited the group financial statements of MXC Capital Limited and its subsidiaries (the "group") for the year ended 31 August 2020 which comprise the consolidated statement of profit or loss, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31st August 2020 and of its loss for the year then ended;
- are in accordance with IFRS as adopted by the European Union; and
- comply with The Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the group financial statements' section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the group financial statements in Guernsey, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the group financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the group financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

At the date of this report the effects of Covid-19 are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the group financial statements is not appropriate; or
- the directors have not disclosed in the group financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the group financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business including effects arising from macro-economic uncertainties such as Covid-19, and analysed how those risks might affect the group's financial resources or ability to continue operations over the period of at least twelve months from the date when the group financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

Independent Auditor's Report to the Members of MXC Capital Limited *(continued)*

Other information
The directors are responsible for the other information. The other information comprises the information included in the director's report set out on pages 8 and 9, other than the group financial statements and our auditor's report thereon. Our opinion on the group financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the group financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the group; or
- the group financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors for the group financial statements
As explained more fully in the statement of directors' responsibilities set out on page 10, the directors are responsible for the preparation of the group financial statements which give a true and fair view in accordance with IFRS, and for such internal control as the directors determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the group financial statements
Our objectives are to obtain reasonable assurance about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group financial statements.

A further description of our responsibilities for the audit of the group financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of MXC Capital Limited *(continued)*

Use of our report

This report is made solely to the group's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited
Chartered Accountants
PO Box 313 Lefebvre House
Lefebvre Street
St Peter Port
Guernsey
GY1 3TF

26 November 2020

Consolidated Statement of Profit or Loss

for the year ended 31 August 2020

	Notes	**2020 £000**	2019 £000
Fee income	3	**1,283**	2,437
Interest income	3,7	**1,605**	819
Revenue		**2,888**	3,256
Other income	4	**3,214**	688
Movement in fair value of investments	12	**(8,824)**	9,236
Operating expenses excluding impairment charges on goodwill		**(2,899)**	(3,468)
Impairment charges on goodwill	10	**(11,416)**	-
Trading EBITDA[1]		**3,491**	1,810
Exceptional costs	6	**-**	(977)
Share-based payments charge	6	**-**	(247)
Movement in fair value of investments	12	**(8,824)**	9,236
Impairment provision on loans receivable	13	**(195)**	(70)
Depreciation	11	**(93)**	(40)
Impairment charges on goodwill	10	**(11,416)**	-
Operating (loss)/profit	5	**(17,037)**	9,712
Finance costs	7	**(44)**	(52)
(Loss)/profit on ordinary activities before taxation		**(17,081)**	9,660
Tax on (loss)/profit on ordinary activities	8	**(53)**	(258)
(Loss)/profit and total comprehensive income for the year		**(17,134)**	9,402
(Loss)/profit for the year attributable to:			
Owners of the parent		**(20,220)**	9,062
Non-controlling interests		**3,086**	340
		(17,134)	9,402
(Loss)/earnings per share			
Basic (loss)/earnings per share	9	**(34.73)p**	14.60p
Diluted (loss)/earnings per share	9	**(34.73)p**	14.39p

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

The notes on pages 19 to 47 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
as at 31 August 2020

	Notes	**31 August 2020 £000**	31 August 2019 £000
Non-current assets			
Intangible assets	10	**-**	11,416
Property, plant and equipment	11	**177**	113
Financial assets at fair value through profit or loss	12	**24,969**	30,845
Loans and other receivables	13	**17,879**	8,748
		43,025	51,122
Current assets			
Trade and other receivables	14	**649**	819
Cash and cash equivalents	15	**8,786**	21,454
		9,435	22,273
Total assets		**52,460**	73,395
Current liabilities			
Trade and other payables	16	**(571)**	(1,140)
Income tax payable		**(54)**	(258)
Lease liabilities	17	**(87)**	(21)
Other financial liabilities	18	**(1,296)**	(200)
		(2,008)	(1,619)
Non-current liabilities			
Lease liabilities	17	**(106)**	(38)
Other financial liabilities	18	**(213)**	(419)
		(319)	(457)
Total liabilities		**(2,327)**	(2,076)
Net assets		**50,133**	71,319
Equity			
Share premium	20	**57,742**	59,464
Shares held in Employee Benefit Trust	20	**-**	(5,559)
Share-based payments reserve		**554**	4,956
Merger reserve		**(23,712)**	(23,712)
Retained earnings		**9,024**	30,804
Equity attributable to the owners of the parent		**43,608**	65,953
Non-controlling interests	26	**6,525**	5,366
Total equity		**50,133**	71,319

Consolidated Statement of Financial Position *(continued)*

The notes on pages 19 to 47 form an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Board on 26 November 2020 and signed on its behalf by:

I Smith Director	P Guilbert Director

Consolidated Statement of Changes in Equity

for the year ended 31 August 2020

	Share premium £000	Shares held by Employee Benefit Trust £000	Share-based payments reserve £000	Merger reserve £000	Retained earnings £000	Total attributable to owners of the parent £000	Non-controlling interests £000	Total £000
Balance at 1 September 2018	**59,464**	**-**	**6,052**	**(23,712)**	**19,790**	**61,594**	**2,350**	**63,944**
Profit and total comprehensive loss for the year	-	-	-	-	9,062	9,062	340	9,402
Transactions with owners								
Share-based payments charge	-	-	247	-	-	247	-	247
Transfer on exercise/ cancellation of share options	-	-	(1,343)	-	1,343	-	-	-
Sale of NCI in subsidiary without a change in control	-	-	-	-	609	609	2,866	3,475
Purchase of shares by EBT	-	(5,559)	-	-	-	(5,559)	-	(5,559)
Dividends paid to NCI	-	-	-	-	-	-	(190)	(190)
	-	(5,559)	(1,096)	-	1,952	(4,703)	2,676	(2,027)
Balance at 31 August 2019	**59,464**	**(5,559)**	**4,956**	**(23,712)**	**30,804**	**65,953**	**5,366**	**71,319**
Loss and total comprehensive income for the year	-	-	-	-	(20,220)	(20,220)	3,086	(17,134)
Transactions with owners								
Tender offer costs	(1,722)	-	-	-	-	(1,722)	-	(1,722)
Transfer on exercise/cancellation of share options	-	-	(4,402)	-	4,402	-	-	-
Purchase of shares in subsidiary from NCI	-	-	-	-	(381)	(381)	(1,799)	(2,180)
Purchase of shares by EBT	-	(244)	-	-	-	(244)	-	(244)
Disposal of shares by EBT	-	5,803	-	-	(5,581)	222	-	222
Dividends paid to NCI	-	-	-	-	-	-	(128)	(128)
	(1,722)	5,559	(4,402)	-	(1,560)	(2,125)	(1,927)	(4,052)
Balance at 31 August 2020	**57,742**	**-**	**554**	**(23,712)**	**9,024**	**43,608**	**6,525**	**50,133**

