MXC Capital Limited

("MXC", the "Company" or the "Group")

Final Results for the Year Ended 31 August 2017

MXC, the technology focused merchant bank, announces its audited final results for the year ended 31 August 2017.

Summary

- Strong balance sheet, net assets of £68.8 million as at 31 August 2017 (31 August 2016: £80.7 million)

- Net asset value per share as at 31 August 2017 of 2.05 pence with the underlying portfolio and liquid assets valued at 1.75* pence per share

- Adjusted EBITDA** of £1.7 million (2016: £1.2 million)

- Fall in the fair value of the investment portfolio in the year of £11.2 million (2016: gain of £6.7 million), £9.0 million of which related to the diminution in value of options held in an exited investment

- Good progress made in portfolio investments in second half of the year:
  - **Tax Systems plc** continued to trade in line with expectations, having completed its first acquisition and delivered 7% organic revenue growth in the six months to 30 June 2017
  - **Castleton Technology plc** also continued to trade in line with expectations with both revenue and profitability growing by over 10% organically in the six months to 30 September 2017
  - **IDE Group Holdings plc***** continued to develop its offering having acquired 365ITMS while delivering revenue growth of 19% and adjusted EBITDA growth of 16% in the six months to 30 June 2017 (on a pro forma basis)
  - Other investments, including **Sagacity Solutions Limited** and **Adept4 plc** also continued to make good progress in achieving their strategic and financial goals

- Further Tender offer made to shareholders of £3.0 million in September 2016, representing 6% of the Company's market capitalisation as at 31 August 2017

- Share buyback programme commenced in December 2016: 39.1 million shares (1.15% of the Company pre commencement of the buyback programme) purchased at an aggregate cost of £0.6 million

- Post period end announcement of Joint Venture with Liberty Global plc

- The Board continues to progress a number of promising opportunities to enhance shareholder value

Peter Rigg, Chairman of MXC, said:

"In the period under review our core investee companies have maintained good growth momentum. The Group is well positioned to build further value in these businesses, both organically and by acquisition.

Our recently announced joint venture with Liberty Global marks an important step change in the MXC model, as co-investing in and advising third party funds brings us access to greater opportunities as well as returns. We continue to progress other opportunities. The Board continues to believe that MXC is well positioned to deliver good returns to its shareholders."

* *underlying portfolio and liquid asset value represents cash balances plus audited valuation of the Company's portfolio based on closing mid-market prices at 31 August 2017 with privately held assets valued at input cost, the latest fundraising valuation or average market multiples*

*** earnings from trading activities before interest, tax, depreciation, amortisation, restructuring and non-recurring items, share-based payments and unrealised movements in fair value of investments*

**** Formerly known as CORETX Holdings plc, name change effective as from 1 December 2017*

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

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About MXC Capital (www.mxccapital.com)

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

Chairman's Statement

The year has been one of consolidation following an intense period of investment and transactional activity during the previous financial year. Our existing investments have performed in line with our expectations and we remain confident they will deliver good returns for our shareholders.

During the year, we have continued to support the growth of our portfolio companies which included the completion of two further acquisitions for them, whilst consolidating the benefits of the acquisitions made in the previous period. Our portfolio businesses continue to demonstrate strong rates of growth in both revenues and trading profits.

In an announcement on 3 November 2017, the Board noted the recent weakness in the Company's share price. There is no material reason for this and the Board remains confident in the performance of our underlying investments and of the Company's potential. At year end, the Company had a Net Asset Value ("NAV") of 2.05p per share. The board is aware that throughout the year the Company has traded at a discount to NAV. The depth of this discount is disappointing to all shareholders, including the Company's management and concert party who own approximately 52% of the Company and who are determined to see the discount close.

Balance Sheet

Our balance sheet remains healthy with net assets at 31 August 2017 of £68.8 million (2016: £80.7 million) including £5.1 million of cash without borrowings, giving us the flexibility to make further investments while avoiding the inefficiency of carrying too much capital. The major movement in the year was a £9 million diminution in the value of warrants held in an exited investment.

Tender Offers and share buybacks

The Company made its second tender offer to shareholders in September 2016 of £3.0 million representing 6% of the Company's market capitalisation as at 31 August 2017. The Company has now returned £3.8 million to shareholders in the past two years.

Commencing in December 2016, the Company conducted a share buyback programme. By year end, 39.1 million shares (1.15% of the Company pre commencement of the buyback programme) have been purchased at an aggregate cost of £0.6 million. The Board will continue to assess whether to extend this programme.

