

## **finnCap Ltd**

Report and Financial Statements

Year Ended

30 April 2016

Company Number 6198898



# **finnCap Ltd**

## **Report and financial statements for the year ended 30 April 2016**

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### **Directors**

J P Moulton  
S J Smith  
M J McNamara  
T A J Jenkins  
T W R Hayward  
S A Andrews  
M D Tubby

### **Secretary and registered office**

M D Tubby, 60 New Broad Street, London, EC2M 1JJ

### **Company number**

6198898

### **Auditors**

BDO LLP, 55 Baker Street, London, W1U 7EU

# **finnCap Ltd**

## **CEO's report for the year ended 30 April 2016**

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I am very pleased to be able to report that, in the year to 30 April 2016, finnCap delivered a further year of material growth.

### **Financial highlights:**

- Revenues increased for the sixth time in seven years (up 10.8% to £17.8m)
- Highest ever pre-tax profits, at £2.8m (up 47.8%)
- Highest ever corporate fees of £7.8m
- Trading revenues up 25%, despite contracting market volumes and commission rates

### **Operational highlights**

- Most funds ever raised (£333m), including funds raised from Maintel, Amino and CityFibre. finnCap has now raised over £1.4bn since August 2007
- finnCap's largest ever fundraising, of £80m for CityFibre to fund its acquisition of KCOM's fibre network
- Combined market cap of clients - £7.3bn
- Clients' share price up by an average 65% since appointing finnCap
- Won 21 new clients
- Initiated coverage on 30 new companies, to give a total of 146 companies under coverage
- 15 new staff recruited to strengthen the team

finnCap's significant growth over the last 12 months is testament to the strength of our client-focused business model and our clear strategy. We aim to do things differently, and deliver a first class service, building long term relationships at all stages of a company's development.

That service is delivered by one of the largest corporate broking teams in London, covering the full range of institutions and private client brokers in the growth companies space.

We help to raise the necessary funds when our clients require them, and provide high levels of service before and after that money is in the bank. This approach means we have been able to improve client liquidity and service our institutional and corporate clients to a very high level. This has resulted in our trading commission increasing 25% year on year.

By continuously working alongside our clients and providing incisive ongoing advice, we are able to help them to fulfil their ambitions; and this will enable us to sustain our growth, in step with our clients.

### **Staying No. 1 - maintaining our market leading position**

During the year, finnCap strengthened its position as the leading broker to growth companies. We are ranked number one in terms of total number of Nomad clients and AIM brokerships, number one in technology, with 27 clients in the sector, and are ranked number two in healthcare and industrials.

### **Growing ambitions – introducing clients to new investors**

Maintel is an excellent example of the way we aim to grow alongside our clients. We were appointed in 2009, when the market capitalisation was £12 million. Over the last seven years we have continuously serviced Maintel in the secondary market, helping them to broaden their shareholder base and increase their market cap. We then advised Maintel on a number of smaller acquisitions, and this year we advised on the transformational acquisition of Azzuri Communications, raising £24 million in the process. Maintel now has a market capitalisation of over £123 million.

We've also taken Ideagen from PLUS markets to an AIM listing, and advised them on four acquisitions. Continuously arranging extensive institutional roadshows meant that we knew who to speak to in order to raise over £25 million for the Company, providing them with funds to support its acquisitions. Ideagen is now valued at £97 million, with the share price up circa 288% since AIM admission.

finnCap started working with Trakm8 in 2012 when it was valued at £2.3 million. We advised the company on the acquisition of three companies and helped them to raise £6 million at the end of 2015, introducing new institutional shareholders. Trakm8 now has a market capitalisation of £96 million.

# **finnCap Ltd**

## **CEO's report for the year ended 30 April 2016 (continued)**

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### **Making a big deal of it – advising and funding significant transactions**

finnCap advised on a number of other significant transactions during the year. We acted as joint financial adviser on the acquisition of Jelf Group by Marsh and McLennan for £258 million and also advised on and raised £80 million for CityFibre's £90 million acquisition of KCOM's fibre network. We have also raised £30 million for Constellation Healthcare, £13 million of turnaround financing for Stanley Gibbons and £21 million for Amino Technologies to support its \$65 million acquisition of Entone.

### **Investing in new areas – strategy delivering results**

finnCap is investing in two core areas: high quality people that can deliver valuable advice to clients; and new products and services that can benefit our clients.

During the year we welcomed Mark Brewer as Senior Life Sciences Analyst, Roger Tejwani as Senior Consumer Analyst, Stephen Joseph as Institutional Sales Director, Tim Redfern as Corporate Broking Director and Jonny Franklin-Adams as Corporate Finance Director.

finnCap also invested in the successful Series "A" fund raising for PrimaryBid, the online investment platform focused on AIM companies. PrimaryBid will allow private investors to gain access to placings, fund raisings and IPOs of AIM listed companies. We made this investment because we believe it is important to offer the same investment opportunities to investors of all types. Supporting the growth of new sources of equity investment can only help our clients.

### **Continued focus on clients**

We share the same ambitions as our clients. We set out to work with companies that have ambitious growth plans, and then work with them to help them realise those plans. As a result of this approach our clients' share prices have increased by 65% on average since appointing finnCap.

I would like to take this opportunity to thank our fantastic clients for supporting us throughout this growth period, and our ever stronger team for working so hard to deliver a record performance.