The notes on pages 19 to 47 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 August 2020

	Note	**2020** **£000**	2019 £000
Cash flows from operating activities			
Cash generated from/(used in) operations	23	**1,517**	(283)
Corporation tax paid		**(257)**	-
Net cash flows generated from/(used in) operating activities		**1,260**	(283)
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(1)**	(5)
Purchase of investments		**(6,730)**	(4,684)
Proceeds from disposal of investments		**1,182**	24,193
Loans advanced		**(5,217)**	(11,030)
Loans repayments received		**45**	3,396
Interest received		**89**	-
Net cash flows (used in)/ generated from investing activities		**(10,632)**	11,870
Cash flows from financing activities			
Proceeds from sale of NCI in subsidiaries		**-**	3,475
Purchase of shares in subsidiary from NCI		**(1,090)**	-
Dividend paid to NCI		**(128)**	(190)
Purchase of shares by Employee Benefit Trust		**(244)**	(5,559)
Disposal of shares by Employee Benefit Trust		**235**	-
Tender offer proceeds and costs		**(1,722)**	-
Interest paid		**(45)**	(52)
Lease liabilities repaid		**(82)**	(20)
Other liabilities repaid		**(220)**	(220)
Net cash flows used in financing activities		**(3,296)**	(2,566)
Net (decrease)/ increase in cash and cash equivalents in year		**(12,668)**	9,021
Cash and cash equivalents at beginning of year		**21,454**	12,433
Cash and cash equivalents at end of year		**8,786**	21,454

The notes on pages 19 to 47 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

MXC Capital Limited (the "Company") is a company incorporated and domiciled in Guernsey. The registered office is 1st & 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW and the principal place of business is Guernsey.

Basis of preparation
The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the European Union (IFRS).

These financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability or expense. The detailed measurement bases and principal accounting policies of the Company and its subsidiaries (the "Group") are set out below. The accounting policies have been applied consistently throughout the Group for the purposes of the preparation of these consolidated financial statements. The presentational currency of the Group and functional currency of the Company is Sterling (£). The consolidated financial statements have been rounded to the nearest thousand.

Going concern
These consolidated financial statements have been 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 have considered reasonably possible changes in trading performance and the timing of key strategic events, including COVID-19. Given the cash balances and the investments in liquid securities that the Group holds, the directors are satisfied that it is appropriate to prepare the consolidated 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.

Adoption of new standards and interpretations
IFRS 16 'Leases'
The Group implemented IFRS 16 Leases as of 1 September 2019, adopting the modified retrospective approach. The new standard is effective for periods beginning on or after 1 January 2019. IFRS 16 removes the operating and finance lease classification for lessees in IAS 17 Leases and replaces them with the concept of right-of-use assets and associated financial liabilities. This change results in the recognition of a liability on the balance sheet for all leases which convey a right to use the asset for the period of the contract. The lease liability reflects the present value of the future rental payments, discounted using either the effective interest rate or the incremental borrowing rate of the Group. The operating lease charges previously reflected within administrative expenses have been eliminated and instead depreciation and finance charges have been recognised in respect of the lease assets and liabilities.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However trading EBITDA results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under IFRS 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

IFRS 16 has resulted in the recognition of additional lease assets within property, plant and equipment at 31 August 2020 of £151,000 and additional lease liabilities of £155,000 in total for the Group. The depreciation charge against the right-of-use asset in 2020 has been calculated to be £65,000, with an interest charge of £11,000, which compares to the previous IAS 17 treatment which would have been an operating lease charge within operating expenses of £77,000, resulting in an increase in Adjusted EBITDA reported in 2020 of £77,000 compared to the IAS 17 treatment.

Notes to the Consolidated Financial Statements

1 General information *(continued)*

Adoption of new standards and interpretations - *IFRS 16 'Leases'* *(continued)*
The weighted average incremental borrowing rate applied to lease liabilities recognised by the group at 1 September 2019 is 5%.

When adopting IFRS 16 from 1 September 2019, the Group has applied the following practical expedients:
• excluding any initial direct costs from the measurement of right-of-use assets;
• using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
• The right-of-use-assets have not been assessed for impairment at 1 September 2019 but have been reduced by the amount of any onerous lease provisions at that date.

Impact of adoption
IFRS 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated.

Differences between the operating lease commitments disclosed at 31 August 2019 under IAS 17 discounted at the incremental borrowing rate at 1 September 2019 and lease liabilities recognised at 1 September 2019 are explained below:

	1 September 2019 £000
Operating lease commitments as at 31 August 2019 (IAS 17)	241
Operating lease commitments discount based on the weighted average incremental borrowing rate of 5% (IFRS 16)	(25)
Right-of-use assets recognised on transition to IFRS 16 on 1 September 2019	216
Lease liabilities - current (IFRS 16)	61
Lease liabilities - non-current (IFRS 16)	155
	216

There was no impact on retained earnings on transition.

Basis of consolidation
Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, until the effective date of disposal, as applicable.

The consolidated financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 August each year. All subsidiaries have a reporting date of 31 August.

The Group applies the acquisition method in accounting for business combinations, with the exception of a business combination in 2015 which was regarded to be outside the scope of IFRS 3 and, as such, management used judgement in determining the appropriate accounting treatment. Under the circumstances, merger accounting was deemed suitable.

Notes to the Consolidated Financial Statements

1 General information *(continued)*

Basis of consolidation *(continued)*
Under the acquisition method, the cost of acquisition is measured as the aggregate of the consideration transferred by the Group to obtain control of a subsidiary, which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests where it is considered material to do so.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2 Accounting policies

2.1 Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM has been identified as the Board of Directors of the Company, which reviews the Group's internal reporting in order to assess performance and allocate resources.

2.2 Revenue
Revenue comprises fee income and interest income. The Board considers the interest income to be part of the trading activities of the Group and therefore it has been presented as a component of revenue.

2.3 Fee income
Fee income comprises the fair value of the consideration received or receivable for services provided in the ordinary course of the Group's activities. Revenue is shown net of Value Added Tax where applicable and after eliminating sales within the Group.

Revenue arises mainly from the services rendered by the Group to its customers.

To determine whether to recognise revenue, the Group follows a 5-step process:
1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

In each identified contract with a customer there are two distinct performance obligations: (a) the Group's stand-ready obligation to render advisory activities as and when required which is referred to as the "Retainer fees"; (b) the Group's obligation to render advice for specific corporate finance transactions which is referred to as the "Transaction revenue". These fees are the Group's primary source of fee income. These are considered to be distinct performance obligations as the customer can benefit from each service on its own and the Group's promise to transfer each service to the customer is separately identifiable from other promises in the contract.

