

RNS Number : 0529S
Eight Capital Partners PLC
06 July 2020

6 July 2020

Eight Capital Partners plc

("Eight Capital" or the "Company")

Final Results for the Year Ended 31 December 2019

Eight Capital (AQSE: ECP) is pleased to announce its final results for the year to 31 December 2019.

An extract of the Company's audited report and accounts can be found below. A full copy of the final result, which should be read in full, will shortly be available from the Company's website and will be sent to all shareholders.

The Directors of the Company accept responsibility for the content of this announcement. This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

For further information, please visit www.eight.capital or contact:

Eight Capital Partners plc

+44 20 3808 0029

Dominic White

info@eight.capital

Martin Groak

Cairn Financial Advisers LLP

+44 20 7213 0880

Aquis Stock Exchange Corporate Adviser

Jo Turner / James Lewis

Chairman's Statement

Dear Shareholder

I am pleased to report on the Company's results for the year to 31 December 2019 and the significant progress made in growing its asset portfolio.

Eight Capital Partners Plc (the "Company", "Eight Capital" or "ECP") is an investment company quoted on the Aquis Stock Exchange Growth Market ("AQSE"), the successor to NEX Exchange Growth Market. When I last reported to you, for the six months to 30 June 2019, our investment portfolio was valued at £0.4 million. At the end of December 2019, it was almost nine times that figure, at £3.8 million. The key contributing factor to that growth was the launching of a €5 million corporate bond program (the "Bonds") on the Vienna Stock Exchange at the end of July 2019.

By December 2019, we had issued Bonds to the value of €3.55 million, of which €2.1 million were placed for cash and €1.45 million issued as part consideration for acquisitions. The Bonds are repayable at the end of July 2022 and carry a 7% annual coupon, payable in two half-year tranches. We were pleased to have had the support of Epsilon Capital, one of our strategic investments during 2019, in both the structuring and placing of the Bonds.

Operations

There were two Board changes during the year under review. Martin Groak, who had stood down as Finance Director in 2018, but who had continued to provide consultancy services, was invited to re-join the Board in January 2019 as a Non-Executive Director. Later in the year, after playing a major role in the Company's development, John Treacy left the Board to focus on one of Eight Capital's investee companies, Epsilon Capital, which further underlines their independence from Eight Capital.

Investments

Our declared strategy is to invest in Financial Services including in investing companies, and the technology, media, and telecoms ("TMT") sectors, with the objective of generating an attractive rate of return predominantly through capital appreciation. The portfolio accretion has stayed consistently within those parameters.

Update on the prior year's investments

Finance Partners Group ("FPG"): Financial Services

September 2018 - Investment of €111,100 in 8% corporate bond maturing 2020

As well as a good interest return, this investment gave ECP access to a financial services company that, among other things, takes minority stakes in private companies seeking future listings on public markets. FPG's main holding The Avantgarde Group ("TAG") is a growing fintech holding company. It also has a small investment in We Arena, a digital media venue and gaming company.

Interest has been paid and is up to date and we will exit this investment later this year.

ABAL Group Plc ("ABAL"): Technology (formerly Imaginatik Plc)

October 2018 - Equity investment totalling £250,000 (£160,000 initial equity + £90,000 convertible loan note ("CLN"))

The Company held 22.25 million shares at the year end, having converted the CLN + accrued interest in early January 2019 and sold a small holding with a 20% gain. Current investment at cost: £244,824.

In March 2020, ABAL completed a reverse takeover of Supply@ME Capital PLC (SYME), an innovative international Fintech Platform which provides inventory monetisation services to European manufacturing and trading companies, owned by TAG (see above). This is a high-growth international sector with a multi-trillion-dollar market size and although the share price has suffered as a result of the Corona virus lockdowns, it is expected to recover once the effects of the pandemic recede.

ECP also has an indirect investment in ABAL via its holding in Finance Partners Group SpA (see below) and holds warrants on a one-for-two basis.

Sport Capital Group Plc ("SCG"): Financial Services Investment

December 2018 - Equity investment £138,000 + 13,333,333 warrants

Following significant activity by SCG relating to the purchase and subsequent sale of a football club in Q1 2019 and follow-on deeper analysis of the sports sector in Q2 2019, SCG's management decided to work towards a recapitalisation of the business and move away from the sports sector. ECP is considering an exit of the investment through the sale of its shares in the public market.