**S J Smith  
Chief Executive Officer**

20 July 2016

# finnCap Ltd

## Strategic report for the year ended 30 April 2016

The directors present their strategic report together with the audited financial statements for the year ended 30 April 2016.

### Overview

finnCap Ltd is a corporate stockbroker. It provides corporate finance and broking services to its corporate clients, and research and stockbroking services to institutional investors. Additionally, it makes a market in many of its corporate clients and certain other LSE stocks.

The company's revenues are derived from activities conducted in the UK, although a number of its corporate and institutional investors and clients are situated overseas.

At the year-end, the company had 77 staff (2015 - 70).

### Strategy

finnCap's long term strategy is to further develop its position as the leading independent broker to ambitious companies. The company's primary differentiator is the high level of service that it provides to its corporate and institutional clients.

The board's primary financial focus is on growing the company while maintaining the profitability and stability of the company's business model.

### Key performance Indicator

finnCap has identified a number of Key Performance Indicators (KPIs) for the year ahead and beyond to help measure the success of the strategy. KPIs that the Company focuses on include:

#### *Profitability*

	y/e 30 April 2016	y/e 30 April 2015
Ratio of profit before tax to revenue	15.8%	11.8%

A key financial focus of the company is its profitability, to maximise returns for shareholders and ensure that revenue opportunities are not pursued on an unprofitable basis. The company's profitability increased as a proportion of revenues, with revenues also increasing in quantum, with the combined result that the profit attributable to shareholders increased by 43%.

#### *Cost coverage from non-deal fees*

	y/e 30 April 2016	y/e 30 April 2015
Ratio of non-deal fee income to total costs	65.8%	62.8%

Management consider the proportion of the cost base that is covered by contracted recurring or stable revenue lines as a key measure of the company's stability. This proportion increased slightly in the current year, mainly as a result in the improved performance of the company's proprietary and agency trading desks.

#### *Revenue generation per employee*

	y/e 30 April 2016	y/e 30 April 2015
Revenues per employee	£235,000	£223,000

The company is focussed on profitable (as opposed to unprofitable) growth. The revenue per employee increased over the previous period, and improved even further if other operating income is included in the calculation.

# finnCap Ltd

## Strategic report for the year ended 30 April 2016 (*continued*)

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### Key performance Indicators (*continued*)

#### *Number of corporate clients*

	y/e 30 April 2016	y/e 30 April 2015
Number of corporate clients	118	127

The number of corporate clients is a sign of both the company's market share and the lack of reliance on any individual client. Although the company's client base contracted slightly during the year, mainly as the result of inevitable loss of clients to takeovers and delistings, the firm recruited a number of new clients of more promising quality, with a resulting growth in turnover.

### Principal risks and uncertainties

finnCap actively guards against risk by regularly reviewing the business and by actively promoting a culture of compliance throughout the business. Additionally, the company has taken out insurance against those risks that the directors consider it to be appropriate to do so. The company's risks can be separated into operational, regulatory and financial risks.

#### Operational risks

- Risk of market downturn - as with other firms in our sector, finnCap is generally dependent on the financial market's health and appetite for new and secondary issues. This has been exacerbated post year-end by the result of the UK's referendum on leaving the EU. However, the board recognises that the business and its markets are cyclical, and have developed a business model that is robust in these circumstances.
- Loss of key staff - finnCap is a people-oriented business and hence the loss of team members is a potential risk.
- Reputational risk - reputational risk accompanies all market transactions. finnCap has internal approvals processes that mitigate risk before it takes on new business and as transactions proceed. In the event of risk crystallisation, management would move proactively to address market impact and maintain confidence in the company's offering and services.
- IT failure - the level of risk arising from an IT failure is dependent largely on the extent of the failure. As finnCap relies on core data services, management actively seek providers who have suitable disaster recovery procedures of their own in place in addition to building networks that are a combination of in-house and packaged products.
- Capital risk - the company's primary objective in managing capital is to ensure that it has capital which is permanent and which is able to absorb any reasonable losses arising from an extreme event. The company is also subject to the capital requirements of the FCA Handbook which sets capital requirements based on the risks (including credit risk and market risk) assumed by the company. The company manages its capital by performing as required a daily computation of the capital requirements and ensuring that its capital exceeds these requirements.
- Poor trading performance - the company is dependent on the decision making of its market makers and proprietary traders. It contains its potential exposure here through the implementation of a tight regime of trading limits and constant monitoring of performance and exposure. Any protracted loss-making period would result in a reappraisal of the commercial rationale of these business lines.

# **finnCap Ltd**

## **Strategic report for the year ended 30 April 2016 (continued)**

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### **Regulatory risk**

The company operates in a regulated environment. The company has an independent and well resourced Compliance department that is represented on the board. The directors monitor changes and developments in the regulatory environment and ensure the sufficient resources are made available from the company to implement any required changes.

