09301329 (England and Wales)

EIGHT CAPITAL PARTNERS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Contents

Corporate Information

Company number
09301329 (England and Wales)

Directors
Dominic White, *Chairman*
Martin Groak, *Independent Non-Executive Director*

Company secretary
Martin Groak

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Legal advisers to the company
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London EC2R 7AS

Charles Russell Speechlys
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London EC4M 7RD

Independent Auditor
PKF Littlejohn LLP
Statutory Auditor
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London E14 4HD

Principal bankers
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London EC2M 4QB

Registrars
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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 Epsion 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, Epsion 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

<u>Finance Partners Group ("FPG"):</u> 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.

2019 Investments (continued)

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

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.

2019 Investments (continued)

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

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	(35)
	543

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

The Directors present their strategic report for Eight Capital Partners Plc (the "Company") for the year ended 31 December 2019.

Principal Activity
Eight Capital Partners Plc is an investment company quoted on the Aquis Stock Exchange Growth Market ("AQSE"). Its shares were admitted to trading on AQSE on 3 July 2018. In the period prior to that date, the Company was quoted on AIM as a Rule 15 Cash Shell.

The Company's principal activity is to invest in quoted entities in the technology, media, and telecoms ("TMT") and financial services sectors with the objective of generating an attractive rate of return for its shareholders, predominantly through capital appreciation.

The closing price of the Company's shares at 31 December 2019 was 0.04 pence per share (2018: 0.035 pence).

Business Review
The Statement of Comprehensive Income and Statement of Financial Position for the year are set out on pages 18 and 19 respectively. A review of developments affecting the Company during the year and of its prospects for the future appear in the Chairman's Statement on page 2.

Key Performance Indicators
The Key Performance Indicators ("KPIs") for the Company are listed as follows:

	2019	**2018**	**% change**
Earnings/(loss) per share (pence)	(0.07p)	(0.001p)	6,871%

During the year the company made purchases of listed and unlisted investments in line with their investment strategy which resulted in investments growing to £3.79 m by the year end. As a result, the monitoring of cash and the return on investments will become key performance indicators that the Board will use as a basis to monitor performance of the company. Further details about each of the investments already made are explained in the Chairman's Statement, and the Board are monitoring their investments closely, particularly in this current economic climate.

Future developments
The Chairman's Statement on page 2 provides information on the outlook of the Company.

Principal risks and uncertainty
The Company's strategy is to follow an appropriate risk policy, which effectively manages exposures related to the achievement of business objectives. The Board is responsible for approving the Company's strategy and determining the appropriate level of risk. The key risks which the Company faces are detailed as follows:

Business and investment performance risk

Business performance risk is the risk that the Company may not perform as expected either due to internal factors or due to competitive pressures in the markets in which they operate. The Company seeks investments in companies with growth potential. The Directors identify suitable investment opportunities in accordance with its investment strategy.

By their nature, smaller businesses, whether quoted or unquoted, are more volatile than larger, more established businesses and less robust to withstand economic pressures.

Principal risks and uncertainty (continued)

Business and investment performance risk (continued)

The risk is that the Company's investments may encounter circumstances that result in a loss of value which could in turn damage the Company's share price.
The Board is of the view that obtaining timely information on the position of its investments is the most effective management tool and to reduce this risk has put in place monitoring reports on the performance of, and regular dialogue with the boards of the Company's investments.

Valuation risk

Valuation risk is the risk that the value of the investment when made was overstated. The Board seeks to mitigate this risk by conducting due diligence on the history and prospects of investment targets and sourcing independent valuations and opinions. The risk is further mitigated by seeking to invest where there is a high valuation margin (valuation per share compared to price paid per share) and the prospect of early returns.

Market conditions

Market conditions, especially in the context of the COVID-19 pandemic, may have a negative impact on the Company's ability to make investments in suitable entities which generate acceptable returns, or to disinvest in a timely manner such that acceptable returns can be realised.

This risk is mitigated by selecting quoted investments listed on liquid markets and unquoted investments where due diligence has indicated near-term liquidity events.

Foreign exchange

The Company has issued Euro-denominated bonds and has made Euro-denominated investments. This may give rise to exposure to movements in the exchange rate between the Euro and GBP. This risk is mitigated by virtue of the bond liability and invested assets providing a natural hedge and management will seek at all times to mitigate any latent exposure by active currency management. The Company is monitoring matters and seeking advice from foreign exchange specialists as to how to mitigate the risks arising if and when they may occur and would consider using derivates to lock out exposures.

Political and Country Risk – Departure of the UK from the European Union

The Company is quoted in the United Kingdom (UK) and has made investments in entities that operate in the UK and European Union. The Company's Euro investments may be subject to the impact of the UK leaving the European Union in terms of their share price and in turn the value of the Company's investments. As a result, given the ongoing uncertainty surrounding the situation the Company is monitoring matters and will be seeking advice as to how to mitigate the risks arising if and when they may occur.