Notes to the Consolidated Financial Statements

2 Accounting policies *(continued)*

2.3 Fee income *(continued)*
The recognition of the revenue is described below for each distinct performance obligation:

(i) Retainer fees
The Group has a stand-ready obligation to provide advisory services to customers as and when required. This performance obligation is in place for the life of the contract with the customer and satisfaction of this obligation is considered to be met on an ongoing basis as the scope of this arrangement is generally not considered reconcilable to input or output criteria to measure progress towards complete satisfaction of this obligation. For this reason, revenue is recognised straight-line over the performance of the contract via a fixed monthly retainer fee agreed as part of the contract. This fixed fee is specifically set out in the contract as the transaction fee allocated to this performance obligation. As the amount of work required to perform under these contracts does not vary significantly from month-to-month, the monthly billing provides a faithful depiction of the transfer of services. This is considered to align revenue recognition with the satisfaction of the stand-ready performance obligation. Accrued revenue is recognised when the revenue recognition criteria were met but in accordance with the underlying contract, the sales invoice has not been issued yet.

(ii) Transaction revenue
This income stream comprises fees in relation to the Group's transactional services, such as corporate finance deal fees. For each corporate transaction entered into by a customer, the Group has an obligation to provide advisory services including executing acquisitions and disposals. This obligation is satisfied at the point when the transaction has completed, being when the customer has received the full benefit of the advisory services rendered. The transaction price allocated is the variable fee specifically presented in the contract for advisory services. This price is variable as it is determined based on an agreed percentage of the enterprise value of any corporate transactions or capital raisings concluded. There is no accrual of the revenue and it is only recognised on the completion of the relevant transaction. As the transaction price is based on a fixed percentage of a known enterprise value, there are no significant judgements applied by management in recognising transaction revenue.

2.4 Interest income
Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount
The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss ("ECL") allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any ECL allowance.

Notes to the Consolidated Financial Statements

2 Accounting policies *(continued)*

2.4 Interest income *(continued)*
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.

2.5 Exceptional costs
Costs which are material either because of their size or their nature, are highlighted separately on the face of the consolidated statement of profit or loss. The separate reporting of exceptional costs helps provide a better picture of the Group's underlying performance. Items which may be included within the exceptional category include, inter alia, acquisition and restructuring costs and other particularly significant or unusual items.

Exceptional items are excluded from the headline profit measures used by the Group and are highlighted separately in the consolidated statement of profit or loss as management believe that they need to be considered separately to gain an understanding of the underlying profitability of the trading businesses.

2.6 Leases
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. Any variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The following accounting policies were applied to leases in the year ended 31 August 2019:

Management applies judgement in considering the substance of the lease agreement. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Where the Group has substantially all the risks and rewards of ownership, the assets are capitalised as property, plant and equipment and depreciated over the shorter of their useful economic life and the lease term. The resulting lease obligations are included in borrowings net of finance charges. Interest costs on finance leases are charged to the consolidated statement of profit or loss so as to produce a constant periodic rate of charge on the remaining balance of the liability for each period.

Notes to the Consolidated Financial Statements

2 Accounting policies *(continued)*

2.7 Taxation

The Company is taxed at the standard rate in Guernsey of 0%. The Group's subsidiaries' current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date in the jurisdictions certain of the Group's subsidiaries operate in.

Deferred income taxes are calculated in certain of the Group's subsidiaries using the liability method on temporary differences. Deferred tax is generally provided for on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided for on the initial recognition of goodwill or of any other asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided for if reversal of these temporary differences can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Tax losses which are available to be carried forward and other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided for in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period of realisation based on tax rates and laws that have been enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of profit or loss except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

2.8 Investments

Investments of the Group include equity securities, loans and loan notes. Equity securities classed as investments are designated as fair value through profit and loss ("FVTPL") on initial recognition, as is allowed by the relevant standard for a group of financial assets, financial liabilities or both that is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

Certain subsidiaries of the Company hold investments in investees which are classed as associates and joint ventures as the subsidiary companies are deemed to hold significant influence over these investees. In the opinion of the directors, these subsidiary companies operate akin to venture capital companies and therefore the Group has taken advantage of the exemptions from applying the equity method to account for associates and joint ventures available under IAS 28 and has designated such investments as FVTPL on initial recognition.

Warrants, being derivatives, are by default FVTPL since they classify as held for trading. Loans and loan notes are classified as loans and receivables.

2.9 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any provision for impairment. Depreciation is provided to write down the cost to the residual value over the assets' estimated useful economic lives as follows:

Office equipment, furniture and fittings	3 - 5 years, straight line basis
Motor vehicles	25% reducing balance basis
Right-of-use asset	over the remaining term of the lease

The residual values and economic lives of assets are reviewed by the directors on at least an annual basis and are amended as appropriate.

Notes to the Consolidated Financial Statements

2 Accounting policies *(continued)*

2.10 Impairment testing of property, plant and equipment
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell, and value in use based on an internal discounted cash flow valuation. Any impairment loss is charged pro rata to the assets in the cash-generating unit.

2.11 Intangible assets and impairment

(i) Goodwill
Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. The Group determines whether goodwill is impaired on at least an annual basis.

(ii) Impairment of intangibles and goodwill
In assessing impairment, management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

2.12 Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and demand deposits held on call at banks.

2.13 Financial assets
In accordance with IFRS 9, the Group classifies its financial assets as either those to be measured at fair value (either through profit or loss, or other comprehensive income), or at amortised cost. At the reporting date the Group's financial assets are classified as detailed below.

Impairment of the Group's loans and trade and other receivables is assessed using a forward-looking ECL, as detailed in notes 13 and 14.

(i) Loans and receivables

Trade and other receivables are recognised initially at fair value less any transaction costs and subsequently amortised cost less any expected credit loss provision. Any transaction costs are taken to profit or loss.

The Group's loans receivable comprise loans and loan notes which are initially recognised at fair value and stated at amortised cost at each reporting period end less any expected credit loss provision. Interest calculated using the effective interest method is recognised in consolidated statement of profit or loss within revenue.

(ii) Financial assets at fair value through profit or loss

The Group's equity investments are designated as at fair value through profit or loss on initial recognition. Any transaction costs are taken to profit or loss. Gains or losses arising from revaluation of the investments at each reporting period are recognised directly in the Group's consolidated statement of profit or loss.

The Group's warrants are classified as held for trading. Gains or losses arising from revaluation of the warrants at each reporting period are recognised directly in the Group's consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

2 Accounting policies *(continued)*

2.14 Financial liabilities
Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the financial instrument. The Group's financial liabilities include trade payables, borrowings and an obligation to purchase preferred ordinary shares issued in a subsidiary company. These are measured initially at fair value and subsequently at amortised cost using the effective interest rate method.

2.15 Derecognition of financial assets and liabilities
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial assets and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

2.16 Share-based payments
Share options and Long Term Incentive Plan ("LTIP")
The Group has issued equity-settled share options and awards under LTIPs to certain current and former employees. The fair value of these options and awards is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares or options that will eventually vest. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made where a change occurs to the expectation of a market based vesting condition. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

The fair value of the options and awards is measured by the Black-Scholes pricing method. All equity-settled share-based payments are ultimately recognised as an expense in the consolidated statement of profit or loss with a corresponding credit to equity.