2019 Investments

Epsion Capital Ltd ("Epsion"): Financial Services

March & November 2019 - Equity investments total £100,000 (March: £3,500 / November £96,500)

Epsion is a boutique financial advisory and investment firm based in London. Its strategy is to expand its financial services activities into Europe, through organic growth or acquisition, and to continue to increase revenue from its year one achievement of circa £550,000.

The rationale for the original £3,500 investment was to create synergies with Epsion by allowing them to provide advisory services to ECP's investee companies as well as third party clients.

A subsequent investment of £96,500 was to support Epsion's planned application to the FCA for full regulatory status which is considered a pre-requisite to transacting with some of the larger financial institutions on the Continent.

Finance Partners Group SpA ("FPG"): Financial Services

August 2019 - Investment of €1.9 million to acquire a convertible receivable of €2 m.

The consideration was satisfied by cash of €300,000; short-term convertible loan notes of €600,000* and €1million of Bonds.

This investment was converted into equity in November 2019, representing 28.57% of FPG and giving upside exposure to FPG's portfolio of investee company transactions. The principal focus of Eight Capital's interest was FPG's investment in The Avantgarde Group, a growing tech platform developer, that owns a fintech company (Supply @Me Srl), insurtech and regtech platforms and We Arena Srl, a digital gaming and E-sports venue company.

Supply@Me was reversed into the ABAL Group in March 2020 (see above) and listed on the Standard segment of the Main Market with the London Stock Exchange (ticker SYME)

FPG's strategy, following the listing of SYME, is to progressively liquidate its portfolio and return capital to shareholders

*In May 2020, £100,000 of the convertible loan was converted to ordinary shares in Eight Capital.

Financial Innovations Team Srl ("FIT"): Financial Services

December 2019 - Equity Investment of €1.2 million.

ECP acquired a 59.9% holding in FIT, a financial services operating company in the Italian and European markets for more than 18 years. It specialises in sourcing investment transactions and providing corporate finance services, in particular in transaction advisory and execution.

The consideration for this acquisition was satisfied by €350,000 of cash, €450,000 of Bonds and a short-term vendor loan of €400,000.

FIT has been impacted particularly negatively by the COVID 19 pandemic in terms of advisory revenues and potential M&A fees. In light of this, ECP has been re-negotiating its position in accordance with its purchase agreements and expects to announce a restructuring of the transaction shortly.

Greencare Capital Plc ("GRE"): Financial Services Investing

December 2019 - Equity investments totalling £280,000

Two investments, one prior to and one on IPO have given ECP a 21.2% holding in GRE at an average holding price of £0.109 per share. GRE is quoted on AQSE (formerly NEX).

Greencare is focused on the rapidly positively changing regulatory environment surrounding legal Medicinal Cannabis as well as investment opportunities within the Hemp and CBD wellness sectors. This is a high growth international sector.

Greencare was admitted to trading on AQSE on 30 December 2020, raising £515,000 on admission and aims to identify investment opportunities in the medicinal cannabis, CBD and hemp sectors predominantly in Europe. Its team are aware of a number of attractive investment opportunities that they are seeking to execute in the short term.

This investment fits very well with Eight Capital's strategy of investing in financial services - including investing companies. The Board recognises the significant growth potential in the cannabis sector and has seen extraordinary growth in this area in other regions of the world. This growth is just arriving in Europe and Greencare is one of only a small number of quoted investment companies in Europe ready to take advantage of this opportunity.

Since IPO, GRE's management has progressed negotiations on two investments, one in cannabis growth and another in distribution of cannabis and related products. Quoted price at the date of this report: £0.275 which represents an increase of more than 200% from the average purchase price of ECP's holding.

Results

In the year under review, we acquired investments costing approximately £3.2 million and set up funding through the Bond of £3 million. Those activities required significant due diligence, legal and other professional fees and commissions to be paid. In addition, there were the interest costs of the Bond itself. These naturally impacted our bottom-line profits significantly and we recorded a loss for the year of £432,000 (2018: loss of £7,000), although it should be noted that the prior year's result was heavily influenced by a one-off non-cash credit in respect of expired options of £276,000.

Within that result are administrative expenses totalling £543,000, which can be broadly broken down as follows:

	£' 000
General costs	241
Investing costs	184
Stock exchange costs	36
Fundraising commissions	117
Foreign exchange gain	<u>(35)</u>
	<u>543</u>

Many of those costs are expected to be reduced in the current year, as we focus more on holding for growth and where profits are achievable, disinvestment. We have also introduced recharging of shared services to our investee companies, which will mitigate overheads on an ongoing basis.