Promotion of the Company for the benefit of the members as a whole

The Director's believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term,
- Act fairly between the members of the Company,
- Maintain a reputation for high standards of business conduct,

Promotion of the Company for the benefit of the members as a whole (continued)

- Consider the interests of the Company's employees,
- Foster the Company's relationships with suppliers, customers and others, and
- Consider the impact of the Company's operations on the community and the environment.

The Company is an early-stage investment company quoted on a minor exchange and its members will be fully aware, through detailed announcements, shareholder meetings and financial communications, of the Board's broad and specific intentions and the rationale for its decisions. The Company pays its employees and creditors promptly and keeps its costs to a minimum to protect shareholders funds. When selecting investments, issues such as the impact on the community and the environment have actively been taken into consideration; as is clear from the portfolio set out in the Chairman's report.

The application of the s172 requirements can be demonstrated in relation to the some of the key decisions made during 2019:

The raising of the Company's profile required funding and the Board decided to launch a bond on the Vienna stock exchange, rather than to raise equity that would have been highly dilutive at a point when the Company's share price was low. This was considered to be the best route to enhanced shareholder value for existing members.

The Board intended to acquire a receivable with equity conversion rights in a private Italian company. The transaction was large compared to other transactions in the portfolio and was therefore put to shareholders at the Company's Annual General Meeting to approve prior to commitment. It was overwhelmingly supported both by a show of hands and proxy votes

This strategic report was approved by the board of directors on 3 July 2020 and signed on its behalf by:

Dominic White
Executive Chairman

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Directors
The Directors of the Company during the year were:

Dominic White	Chairman
Martin Groak	Independent Non-Executive Director (re-appointed 19 January 2019)
John Treacy	Independent Non-Executive Director (resigned 8 November 2019)

The Directors' biographies can be found on page 13.

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

Directors' remuneration
The total remuneration of the Directors for the year was as follows:

	Fees/ Basic Salary £'000	**Total 2019 £'000**	Total 2018 £'000
Dominic White note 1	**112**	**112**	28
Martin Groak	***21**	***21**	42
John Treacy	**23**	**23**	23
David Pickering	**-**	**-**	12
Richard Day	**-**	**-**	12
	156	**156**	117

note 1 Included within the fees and basic salary are pension costs of £7,200.

*Included in the above are £11,700 in 2019 and £22,448 in 2018 of other fees relating to fees incurred by Marker Management Services Limited, a company controlled by Martin Groak.

Pensions
The Company had no pension schemes in place during the period under review. Dominic White is entitled to a contribution to a pension scheme of his choice, by the Company of 12% of his annual salary, accrued until certain capital-raising targets have been met. As at 31 December 2019, a provision of £10,800 (2018: £3,300) was recognised as disclosed in Note 14.

Directors' interests
The following Directors had interests in the shares of the holding Company at the end of the year:

	Total 2019 No. of ordinary shares of 0.01p	Total 2018 No. of ordinary shares of 0.01p
Martin Groak note 2	143,000	143,000

note 2 *Held through Marker Management Services Ltd, a company controlled by Martin Groak.*

Option scheme
At 31 December 2019, there were no share options in issue.

Events after balance sheet date
Details of significant events since the balance sheet date are contained in Note 22 to the financial statements.

Future developments
The Chairman's Statement on page 2 provides information on the outlook of the Company.

Financial instruments
Details of the use of financial instruments by the Company are contained in Note 19 to the financial statements.

Substantial shareholdings
As far as the Directors are aware, as at 29 June 2020 the following shareholders are Company Directors or interested in 3% or more of issued share capital of the Company.

Shareholder	Number of Ordinary Shares of 0.25p each	% of Issued Share Capital
Dominic White*	400,000,000	29.82%
Cosmos SICAV Value Added Fund	184,757,658	13.77%
Jim Nominees Limited	78,230,037	5.83%
Martin Groak **	60,143,000	4.48%
Rajesh Kandeth	52,000,000	3.88%
Fabio Carretta	50,000,000	3.73%
Hargreaves Lansdown Nominees Limited	44,257,858	3.30%

**Held through IWEP Ltd, a company controlled by Dominic White*

***Held through Marker Management Services Ltd, a company controlled by Martin Groak*

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 Company's employees can carry out their duties remotely, via the network infrastructure in place. As a result, there was no disruption to the operational activities of the Company during the COVID-19 social distancing and working from home restrictions. All key business functions continue to operate at normal capacity. Within the Company's portfolio are investments that have experienced a slowdown within their own operations during the COVID-19 crisis, however the operating performance of those investments is not expected to have any material impact on the Company's cash flows.

Statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Statement of disclosure of information to auditors

Each Director in office at the date of approval of this Directors' report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

PKF Littlejohn LLP have expressed their willingness to continue in office as auditor and will be proposed for reappointment at the next Annual General Meeting.

This report was approved by the Board of Directors on 3 July 2020 and signed on behalf of the board by:

Dominic White
Executive Chairman

Board of Directors

As at the date of this report, the Board of Directors consisted of:

Dominic White

Chairman (appointed 16 July 2018)

- Member of the Institute of Financial Analysts.
- 24 years' experience in the investment sector.
- Held Board level investment positions at international institutions including Security Capital European Realty, Henderson Global Investors and Cordea Savills Invest Management.

Martin Groak

Independent Non-Executive Director (Re-appointed 19 January 2019)

- Over 35 years of international business experience.
- Retired Chartered Accountant (ICAEW: 1978-2012).
- Multi-lingual, with a strong background in finance and financial control.
- Broad sectoral experience: oil exploration, energy, mining, logistics and physical trading.
- Formerly a director of five UK publicly listed companies. Currently Non-Executive Director of Tanfield Group plc, an AIM quoted investment company focused on the engineering sector.
- Various Interim CFO positions, including managing the finances of the UK's second-generation nuclear power station fleet.

Independent auditor's report to the members of Eight Capital Partners plc
For the year ended 31 December 2019

Opinion
We have audited the financial statements of Eight Capital Partners plc (the 'company') for the year ended 31 December 2019 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including The Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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.

Emphasis of 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. Our opinion is not modified in this respect.

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

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company'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 financial statements are authorised for issue.

Our application of materiality
Materiality for the company's financial statements as a whole was set at £19,780 (2018: £26,098).

The benchmark used to calculate materiality was based on 3% of the loss before tax, which we determined, in our professional judgment, to be the a benchmark within the financial statements that allows us to ensure sufficient sample coverage across all balances included in the financial statements, including the Statement of Comprehensive Income and the Statement of Financial Position. In prior years, net assets were used as a bench mark as there was less activity and the materiality was deemed appropriate in the prior year.

Our application of materiality (continued)

We agreed to report to the board all corrected and uncorrected misstatements we identified through our audit with a value in excess of £989. This was in addition to any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

An overview of the scope of our audit

In designing our audit, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. In particular, we considered areas involving significant accounting estimates and judgement by the directors including future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How the scope of our audit responded to the key audit matter**
<u>Issue of bonds</u> During the financial year ended 31 December 2019, the company listed bonds for on the Vienna Stock Exchange. As shown in note 11, the value of the bonds was £3,005k. The bonds are a highly material value in the financial statements. There is a risk that the bonds have not been appropriately recognised, measured and disclosed in accordance with the requirements of FRS 102.	We performed the following work to address the key audit matter: • Reviewed the bond agreements for each bond issued to ensure the bond liability had been appropriately accounted for and is in line with the underlying documentation and requirements of the financial reporting framework; • Ensured that the bonds issued were adequately disclosed and in line with FRS 102; and • Confirmed ownership of the bond

Key audit matter	How the scope of our audit responded to the key audit matter
<u>Investments</u> As at 31 December 2019, the company holds equity investments of £3,790k (2018: £581k. As reported in Note 9, the equity investments comprise: • £973k of listed investments measured at fair value through profit or loss (FVTPL) and includes investments listed on AIM and the AQSE Growth Market; and • £2,817k of unlisted investments which are measured at cost less impairment. There is the risk that the investments are overstated and may be subject to impairment. This is a key audit matter due to the material nature of the balance as well as being a key performance indicator for the Company.	We performed the following work to address the key audit matter: • In respect of unlisted investments, we considered management's assessment of these unlisted investments, challenged management's estimates and judgements included in the investment valuation methodology applied, and also undertook a search of these investments for any publicly available information for evidence that may give rise to an impairment; and • In respect of the listed investments, we compared the year end share price from the external sources to those used by management; • We assessed whether management's assumptions on any impairment for investments held at cost and the determination of the fair value of the investments were reasonable in light of the recognition and measurement requirements of the financial reporting framework; • For both we confirmed ownership of each investment held; and • We tested the disclosures made within the financial statements to ensure compliance with FRS 102. In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 3 to the Financial Statements in respect of the fair value of the unquoted investments carried at £2,817k. The Directors have concluded that, whilst there is no impairment required at this stage, they acknowledge that certain investments such as FIT, which is carried at £1m may be adversely impacted by COVID-19. The impact of COVID-19 continues to evolve and it is too early to ascertain what the impact will be at this stage. The Financial Statements do not include any adjustment that may be required as a result of poor performance or if any subsequent disposal of the unquoted investments is at less than the stated fair value.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

A further description of our responsibilities for the audit of the 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.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Zahir Khaki (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
15 Westferry Circus
Canary Wharf
London
3 July 2020

	Note	2019 £'000	2018 £'000
Administrative expenses		(543)	(434)
Net change in unrealised/realised gains and losses on investments at fair value through profit and loss	9	164	148
Exceptional items:			
Share based payment reversal	17	-	276
Other income		50	-
Operating loss	4	**(329)**	**(10)**
Interest income	6	7	3
Finance expense	6	(110)	-
Loss before tax		**(432)**	**(7)**
Taxation	7	-	-
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	8	(0.07)	(0.001)

The notes on pages 23 to 39 form part of these financial statements.

