

finnCap Ltd

Report and Financial Statements

Year Ended

30 April 2014

Company Number 6198898



finnCap Ltd

Report and financial statements for the year ended 30 April 2014

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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 2014

I am very pleased to be able to report that finnCap recorded another year of exceptional growth in turnover and profits - the highest ever delivered by the company. The business continues to generate excellent cash returns, which have allowed us to invest in the launch of our market making and investment trusts services, found a new angel network for pre-IPO fundraisings and attract and make a number of senior hires across the business.

Key highlights during the period were:

- Record revenue, up 37% to £15.8m (2013 - £11.5m)
- Operating profit up 85% to £2.4m (2013 - £1.3m)
- Corporate fees up 31% to £5.9m (2013 - £4.5m)
- Trading revenues up 83% to £5.5m (2013 - £3.0m)
- Retainer revenues up 14% to £4.2m (2013 - £3.7m)
- Significant increase in cash balance to £5.3m (2013 - £3.3m)
- Number one broker and Adviser on AIM by client numbers, and a top ten adviser on the LSE
- Number one in the technology and consumer goods sectors, and top five ranked in all the other sectors we operate in
- 122 corporate clients (2013 - 110) covering a wide range of sectors with combined market capitalisation of over £7.8bn (2013 - £5bn)
- £240m raised in the year, with 60 completed transactions, including 3 IPOs, and over £1bn raised since finnCap's inception
- The year's fundraisings went up over 45%, significantly ahead of the market
- Admitted to the Financial Conduct Authority's List of Sponsors
- Key hires made across all areas of the business, including market making, investor relations and investment trusts
- Successful launch of the finnCap 40 technology, mining and E&P indices
- 'Broker of the Year' at the 2014 Quoted Company Awards

finnCap finished the year as it started - the number one broker and adviser on AIM and a top ten adviser on the LSE. The technology and consumer goods teams are number one ranked in their respective areas on AIM, healthcare and basic materials are top three, and consumer services, financials, industrials and O&G are top five. In addition the company entered the market cap rankings for both FTSE AIM 100 and FTSE AIM 50 corporates for the first time. This success is in part due to the service levels provided to the firm's corporate clients, which separates finnCap from the peer group.

Following years of successfully advising companies from pre-IPO to AIM listed entities, finnCap was recently admitted to the Financial Conduct Authority's List of Sponsors. This represents a key milestone for finnCap and allows it to offer all relevant services to ambitious listed companies and funds on both AIM and the Main Market.

There has been good financial performance across all areas of the firm with client retainers up 14% to £4.2m and corporate fees ahead 31% to £5.9m. During the year the company raised over £240m to support its clients, and completed a number of M&A mandates. This means that finnCap has advised on over £1bn of client fundraisings since the company's inception. The aftermarket performance on fundraisings during the year was over 45%, outperforming the wider market.

Despite highly publicised challenges in the secondary market, finnCap increased trading revenues 83% to £5.5m. This performance reflects the service levels provided to institutional and PCB clients, and the rewards on the investment made in the new market making function. The corporate broking and sales trading teams continue to be highly ranked by Extel, and the Company won Broker of the Year at the 2014 Quoted Company Awards.

Since commencing market making in June 2013, finnCap now makes markets in over 150 stocks, and the desk has been profitable from inception.

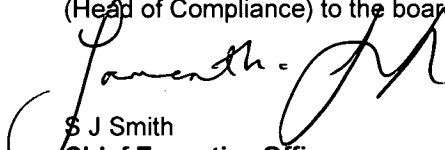
finnCap announced the appointment of experienced key hires in January as the company moved into the Investment Trust space. It is an exciting new area of business and an important addition to the client service capability.

finnCap Ltd

CEO's report for the year ended 30 April 2014 (*continued*)

The finnCap Angel Network ("fAN Club") was successfully launched in August 2013, to help provide access to financing for ambitious private companies that have a near term target of achieving an IPO as well as to provide compelling investment opportunities to early stage investors. fAN Club has received an enthusiastic reception from investors and companies alike who require early stage access to new and exciting investment opportunities. The team has successfully completed two fundraisings, and has three further investment rounds in progress.