### **Financial and credit risk**

The main risks arising from financial instruments are credit risk, liquidity and market risk. Market risk comprises currency risk, interest rate risk and other price risk. The directors review and agree policies for managing each of these risks, which are summarised below:

- Credit risk - credit risk is the risk that clients or other counterparties to a financial instrument will cause a financial loss by failing to meet their obligation. Credit risk relates both to the company's trading activities and corporate clients, and is the risk that third parties fail to pay amounts as they fall due. Formal credit procedures include checking client creditworthiness before starting to trade with them, approval of material trades and chasing of overdue accounts. The maximum exposure to credit risk on trade debtors at the end of the reporting period is equal to the balance sheet figure. In addition, the company has credit risk exposure to the gross value of unsettled trades at its Model B Settlement Agent, which were £14.2m at the balance sheet date.
- Liquidity risk - liquidity risk is the risk that obligations associated with financial liabilities will not be met. The company monitors its risk to a shortage of funds by considering the maturity of both its financial assets and projected cash flows from operations. The company's objective is to maintain adequate cash resources with a material contingency to meet its obligations as they fall due.
- Currency risk - currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. There are no significant currency risks at the balance sheet date.
- Interest rate risk - interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There are no significant interest rate risks at the balance sheet date.
- Other price risk - other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. The company manages market price risk by monitoring the value of its financial instruments on a daily basis. The risk of future losses is limited to the fair value of investments as at the balance sheet date.

### **Approval**

This strategic report was approved on behalf of the Board on 20 July 2016



T W R Hayward

**Finance Director**

# **finnCap Ltd**

## **Directors' report for the year ended 30 April 2016**

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The directors present their report together with the audited financial statements for the year ended 30 April 2016.

### **Results and dividends**

The income statement is set out on page 11 and shows the profit for the year.

Dividends of £2,141,304, or 2p per share, were paid during the year (2015 - £1,767,806). No final dividend is proposed.

### **Principal activities**

The principal activities of the company comprise Corporate Advisory and Institutional Stockbroking.

### **Directors**

The directors during the year were as follows:

J P Moulton  
S J Smith  
M J McNamara  
T A J Jenkins  
T W R Hayward  
S A Andrews  
M D Tubby

### **Going concern**

The directors believe that the company has adequate resources to continue trading for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

The company's disclosure requirements under Pillar III are available from the company's registered offices.

### **Likely future developments in the business of the company**

The company continues to invest for future growth, and is looking to expand the services it provides to current and new clients. The fortunes of the company and all of its competitors are highly dependent on the success of its underlying clients and the market as a whole, and as such the result of the UK's referendum to cease its membership of the EU will have a material impact on its short term prospects, but the board remains confident that the company's business model, with its tight cost control and material recurring revenues, is one that will enable it to remain profitable and benefit from opportunities as they become available in this time.



# **finnCap Ltd**

## **Directors' report for the year ended 30 April 2016 (continued)**

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### **Acquisition of the Company's own shares**

During the year the company's Employee Benefit Trust purchased 1,799,999 ordinary shares at a weighted average price of £0.1444 (2015 - purchased 1,678,667 at a weighted average price of £0.15), and sold 1,660,773 ordinary shares at a weighted average price of £0.1474 (2015 : sold nil shares). Total consideration for these purchases was £260,000 (2015 - £251,800) and for these sales was £244,877 (2015 - £Nil). These purchases represent 1.53% of the ordinary called up share capital (2015 - 1.46%) and these sales represent 1.41% of the ordinary called up share capital (2015 - Nil%).

### **Political and charitable donations**

The company did not make any political donations or incur any political expenditure during the year. The company made charitable donations of £13,230 (2015 - £12,525).

### **Directors' indemnities**

The company has made qualifying third party indemnity provisions for the benefit of its directors during the period and these remain in force at the date of this report.

### **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 or loss of the company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **finnCap Ltd**

## **Directors' report for the year ended 30 April 2016 (continued)**

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### **Auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

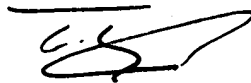
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

BDO LLP have expressed their willingness to continue in office.

### **On behalf of the Board**



S J Smith  
Chief Executive Officer



T W R Hayward  
Finance Director

20 July 2016

# **finnCap Ltd**

## **Independent auditor's report**

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### **TO THE MEMBERS OF FINNCAP LTD**

We have audited the financial statements of finnCap Ltd for the year ended 30 April 2016 which comprise the income statement, the balance sheet, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2016 and of the profit 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.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## finnCap Ltd

### Independent auditor's report (*continued*)

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#### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the company, 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.

*BDO*

Daniel Taylor (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

*20/7/16*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# finnCap Ltd

## Income statement for the year ended 30 April 2016

	Note	2016 £	2015 £
<b>Turnover</b>	3	17,824,371	16,086,727
Cost of sales		(881,620)	(860,848)
<b>Gross profit</b>		16,942,751	15,225,879
Operating (loss)/income	4	159,631	(122,931)
Administrative expenses		(14,321,718)	(13,222,977)
<b>Operating profit</b>	7	2,780,664	1,879,971
Interest receivable		26,772	21,505
Interest payable		-	(1,778)
<b>Profit on ordinary activities before taxation</b>		2,807,436	1,899,698
Taxation on profit from ordinary activities	8	(604,166)	(355,725)
<b>Profit for the financial year</b>		2,203,270	1,543,973

All amounts relate to continuing operations.

There are no gains or losses in either the current or preceding period other than as reflected above and accordingly no separate statement of other comprehensive income has been presented.

The notes on pages 15 to 30 form part of these financial statements.