Investment portfolio

£7.1 million of further equity and loan capital investments were made during the year as we continued to support the growth of our portfolio companies.

Highlights from the year included:

- Tax Systems plc ("Tax Systems") continued to trade in line with expectations, having completed its first acquisition and delivered 7% organic revenue growth in the six months to 30 June 2017
- Castleton Technology plc ("Castleton") also continued to trade in line with expectations with both revenue and profitability growing by over 10% organically in the six months to 30 September 2017
- IDE Group Holdings plc ("IDE") continued to develop its offering having acquired 365ITMS while delivering revenue growth of 19% and adjusted EBITDA growth of 16% in the six months to 30 June 2017 (on a pro forma basis)
- Other investments, including Sagacity Solutions Limited ("Sagacity") and Adept4 plc ("Adept4") also continued to make good progress in achieving their strategic and financial goals

On 20 November 2017 we announced the formation of a joint venture with Liberty Global Europe 2 Limited, a wholly owned subsidiary of Liberty Global plc ("Liberty Global"), the world's largest international TV and broadband company, with a view to building an IT services provider focused on small and medium sized business customers within the UK. We shall be a 50% shareholder in the joint venture to be known as MXLG Acquisitions Limited. MXC will receive management fees, transaction fees and a profit share over the lifetime of this joint venture.

Corporate Finance and Advisory

The year to 31 August 2017 was a quieter year for our corporate finance activities as the Group focused on developing its existing portfolio businesses. We advised Tax Systems on its acquisition of OSMO Data Technology Limited and IDE on its acquisition of 365 ITMS Limited. We continue to evaluate potential opportunities for our investee businesses whilst at the same time maintaining a healthy pipeline of investment possibilities for the Company.

During the year we reduced our costs, without compromising either our advisory or our corporate finance capabilities. Our cost base was at year end £1.2 million lower than the previous year (excluding one off restructuring costs of £0.4 million in the year to 31 August 2016) and the Board will continue to ensure the Group's cost base is right-sized to best support growth in shareholder value.

Board & Management Changes

As announced this morning Ian Smith, co-founder of MXC, has joined the Board as Chief Executive and will lead the strategic development of the Company going forward. Marc Young has stepped down from the Board to take responsibility for launching a new MXC investment strategy focusing on privately owned growth technology businesses. Marc played a central role in bringing MXC to the AIM market and its subsequent funding. Marc will join the Company's Advisory Board as well as remaining Managing Partner of MXC Capital Markets LLP. The Board welcomes Ian Smith to the role and would like to thank Marc Young for his contribution to the Board during the past three years.

Gavin Lyons and Andy Ross left the MXC partnership to become the CEOs of Tax Systems and IDE respectively. Those businesses will benefit from their experienced, hands on management and I wish them well. During the year, Paul Gibson, who joined the MXC partnership at the end of the previous financial year, was appointed to the Board of Castleton as a non-executive director, bringing his experience to that Board as Castleton commences a period of rapid growth. Paul has also joined the Board of Tax Systems as a non-executive director, bringing them his considerable experience of developing software companies. We shall continue to strengthen our MXC team in due course.

In addition, Martin Bolland is retiring from our Advisory Board as he reduces his commitments to public companies in order to focus on his private investments. Alex Sandberg, who already sits on our Advisory Board will succeed Martin as its Chairman. Martin remains a supportive and significant investor in our company and I would like to thank him and all of our partners and staff for their contribution in the year.

Outlook

In the period under review our core investee companies have maintained good growth momentum. With a portfolio currently focused on five investments, the Group is well positioned to build further value in these businesses both organically and by acquisition.

The Company is continuing to progress a number of promising opportunities, an example of which is our recently announced joint venture with Liberty Global. This transaction marks an important step change in the MXC model, as co-investing in and advising third party funds brings us access to greater opportunities as well as returns. The Board continues to believe that MXC is well positioned to deliver good returns to its shareholders.

Peter Rigg

Chairman

Market Overview from the Investment Advisor, Ian Smith

When I look across the technology sector, it is noticeable that the predominant source of capital is from private equity. Meanwhile, technology companies attempting to fulfil their growth plans on AIM have mixed experiences of the market's patience with young, fast growth businesses that by definition, have their trading ups and downs.