The Net Assets at the end of the year stood at £0.3 million, a reflection of the use of the Bonds to fund the expansion programme, the early stage of development of our investments and because, given market uncertainty, the Board chose not to revalue Eight Capital's private investments even though some, such as Epsion, have performed well.

Regarding our early stage listed investments, ABAL is a good example: they had not concluded their reverse takeover of Supply@Me by the year end and this resulted in a mark-to-market reduction in net assets of around £0.2 million. In contrast, our investment in Greencare, which was admitted to trading just before the year-end, registered a very successful mark-to-market gain of £0.4 million.

Outlook

As mentioned above, the Company will be focussing on monitoring its investments for profitable exit opportunities, keeping costs to a minimum and seeking out additional sources of investment capital for future transactions. Although our own operations were not affected, the Board is very conscious of the havoc caused by the COVID-19 pandemic and expect that it will have a braking effect on the development of parts of our investment portfolio. However, we are also seeing some very strong performances despite the current crisis, particularly from Greencare and Epsion (the revaluation of which we are considering) and have a reasonable expectation of a positive return to shareholders across the portfolio once the pandemic recedes.

Dominic White

Executive Chairman

Statement of Comprehensive Income

For the year ended 31 December 2019

	2019	2018
	£'000	£'000
Administrative expenses	(543)	(434)

Net change in unrealised/realised gains and losses on investments at fair value through profit and loss	164	148
<i>Exceptional items:</i>		
Share based payment reversal	-	276
Other income	50	-
Operating loss	(329)	(10)
Interest income	7	3
Finance expense	(110)	-
Loss before tax	(432)	(7)
Taxation	-	-
Loss for the financial year	(432)	(7)
Other comprehensive income for the year	-	-
Total comprehensive loss	(432)	(7)
Earnings per share (pence) from continuing operations attributable to owners of the		
Company - Basic & Diluted	(0.07)	(0.001)

Statement of Financial Position

For the year ended 31 December 2019

	2019	2018
	£'000	£'000
Current assets		
Investments	3,790	582
Trade and other receivables	73	16
Cash and cash equivalents	420	91

As at 1 January 2018	708	1,891	276	-	(2,622)	253
Loss for the year	-	-	-	-	(7)	(7)
Other comprehensive income for the year	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	-	(7)	(7)
Share based payment reversal	-	-	(276)	-	-	(276)
Warrant charge	-	-	8	-	-	8
Issue of shares	642	-	-	-	-	642
Issue of convertible loan note	-	-	-	48	-	48
Total Transactions with Owners	642	-	(268)	48	-	422
As at 31 December 2018	1,350	1,891	8	48	(2,629)	668
Loss for the year	-	-	-	-	(432)	(432)
Other comprehensive income for the year	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	-	(432)	(432)
Issue of shares	10	4	-	(14)	-	-
Issue of convertible loan notes	-	-	-	50	-	50
Total Transactions with Owners	10	4	-	36	-	50
As at 31 December 2019	1,360	1,895	8	84	(3,061)	286

Statement of Cash Flows

For the year ended 31 December 2019

	2019	2018
	£'000	£'000
Cash from operating activities		
Loss before tax	(432)	(7)
Adjustments for:		

Net interest expense /(income)	103	(3)
Net change in unrealised gains on investments at fair value through profit and loss	(162)	(148)
Share based payment reversal	-	(276)
Warrant charge for the year	-	8
Foreign exchange	(31)	(34)
(Increase)/decrease in trade and other receivables	(57)	11
Increase/(decrease) in trade and other payables	125	(50)
Net cash used in operating activities	(454)	(499)
Cash flow from investing activities		
Purchase of investments	(1,862)	(434)
Proceeds on disposal of investments	11	-
Interest income	7	3
Net cash used in investing activities	(1,844)	(431)
Cash flows from financing activities		
Proceeds from issue of convertible bond	50	48
Proceeds from issue of shares (net of issue costs)	-	675
Loans received	846	-
Proceeds from bond issue	1,841	-
Finance charges	(110)	-
Net cash from financing activities	2,627	723
Net cash flow for the year	329	(207)
Cash and cash equivalents at beginning of year	91	298
Cash and cash equivalents at end of year	420	91
Net change in cash and cash equivalents	329	(207)

Notes to the financial statements

1. General information

Eight Capital Partners Plc is a public limited company limited by shares and incorporated in England. Its registered office is Kemp House, 160 City Road, London, EC1V 2NX.