Statement of Financial Position

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Current assets			
Investments	9	3,790	582
Trade and other receivables	10	73	16
Cash and cash equivalents		420	91
Total current assets		**4,283**	**689**
Total assets		**4,283**	**689**
Current liabilities			
Trade and other payables	13	135	18
Borrowings	12	338	-
Provisions	14	11	3
Total current liabilities		**484**	**21**
Non-current liabilities			
Long term bond	11	3,005	-
Borrowings	12	508	-
Total non-current liabilities		**3,513**	-
Total liabilities		**3,997**	**21**
Net assets		**286**	**668**
Capital and reserves			
Share capital	15	1,360	1,350
Share premium		1,895	1,891
Share option and warrant reserve	17	8	8
Convertible loan note	18	84	48
Retained earnings		(3,061)	(2,629)
Total equity		**286**	**668**

The financial statements were approved by the Board of Directors on 3 July 2020 and signed on its behalf by:

Dominic White
Executive Chairman

Company number: 09301329

The notes on pages 23 to 39 form part of these financial statements

	Share capital £'000	Share premium £'000	Share option & warrant reserve £'000	Convertible loan note reserve £'000	Retained earnings £'000	Total £'000
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**

The notes on pages 23 to 39 form part of these financial statements.

	2019 £'000	2018 £'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)**

The notes on pages 23 to 39 form part of these financial statements.

Non-cash movements

On 6 June 2019, the company converted £13,155 of a convertible bond facility into 93,091,058 ordinary shares.

The company purchased investments of €1.4m which resulted in a non-cash movement through the issue of bonds.

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 Growth Market 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. Accounting policies

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.

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 Company's employees can carry out their duties remotely, via the network infrastructure in place. As a result, there was no disruption to the operational activities of the Company during the COVID-19 social distancing and working from home restrictions. All key business functions continue to operate at normal capacity. Within the Company's portfolio are investments that have experienced a slowdown within their own operations during the COVID-19 crisis, however the operating performance of those investments is not expected to have any material impact on the Company's cash flows.

2. Accounting policies (continued)

Other income
Other income is derived from recharging to investee companies' certain costs associated with the investment process or recharging for the use of the Company's own resources. It is classified as *other income* on the face of the income statement and is recognised when the Company's right to receive payment is established.

Interest income
Interest on debt securities held at fair value through profit and loss is accrued on a time-proportionate basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that discounts estimated future cash receipts over the expected life of the debt security to its net carrying amount on initial recognition. Interest income is recognised gross of withholding tax, if any.

Interest income on unquoted debt securities is recognised as a separate line item in the statement of comprehensive income and classified within investing activities in the cash flows statement.

Interest payable
Interest payable on both quoted and unquoted debt instruments held at fair value through profit and loss is accrued on a time-proportionate basis, by reference to the principal outstanding and the effective interest rate applicable.

In the case of interest payable on long-term bonds, where a proportion of those bonds is issued to third parties and the balance issued to the Company, interest on the total number of bonds issued must be paid in the first instance to the Paying Agent prior to the due date. The amount of interest relating to the bonds issued to the Company is then remitted back to the Company on the due date. Only the *net interest burden* (the total interest less the amount remitted back to the Company) is recognised in the income statement.

Taxation
Taxation expense for the period comprises current and deferred tax recognised in the reporting period.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period and is the amount of income tax payable in respect of the taxable profit for the year or prior year.

Deferred tax is recognised on all timing difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and labilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Provisions
Where a measurable obligation exists at the accounting date, but which is dependent upon a set of conditions realistically being able to be satisfied, a provision to accommodate that obligation is charged to the income statement and maintained in the balance sheet until such time as the obligation is either crystallised or reversed.

2. Accounting policies (continued)

Financial instruments
The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instrument.

Financial assets
Basic financial assets, including trade and other receivables and Cash and cash equivalents balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised.

The impairment reversal is recognised in profit or loss.