Upon exercise of share options, the proceeds received, net of attributable transaction costs, are credited to share capital and, where appropriate, share premium. Where share options are modified the fair value of those options is reassessed and any revised value is expensed over the vesting period of the modified option. See note 21 for further details.

2.17 Equity
Equity comprises the following:

- Share premium, representing the fair value of consideration received for shares, net of expenses of the share issue;
- Shares held by Employee Benefit Trust, representing the cost price of investments in the Company's own shares;
- Share-based payments reserve, representing the cost of equity-settled share-based payments until such share options and awards are exercised or lapse;
- Merger reserve, representing the excess of the Company's cost of investment over the nominal value of MXC Capital (UK) Limited's shares acquired using the principles of predecessor value method accounting;
- Retained earnings, representing the aggregate of all current and prior period retained profits and losses.

2.18 Employee Benefit Trust
The Group previously established the MXC Employee Benefit Trust (the "EBT"), to provide benefits through a trust to employees whether directly or by way of entering into arrangements with the Group in support of its Employee Share Scheme. The assets and liabilities of the EBT were included in the Group's consolidated statement of financial position. Investments in the Group's own shares were shown as a deduction from equity. The EBT was wound up during the year. See note 20 for further details.

Notes to the Consolidated Financial Statements

2 Accounting policies *(continued)*

2.19 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements and their underlying assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenue and expenses during the periods presented. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known. The following paragraphs detail the critical accounting estimates and judgements the Group believes to have the most significant impact on the annual results under IFRS.

(i) Definition of business activities

The Board has exercised judgement in relation to the definition of the Company's business activities. The Board has assessed the Company's business model in detail against the criteria set out in IFRS 10 and is of the opinion that, although certain of its subsidiaries are investment holding companies, the Company itself does not meet the definition of an 'Investment Company' under IFRS 10, due, in part, to its broader advisory and corporate finance proposition. All subsidiaries of the Company, including those which are investment holding companies, are therefore consolidated into the Group financial statements as described elsewhere in these accounting policies.

(ii) Accounting for investments

Certain subsidiaries of the Company hold investments in investees which are classed as associates and joint ventures as the subsidiary companies are deemed to hold significant influence over these investees. In the opinion of the directors, these subsidiary companies operate akin to venture capital companies and therefore the Group has taken advantage of the exemptions from applying the equity method to account for associates and joint ventures available under IAS 28 and has designated such investments as fair value through profit or loss on initial recognition. In the opinion of the Board this gives a true and fair view of the Group's operations and financial position to shareholders.

(iii) Fair value measurement of investments

The Group holds investments in the form of quoted and unquoted securities measured at fair value. The fair value of these investments is estimated at the reporting period end, under methods detailed in note 12. Estimated fair values may vary from actual prices that would be achieved in an arm's length transaction at the reporting date.

(iv) Fair value measurement of share-based payments

The fair value of the Group's share-based payments is a significant estimate, calculated as detailed in note 21. Estimated fair values may vary from actual prices that would be achieved in an arm's length transaction at the reporting date.

(v) Impairment assessment

The Group tests annually whether goodwill and intangible assets have suffered any impairment, in accordance with the accounting policy for impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(vi) Recoverability of loans and other receivables

As detailed in note 13, the Group has outstanding loans, loan notes and other receivables. Other than in respect of the expected credit loss provision, the directors do not believe there are any signs of impairment in respect of these assets at the reporting period end. Given the quantum of the assets and the timescales until redemption, the recoverability of these loans, loan notes and other receivables is a significant estimate.

(vii) Recognition of retainer fees

The revenue from the provision of advisory services is recognised over time by the billing of the annual fee on a monthly basis. The timing of the satisfaction of performance obligations and in assessing that this method faithfully depicts the transfer of services requires the application of judgement by management.

Notes to the Consolidated Financial Statements

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 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 per segment are not monitored by the CODM and therefore that analysis is not provided below.

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

Transactional segment – this segment comprises the Group's corporate finance and related services, together with the Group's advisory and consultancy activities, including originating and advising on investment opportunities for the Group, and providing operational and strategic guidance to clients.

Central – all other activities of the Group in performing its principal activity of advisor to and investor in technology companies, including the management of its investments, are considered together by the CODM.

Results for the year ended 31 August 2020

	Transactional £000	Central £000	Inter-segment transactions £000	Total £000
Revenues:				
Third party fee income	1,252	31	-	1,283
Third party interest income	-	1,605	-	1,605
Inter-segment	503	-	(503)	-
Total revenue	**1,755**	**1,636**	**(503)**	**2,888**
Trading EBITDA[(1)]	**305**	**3,186**	**-**	**3,491**
Impairment charges on goodwill	-	(11,416)	-	(11,416)
Depreciation	(93)	-	-	(93)
Impairment provision on loans receivable	-	(195)	-	(195)
Movement in fair value of investments	-	(8,824)	-	(8,824)
Operating profit/(loss)	**212**	**(17,249)**	**-**	**(17,037)**
Finance costs	(14)	(30)	-	(44)
Profit/(loss) before taxation	**198**	**(17,279)**	**-**	**(17,081)**

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

During the year, revenue from four of the Group's customers each represented more than 10% of total revenue. Revenue related to those customers was £1,413,000, £465,000, £384,000 and £352,000 respectively.

Notes to the Consolidated Financial Statements

3 Segmental analysis *(continued)*

Results for the year ended 31 August 2019

	Transactional £000	Central £000	Inter-segment transactions £000	Total £000
Revenues:				
Third party fee income	1,811	626	-	2,437
Third party interest income	-	819	-	819
Inter-segment	1,814	-	(1,814)	-
Total revenue	**3,625**	**1,445**	**(1,814)**	**3,256**
Trading EBITDA[(1)]	**2,434**	**(624)**	**-**	**1,810**
Exceptional costs	(512)	(465)	-	(977)
Share-based payments charge	(247)	-	-	(247)
Depreciation	(40)	-	-	(40)
Impairment provision on loans receivable	-	(70)	-	(70)
Movement in fair value of investments	-	9,236	-	9,236
Operating profit	**1,635**	**8,077**	**-**	**9,712**
Finance costs	(4)	(48)	-	(52)
Profit before taxation	**1,631**	**8,029**	**-**	**9,660**

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

During the year ended 31 August 2019, revenue from five of the Group's customers each represented more than 10% of total revenue. Revenue related to those customers was £1,039,000, £756,000, £398,000, £387,000 and £371,000 respectively.