At the smaller end, technology companies find public market capital expensive and the reporting onerous. Private equity remains hungry for opportunity in the sector and has the funds to deploy. MXC is well placed to thrive at the cross roads of these dynamics. Ours is an operator led model of co-investment, preparing growth companies to appeal to private equity and public market investors. This partnering for growth remains at the core of our model.

I have said repeatedly that the greatest value in our company is the visibility of and access to deal flow in our sector. With over 90 deals completed over the past 15 years, we have acquired a depth of experience which is second to none. That advantage is hard to replicate and the Board is determined to continue to leverage it to the benefit of our shareholders. In short, whilst the past financial year was not an easy one for us, we all remain absolutely focussed on the opportunity that we see for the Company.

As well as being a year of consolidation, bedding down the previous year's intense pattern of investments and acquisitions for our investee companies, the Company was adversely affected by events at Redcentric plc ("Redcentric"). Redcentric was a business created by MXC as one of its cornerstone investors. The announcement of accounting misstatements at the company in November last year was hugely disappointing. The fall in value of our options in Redcentric has had a material impact on our results for the year reducing the value of our investment portfolio as at 1 September 2016 by some £9 million or 14%.

On a more positive note, in the previous financial year the Company was involved in 12 transactions, applying £31.5 million of funds. During the year under review we focussed on working with the management of our investee companies to review or reset strategy, to strengthen management where necessary and to generally support our investee companies to realise their potential. In this regard, we are pleased with the progress we have made.

But let me characterise our portfolio. In **Tax Systems** we have the country's leading provider of corporation tax software and services to a blue-chip corporate and accountancy client base, with an exceptional level of recurring revenue. **Castleton** is a prominent one stop provider of an integrated suite of software solutions and services to the social housing sector. **IDE** is fast positioning itself as a key supplier to the mid-market in the managed services, cloud and connectivity space. In **Sagacity** we have one of the country's leading big data management offerings, providing major utilities, telecoms and financial services companies with solutions born of decades of experience. **Adept4** continues to build its 'IT as a Service' offering to SMEs. There is a recurring theme here: high quality service offerings, growing profitability, strong cash flows and the potential to step-change growth by acquisition. We are proud of these investments which are well positioned to build further value for us both organically and by acquisition.

On 20 November 2017 we announced the formation of a joint venture with Liberty Global Europe 2 Limited, a wholly owned subsidiary of Liberty Global, the world's largest international TV and broadband company, with a view to building an IT services provider focused on small and medium sized business customers within the UK. We shall be a 50% shareholder in the joint venture to be known as MXLG Acquisitions Limited. My long-standing business partner and co-founder of MXC, Tony Weaver, will focus on this joint venture with Liberty Global. Tony is already identifying investment opportunities in the managed services sector.

Going forward, I have joined the Board of MXC Capital Limited in the newly created role of Chief Executive. Accordingly, Marc Young has stepped down from that Board but will join our Advisory Board and remains a partner in MXC. I should like to thank Marc for his contribution.

This joint venture with Liberty Global marks an important step change for MXC. Investing in and advising third party funds gives us access to a sufficient level of capital to grow a greater number of assets. Across our own directly held investments and our joint venture with Liberty Global, we believe that we have visibility on around £100 million of assets. To create optimal deal flow, we do not think we need much more than £150 million to maintain a self-sustaining cycle of investment, growth, disposal and distributions to shareholders along the way. Ultimately, with a pool of assets of this quantum, the contribution to MXC should grow significantly, at the same time powering our NAV and returns to shareholders.

We take a three-year view on this "engine" we are developing to be fully firing, as it becomes increasingly self-funding through realisations and self-fuelling through accelerated deal flow, throwing off greater returns in the process. MXC is setting out on the next leg of its journey and I believe it will be a rewarding one for all of us shareholders.

Ian Smith
Investment Advisor

Financial Review

Trading Results

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

Revenue

Together, these divisions delivered consolidated revenue for the year of £1.1 million (2016: £4.6 million). The analysis of revenues and trading by segment is shown in note 3 to the financial statements. The fall in revenue in the period is a result of a lower level of corporate finance activities which reflects a period of consolidation in the Group's investee companies.

Movement in 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 investee companies, which, given the nature of the Group's investee companies, can be quite volatile, especially in the early stages of investment. Generally, the Group holds its investments for the longer term but suffered a fall in the fair value of its investment portfolio in the year of £11.2 million, which is directly reflected in the consolidated statement of profit or loss (2016: gain of £6.7 million). Of this loss, £1.4 million related to investments held in quoted and unquoted businesses and £9.8 million to a fall in the fair value of warrants held, predominantly in Redcentric plc as explained in the Market Overview. This loss was partially offset by a realised gain of £3.3 million (2016: £nil) made on the disposal of investments acquired during the year for short-term trading. These movements are detailed in the investments table below.