Listed investments
The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included as listed investments. Instruments included in quoted investments, which for the Company comprise AIM and AQSE investments.
Changes in fair value are recognised in profit or loss

Unlisted investments
Unlisted investments that are not publicly traded and whose fair value cannot be measured reliably, are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities
Basic financial liabilities include trade and other payables.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2. Accounting policies (continued)

Financial liabilities (continued)

Long-term bonds
Bonds are a form of fixed interest borrowing over a pre-determined period. The Company makes use of tradeable bonds to fund investments in unlisted entities and for general overheads.

The Company issued 5,000 bonds of €1,000 each (the "Bonds") to raise up to €5 million on the Vienna Stock Exchange's multilateral trading facility ("MTF") on 26 July 2019. The principal terms of the Bonds are as follows: - Issue price and redemption at par; - Interest of 7% per annum paid semi-annually in arrears; - Issue date of 26 July 2019 with a redemption date of 26 July 2022.

Bonds that are not issued to third parties remain as issued to the Company for future trading and only those that are issued to third parties are recognised as liabilities.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Share Capital
Share Capital consists of two classes of share: ordinary shares and deferred shares.

Both classes of share are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary shares bestow full rights on shareholders.

On 23 July 2018, each of the existing ordinary shares of 0.25 pence were sub-divided into one new ordinary share of 0.01 pence and one deferred share of 0.24 pence.

The deferred shares do not entitle their holders to receive notice of or to attend or vote at any general meeting of the Company, or to receive any dividend or other distribution. On a return of capital on a winding up or dissolution of the Company, the holders of the deferred shares shall be entitled to receive an amount equal to the nominal amount paid up thereon, but only after the holders of new ordinary shares have received £100,000 per new ordinary share.

The holders of deferred shares are not entitled to any further right of participation in the assets of the Company. The Company shall have the right to purchase the deferred shares in issue at any time for no consideration. As such, the deferred shares effectively have no value. Share certificates were not issued in respect of the deferred shares, and they have not been admitted to trading on the Aquis Stock Exchange Growth Market.

Warrants
Warrants are an option to acquire shares between two future dates at a fixed price. They are occasionally issued to third parties that invest in the Company's equity and are granted at the time of that equity investment.

There is a notional cost of the warrants expensed through the income statement in the period in which the warrants are granted, based on the fair value of the option and recalculated for each subsequent accounting period. The fair value itself is determined using the Black-Scholes model.

2. Accounting policies (continued)

Warrants (continued)
If the warrant options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.
Exceptional Items
The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

Convertible Loan Notes

The convertible loan note ("CLN") is a financial instrument that can be converted to share capital at the option of the holder. As, the facility can only be converted to equity at the end of the term or earlier, it has been recognised in equity only, with no liability component.

Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and current balances at banks.

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

Transactions and balances
Transactions in foreign currencies are converted into the functional currency on initial recognition, using the exchange rates approximating to those ruling at the transaction dates. At each period end foreign currency monetary items are translated using the rates ruling as of that date. Non-monetary assets and liabilities are not retranslated. All exchange differences are recognised in profit or loss.

3. Critical accounting estimates and judgements

Management makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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.

Further details relating to management's assessment of the carrying value of unlisted investments can be found in the Strategic Report. Management have concluded that there are no indications of impairment to the value to the unlisted investments following this assessment.

4. Operating loss

The operating loss is stated after charging/(crediting):

	2019 £'000	2018 £'000
Net change in unrealised gains on investments at fair value through profit and loss	(162)	(148)
Commission on placing of bonds	117	3
Corporate finance advice	116	138
Share-based payment (reversal)	-	(276)
Staff costs	158	71
Auditors' remuneration:		
- Audit fees	15	21
- Other taxation services	2	2

The auditor of the Company is PKF Littlejohn LLP, who also provided taxation services to the Company.

5. Staff costs

	2019	2018
The average number of persons (including executive directors) employed by the Company during the year:	3	3

	2019 £'000	2018 £'000
Wages and salaries (including directors)	137	69
Directors' fees	19	46
Share based payment (credit)/charge	-	(276)
Social security costs	2	2
	158	**(157)**

Director's remuneration

	2019 £'000	2018 £'000
Salaries and fees	156	117
Share based payment (reversal)	-	(276)
Other employment costs	2	2
	158	**(157)**

6. Interest income and expense

	2019 £'000	2018 £'000
Interest income		
Interest income	7	3
	7	**3**
Finance costs		
Other finance expenses	(110)	-
	(110)	**-**

7. Taxation

	2019 £'000	2018 £'000
Analysis of tax charge/(credit) for the period		
Current tax		
UK corporation tax at 19.00%	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	-	-
Deferred tax asset not recognised	(227,144)	(102,129)
Reconciliation of tax charge		
Loss on ordinary activities before taxation	(432)	(7)
Current tax on loss of the year at standard rate of UK corporation tax of 19% (2018 – 19%)	**(82)**	**(1)**
Expenses not deductible for tax purposes	7	27
Income not taxable for tax purposes	(38)	(66)
Losses carried forward	113	40
Tax in the income statement	-	-

The Company has tax losses of approximately £83,204 (2018: £1,260) to carry forward against future profits. The Directors have not recognised a deferred tax asset on the losses to date due to the uncertainty of recovery.