4 Other income

	2020 £000	2019 £000
Dividends received	**3,214**	688

Notes to the Consolidated Financial Statements

5 Operating (loss)/profit

Operating (loss)/profit is stated after charging to administrative expenses:

	2020 £000	2019 £000
Impairment charges on goodwill (see note 10)	**11,416**	-
Impairment provision on loans receivable	**195**	70
Depreciation of owned assets	**12**	14
Depreciation of assets held under finance leases	**81**	26
Employee costs, excluding share-based payments charge (see note 6)	**1,745**	2,217
Share-based payments charge (see note 21)	**-**	247
Operating lease rentals	**-**	63
Auditor's remuneration		
Audit of consolidated accounts	**27**	25
Audit of the Company's subsidiaries	**14**	40
Non-audit services		
Taxation services	**8**	12

6 Particulars of staff

The average number of persons employed by the Group, including executive directors, during the year was:

	2020 No	2019 No
Fee earners and administration	**9**	9

The aggregate payroll costs of these persons were:

	2020 £000	2019 £000
Wages and salaries	**1,572**	1,961
Social security costs	**162**	246
Pension costs-defined contribution plan	**11**	10
Total payroll costs (see below)	**1,745**	2,217
Share-based payments charge (see note 21)	**-**	247
Total employment costs	**1,745**	2,464

Notes to the Consolidated Financial Statements

6 Particulars of staff *(continued)*

Exceptional costs

Included in total payroll costs in 2019 was £977,000 in respect of staff bonuses paid as a result of the profit realised by MXC on the exit of certain of the Group's investments, rather than as a result of the trading performance of the Group. These bonuses were therefore treated as exceptional in nature. Bonuses paid in 2020 were not in respect of the exit of investments and therefore have not been treated as exceptional costs.

Directors' remuneration

Remuneration of directors, who were the key management personnel during the year, was as follows:

	2020	2019
	£000	£000
Aggregate emoluments including short-term benefits and fees	**531**	363

The remuneration of the highest paid director during the year was:

	2020	2019
	£000	£000
Aggregate emoluments including short-term employee benefits	**414**	255

The remuneration of individual directors, who are the key management personnel of the Group, is disclosed in the Directors' Report on page 8. No retirement benefits in respect of defined contribution schemes are accruing to any directors.

7 Finance income and costs

	2020	2019
	£000	£000
Finance income		
Interest on loans receivable	**1,541**	796
Interest in cash and cash equivalents	**64**	22
Other interest	**-**	1
	1,605	819

	2020	2019
	£000	£000
Finance cost		
Interest expense on lease liabilities	**14**	5
Interest expense on other financial liabilities	**30**	47
	44	52

Notes to the Consolidated Financial Statements

8 Taxation

(a) Tax on loss on ordinary activities

	2020	2019
	£000	£000
Current tax		
Current year charge	**54**	258
Adjustment in respect of prior periods	**(1)**	-
Total tax charge	**53**	258

The Company is liable for taxation in Guernsey at the standard rate of 0%.

(b) Reconciliation of the total income tax charge

	2020	2019
	£000	£000
(Loss)/profit on ordinary activities before taxation	**(17,081)**	9,660
UK corporation tax rate of 19.0% (2019: 19.0%) payable on UK profit	**54**	258
Prior year adjustment to current income tax	**(1)**	-
Total tax charge	**53**	258

9 Earnings per share

Earnings per share ("EPS") is based on the profit or loss attributable to shareholders of the parent company divided by the weighted average number of ordinary shares in issue during the year, excluding any shares held by the EBT.

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows. In the year ended 31 August 2020, the weighted average number of ordinary shares for the purpose of calculating the basic and diluted measures was the same. This is because the outstanding share incentives, details of which are given in note 21, would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive under the terms of IAS 33.

	2020	2019
	Number	Number
Weighted average shares used to calculate basic EPS	**58,221,431**	62,073,560
Dilutive effect of share incentive awards	**-**	908,121
Weighted average shares used to calculate diluted EPS	**58,221,431**	62,981,681

Notes to the Consolidated Financial Statements

10 Intangible assets

	Goodwill £000
Cost	
At 1 September 2018	11,416
At 31 August 2019 and 2020	**11,416**
Amortisation and impairment	
At 1 September 2018 and 31 August 2019	-
Impairment of goodwill	11,416
At 31 August 2020	**11,416**
Net carrying amount	
At 31 August 2020	**-**
At 31 August 2019	11,416

Goodwill
Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is supported by calculating the discounted cash flows arising from value-in-use calculations based on each applicable cash generating unit. Following an assessment by management during the year ended 31 August 2020, taking into account both the anticipated reduction in the number of future investments likely to be made, together with the reduced contribution expected from the Group's trading operations, the carrying value of the Group's goodwill has been fully impaired.

The goodwill impairment charge is included as an expense in the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

11 Property, plant and equipment

	Office equipment, furniture and fittings £000	Motor vehicles £000	Right-of-use asset £000	Total £000
Cost				
At 1 September 2018	143	116	-	259
Additions	5	-	-	5
At 31 August 2019	148	116	-	264
Additions	1	-	-	1
Right-of-use asset recognised on transition to IFRS 16	-	-	216	216
Disposals	(1)	(116)	-	(117)
At 31 August 2020	**148**	**-**	**216**	**364**
Depreciation				
At 1 September 2018	97	14	-	111
Charge for the year	14	26	-	40
At 31 August 2019	111	40	-	151
Charge for the year	12	16	65	93
On disposal	(1)	(56)	-	(57)
At 31 August 2020	**122**	**-**	**65**	**187**
Net carrying amount				
At 31 August 2020	**26**	**-**	**151**	**177**
At 31 August 2019	37	76	-	113

The assets classified within motor vehicles and right-of-use asset are held under lease liabilities.

Notes to the Consolidated Financial Statements

12 Financial assets at fair value through profit or loss

	Quoted company investments £000	Private company investments £000	Warrants £000	Total £000
Cost				
At 1 September 2018	26,690	13,485	943	41,118
Additions	124	4,560	-	4,684
Disposals of investments and exercise of warrants	(23,753)	-	(440)	(24,193)
Movement in fair value of investments	12,057	(2,318)	(503)	9,236
At 31 August 2019	15,118	15,727	-	30,845
Additions	98	6,632	-	6,730
Disposals of investments	-	(3,782)	-	(3,782)
Movement in fair value of investments	(10,686)	1,862	-	(8,824)
At 31 August 2020	**4,530**	**20,439**	**-**	**24,969**

The Group's investments relate to equity securities held in both AIM quoted and unquoted, private companies. These investments are accounted for at fair value through profit or loss and presented as financial assets at fair value through profit or loss in the consolidated statement of financial position.

Fair value measurement
Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: not traded in an active market but the fair values are based on quoted market prices or alternative pricing sources with reasonable levels of price transparency; or
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The equity securities are measured at fair value. The quoted equity securities are categorised as level 1 fair values, the unquoted equity securities as level 3.