Administrative expenses

Administrative expenses were incurred in the running of all Group entities and include the cost of the Board and its advisers, including the fees associated with maintaining the AIM listing. The Group has a flexible operating model and has controlled costs during the year in line with the fall in revenues, whilst retaining the capability to originate and execute a large volume of investments and transactions for its investee companies. Administrative expenses have fallen during the year by £1.6 million from £6.8 million in 2016 to £5.2 million in 2017. Of this fall, £1.2 million related to staff costs and £0.4 million to one-off restructuring costs incurred in 2016. Included within Administrative expenses is a non-cash share-based payments charge of £2.3 million (2016: £2.6 million). This charge is in relation to the share incentive scheme implemented in September 2015.

Adjusted 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 unrealised gains or losses on its investments. This is based on a measure of EBITDA (earnings before interest, tax, depreciation and amortisation) stated after one-off gains on the sale of investments acquired for short-term trading, but before unrealised movements in the fair value of its longer-term investments and before certain non-trading items such as share-based payments and one-off items ('Adjusted EBITDA'). The Adjusted EBITDA for the year to 31 August 2017 was £1.7 million (2016: £1.2 million). This measure, 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.

Loss for the year attributable to owners of the parent company

After all costs, including the changes in the fair value of investments, and after net interest charges of £0.03 million (2016: £0.1 million) and a tax charge of £nil (2016: £0.7 million), the reported Group loss for the year was £11.8 million (2016: £3.8 million profit).

The corporate finance business (MXC Capital Markets LLP) made a positive contribution to Adjusted EBITDA of more than £2.6 million over the course of the financial year ended 31 August 2016. However, its revenues are related directly to the volume and size of transactions completed. While we have continued to work on a number of mandates in the year to 31 August 2017, activity has been at a much lower level. We continue to work on a range of other assignments but there can be no certainty that these will complete in the current financial year. While the strength of our joint venture and retained relationships provide us with confidence that sizeable transaction related fees will be generated, the period in which they will fall will remain uncertain. As a result, the Board will continue to evaluate the cost base of our corporate finance and advisory businesses and the best way to retain the capability which we require while seeking to improve the predictability of the contribution made to the Group.

Investments

The year to 31 August 2017 has been a period of consolidation following the intense investment and transactional activity in the previous financial year. This is reflected in the investments made in the year, with £7.1 million of equity and loan capital invested, compared to £31.5 million in 2016. At 31 August 2017, the Group had outstanding loan capital of £0.9 million and its investment portfolio was valued at £52.7 million as shown in the table below:

	Fair value at 1 September 2016	Investment in year	Increase/ (decrease) in fair value in year	Gain on short-term investment made in year**	Disposal proceeds	**Fair value at 31 August 2017**	Original cost of investments held at 31 August 2017	Total unrealised gain on investments as at 31 August 2017
	£000	£000	£000	£000	£000	**£000**	£000	£000
Castleton Technology plc	11,670	1,077	567	-	-	**13,314**	5,682	7,632
Adept4 plc	4,470	-	(1,703)	-	-	**2,767**	2,598	169
IDE Group Holdings plc	14,620	-	(215)	-	-	**14,405**	12,900	1,505
Tax Systems plc	11,819	-	342	-	-	**12,161**	10,054	2,107
Redcentric plc	87	5,603	(63)	3,324	(8,801)	**150**	170	(20)
Private companies*	8,070	100	(332)	-	(93)	**7,745**	6,723	1,022
Total investments	50,736	6,780	(1,404)	3,324	(8,894)	**50,542**	38,127	12,415
Warrants	12,024	-	(9,838)	-	-	**2,186**	-	2,186
Total investments and warrants	62,760	6,780	(11,242)	3,324	(8,894)	**52,728**	38,127	14,601

*365 Agile plc de-listed from AIM during the period and is therefore included within private company investments in the table above

**Represents total realised gain on original cost of investments sold within the year

Cash flow

The Group's cash outflow from operating activities in the period was £2.6 million (2016: inflow of £1.5 million). This is stated after the payment of £1.5 million of current liabilities in respect of VAT and accruals which arose in August 2016. Corporation tax payments of £2.0 million were made in respect of 2016 profits and £0.4 million was spent servicing the Group's borrowings. Investments and loans of £7.1 million were made in the year and proceeds from the sale of investments and repayment of loans of £9.9 million were received. £1.2 million was received from the issue of new equity whist £3.0 million was returned to shareholders by way of a tender offer in September 2016 with a further £0.7 million (including costs) spent on the Company's share buy-back programme. The net cash balance at the end of the period was £5.1 million (31 August 2016: £9.8 million).