During the year, I was very pleased to welcome Stuart Andrews (Head of Corporate Finance) and Mark Tubby (Head of Compliance) to the board.



S J Smith
Chief Executive Officer
4 August 2014

finnCap Ltd

Strategic report for the year ended 30 April 2014

The directors present their strategic report together with the audited financial statements for the year ended 30 April 2014.

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.

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

At the year-end, the company had 72 staff (2013 - 51).

Strategy

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

The board recognises that (along with much of the financial services sector) the company operates in a cyclical market that is materially affected by the general economy and the transient level of confidence in the financial markets. However, this is not particularly compatible with the high operational gearing of typical participants. As a result, 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 Indicators

finnCap has identified a number of Key Performance Indicators (KPI) 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 2014	y/e 30 April 2013
Ratio of profit before tax to revenue	15.4%	11.1%

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.

Cost coverage from non-deal fees

	y/e 30 April 2014	y/e 30 April 2013
Ratio of non-deal fee income to total costs	72.4%	64.9%

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.

Revenue generation per employee

	y/e 30 April 2014	y/e 30 April 2013
Revenues per employee	£246,000	£234,000

The company is focussed on profitable (as opposed to unprofitable) growth. As a result, while the company's staff base has increased from an average of 49 employees in 2013 to 64 in 2014, it has been important to ensure that the revenue per employee has also increased.

Number of corporate clients

	y/e 30 April 2014	y/e 30 April 2013
Number of corporate clients	121	112

The number of corporate clients is a sign of both the company's market share and the lack of reliance on any individual client.

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Strategic report for the year ended 30 April 2014 (*continued*)

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. Liquidity and volatility issues significantly affect market activity levels and global economic conditions inevitably restricted progress, however revenues remained robust.
- Loss of key staff - finnCap is a people-oriented business and hence the loss of team members is a potential risk.
- Breach of Chinese walls - a breach of Chinese walls or the requirements surrounding them would be detrimental to the Company's reputation, whether through regulatory censure or adverse publicity. finnCap has built a reputation for respecting its client confidentiality and the market's requirements. finnCap has robust procedures in place, including physical separation of departments and data segregation, to mitigate this risk. Its employees fully recognise the importance of information barriers.
- 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 package 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 FSA 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.

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.

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Strategic report for the year ended 30 April 2014 (continued)

Principal risks and uncertainties (continued)

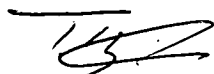
Financial and credit risk

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, 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 £8.3m 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. The company's risk exposure to interest rate risk in the year was its subordinated loan note, and this has been redeemed after the year-end.
- 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 4 August 2014



T W R Hayward

Finance Director

finnCap Ltd

Directors' report for the year ended 30 April 2014

The directors present their report together with the audited financial statements for the year ended 30 April 2014.

Results and dividends

The profit and loss account is set out on page 10 and shows the profit for the year.

A dividend of £670,111, or 0.63p per share, was paid during the year (2013 - £163,801). The directors propose that no final dividend is paid.

Principal activities

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

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.

Acquisition of the company's own shares

During the year the company's Employee Benefit Trust purchased no ordinary shares (2013 – purchased 1,498,880 shares at a weighted average price of £0.0525), and sold 130,000 ordinary shares at £0.06 (2013 - sold 3,968,880 shares at 6p). Total consideration for these purchases was £Nil (2013 - £78,632.80) and for these sales was £7,800 (2013 - £238,132.80). These purchases represent 0% of the ordinary shares called up share capital (2013 - 1.42%) and these sales represent 0.12% of the ordinary called up share capital (2013 - 3.87%).

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 £13,490 (2013 - £1,350).

Pillar III

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

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.

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 (appointed 25 September 2013)
M D Tubby (appointed 28 February 2014)

finnCap Ltd

Directors' report for the year ended 30 April 2014

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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

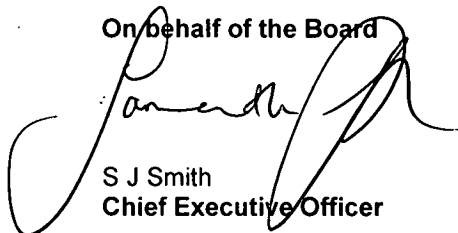
Each of the persons who is a director at the date of approval of this report confirms that:

- 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

4 August 2014

finnCap Ltd

Independent auditor's report

TO THE MEMBERS OF FINNCAP LTD

We have audited the financial statements of finnCap Ltd for the year ended 30 April 2014 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement 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).