8. 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.

9. Investments

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

	Unlisted Investments £'000	Listed Investments £'000	Total £'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 on page 2.

10. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	59	-
Other receivables	7	16
Prepayments	7	-
	73	**16**

The directors consider that the carrying amount of receivables is not materially different to their fair value.

11. Long-term bonds

	2019 £'000	2018 £'000
Opening balance	-	-
Bonds issued	3,241	-
Foreign exchange adjustment	(236)	-
Closing balance	**3,005**	**-**

The Company launched 5,000 bonds of €1,000 each (the "Bonds") to raise up to €5 million on the Vienna Stock Exchange's multilateral trading facility ("MTF") on 26 July 2019. The principal terms of the Bonds are as follows: - Issue price and redemption at par; - Interest of 7% per annum paid semi-annually in arrears; - Issue date of 26 July 2019 with a redemption date of 26 July 2022.

Bonds that are not issued to third parties remain as issued to the Company for future trading and only those that are issued to third parties are recognised as liabilities. At 31 December 2019 a total of 3,550 Bonds representing a liability of €3,550,000 had been issued to third parties and 1,450 Bonds with a par value of €1,450,000 were issued to the Company and available to be traded.

12. Borrowings

	2019 £'000	2018 £'000
Non-current		
Long-term loans	**508**	**-**
Current		
Short-term loans	**338**	**-**

Borrowings comprises loans received from IWEP Ltd for €600,000 and from DMF RE for €400,000. Both loans accrue interest at a rate of 5% interest per annum. The repayment dates are June 2021 and November 2020 respectively.

13. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	75	2
Taxation and social security	-	4
Accruals and other payables	60	12
	135	**18**

14. Provisions

	2019 £'000	2018 £'000
At 1 January	**3**	**-**
Charged to profit and loss	8	3
At 31 December	**11**	**3**

The provision was created for the potential contribution entitlement due to a Director, that may be payable, to a pension scheme of his choice, subject to the relevant conditions being met.

15. Share capital

Movements in ordinary share capital are summarised below:

	Number of Ordinary Shares of 0.25p	Number of New Ordinary Shares of 0.01p	Nominal value £'000
As at 1 January 2018	**270,166,760**	**-**	**675**
New equity issued for cash:	270,000,000	-	675
	540,166,760	-	1,350
Sub-division of ordinary shares	(540,166,760)	540,166,760	(1,296)
As at 31 December 2018	**-**	**540,166,760**	**54**
Issue of equity upon conversion of loan note		93,091,058	9
As at 31 December 2019	**-**	**633,257,818**	**63**

On 6 June 2019, the Company converted £13,155.83 of a convertible bond facility into 93,091,058 ordinary shares.

Movements in Deferred share capital are summarised below:

	Number of Deferred Shares of 0.24p	Nominal value £'000
As at 1 January 2018	-	-
Sub-division of ordinary shares	540,166,760	1,296
As at 31 December 2018	**540,166,760**	**1,296**
Issue of equity upon conversion of loan note	-	-
As at 31 December 2019	**540,166,760**	**1,296**

On 23 July 2018, each of the existing ordinary shares of 0.25 pence were sub-divided into one new ordinary share of 0.01 pence and one deferred share of 0.24 pence.

15. Share capital (continued)

The deferred shares do not entitle their holders to receive notice of or to attend or vote at any general meeting of the Company, or to receive any dividend or other distribution. On a return of capital on a winding up or dissolution of the Company, the holders of the deferred shares shall be entitled to receive an amount equal to the nominal amount paid up thereon, but only after the holders of new ordinary shares have received £100,000 per new ordinary share.

The holders of deferred shares are not entitled to any further right of participation in the assets of the Company. The Company shall have the right to purchase the deferred shares in issue at any time for no consideration. As such, the deferred shares effectively have no value. Share certificates were not issued in respect of the deferred shares, and they have not been admitted to trading on the Aquis Stock Exchange Growth Market.

16. Reserves

The Company's reserves are as follows:

- The share premium represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.
- The share option and warrant reserve arise from the requirement to value share options and warrants in existence at the grant date (see Note 17).
- Convertible loan note reserve represents the equity component of convertible bonds issued by the Company.
- Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.

17. Share option and warrant reserve

The share option and warrant reserve are made up as follows:

Share options

The Company issued a total of 3,500,000 options to acquire shares, to three directors and two key managers on 5 February 2016. The options expire eight months post termination of employment. As at year end, 31 December 2018, all Directors who had received the share options had terminated their employment, more than eight months prior to year-end without exercising any options. Therefore, no options were in existence at 31 December 2018.