The Company's shares are traded on the AQUIS Stock Exchange under ticker ECP and ISIN number GB00BYT56612.

The Company's objective is to generate an attractive rate of return for shareholders, predominantly through capital appreciation, by taking advantage of opportunities to invest in the financial services and technology, media, and telecoms ("TMT") sectors.

2. Basis of Preparation

The financial statements of Eight Capital Partners plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of listed investments at fair value.

The financial statements are presented in Pounds Sterling, which is the Company's presentation and functional currency.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

3. Going Concern

As at 31 December 2019, the Company had cash of £420,000 and investments of £3,790,000. As an investment business, the Company has limited operating cash flow and is dependent on the performance of its investments and a bond facility of up to circa £4,200,000 (of which £3,000,000 has been utilised to date) for its working capital requirements. Annualised normal running costs of the Company are circa £660,000, including debt service, reduced by rebilling of shared services of approximately £200,000. As at the date of this report, the Company had approximately £130,000 cash at bank and anticipated ad hoc cost recovery and near-term divesting revenues of up to £850,000.

The Directors are therefore of the opinion that the Company has adequate financial resources to enable it to continue in operation for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The audit opinion notes an emphasis of matter relating to going concern as set out in the paragraph below. The audit opinion has not been modified in respect of this matter.

"We draw attention to Note 2 of the financial statements, which describes the Company's assessment of the Covid-19 impact on its ability to continue as a going concern. The Company has explained that the events arising from the Covid-19 outbreak do not impact on its use of the going concern basis of preparation nor do they cast significant doubt over the company's ability to continue as a going concern for the period of at least twelve months from the date when the financial statements are authorised for issue."

4. Critical judgements in applying the entity's accounting policies

a. Carrying value of investments

The Company is required to make judgments over the carrying value of investments in unquoted companies where fair values cannot be readily established and evaluate the size of any impairment required.

It is important to recognise that the carrying value of such investments cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately. Management's significant judgement in this regard is that the value of their investment represents their cost less previous impairment.

5. Earnings per share

	2019	2018
Earnings (£'000)		
Loss used in calculating basic and diluted earnings:		
Loss for the year	(£432,000)	(£7,000)
Number of shares		
Weighted average number of shares for the purposes of basic and diluted earnings per share	618,720,310	522,413,335
Earnings per share (pence)	(0.07)	(0.001)

The calculation of basic earnings per share of (0.07) pence is based on the loss attributable to equity owners of the Company of £432,000 and on the weighted average number of ordinary shares of 618,720,310 in issue during the period. Dilutive instruments are ignored when the overall result is a loss.

6. Investments

The table below sets out the fair value measurements. Categorisation has been determined on the basis listed or unlisted investments as follows:

	Unlisted	Listed	Total
	Investments	Investments	
	£'000	£'000	£'000
Fair value at 1 January 2018	-	-	-
Purchase of investments	102	332	434
Investment disposals	-	-	-
Fair value gain on investments	-	148	148
Fair value at 31 December 2018	102	480	582
Purchase of investments	2,920	342	3,262
Investment disposals	-	(11)	(11)
Fair value gain on investments	-	162	162
Effects of foreign exchange	(205)	-	(205)
Fair value at 31 December 2019	2,817	973	3,790

Gains on investments held at fair value through profit or loss

Fair value gain on investments	-	162	162
Realised gain on disposal of investments	-	2	2
Net gain on investments held at fair value through profit or loss	-	164	164

Further Information on each investment can be found in the Chairman's Statement.

7. Post balance sheet events

Issue of bonds

On 20 January 2020, the Company announced that it had placed €90,000 of the Company's bonds which trade on the Vienna Stock Exchange's multilateral trading facility.

Loan conversion

On 21 May 2020, the Company converted £100,000 of a vendor loan with IWEP Ltd into 400,000,000 new ordinary shares at a price of £0.00025 per share. On 22 June 2020, the repayment term of the vendor loan was agreed to be extended to at least 6 August 2021. IWEP Ltd is classified as a related party due to sharing a common director, Dominic White.

Creditor conversion

On 21 May 2020, the Company issued a further 242,000,000 new ordinary shares in order to settle outstanding creditors and a further 66,000,000 new ordinary shares in respect of subscriptions received.

8. Dividends

The Directors do not recommend payment of a dividend for the year ended 31 December 2019 (2018: £nil).

9. Annual General Meeting (AGM)

The Directors will inform shareholders of the arrangements for the AGM in a separate announcement.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.