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.

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 2014 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*)

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.

Brown

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

4 August 2014

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

finnCap Ltd

Profit and loss account for the year ended 30 April 2014

	Note	2014 £	2013 £
Turnover	2	15,787,110	11,463,375
Cost of sales		(934,170)	(736,092)
Gross profit		14,852,940	10,727,283
Other operating income	3	9,833	3,194
Administrative expenses		(12,438,758)	(9,431,348)
Operating profit	6	2,424,015	1,299,129
Interest receivable		11,265	4,135
Interest payable	7	(16,612)	(25,696)
Profit on ordinary activities before taxation		2,418,668	1,277,568
Taxation on profit from ordinary activities	8	(563,577)	(340,176)
Profit for the financial year	18	1,855,091	937,392

All amounts relate to continuing operations.

The notes on pages 14 to 33 form part of these financial statements.

finnCap Ltd

Statement of total recognised gains and losses for the year ended 30 April 2014

	Note	2014 £	2013 £
Profit for the year		1,855,091	937,392
Unrealised loss on revaluation of investments	18	(15,174)	-
Total recognised gains relating to the year		<u>1,839,917</u>	<u>937,392</u>

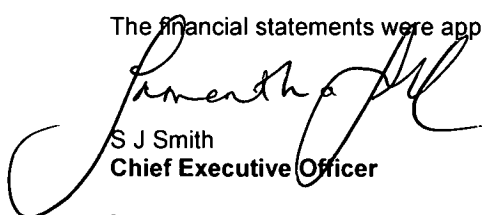
The notes on pages 14 to 33 form part of these financial statements.

finnCap Ltd

Balance sheet at 30 April 2014

Company number 6198898	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Tangible assets	9		372,664		436,715
Goodwill	10		170,625		223,125
Available for sale investments	11a		30,347		45,521
Derivative financial assets held at fair value through profit or loss account	11b		<u>174,320</u>		<u>160,940</u>
			747,956		866,301
Current assets					
Trade debtors		516,677		718,876	
Other debtors	12	3,109,002		1,667,857	
Current asset investments held at fair value through profit and loss account		437,720		-	
Cash at bank and in hand	13	<u>5,265,457</u>		<u>3,345,857</u>	
		9,328,856		5,732,590	
Creditors: amounts falling due within one year					
Trade creditors		(800,236)		(545,895)	
Other creditors	14	<u>(3,734,659)</u>		<u>(2,272,102)</u>	
		(4,534,895)		(2,817,997)	
Net current assets			4,793,961		2,914,593
Total assets less current liabilities			5,541,917		3,780,894
Creditors: amounts falling due after more than one year					
Other creditors	15		(600,000)		(600,000)
Provisions	16		(249,504)		(69,253)
Net assets			4,692,413		3,111,641
Capital and reserves					
Called up share capital	17		1,097,472		989,833
Share premium account	18		295,084		72,000
Capital redemption reserve	18		419,999		419,999
Own shares	18		-		(7,799)
EBT reserve	18		(4,912)		1,761
Share based payments reserve	18		245,337		236,527
Available for sale reserve	18		(15,174)		-
Profit and loss account	18		<u>2,654,607</u>		<u>1,399,320</u>
Shareholders' funds			4,692,413		3,111,641

The financial statements were approved by the Board of Directors and authorised for issue on 4 August 2014


S J Smith
Chief Executive Officer


T W R Hayward
Finance Director

The notes on pages 14 to 33 form part of these financial statements.

finnCap Ltd

Cash flow statement for the year ended 30 April 2014

	Note	2014 £	2014 £	2013 £	2013 £
Net cash inflow from operating activities	20		2,567,441		2,068,329
Returns on investments and servicing of finance					
Interest received		11,265		4,135	
Interest paid		(16,612)		(25,696)	
Net cash inflow from returns on investments and servicing of finance			(5,347)		(21,561)
Taxation			(346,356)		(2,458)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets			(170,754)		(61,226)
Acquisition of investments			(151,000)		(49,061)
Proceeds from sale of investments			357,205		36,300
Equity dividends paid			(670,111)		(163,801)
Financing					
Purchase of own shares by company		-		(1)	
Sale of own shares by EBT		7,799		148,200	
Proceeds from exercise of options		330,723		15,000	
Finance lease		-		(22,607)	
Net cash inflow from financing			338,522		140,592
Increase in cash	21		1,919,600		1,947,114

The notes on pages 14 to 33 form part of these financial statements.