# finnCap Ltd

## Balance sheet at 30 April 2016

<b>Company number 6198898</b>	<b>Note</b>	<b>2016 £</b>	<b>2016 £</b>	<b>2015 £</b>	<b>2015 £</b>
<b>Fixed assets</b>					
Tangible assets	9		484,279		287,505
Goodwill	10		-		118,125
Financial assets held at fair value through profit or loss	11		<u>217,922</u>		<u>125,239</u>
			702,201		530,869
<b>Current assets</b>					
Trade debtors		415,103		454,274	
Other debtors	12	5,731,192		8,539,637	
Current asset investments held at fair value through profit and loss account		62,596		-	
Cash at bank and in hand		<u>5,170,759</u>		<u>3,205,673</u>	
		11,379,650		12,199,584	
<b>Creditors: amounts falling due within one year</b>					
Trade creditors		(829,617)		(757,162)	
Current liability investments held at fair value through profit or loss		-		(106,156)	
Other creditors	13	<u>(6,412,557)</u>		<u>(7,176,239)</u>	
		(7,242,174)		(8,039,557)	
<b>Net current assets</b>			<u>4,137,476</u>		<u>4,160,027</u>
<b>Total assets less current liabilities</b>			<u>4,839,677</u>		<u>4,690,896</u>
<b>Provisions</b>	14		<u>(119,791)</u>		<u>(161,736)</u>
<b>Net assets</b>			<u>4,719,886</u>		<u>4,529,160</u>
<b>Capital and reserves</b>					
Called up share capital	15		1,173,905		1,152,722
Share premium account			632,141		487,084
Capital redemption reserve			419,999		419,999
Own shares			(254,505)		(251,800)
EBT reserve			(24,567)		(5,431)
Share based payments reserve			197,727		212,363
Profit and loss account			<u>2,575,186</u>		<u>2,514,223</u>
<b>Shareholders' funds</b>			<u>4,719,886</u>		<u>4,529,160</u>

The financial statements were approved by the Board of Directors and authorised for issue on 20 July 2016

  
S J Smith  
Chief Executive Officer

  
T W R Hayward  
Finance Director

The notes on pages 15 to 30 form part of these financial statements.

## finnCap Ltd

### Statement of changes in equity for the year ended 30 April 2016

	Ordinary share capital £	Share premium account £	Capital redemption reserve £	Own shares £	EBT reserve £	Share based payments reserve £	Available for sale reserve £	Profit and loss account £	Total shareholders' funds £
Opening balance at 1 May 2014	1,097,472	295,084	419,999	-	(4,912)	245,337	(15,174)	2,654,607	4,692,413
- Transfers of own shares by EBT	-	-	-	(251,800)	-	-	-	-	(251,800)
- Share based payments charge	-	-	-	-	-	49,956	-	-	49,956
- Dividends paid	-	-	-	-	-	-	-	(1,767,806)	(1,767,806)
- Share options exercised	55,250	192,000	-	-	-	(82,930)	-	82,930	247,250
- Realisation of assets available for sale	-	-	-	-	-	-	15,174	-	15,174
- Profit on ordinary activities after taxation	-	-	-	-	(519)	-	-	1,544,492	1,543,973
Closing balance at 30 April 2015	1,152,722	487,084	419,999	(251,800)	(5,431)	212,363	-	2,514,223	4,529,160
- Transfers of own shares by EBT	-	-	-	(2,705)	-	-	-	-	(2,705)
- Share based payments charge	-	-	-	-	-	18,050	-	-	18,050
- Dividends paid	-	-	-	-	-	-	-	(2,141,304)	(2,141,304)
- Share options exercised	25,422	147,340	-	-	-	(32,686)	-	32,686	172,762
- Share buy back	(4,239)	(2,283)	-	-	-	-	-	(52,825)	(59,347)
- Profit on ordinary activities after taxation	-	-	-	-	(19,136)	-	-	2,222,406	2,203,270
Closing balance at 30 April 2016	1,173,905	632,141	419,999	(254,505)	(24,567)	197,727	-	2,575,186	4,719,886

The reserve for 'own shares' arises in connection with the Employee Benefit Trust, a discretionary trust established to facilitate the operation of the company's long-term incentive scheme. The amount of the reserve represents the deduction in arriving at shareholders' funds for the consideration paid for the company's shares purchased by the trust which had not vested unconditionally in employees at the balance sheet date.

The number and carrying value of the ordinary shares held by the employee benefit trust at 30 April 2016 was 1,817,893 (2015 - 1,678,667) and £254,505 (2015 - £251,800) respectively.

# finnCap Ltd

## Statement of cash flows for the year ended 30 April 2016

	2016 £	2016 £	2015 £	2015 £
<b>Cashflows from operating activities</b>				
Profit for the financial year	2,203,270		1,543,973	
Depreciation and amortisation	291,248		272,472	
Net interest receivable	(26,772)		(19,727)	
(increase)/decrease in debtors	2,847,616		(5,356,257)	
Taxation expense	604,166		355,725	
Share based payments charge	18,050		49,956	
increase/(decrease) in creditors	(1,171,512)		3,770,084	
(Decrease)/increase in provisions	(41,945)		(87,768)	
Impairment of investments	-		21,114	
Net fair value losses/(gains) recognised in profit or loss	(308,300)		657,693	
<b>Cash from operations</b>		4,415,821		1,207,265
Interest paid		-		(1,778)
Taxation paid		(123,881)		(739,277)
<b>Net cash generated from operating activities</b>		4,291,940		466,210
<b>Cash flows from investing activities</b>				
Interest received	26,772		21,505	
Payments to acquire tangible fixed assets	(369,897)		(134,813)	
Acquisition of investments	(525,390)		(64,737)	
Proceeds from sale of investments	572,255		24,407	
<b>Net cash from investing activities</b>		(296,260)		(153,638)
<b>Financing</b>				
Purchase of own shares by EBT	(2,705)		(251,800)	
Equity dividends paid	(2,141,304)		(1,767,806)	
Share buyback	(59,347)		-	
Proceeds from exercise of options	172,762		247,250	
Redemption of subordinated loan note	-		(600,000)	
<b>Net cash from financing</b>		(2,030,594)		(2,372,356)
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,965,086		(2,059,784)
Cash and cash equivalents at the beginning of the year		3,205,673		5,265,457
<b>Cash and cash equivalents at the end of the year</b>		5,170,759		3,205,673

The notes on pages 15 to 30 form part of these financial statements.



# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016

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### 1 Basis of preparation and accounting policies

The financial statements have been prepared under the historical cost basis except for the revaluation of financial instruments and are in accordance with applicable accounting standards.

#### *Transition to FRS 102*

The entity transitioned from previous UK GAAP to FRS102 as at 1 May 2014. Details of how FRS102 has affected the reported financial position and financial performance is disclosed in Note 21.

The financial statements contain information about finnCap Limited as an individual company and include the results of finnCap Limited Employee Benefit Trust.

These financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates.

Certain comparatives have been reclassified in line with the current year's presentation.

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

#### *Going concern*

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review. The Strategic report and directors' report describe the financial position of the company; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

The directors believe that the company has adequate resources to continue trading for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The following principal accounting policies have been applied:

#### *Revenue recognition*

#### *Turnover*

Turnover represent amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes; comprising:

- i) commission from acting as agent in investment business;
- ii) corporate finance commission received and corporate finance fees; and
- iii) trading profit from market making activities

# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (*continued*)

### 1 Basis of preparation and accounting policies (*continued*)

#### *Revenue recognition (continued)*

##### *Turnover (continued)*

Commissions from agency dealing are recognised on trade date. Corporate finance transaction fees and commission are recognised once a transaction is regarded as substantially complete. Where the substance of a contract is that a right to consideration doesn't arise until the occurrence of a critical event, revenue isn't recognised until that event occurs. This applies to the contracts where the right to consideration is conditional or contingent on a specified future event or outcome, the occurrence of which is outside of the company's control. Corporate finance retainer fees are recognised on an accruals basis.

Market making trades are recognised on trade date, with corresponding debtors and creditors until trade settlement. Market making positions are revalued to the closing market bid price (long positions) and offer price (short positions) on the London Stock Exchange as appropriate at the year end. Market making revenues consist of the realised and unrealised profits and losses on market making holdings during the period.

The directors consider that the firm has only one class of business and operates in a single geographic market, the United Kingdom.

Commissions and fees paid to introducers of business are recorded in cost of sales.

##### *Interest receivable and payable*

Interest receivable arises from cash at bank balances. Interest payable arises from financing activities. Interest receivable and payable are recognised in the income statement using the effective interest method.

##### *Tangible fixed assets*

Tangible fixed assets are stated at cost net of accumulated depreciation and provision for any impairment in value. All tangible fixed assets are depreciated on a straight-line basis over their useful economic lives. Depreciation is provided on fixtures, fittings and equipment at varying rates between 3 and 4 years, and on leasehold improvements over the remaining lease term.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset.

##### *Goodwill*

Goodwill arising on the acquisition of businesses, representing any excess of the consideration paid over the fair value of the identifiable assets and liabilities acquired, was capitalised and written off on a straight-line basis over its useful economic life, which was 10 years. Provision is made for any impairment.

##### *Financial assets*

##### *Initial recognition*

The classification of financial assets at initial recognition depends upon the purpose for which they are acquired and their characteristic. Financial assets are measured initially at their fair value. Financial assets not at fair value through profit or loss include any directly attributable incremental costs of acquisition or issue.

# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (*continued*)

### 1 Basis of preparation and accounting policies (*continued*)

#### *Financial assets (continued)*

##### *Impairment of financial assets*

The company assesses, at each balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the asset is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, less any impairment loss previously recognised is removed from equity and recognised in the profit and loss account.

If, in a subsequent period, the fair value of an asset classified as available-for-sale increases, the loss may not be reversed through the income statement. Any increase after an impairment loss has been recognised is treated as a revaluation, and is recognised directly in equity.

##### *Financial assets held at fair value through profit or loss*

Financial assets held at fair value through profit or loss are held for trading, and are financial assets acquired or incurred principally for the purpose of selling or repurchasing. These include warrants and quoted investments obtained as a result of corporate finance transactions. Warrants are valued using the Black Scholes model. With effect from 1 May 2011 the Company adopted the amendments to FRS 29 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, with directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable data (that is, unobservable inputs)

Both in the current and comparative year, the fair values of the warrants are determined using the Black Scholes model. These valuation techniques maximise the use of observable market data, such as the quoted share prices. Accordingly, the fair valuations of the warrants are classified as Level 2. The variables used in the valuation include exercise price, expected life, share price at the date of grant, price volatility, dividend yield and risk free interest rate.

# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (continued)

### 1 Basis of preparation and accounting policies (continued)

#### *Current asset/liability investments held at fair value through profit or loss*

As stated above, market making positions are valued at the closing market bid price (long positions) or offer price (short positions) at the balance sheet date, and the change in the value of investments held for trading is recognised in the profit and loss account.

#### *Trade receivables*

Trade receivables are measured on initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

#### *Financial liabilities*

Bank loans and loan notes are initially recognised as financial liabilities at the fair value of the consideration received. Subsequent to initial recognition, bank loans and loan notes are measured at amortised cost using the effective interest method.