Net assets

Net assets at the end of the year were £68.8 million (2016: £80.7 million).

Consolidated statement of profit or loss
for the year ended 31 August 2017

	Notes	**2017 £000**	2016 £000
Revenue	3	**1,089**	4,573
Realised profit on disposal of short-term investments	7	**3,324**	-
Movement in fair value of investments	7	**(11,242)**	6,696
Cost of sales		**(41)**	(70)
Gross (loss)/profit		**(6,870)**	11,199
Other income		**281**	234
Administrative expenses		**(5,194)**	(6,775)
Adjusted EBITDA[1]		**1,680**	1,150
Restructuring and non-recurring costs included within administrative expenses		**-**	(435)
Non-recurring income included within other income		**280**	-
Share-based payments charge		**(2,329)**	(2,590)
Movement in fair value of investments	7	**(11,242)**	6,696
Depreciation		**(148)**	(139)
Amortisation of intangible assets	6	**(24)**	(24)
Operating (loss)/profit		**(11,783)**	4,658
Finance income		**81**	91
Finance costs		**(106)**	(219)
(Loss)/profit on ordinary activities before taxation		**(11,808)**	4,530
Tax credit/(charge) on (loss)/profit on ordinary activities	4	**6**	(701)
(Loss)/profit and total comprehensive income for the year attributable to owners of the parent company		**(11,802)**	3,829
(Loss)/earnings per share			
Basic (loss)/earnings per share	5	**(0.35)p**	0.12p
Diluted (loss)/earnings per share	5	**(0.35)p**	0.11p

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

Consolidated statement of financial position

as at 31 August 2017

	Notes	**31 August 2017 £000**	31 August 2016 £000
Non-current assets			
Intangible assets	6	**11,441**	11,573
Property, plant and equipment		**185**	333
Financial assets at fair value through profit or loss	7	**52,728**	62,760
Loans receivable		**735**	1,790
		65,089	76,456
Current assets			
Trade and other receivables		**775**	684
Cash and cash equivalents		**5,075**	11,232
		5,850	11,916
Total assets		**70,939**	88,372
Current liabilities			
Trade and other payables		**(664)**	(2,416)
Income tax payable		**(15)**	(2,086)
Borrowings		**(45)**	(1,508)
Other financial liabilities		**(188)**	(211)
		(912)	(6,221)
Non-current liabilities			
Borrowings		**(88)**	(132)
Other financial liabilities		**(813)**	(1,001)
Deferred tax liability	4	**(347)**	(294)
		(1,248)	(1,427)
Total liabilities		**(2,160)**	(7,648)
Net assets		**68,779**	80,724
Equity			
Share premium		**59,464**	61,936
Share-based payments reserve		**5,679**	3,350
Merger reserve		**(23,712)**	(23,712)
Retained earnings		**27,348**	39,150
Total equity attributable to the owners of the parent		**68,779**	80,724

Consolidated statement of changes in equity

for the year ended 31 August 2017

	Share premium £000	Share-based payments reserve £000	Merger reserve £000	Retained earnings £000	Total £000
Balance at 1 September 2015	**37,538**	**760**	**(23,712)**	**35,321**	**49,907**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**3,829**	**3,829**
Transactions with owners					
Issue of share capital	25,355	-	-	-	25,355
Costs of share issue	(104)	-	-	-	(104)
Share-based payments charge	-	2,590	-	-	2,590
Purchase of own shares, net of costs	(853)	-	-	-	(853)
	24,398	**2,590**	**-**	**-**	**26,988**
Balance at 31 August 2016	**61,936**	**3,350**	**(23,712)**	**39,150**	**80,724**
Loss and total comprehensive income for the year	**-**	**-**	**-**	**(11,802)**	**(11,802)**
Transactions with owners					
Issue of share capital	1,200	-	-	-	1,200
Share-based payments charge	-	2,329	-	-	2,329
Purchase of own shares, net of costs	(3,672)	-	-	-	(3,672)
	(2,472)	**2,329**	**-**	**-**	**(143)**
Balance at 31 August 2017	**59,464**	**5,679**	**(23,712)**	**27,348**	**68,779**