Share options outstanding and their weighted average exercise price are as follows:

	Number	Weighted average exercise price (pence)
Outstanding at 1 January 2018	**3,500,000**	**20p**
Issued	-	-
Forfeited	(3,500,000)	-
Outstanding at 31 December 2018	**-**	**-**

The total expense/(reversal) for the year relating to this scheme was £nil (2018: (£276,000)). There were no share options issued during 2019.

17. Share option and warrant reserve (continued)

Warrants
On 25 October 2017, the Company issued warrants to acquire shares to the Company's Broker over shares representing 2% of the Company's equity (5,403,335 shares at 31 December 2017) and 1% of the Company's equity to its Nominated Adviser (2,701,668 shares at 31 December 2017). Both issues of warrants were repurchased during 2018. Further warrants were issued on 26 October 2018 for 52,627,560 shares, which expire on 26 October 2021.

The total expense for the year in respect of the warrants issued was £nil (2018: £8,000).

Warrants outstanding and their weighted average exercise price are as follows:

	Number	Weighted average exercise price (pence)
Outstanding at 1 January 2018	**8,105,003**	**0.25p**
Repurchased	(8,105,003)	(25p)
Issued	52,627,760	0.03p
Outstanding at 31 December 2018	**52,627,760**	**0.03p**
Issued	-	0.03p
Outstanding at 31 December 2019	**52,627,760**	**0.03p**

The fair value is estimated as at the issue date using a Black-Scholes model, considering the terms and conditions upon which the warrants were granted. The following table lists the inputs to the model.

	2018
Exercise price (pence)	**0.03p**
Number of warrants	**52,627,760**
Risk free interest (%)	**1.5%**
Dividend yield	**0.0%**
Time to expiration at date of grant (i.e. life of warrants) in years	**3**

18. Convertible Loan Notes

The Company has entered into an agreement which provides a facility for the Company to issue up to £2.5m of Convertible Bonds (the "Bonds") to Cosmos SICAV plc Value Added Fund (the "Investor"). The Bonds will each be valid for twenty-four (24) months (the "Maturity Date") from the date of their issue and will be freely transferrable. The key terms of the Bonds are:

- they will be issued at 95% of their nominal value;
- they can be issued at the Company's election in 50 tranches of £50,000 up to a maximum commitment of £2.5million;
- to the extent issued, each Bond shall carry a coupon of 5%;
- interest is payable at six-monthly intervals, but the Company may, subject to certain conditions, elect to convert any interest due to the Investor into ordinary shares of 0.01 pence each in the Company ("Ordinary Shares") at an issue price of 10 per cent. below the 20 Trading Day average mid-price of the Ordinary Shares (the "Conversion Price")

18. Convertible Loan Notes (continued)

On the Maturity Date, any Loan Notes issued but not converted, together with any accrued interest, will be mandatorily converted into Ordinary Shares at the Conversion Price. It is a condition of the Bonds that such a conversion will only be valid if it will not result in a Bondholder, or any person acting in concert with such Bondholder holding Ordinary Shares representing voting rights in excess of 29.9 per cent of the Company's entire issued share capital or which would otherwise give rise to the Bondholder being required to make a mandatory offer for the remaining ordinary share capital of the Company pursuant to Rule 9 of the Takeover Code.

On 31 October 2018, the Company issued an initial tranche of £50,000 nominal of Convertible Bonds to the Investor and a further tranche of £50,000 on 25 January 2019. The net proceeds were used by the Company for general working capital purposes. On 6 June 2019, the Company converted £13,155.83 of the drawn down convertible bond facility into 93,091,058 ordinary shares.

The facility can only be converted to equity at the end of the term or earlier. More specifically, there is no contractual obligation to pay cash, no obligation to issue a variable number of shares, or a fixed number of shares to settle an instrument whose book value is variable. It has therefore been recognised in equity only, with no liability component.

19. Financial instruments

The Board of Directors attribute great importance to professional risk management, proper understanding and negotiation of appropriate terms and conditions and active monitoring, including a thorough analysis of reports and financial statements and ongoing review of investments made.

The Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control the economic impact of these risks. The Board of Directors review and agrees policies for managing the risks as summarised below.

The Company has exposures to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
    - Interest rate risk
    - Currency risk
    - Price risk

The Company’s overall risk management process focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company’s financial performance.

The Company has no interest rate derivative financial instruments (2018: none).