#### *Trade payables*

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates to their fair value.

#### *Provisions*

A provision is recognised when a present legal or constructive obligation has arisen as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### *Share-based payments*

The company has applied FRS 20 Share-based Payments.

The company issues equity settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of the number of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model.

# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (*continued*)

### 1 Basis of preparation and accounting policies (*continued*)

#### *Leased assets: Lessee*

Where assets are financed by leasing agreements that give rights approximating ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of the estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

#### *Retirement benefits*

The company operates a defined contribution scheme for UK-based employees. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the period. Differences between contributions payable during the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### *Taxation*

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are not discounted.

# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (continued)

### 2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine a means of attributing the value of share based payments for their recognition in the profit and loss account.
- Determine the appropriate amounts to include in provisions, including the employer's national insurance obligation falling on the company as a result of share options that have been issued to staff which requires assessment of the value of the underlying shares in the company.

### 3 Turnover

Turnover is derived from the company's principal activities, wholly undertaken in the United Kingdom.

	2016 £	2015 £
Trading revenues	5,184,761	4,139,875
Corporate finance fees	7,824,952	7,279,977
Corporate finance retainers	4,812,558	4,665,359
Other fees and commissions	2,100	1,516
	<u>17,824,371</u>	<u>16,086,727</u>

### 4 Other operating (loss)/income

	2016 £	2015 £
Trading profit/(loss) on short term investments	149,631	(132,931)
Rental income	10,000	10,000
	<u>159,631</u>	<u>(122,931)</u>

# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (continued)

### 5 Staff costs

	2016 £	2015 £
Staff costs consist of:		
Wages and salaries	8,776,653	8,140,558
Social security costs	1,103,352	1,019,336
Pension costs	223,481	211,900
Share based payments	18,050	49,956
	<u>10,121,536</u>	<u>9,421,750</u>

The average number of employees, including directors, during the year was:

	2016 Number	2015 Number
Corporate broking and finance	36	32
Sales and trading	11	14
Research	14	13
Administration	15	13
	<u>76</u>	<u>72</u>

### 6 Directors

	2016 £	2015 £
Directors' remuneration consist of:		
Emoluments	1,631,949	1,545,935
Company contributions to pension scheme	24,770	66,250
	<u>1,656,719</u>	<u>1,612,185</u>

One director exercised a total of 198,849 options during the year (2015 - Nil).

The share based payments expense for the year for options held by directors was £9,358 (2015 - £43,141).

The emoluments, excluding pension contributions, of the highest paid director were £438,498 (2015 - £347,100) and pension contributions were nil (2015 - £40,000). The highest paid director did not exercise any share options in the year.

Contributions were made to Self Invested Pension Plan accounts for three directors.

# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (continued)

### 7 Operating profit

	2016 £	2015 £
Operating profit has been arrived at after charging/(crediting):		
Staff costs (see note 5)	10,121,536	9,421,750
Auditors' remuneration:		
Statutory audit	29,200	28,500
Depreciation	173,123	219,972
Amortisation	118,125	52,500
Operating leases	342,076	276,560
Net foreign exchange losses/(gains)	1,454	(830)

### 8 Taxation on profit from ordinary activities

The tax charge on the profit on ordinary activities for the year was as follows:

	2016 £	2015 £
United Kingdom corporation tax at 20.00% (2015 – 20.92%)	(604,607)	(373,406)
Deferred tax	441	17,681
Taxation on profit from ordinary activities	(604,166)	(355,725)

#### *Factors affecting the tax charge for the current year*

The tax assessment for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 20.00% (2015 – 20.92%). The difference is explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	2,807,436	1,899,698
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.00% (2015 - 20.92%)	561,487	397,375
Effects of:		
Expenses not deductible for tax purposes	68,821	80,326
Deduction for exercise of employee share options	(22,230)	(138,371)
Depreciation in excess of capital allowances	11,031	15,583
Adjustment to tax charge in respect of previous years	3,658	812
Adjustments to take charge in respect of previous periods - deferred tax	(18,601)	-
Total tax charge for year	604,166	355,725



# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (*continued*)

### 9 Tangible assets

	Fixtures, fittings and equipment £	Leasehold improvements £	Total £
<i>Cost</i>			
At 1 May 2014	821,958	481,185	1,303,143
Additions	134,813	-	134,813
	<hr/>	<hr/>	<hr/>
At 30 April 2015	956,771	481,185	1,437,956
	<hr/>	<hr/>	<hr/>
Additions	162,424	207,473	369,897
	<hr/>	<hr/>	<hr/>
At 30 April 2016	<b>1,119,195</b>	<b>688,658</b>	<b>1,807,853</b>
	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>			
At 1 May 2014	585,800	344,679	930,479
Charge for the year	123,735	96,237	219,972
	<hr/>	<hr/>	<hr/>
At 30 April 2015	709,535	440,916	1,150,451
	<hr/>	<hr/>	<hr/>
Charge for the year	120,177	52,946	173,123
	<hr/>	<hr/>	<hr/>
At 30 April 2016	<b>829,712</b>	<b>493,862</b>	<b>1,323,574</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 April 2016	<b>289,483</b>	<b>194,796</b>	<b>484,279</b>
	<hr/>	<hr/>	<hr/>
At 30 April 2015	247,236	40,269	287,505
	<hr/>	<hr/>	<hr/>

# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (*continued*)