The fair value of the unquoted equity securities is based on a market approach, using either the latest fund raising valuation if applicable, or the application of market-average multiples (EV/EBITDA) to the companies' own data. The financial data of the valued companies themselves is not observable on the market, and whilst the market-average multiples are based on observable market data, the selection of comparable companies used is a significant judgement. The unquoted investees all operate within the technology sector and the key observable inputs were:

Valuation technique	**Observable input**	**Multiple**
Market comparable companies	EBITDA multiple	8.4 – 8.5

Notes to the Consolidated Financial Statements

12 Financial assets at fair value through profit or loss *(continued)*

Fair value measurement *(continued)*
During the year there were no transfers between categories (2019: £nil). Categorisation of the fair values at 31 August 2020 was:

	Level 1 £000	Level 2 £000	Level 3 £000
Quoted equity securities	4,530	-	-
Unquoted equity securities	-	-	20,439
	4,530	**-**	**20,439**

Categorisation of the fair values at 31 August 2019 was:

	Level 1 £000	Level 2 £000	Level 3 £000
Quoted equity securities	15,118	-	-
Unquoted equity securities	-	-	15,727
	15,118	**-**	**15,727**

13 Loans and other receivables

	2020 **£000**	2019 £000
Loan notes	**15,017**	8,759
Loans to associates	**485**	-
Other loans	**142**	59
Deferred consideration	**2,500**	-
	18,144	8,818
Less: provision for impairment	**(265)**	(70)
	17,879	8,748

During the previous year, the Group subscribed for £8.0 million of secured loan notes with a six-year term and an effective interest rate of 12% in IDE Group plc ("Secured LNs"). During the current year, the Group subscribed for a further £1.2 million of Secured LNs.

The Group has also, during the current financial year, subscribed for £3.5 million of loan notes with a five-year term and an effective interest rate of 12% in Cloudcoco Group plc ("LNs").

The interest on the Secured LNs and the LNs compounds annually and is payable at the end of the term.

Notes to the Consolidated Financial Statements

13 Loans and other receivables *(continued)*

Loans to associates comprises a loan of £385,000 repayable in five years made during the year to an associate, together with a working capital facility of up to £500,000 made available to Cloudcoco Group plc, of which £100,000 had been drawn down as at 31 August 2020. The facility is repayable in October 2021.

The subscribed amount plus the fees directly attributable to the Secured LNs, the LNs, the loans to associates and the other loans (together the "Facilities") is the basis of their carrying value. The determined carrying value of the Facilities is not materially different from their fair values. The counterparties to the Facilities are substantially companies in which the Group holds an investment as an associate and generally has board representation. Given its influence within, and therefore its knowledge of, the counterparty, together with the terms of the Facilities, the Group considers the ECL in respect of the Facilities to be low. The Group also considers there has been no change in its assessment of its risk since the inception of the Facilities and therefore considers it appropriate to reflect a 12 month ECL provision.

The deferred consideration arose in respect of a sale of certain assets to a company of which Ian Smith is a director and majority shareholder. The deferred consideration carries an interest rate of 1% and is repayable on or before 31 January 2023. Post period-end, £752,000 has been received from the counterparty as part-payment against the deferred consideration. The determined carrying value of the deferred consideration is not considered materially different from its fair value. Given the relationship with Ian Smith and the terms of the agreement and related security held, the risk of default, and therefore the ECL in respect of the deferred consideration is considered low.

After applying a sensitised valuation to the underlying assets of the counterparties to the Facilities and the deferred consideration, together with an estimate of the likelihood of a default event in the next 12 months, the Group considers an ECL provision in respect of its Loans and other receivables of £265,000 is appropriate (2019: £70,000). The movement on the provision is therefore £195,000 and this is included within operating expenses in the consolidated statement of profit or loss.

14 Trade and other receivables

	2020	2019
	£000	£000
Trade receivables	**571**	663
Less: provision for impairment of trade receivables	**(33)**	(33)
Trade receivables - net	**538**	630
Prepayments and accrued income	**111**	189
	649	819

The ageing of trade receivables at 31 August was:

	2020	2019
	£000	£000
Not past due	**571**	663

Notes to the Consolidated Financial Statements

14 Trade and other receivables *(continued)*

In accordance with IFRS 9, the Group reviews the amount of credit loss associated with its trade receivables based on forward looking estimates that take into account current and forecast credit conditions as opposed to relying on past historical default rates. The Group has applied the Simplified Approach permitted under IFRS 9 to measure lifetime expected credit losses and has assessed individual customer balances and their current and forecast trading conditions in deriving the ECL provision. The ECL provision of £33,000 (2019: £33,000) is included within operating expenses in the consolidated statement of profit or loss.

The other classes of assets within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable disclosed above.

The carrying amounts of the Group’s trade and other receivables are all denominated in Sterling.

15 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	2020	2019
	£000	£000
Cash at bank	**4,160**	2,434
Short-term deposits	**4,626**	19,020
	8,786	21,454

16 Trade and other payables

	2020	2019
	£000	£000
Current		
Trade payables	**70**	78
Other payables	**1**	1
Tax and social security	**52**	79
Accruals and deferred income	**448**	982
	571	1,140

Notes to the Consolidated Financial Statements

17 Lease liabilities

	2020 £000	2019 £000
Current	**87**	21
Non-current	**106**	38

The present value of lease liabilities as at 31 August is as follows:

	Minimum lease payments 2020 £000	**Interest 2020 £000**	**Principal 2020 £000**
Less than one year	96	9	87
Between one and five years	113	7	106
Total	209	16	193

	Minimum lease payments 2019 £000	Interest 2019 £000	Principal 2019 £000
Less than one year	24	3	21
Between one and five years	40	2	38
Total	64	5	59

18 Other financial liabilities

	2020 £000	2019 £000
Current		
Preferred ordinary shares	**206**	200
Deferred consideration	**1,090**	-
	1,296	200
Non-current		
Preferred ordinary shares	**213**	419

The Group has a future obligation to purchase preferred ordinary shares issued in MXC Holdings Limited for a total of £440,000 (2019: £660,000). The amortised cost of this obligation is £419,000 (2019: £619,000) which is analysed in the table above and is based on a discount rate of 3.25%, being the Group's borrowing rate at inception.

During the year, the Group purchased a 25% shareholding in MXC Capital (UK) Limited from an NCI, meaning MXC Capital (UK) Limited is now a wholly-owned subsidiary of the Group. The consideration was £2.18 million of which £1.09 million remains outstanding, with payment due in July 2021.