Consolidated statement of cash flows
for the year ended 31 August 2017

	Note	**2017 £000**	2016 £000
Cash flows from operating activities			
Cash (used in)/generated from operations	8	**(2,649)**	1,522
Corporation tax paid		**(2,012)**	(830)
Net cash flows (used in)/generated from operating activities		**(4,661)**	692
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(2)**	(226)
Purchase of investments		**(6,780)**	(30,026)
Proceeds from disposal of investments		**8,894**	10,440
Loans advanced		**(275)**	(1,500)
Loans repayments received		**1,003**	260
Acquisition of subsidiary, net of cash acquired		**-**	(3,967)
Interest received		**-**	46
Net cash flows from/(used in) investing activities		**2,840**	(24,973)
Cash flows from financing activities			
Net proceeds from issue of equity		**1,200**	6,951
Net costs of purchase of own shares		**(3,672)**	(853)
Interest paid		**(106)**	(219)
Borrowings and other liabilities repaid		**(288)**	(283)
Net cash flows (used in)/from financing activities		**(2,866)**	5,596
Net decrease in cash and cash equivalents in the year		**(4,687)**	(18,685)
Cash and cash equivalents at beginning of year		**9,762**	28,447
Cash and cash equivalents at end of year		**5,075**	9,762
Comprising:			
Cash and cash equivalents		**5,075**	11,232
Overdraft		**-**	(1,470)
		5,075	9,762

Notes to the consolidated financial statements

The results for the year to 31 August 2017 have been extracted from the audited consolidated financial statements, which are expected to be published on the Group's website (www.mxccapital.com) shortly.

The financial information set out above does not constitute the Company's statutory financial statements for the year to 31 August 2017 but is derived from those financial statements. The full accounts contain a detailed statement of the accounting policies which have been used to prepare this summary and remained unchanged from the prior year. Extracts of key accounting policies applied by the Group are reproduced below.

The auditors, Grant Thornton Limited, have reported on the accounts for the years ended 31 August 2017 and 31 August 2016; their reports in both years were (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under The Companies (Guernsey) Law, 2008.

1 General information

MXC Capital Limited (the 'Company') is a company incorporated and domiciled in Guernsey, whose shares are publicly traded on the AIM division of the London Stock Exchange. 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, given the cash balances the Group holds, 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.

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.

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.

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

2 Accounting policies

Investments
Investments of the Group include equity securities, warrants 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 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 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. Loan notes are classified as loans and receivables.

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. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires the directors to make an estimate

of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Customer contracts

On acquisition of a subsidiary the directors assess the business acquired to identify any intangible assets. Customer contracts meet the criteria for recognition as intangible assets as they are separable from each other and have a measurable fair value, being the amount for which an asset would be exchanged between knowledgeable and willing parties in an arm's length transaction. The fair value of customer contracts is calculated using the discounted cash flows arising from existing customer contracts and relationships based on both contracted and anticipated future fees. Customer contracts are amortised over their estimated useful lives of 3 years on a straight-line basis.

(iii) 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.

Financial assets

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. They are assigned to the categories described below on initial recognition, depending on the purpose for which they were acquired. The designations of financial assets are re-evaluated at every reporting date at which a choice of classification or accounting treatment is available, and are as follows:

(i) Loans and receivables

Trade and other receivables are recognised initially at fair value less any transaction costs and subsequently amortised cost less any provision for impairment. Any transaction costs are taken to profit or loss. Provision is made where there is evidence that the balances will not be recovered in full. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

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. Interest calculated using the effective interest method is recognised in profit or loss within finance income. Provision is made where there is evidence that the balances will not be recovered in full.

(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 profit and loss account.

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 profit and loss account.

Equity

Equity comprises the following:

- Share premium, representing the fair value of consideration received for shares, net of expenses of the share issue;
- 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.

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 its 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 to its broader merchant banking 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 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 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 and warrants measured at fair value. The fair value of these investments is estimated at the reporting period end. 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. 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. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(vi) Estimated valuation of intangibles
On acquisition of a new business, the Group identifies intangible assets. This calculation involves estimates about future revenues, costs, cash flows and the cost of capital for the Group. It also involves estimating the life of customer relationships.

(vii) Estimated of deferred tax liability
The fair value of the Group's investments is estimated at the reporting period end, as detailed above. The Group provides for deferred tax on the fair value of certain of the Group's investments. The deferred tax liability is therefore an estimate which would vary if the fair value of the underlying investments changed.