19. Financial instruments (continued)

The carrying values of the Company's financial assets and liabilities are summarised by category below:

	2019 £'000	2018 £'000
Financial assets		
Measured at fair value through profit and loss		
Current asset listed investments (see Note 9)	973	480
Other receivables	7	16
Measured at cost less impairment		
Current asset investments (see Note 9)	2,817	102
Financial liabilities		
Measured at cost less impairment		
Trade payables	75	2
Other payables	60	16

The Company's income, expense, gains and losses in respect of financial instruments are summarised below:

	2019 £'000	2018 £'000
Interest expense		
Total interest expense for financial liabilities	110	-
Fair value gains and losses		
On listed investments measured at fair value through profit and loss	162	148

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on its investments and cash.

In accordance with the Company's policy, the Board of Directors monitors the Company's exposure to credit risk on an ongoing basis. The credit quality of the investments in equities and debt securities, which are held at fair value and include debt and equity elements, is based on the financial performance of the individual investments and they are not rated.

The Company only deposits its cash with major banking institutions. The risk is therefore considered to be limited.

19. Financial instruments (continued)

Liquidity risk
Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 30 days. The majority of the investments held by the Company are quoted and not subject to specific restrictions on transferability or disposal. However, the risk exists that the Company might not be able to readily dispose of its holdings in such markets at the time of its choosing and also that the price attained on a disposal may be below the amount at which such investments were included in the Company's balance sheet.

Market risk
Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The Company's sensitivity to these items is set out below.

a) Interest rate risk
The Company holds quoted debt securities at fixed rates of interest and is therefore exposed to interest rate risk. The impact of an increase or decrease on interest rates of 100 basis points on cash and deposits, based on the closing balance sheet position over a 12-month period, is considered immaterial.

In addition, the Company has indirect exposure to interest rates through changes to the financial performance and valuation in equity investments in the companies that have issued debt caused by interest rate fluctuations. Short term receivables and payables are excluded as the risks due to fluctuation in the prevailing levels of market interest rates associated with these instruments are not significant and is limited to the Company's investments.

b) Currency risk
The Company's holds Euro denominated investments to the total of €3,210,000, which expose the Company to the risk that the exchange rate of the Euro against the pound will change in a manner which adversely impacts the Company's net profit and net assets attributable to shareholders. A 10% increase in the Euro exchange rate against the pound would result in an increase in fair value of those bonds of approximately £271,000. A 10% decrease in exchange rates against the pound would have an equal and opposite effect.

c) *Price risk*
The Company's management of price risk, which arises primarily from quoted and unquoted equity and debt instruments, is through the selection of financial assets within specified limits as approved by the Board of Directors.

For quoted equity securities, the market risk variable is deemed to be the market price itself. A 10% change in the price of those investments would have a direct impact on the statement of comprehensive income and statement of financial position. At 31 December 2019, the effect of such a change in market price would have been approximately £97,000 (2018: £40,000).

20. Related party transactions

Administrative services

During the year, the Company was invoiced £11,700 for administrative services provided by Marker Management Services Ltd, a company controlled by Martin Groak, a director of Eight Capital.

Investment in Epsion Capital Ltd

On 8 March 2019, the Company announced an initial investment of £3,500 in Epsion Capital Ltd. ("Epsion") John Treacy, who was at that time a director of the Company, was also sole director of Epsion.

On 4 November 2019 the Company announced it had increased its holding in Epsion by investing a further £96,500. The Company had previously announced Mr Treacy's departure from the Board on 30 October 2019, but with effect from 8 November 2019.

Acquisition of a €2 million receivable from Finance Partners Group and conversion to equity

On 7 August 2019 the Company announced the acquisition from IWEP Ltd. ("IWEP") of a €2 million convertible receivable (the "Receivable") from Finance Partners Group SpA ("FPG"), an Italian financial services company that invests in private companies seeking future listings on public markets and whose principal investment was in The AvantGarde Group.

The consideration paid to IWEP was €1.9 million, settled by €300,000 of cash, a 5% short term convertible loan of €600,000 and the issuing of €1 million of 7% Bonds expiring in 2022.

On 4 November 2019, the Company announced that it had converted the Receivable into a 40% equity holding in FPG. IWEP had retained a further €2 million receivable from FPG that it too converted into equity.

IWEP is a company connected to Eight Capital Partners' Chairman Dominic White. In August 2019 Dominic White agreed to become a non-executive board member of The Avantgarde Group to monitor the Company's and IWEP's interests.

21. Ultimate controlling entity

There was no single controlling party as at 31 December 2019.

22. 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 and extension

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 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.

22. Post balance sheet events (continued)

COVID-19
Since the year end, it has become clear that the spread of the COVID-19 coronavirus will have a material impact on many economies globally both through the effects of the virus itself and the measures taken by governments to restrict its spread.

Given the emergence and spread of the COVID-19 virus is not considered to provide more information about conditions that existed as at the balance sheet date, this is considered to be a non-adjusting post balance sheet event and so the measurement of assets and liabilities in the accounts have not been adjusted for its potential impact. The directors have set out the post year end impact on going concern in the relevant section to the Directors Report.