### 10 Goodwill

	£
<i>Cost</i>	
At 1 May 2014, 1 May 2015 and 30 April 2016	525,000
<i>Amortisation</i>	
At 1 May 2014	354,375
Charge for the year	52,500
At 30 April 2015	406,875
Charge for the year	118,125
At 30 April 2016	525,000
<i>Net book value</i>	
At 30 April 2016	-
At 30 April 2015	118,125

### 11 Investments

#### Financial assets held at fair value through profit or loss

At 1 May 2015	125,239
Acquisition of shares in listed companies	525,390
Revaluation recognised in the profit and loss account	139,548
Disposals	(572,255)
At 30 April 2016	217,922

#### Sensitivity analysis

These financial assets include warrants valued at £27,012. If the future volatility of the quoted equity price had been 5% to 20% higher or lower, the impact on fair value of the warrants would be as stated in the table below:

	20%	10%	5%	0%	-5%	-10%	-20%
Fair value of Warrants	37,020	31,873	29,392	27,012	24,778	22,742	19,468

# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (continued)

### 12 Other debtors

	2016 £	2015 £
Prepayments	528,199	526,276
Market making counterparty debtors	3,359,050	6,147,280
Other debtors	1,843,943	1,866,081
	<u>5,731,192</u>	<u>8,539,637</u>

Other debtors includes balances held at BNP representing secondary commission earned in the year of £81,734 (2015 - £34,085), and a deposit of £150,000 (2015 - £150,000) which is realisable after more than one year.

### 13 Other creditors: amounts falling due within one year

	2016 £	2015 £
Corporation tax payable	665,690	185,405
Social security	271,154	228,942
Accruals	2,754,158	673,222
Deferred income	96,654	75,593
Market making counterparty creditors	2,279,277	5,651,445
Other creditors	345,624	361,632
	<u>6,412,557</u>	<u>7,176,239</u>

### 14 Provisions

	2016 £	2015 £
Brought forward	161,736	249,504
Movement in the year	(41,945)	(87,768)
	<u>119,791</u>	<u>161,736</u>

The above provision relates to the company's eventual obligation to pay employer's national insurance on any deemed income that arises on the exercise of options issued under the company's Unapproved Share Option Scheme. The amount provided for recognises the full obligation that would arise if all such options were exercised at the board's current estimate of the value of the company's shares, which has been agreed with HMRC, but this obligation would increase were the shares to become valuable in the future. All options have a seven year lifespan, and the dates of grant of the company's options are given in Note 16.

# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (continued)

### 15 Share capital

	2016 Number	Authorised 2015 Number	2016 £	2015 £
Ordinary shares of £0.01 each	<u>132,000,000</u>	<u>132,000,000</u>	<u>1,320,000</u>	<u>1,320,000</u>
	Allotted, called up and fully paid			
	2016 Number	2015 Number	2016 £	2015 £
Ordinary shares of £0.01 each	<u>117,390,547</u>	<u>115,272,230</u>	<u>1,173,905</u>	<u>1,152,722</u>

The company has in issue only one class of ordinary shares, which is non-redeemable, carries one vote per share and has no right to dividends other than those recommended by the directors, and an unlimited right to share in the surplus remaining on a winding up.

### 16 Share based payments

#### Equity-settled share option scheme

The company has a share option scheme for employees of the company. Options are exercisable at a price equal to the average market price of the Company's shares, as valued by the board by reference to recent arm's length share transactions, on the date of grant. If the options remain unexercised after a period of 7 years from the date of grant the options expire without value. Options are forfeited if the employee leaves the company before the options vest. Details of the share options outstanding during the year are as follows.

	Number of share options 2016	Weighted average exercise price £ 2016	Number of share options 2015	Weighted average exercise price £ 2015
Outstanding at beginning of year	13,180,000	0.061	18,300,000	0.051
Granted during the year	500,000	0.150	1,100,000	0.150
Forfeited during the year	-	-	(695,000)	0.072
Exercised during the year	(2,118,317)	0.054	(5,525,000)	0.045
Outstanding at the end of the year	<u>11,561,683</u>	<u>0.066</u>	<u>13,180,000</u>	<u>0.061</u>
Exercisable at the end of the year	7,711,683		1,480,000	

During the year, 2,118,317 options were exercised. As a result, an amount of £32,686 relating to these shares in the Share Based Payments reserve was transferred to the Profit and Loss reserve during the period.

All 500,000 share options (2015 - 1,100,000) granted during the year were granted over new shares by the company at a weighted average exercise price of £0.15 (2015 - £0.15).

# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (continued)

### 16 Share based payments (continued)

The options outstanding at the year end were:

Grant date	Number of shares under option £	Exercise price per share £	Vesting period	Exercise period
28-Jul-09	60,532	£0.05	4 years	7 years
01-May-10	250,000	£0.05	4 years	7 years
15-Jun-11	6,801,151	£0.05	4 years	7 years
19-Mar-12	600,000	£0.06	4 years	7 years
25-Sep-12	500,000	£0.06	4 years	7 years
18-Dec-12	750,000	£0.06	4 years	7 years
01-Jul-13	1,000,000	£0.06	4 years	7 years
28-May-14	1,100,000	£0.15	4 years	7 years
01-Jul-15	500,000	£0.15	4 years	7 years

The options outstanding at 30 April 2016 had a weighted average exercise price of £0.066 (2015 - £0.061), and a weighted average remaining contractual life of 2.9 years (2015: 3.6 years). The aggregate of the estimated fair values of the options granted on those dates is £220,040 (2015 - £248,199). The inputs into the Black-Scholes model are as follows:

	2016 £	2015 £
Weighted average share price	14.8p	15.0p
Weighted average exercise price	6.6p	6.1p
Expected volatility	41%	38%
Expected life	Up to 7 years	Up to 7 years
Risk-free rate	2.23%	2.50%
Expected dividend yields	10.00%	10.00%

Expected volatility was determined by calculating the historical volatility of a basket of listed competitor companies' share prices over the previous year.