(viii) Recoverability of loans and loan notes ("loans")
The Group has outstanding loans receivable. The directors do not believe there are any signs of impairment in respect of the loans at the reporting period end. Given the quantum of the loans and the timescales until redemption the recoverability of these loans is a significant estimate.

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

The Group is comprised of the following main operating segments:

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

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

Central – all other activities of the Group in performing its principal activity of the provision of merchant banking services, including the management of its investments, are considered together by the CODM.

During the year revenues from the following customers were greater than 10% of total revenue:

	Capital Markets 2017 £000	Advisory 2017 £000	Total 2017 £000
Tax Systems plc	**151**	**171**	322
Castleton Technology plc	**60**	**136**	196
IDE Group Holdings plc	**162**	**70**	232
Adept4 plc	**30**	**123**	153

Results for the year ended 31 August 2017

	Capital Markets £000	Advisory £000	Central £000	Inter-segment transactions £000	Total £000
Revenues:					
Third party	495	594	-	-	1,089
Inter-segment	-	1,137	-	(1,137)	-
Total revenue	**495**	**1,731**	**-**	**(1,137)**	**1,089**
Adjusted EBITDA*	**(363)**	**591**	**1,452**	**-**	**1,680**
Non-recurring income	-	-	280	-	280
Share-based payments charge	(1,214)	(1,115)	-	-	(2,329)
Depreciation	-	(56)	(92)	-	(148)
Amortisation of intangible assets	(24)	-	-	-	(24)
Unrealised movement in fair value of investments	-	-	(11,242)	-	(11,242)
Operating loss	**(1,601)**	**(580)**	**(9,602)**	**-**	**(11,783)**
Finance costs	-	(14)	(92)	-	(106)
Finance income	-	-	81	-	81
Loss before taxation	**(1,601)**	**(594)**	**(9,613)**	**-**	**(11,808)**

*earnings from trading activities before interest, tax, depreciation, amortisation, restructuring and non-recurring items, share-based payments and unrealised movements in fair value of investments.

During the year ended 31 August 2016 revenues from the following customers were greater than 10% of total revenue:

	Capital Markets 2016 £000	**Advisory 2016 £000**	Total 2016 £000
Tax Systems plc	**2,033**	**107**	2,140
IDE Group Holdings plc	**1,073**	**107**	1,180
Adept4 plc	**364**	**159**	523

Results for the year ended 31 August 2016

	Capital Markets £000	**Advisory £000**	**Central £000**	**Inter-segment transactions £000**	**Total £000**
Revenues:					
Third party	3,861	704	8	-	4,573
Inter-segment	120	1,492	-	(1,612)	-
Total revenue	**3,981**	**2,196**	**8**	**(1,612)**	**4,573**
Adjusted EBITDA*	**2,656**	**416**	**(1,922)**	**-**	**1,150**
Restructuring costs	-	-	(435)	-	(435)
Share-based payments charge	(1,113)	(1,477)	-	-	(2,590)
Depreciation	(1)	(51)	(87)	-	(139)
Amortisation of intangible assets	(24)	-	-	-	(24)
Unrealised movement in fair value of investments	-	-	6,696	-	6,696
Operating profit	**1,518**	**(1,112)**	**4,252**	**-**	**4,658**
Finance costs	-	(10)	(209)	-	(219)
Finance income	-	-	91	-	91
Profit before taxation	**1,518**	**(1,122)**	**4,134**	**-**	**4,530**

*earnings from trading activities before interest, tax, depreciation, amortisation, restructuring and non-recurring items, share-based payments and unrealised movements in fair value of investments.

4 Taxation

(a) Tax on (loss)/profit on ordinary activities **2017** 2016

	2017 £000	2016 £000
Current tax		
Current year charge	**25**	1,920
Adjustment in respect of prior periods	**(84)**	20
	(59)	1,940
Deferred tax		
Movement in provision re fair value of investments	**53**	(1,239)
Total tax (credit)/charge	**(6)**	701

The Company is taxed in Guernsey at the standard rate of 0%.