Notes to the Consolidated Financial Statements

19 Financial instruments and financial risk management

Risk management objectives and policies
The investment objective of the Group is to maximise its total return primarily through the capital appreciation of its investments. The Group holds investments in the form of equities and loan instruments. In addition, the Group holds cash and liquid resources as well as having receivables and payables that arise directly from its operations. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The main risks that the Group is exposed to are market risk (which includes currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The most significant financial risks to which the Group is exposed are described below and relate to the following financial instruments:

Principal financial instruments
The principal financial instruments used by the Group from which financial instrument risk arises are as follows:

- Financial assets at fair value through profit or loss
- Loans, trade and other receivables ("loans and receivables")
- Cash and cash equivalents
- Trade and other payables
- Other financial liabilities

	2020	2019
	£000	£000
Financial assets		
Financial assets at fair value through profit or loss	**24,969**	30,845
Loans and receivables	**18,417**	9,408
Cash and cash equivalents	**8,786**	21,454
	52,172	61,707

	2020	2019
	£000	£000
Financial liabilities		
Trade and other payables – excluding statutory liabilities	**519**	1,061
Other financial liabilities (see note 18)	**419**	619
Deferred consideration (see note 18)	**1,090**	-
Lease liabilities (2019: finance leases)	**193**	59
	2,221	1,739

Notes to the Consolidated Financial Statements

19 Financial instruments and financial risk management *(continued)*

The maturity analysis of the Group's financial assets is as follows:

2020:	On demand £000	<3 months £000	1-5 years £000	More than 5 years £000	**Total £000**
Financial assets at fair value through profit or loss	24,969	-	-	-	**24,969**
Loans and receivables	-	538	16,514	1,365	**18,417**
Cash and cash equivalents	8,786	-	-	-	**8,786**
	33,755	**538**	**16,514**	**1,365**	**52,172**

2019:	On demand £000	<3 months £000	1-5 years £000	More than 5 years £000	Total £000
Financial assets at fair value through profit or loss	30,845	-	-	-	30,845
Loans and receivables	-	660	59	8,689	9,408
Cash and cash equivalents	21,454	-	-	-	21,454
	52,299	660	59	8,689	61,707

Financial risk management

Currency risk

The Group has no direct exposure to currency risk. However, the Group is indirectly exposed to currency risk through the companies it invests in. The Group does not hedge against the currency risk, which the Board of Directors believe is a low risk to the Group.

Interest rate risk

The Group finances its operations through a mixture of Shareholders' capital and reserves, together with leases. During the year the Group received interest of £64,000 on its cash and cash equivalents (2019: £22,000). The Group has issued loans and loan notes, which are interest bearing. During the year the Group charged interest of £1,541,000 (2019: £796,000), at a fixed interest rate, on its loans and loan notes. All other assets and liabilities of the Group are non-interest bearing.

At 31 August 2020, cash and cash equivalents of £8,786,000 (2019: £21,454,000) are potentially exposed to movements in interest rates. Due to the generally low rates available, a movement in interest rates would not have a material financial impact on the Group. Therefore, the Group does not hedge against the interest rate risk to which it is exposed.

Other price risk

The Group's exposure to other price risk consists mainly of movements in the value of the Group's investments. The Board manages the price risks inherent in the investment portfolio by ensuring full and timely access to relevant information on current and potential investments. The Board meets regularly and at each meeting reviews investment performance. For the Group's quoted equity securities, an average overall change in fair value of 71% has been observed during 2020 (2019: 45%). This is considered to be a suitable basis to apply to the Group's quoted investments for estimating how profit or loss and equity could have been affected by changes in other price risk that were reasonably possible at the reporting date. However, this figure is considered too high to apply to the Group's unquoted investments given their values are less affected by external factors. The 2018 rate of 10% is deemed appropriate to apply to these investments. If the valuation of the Group's investments increased or decreased by this rates, profit or loss and equity would have changed by £2,470,000 in either direction (2019: £3,845,000).

Notes to the Consolidated Financial Statements

19 Financial instruments and financial risk management *(continued)*

Financial risk management *(continued)*
Credit risk
Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk principally in respect of cash deposits with financial institutions and its loans receivable. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 August, as summarised in the 'Principal financial instruments' table above.

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the 31 August reporting dates under review are of good credit quality. The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings of A and above.

Liquidity risk
Liquidity risk is that the Group might be unable to meet its financial obligations as they fall due. The Group manages its cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due. The Board of Directors manages liquidity risk by regularly reviewing the Group's cash requirements by reference to cash flow projections prepared by management.

Concentration risk
Concentration risk is the risk that the Group may be adversely affected by its investments being focused on a relatively small numbers of companies, all of whom operate within the technology sector. See 'Other price risk' for details of how the Group mitigates this risk and the impact it may have on reported results.

Capital management
The Group's capital structure is comprised entirely of shareholders' equity. The objective of the Board when managing capital is:

- to ensure the Group can meet its liabilities as they fall due; and
- to maximise the Group's total return primarily through the capital appreciation of its investments.

The capital structure is managed and adjusted to reflect changes in economic conditions. The Group funds its expenditure on commitments from existing cash and cash equivalent balances, primarily received from operating cash flows, the realisation of investments and the issuances of shareholders' equity. There are no externally imposed capital requirements. Financing decisions are made by the Board based on forecasts of the expected timing and level of capital, the operating expenditure required to meet the Group's commitments and development plans and the performance of the Group's current and potential investment portfolio.

20 Share premium

Ordinary shares of no par value	**Number of shares**	**Share Premium £000**
At 1 September 2018	3,360,167,484	59,464
Consolidation of share capital (50:1)	(3,292,964,135)	-
At 31 August 2019	67,203,349	59,464
Shares cancelled	(9,309,984)	(1,722)
At 31 August 2020	**57,893,365**	**57,742**

Notes to the Consolidated Financial Statements

20 Share premium *(continued)*

The Company is authorised to issue an unlimited number of Ordinary shares of no par value.

2020 Ordinary shares cancelled
Following a tender offer to all shareholders in October 2019, 1,460,942 Ordinary shares were purchased by the Company at a price of 116p per share and were subsequently cancelled.

In July 2020, the Group's Employee Benefit Trust was wound up and the Company subsequently cancelled the 7,849,042 Ordinary shares held in the trust.

B shares of no par value
During a previous financial year the Company issued 1,049,089,816 B shares of no par value as part of the acquisition of MXC Holdings Limited. This was the total number of B shares in issue at 31 August 2019. In July 2020 all of the B shares were redeemed and cancelled.

21 Share based payments

Share option scheme
The Company has a share option scheme for certain current and former employees of the Group. Share options outstanding at the end of the year were:

	2020 Number of share options	**2020 Weighted average exercise price £**	2019 Number of share options	2019 Weighted average exercise price £
Outstanding at the beginning of the year	**732,883**	**0.50**	36,644,176	0.01
Consolidation of share capital (50:1)	**-**	**-**	(35,911,293)	0.50
Outstanding at the end of the year	**732,883**	**0.50**	732,883	0.50
Exercisable at the end of the year	**732,883**	**0.50**	732,883	0.50

Share options with an option life of 10 years were granted in 2013 and, as the performance criteria has been achieved, all options have fully vested. Where applicable, the Board has exercised its discretion so that options granted to former employees continue to be exercisable.

Options outstanding under the Company's share option schemes at 31 August 2020 were as follows:

2013 Enterprise Management Incentive scheme:	**2020 No. of options**	**2019 No. of options**	**Calendar year of grant**	**Exercise period**	**Exercise price per share**
	532,883	532,883	2013	2013-2023	£0.50
	200,000	200,000	2013	2013-2023	£ nil

Notes to the Consolidated Financial Statements

21 Share based payments *(continued)*

The weighted average remaining contractual life of these options is 3 years (2019: 4 years).