The company recognised total expenses of £18,050 (2015 - £49,956) related to equity-settled share-based payment transactions in the year ended 30 April 2016.

### 17 Commitments under operating leases

The company had total commitments under non-cancellable operating leases as set out below:

	Land and buildings 2016 £	Land and buildings 2015 £
Within one year	242,500	121,667
In two to five years	1,616,667	-
After five years	-	-
	<b>1,859,167</b>	<b>121,667</b>

# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (continued)

### 18 Financial instruments

The fair value of financial assets and liabilities approximated their carrying value at the balance sheet date.

	2016	2016	2016
	Amortised	Held at fair	Total
	cost	value	
	£	through	£
		profit or loss	
		£	
Financial assets			
Investments	-	217,922	217,922
Trade and other receivables	5,618,097	62,596	5,680,693
Cash at bank and in hand	5,170,759	-	5,170,759
Total	10,788,856	280,518	11,069,374
Financial liabilities	-	-	-
Trade and other payables	3,454,518	-	3,454,518
Total	3,454,518	-	3,454,518
	2015	2015	2015
	Amortised	Held at fair	Total
	cost	value	
	£	through	£
		profit or loss	
		£	
Financial assets			
Investments	-	125,239	125,239
Trade and other receivables	8,467,635	-	8,467,635
Cash at bank and in hand	3,205,673	-	3,205,673
Total	11,673,308	125,239	11,798,547
Financial liabilities	-	106,100	106,100
Trade and other payables	6,770,239	-	6,770,239
Total	6,770,239	106,100	6,876,339

# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (continued)

### 18 Financial instruments (continued)

The main risks arising from the financial instruments are credit risk, liquidity and market risk. Market risk comprises currency risk, interest rate risk and other price risk. The Directors review and agree policies for managing each of these risks are summarised below.

#### *Credit risk*

Credit risk is the risk that clients or other counterparties to a financial instrument will cause a financial loss by failing to meet their obligation. Credit risk relates both to the company's trading activities and corporate clients, and is the risk that third parties fail to pay amounts as they fall due. Formal credit procedures include checking client creditworthiness before starting to trade with them, approval of material trades and chasing of overdue accounts. The maximum exposure to credit risk on trade debtors at the end of the reporting period is equal to the balance sheet figure. In addition, the company has credit risk exposure to the gross value of unsettled trades at its Model B Settlement Agent, which were £14.2m at the balance sheet date.

#### *Liquidity risk*

Liquidity risk is the risk that obligations associated with financial liabilities will not be met. The company monitors its risk to a shortage of funds by considering the maturity of both its financial assets and projected cash flows from operations. The company's objective is to maintain adequate cash resources with a material contingency to meet its obligations as they fall due.

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. There are no significant currency risks at the balance sheet date.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There are no significant interest rate risks at the balance sheet date.

#### *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. The company manages market price risk by monitoring the value of its financial instruments on a daily basis. The risk of future losses is limited to the fair value of investments as at the balance sheet date.

# finnCap Ltd

## Notes forming part of the financial statements for the year ended 30 April 2016 (continued)

### 19 Related party transactions

J P Moulton, a director of the company, has participated in a number of placings raised by the company for its clients during the year, on the same terms as all other parties in those placings.

The company has a secured loan outstanding to M J McNamara, a director of the company. The amount outstanding on the loans at the end of the year was £115,323 (2015 - £115,066). The interest charged during the year was £1,741 (2015 - £1,750). The loan is due for repayment for cash consideration in December 2019.

The company has a secured loan outstanding to T A J Jenkins, a director of the company. The amount outstanding on the loan at the end of the year was £302,826 (2015 - £301,516). The interest charged during the year was £4,571 (2015 - £4,514). The loan is due for repayment for cash consideration in tranches in September 2016, 2017 and 2018.

The company has a secured loan outstanding to S A Andrews, a director of the company. The amount outstanding on the loan at the end of the year was £50,630 (2015 - £52,236). No interest was charged in the year (2015 - £Nil). The loan is due for repayment for cash consideration in December 2019.

### 20 Dividends on equity shares

Interim dividends of £2,141,304 were paid to shareholders during the year ended 30 April 2016 (2015 - £1,767,806). The directors do not recommend the payment of a final dividend.

### 21 Transition to FRS 102

	Note	Equity as at 1 May 2014 £'000	Profit for the year ended 30 April 2015 £'000	Equity as at 30 April 2015 £'000
As previously stated under former UK GAAP		4,692,413	1,591,870	4,577,057
Transitional adjustments:				
Recognition of unused holiday pay accrual	(a)	-	(59,871)	(59,871)
Taxation on unused holiday pay accrued		-	11,974	11,974
		<u>4,692,413</u>	<u>1,543,973</u>	<u>4,529,160</u>

(a) Under FRS 102, the company has accrued for an estimate of the cost of holiday allowances that were untaken at the year end, to the extent that these exceeded the pro rata allowances that employees had accrued at that date.