(b) Reconciliation of the total income tax charge

	2017 £000	2016 £000
(Loss)/profit on ordinary activities before taxation	**(11,808)**	4,530
Tax using the applicable Guernsey income tax rate of 0% (2016: 0%)	**-**	-
UK corporation tax rate of 19.6% (2016: 20.00%) payable on UK profits	**25**	2,010
Utilisation of tax losses	**-**	(90)
Prior year adjustment to current income tax	**(84)**	20
Deferred tax charge/(credit) re temporary differences	**53**	(1,239)
Total tax (credit)/charge	**(6)**	701

(c) Deferred tax liability

	£000
At 1 September 2015	-
Temporary difference in respect of fair value of investments	1,533
Credit to income statement	(1,239)
At 31 August 2016	294
Charge to income statement	53
At 31 August 2017	347

5 Earnings per share

Earnings per share ('EPS') is based on the profit or loss attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares in issue during 2017 and 2016 is:

	2017 Number	2016 Number
Weighted average shares used to calculate basic EPS	**3,351,367,484**	3,186,355,864

Dilutive impact of share incentives	**-**	238,940,391
Weighted average shares used to calculate diluted EPS	**3,351,367,484**	3,425,296,255

In 2017, the weighted average number of ordinary shares for the purpose of calculating the basic and diluted measures is the same. This is because the outstanding share incentives would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive under the terms of IAS 33.

6 Intangible assets

	Goodwill £000	Customer contracts and related relationships £000	Total £000
Cost			
At 1 September 2015	5,927	73	6,000
Business combinations	5,597	-	5,597
At 31 August 2016	**11,524**	**73**	**11,597**
Adjustment in respect of prior year business combination	(108)	-	(108)
At 31 August 2017	**11,416**	73	**11,489**
Amortisation			
At 1 September 2015	-	-	-
Charge for the year	-	24	24
At 31 August 2016	**-**	**24**	**24**
Charge for the year	**-**	**24**	**24**
At 31 August 2017	**-**	**48**	**48**
Net book value			
At 31 August 2017	**11,416**	**25**	**11,441**
At 31 August 2016	11,524	49	11,573

MXC Holdings Limited
The assessment of the fair values of the assets and liabilities on acquisition has been completed. A fair value adjustment to goodwill of £108,000 was made upon review of the acquisition balance sheet.

7 Investments

	Quoted company investments £000	Private company investments £000	Warrants £000	Total £000

Cost				
At 1 September 2015	14,301	-	1,792	16,093
Additions	25,176	4,850	-	30,026
Business combinations	11,029	516	8,840	20,385
Disposals	(10,440)	-	-	(10,440)
Movement in fair value	3,627	1,677	1,392	6,696
At 31 August 2016	**43,693**	**7,043**	**12,024**	**62,760**
Additions	6,680	100	-	6,780
Disposals	(8,801)	(93)	-	(8,894)
Movement between categories	(155)	155	-	-
Realised gain on short-term investments	3,324	-	-	3,324
Movement in fair value of other investments	(1,945)	541	(9,838)	(11,242)
At 31 August 2017	**42,796**	**7,746**	**2,186**	**52,728**

The Group's investments at 31 August 2017 relate to equity securities and warrants held in both AIM quoted and 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. The Group generally holds its investments for medium-term gain however, during the year, certain quoted equity investments were disposed of shortly after acquisition. The gain on these investments is accounted for in profit or loss separately from the unrealised movement in those investments expected to be held for the longer term.

8 Net cash flows from operating activities

	2017	2016
	£000	£000
(Loss)/profit on ordinary activities before taxation	**(11,808)**	4,530
Adjustments for:		
Realised gain on disposal of short-term investments	**(3,324)**	-
Movement in fair value of investments	**11,242**	(6,696)
Loss on disposal of PPE	**2**	-
Depreciation	**148**	139
Amortisation	**24**	24
Share-based payment charge	**2,329**	2,590
Net finance charges	**25**	128
Decrease in trade and other receivables	**187**	635
(Decrease)/increase in trade and other payables	**(1,474)**	172
Cash (used in)/generated from operations	**(2,649)**	1,522

9 Subsequent events

On 20 November 2017 the Company announced that it has signed a joint venture agreement with Liberty Global Europe 2 Limited (a wholly owned subsidiary of Liberty Global plc, the world's largest international TV and broadband company). The parties intend to work together with a view to building an IT services provider focused on small and medium sized business customers within the UK.

The joint venture company will be owned by both parties equally, will be called MXLG Acquisitions Limited and each party will appoint two directors to the board of the company. The Group's shareholding in MXLG Acquisitions Limited will be held by a newly formed subsidiary of the Group, MXC JV Limited.

On 27 November 2017 the Company issued 6.4 million new ordinary shares at a price of £nil each to satisfy the exercise of share options by a former employee.