The fair value of the employees' services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period was determined by reference to the fair value of the share options granted, calculated using the Black-Scholes option pricing model.

The share-based payments charge in respect of these share options has been fully expensed in previous financial years.

Long term incentive plan ('LTIP')
Since September 2015, the Group has made awards to certain directors and employees under its Long-Term Incentive Plan ("LTIP").

The beneficiaries of the LTIP are entitled to receive a share of shareholder value created, subject to share price performance and employment criteria. Shareholder value is defined as the growth in the market value of the Company from the base value of August 2014, taking into account dividends and capital returns, if any. The base value is defined as the aggregate value of all of the ordinary shares in the capital of the Company in issue in August 2014 as adjusted for the issue or cancellation of new ordinary shares after that date.

As at 31 August 2020, awards over 0.93% of shareholder value were in place (2019: 8.4%). No further awards under the LTIP are expected to be made.

The fair value of the LTIP was calculated by an external valuations' expert using a two-tiered Black-Scholes option pricing model together with an empirical model. The share-based payments charge in respect of the LTIP awards has been fully expensed in previous financial years.

22 Operating lease commitments

At 31 August 2019, the Group had aggregate minimum lease payments under non-cancellable operating leases in relation to property as follows:

	2019 £000
Due within one year	72
Due from one to five years	169
	241

On 1 September 2019, the Group adopted the modified retrospective approach of IFRS16. All operating leases met the criteria for capitalisation and were reclassified as finance leases accordingly.

Notes to the Consolidated Financial Statements

23 Net cash flows from operating activities

	2020 £000	2019 £000
(Loss)/profit on ordinary activities before taxation	**(17,081)**	9,660
Adjustments for:		
Movement in fair value of investments	**8,824**	(9,236)
Impairment charges on goodwill	**11,416**	
Loss on disposal of PPE	**20**	-
Depreciation	**93**	40
Share-based payment charge	**-**	247
Net finance income	**(1,561)**	(496)
Impairment provision on loans receivable	**195**	70
Decrease/(increase) in trade and other receivables	**153**	(77)
Decrease in trade and other payables	**(542)**	(491)
Cash generated from/(used in) operations	**1,517**	(283)

24 Related party transactions

Transactions between the Company and its wholly-owned subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Certain of the Group's investee companies are deemed to be related parties, because they are classed as associates or joint ventures of the Group. Transactions entered into, and trading balances outstanding at 31 August with these related parties, are as follows:

	Services provided to related party £000	Amounts owed by related party £000
Related party:		
Associates		
2020	**372**	**567**
2019	1,011	660
Joint venture		
2020	**491**	**-**
2019	756	302
Other		
2020	**384**	**-**
2019	398	-

Amounts owed by related parties are stated gross of VAT.

Notes to the Consolidated Financial Statements

24 Related party transactions *(continued)*

Terms and conditions of transactions with related parties
Sales to and purchases from related parties are made on an arm's length basis. Outstanding balances with entities other than group companies are unsecured, interest free and cash settlement is expected within agreed payment terms. Terms and conditions for transactions with group companies are the same, with the exception that balances are placed on intercompany accounts with no specified credit period. The Group has not provided or benefited from any guarantees for any related party receivables or payables. As 31 August 2020, the Group has made a provision for ECLs relating to amounts owed by related parties in respect of trade receivables of £33,000 (2019: £33,000).

In addition, the Group has loans and deferred consideration outstanding due from associates and other related parties as disclosed in note 13.

£3.065 million of the dividends received in the year, as detailed in note 4, were from an investee company which was an associate at 31 August 2020, having previously been a joint venture of the Group.

The directors are not aware of any ultimate controlling party.

25 Subsidiaries

At 31 August 2020 the Company had the following subsidiary undertakings.

Investment	Principal activity	Country of incorporation	% ordinary share capital/ members' interests owned
MXC Guernsey Limited	Investment and intermediate holding company	Guernsey	100%
MXC Capital (UK) Limited*	Investment and intermediate holding company	England & Wales	100%
MXC Capital Markets LLP*	Corporate Finance	England & Wales	100%
MXC Advisory Limited*	Advisory services	England & Wales	100%
MXC Holdings Limited*	Investment company	England & Wales	100%
MXC JV Limited*	Investment company	Guernsey	50%
Lammtara Industries EBT Trustees Limited*	Dormant	England & Wales	100%
2ergo Inc*	Dormant	United States	100%
Georgia Holding Company Inc*	Dormant	United States	100%
M-Invent Inc*	Dormant	United States	100%
Proteus Movil SA*	Dormant	Argentina	100%

*held indirectly

Notes to the Consolidated Financial Statements

26 Subsidiaries with material non-controlling interests

The Group includes two subsidiaries, MXC Capital (UK) Limited and MXC JV Limited, with material non-controlling interests ("NCI") during the year. MXC (UK) Limited ceased to have an NCI on 14 July 2020.

MXC JV Limited
At 31 August 2020 an NCI held 50% of the ownership interests and none of the voting rights of MXC JV Limited, a Guernsey based company. The accumulated NCI at 31 August 2020 was £6,524,500 (2019: £3,575,000). Profits of the MXC JV Limited amounting to £2.95 million (2019: £nil) were allocated to the NCI during the year. No dividends were paid to the NCI.

Summarised financial information for MXC JV Limited, before intragroup eliminations, is set out below:

	2020 **£000**	2019 £000
Revenue	**-**	-
Profit/(loss) and total comprehensive income for the year	5,889	(11)

	2020 **£000**	2019 £000
Non-current assets	**13,050**	7,150
Current assets	**1**	1
Total assets	**13,051**	7,151
Current liabilities	**(57)**	(47)
Net assets	**12,994**	7,104
Net cash inflow in the year	**-**	-

MXC Capital (UK) Limited
In September 2018, an NCI acquired 25% of the ownership interests and 25% of the voting rights of MXC Capital (UK) Limited, a UK based company ("MXC UK"). On 14 July 2020, the Group re-acquired the 25% ownership interests and voting rights of MXC UK from the NCI, such that the Group now holds 100% of the ownership interests and voting rights of MXC UK. Total consideration was £2.18 million of which £1.09 million was payable on completion and £1.09 million is payable in July 2021.

The accumulated NCI at 31 August 2020 was nil (2019: £1.79 million). Profits of the MXC UK group amounting to £136,000 (2019: £340,000) were allocated to the NCI during the year. A dividend of £128,000 (2019: £190,000) was paid to the NCI.

27 Subsequent events

On 28 September 2020 the number of exercisable voting rights in the Company was reduced to 52,104,029 following the purchase by the Company of 5,789,336 Ordinary Shares at 75p each by means of a tender offer. All shares purchased by the Company under the tender offer have been cancelled.