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014

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.

The financial statements contain information about finnCap Ltd as an individual company and include the results of finnCap Ltd 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.

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 Strategic Report. The directors' report describes 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) gross commission from acting as agent in investment business;
- ii) gross corporate finance commission received and corporate finance fees;
- iii) trading profit on short term investments received as consideration for core services; and
- iv) trading profit from market making activities.

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.

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014 (*continued*)

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

Turnover (continued)

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

Commissions, fees paid to introducers of business and servicer fees are included in cost of sales.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Interest receivable and payable

Interest receivable arises from cash at bank balances and loans made by the company to its staff. 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, is capitalised and written off on a straight-line basis over its useful economic life, which is 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 2014 (*continued*)

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

Financial assets classified as available-for-sale

Available-for-sale financial assets are financial assets designated as such on initial recognition or those that do not qualify to be classified in another category. They consist of equity investments.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value. In the case of listed investments, the fair value represents the quoted bid price of the investment at the balance sheet date. The fair value of unlisted investments is estimated by reference to recent arm's length transactions. When independent prices are not available, fair values are determined by using valuation techniques which are consistent with techniques commonly used by the relevant market and use observable market data.

Unrealised gains and losses are recognised directly in equity in the available-for-sale reserve. When an available-for-sale financial asset is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the profit and loss account. Losses arising from impairment are removed from the available for sale reserve and recognised in the profit and loss account.

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.

Derivative financial assets held at fair value through profit or loss

Derivative 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: Quote prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Reference to valuation techniques using observable inputs other than quoted prices included within Level 1.
- 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 2014 (continued)

1 Basis of preparation and accounting policies (continued)

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.

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.

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014 (*continued*)

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

Leased assets: Lessee (continued)

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 2014 (continued)

2 Turnover

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

	2014 £	2013 £
Gross stock broking commissions	3,780,348	2,951,121
Market making trading profits	1,703,737	-
Corporate finance fees	5,874,732	4,531,729
Corporate finance retainers	4,208,075	3,668,899
Other fees and commissions	616	22,847
Trading profit/(loss) on short term investments	219,602	288,779
	<u>15,787,110</u>	<u>11,463,375</u>

3 Other operating income

	2014 £	2013 £
Rental income	<u>9,833</u>	<u>3,194</u>

4 Staff costs

	2014 £	2013 £
Staff costs consist of:		
Wages and salaries	7,482,135	5,611,436
Social security costs	1,198,739	714,788
Pension costs	183,834	187,359
Share based payments	72,444	32,476
	<u>8,937,152</u>	<u>6,546,059</u>

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014 (continued)

4 Staff costs (continued)

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

	2014 Number	2013 Number
Corporate broking and finance	30	24
Sales and trading	12	7
Research	11	10
Administration	11	8
	<u>64</u>	<u>49</u>

5 Directors

	2014 £	2013 £
Directors' remuneration consist of:		
Emoluments	1,524,181	872,146
Company contributions to pension scheme	60,436	242,769
	<u>1,584,617</u>	<u>1,114,915</u>

Two directors exercised 2,000,000 options during the year (2013 - Nil).

The share based payments expense for the year for options held by directors was £38,175 (2013 - £40,180).

The emoluments, excluding pension contributions, of the highest paid director were £474,800 (2013 - £272,965) and pension contributions were £Nil (2013 - £90,114). The highest paid director did not exercise any share options in the year.

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

6 Operating profit

	2014 £	2013 £
Operating profit has been arrived at after charging/(crediting):		
Staff costs (see note 4)	8,937,152	6,546,059
Auditors' remuneration:		
Statutory audit	28,000	25,720
Depreciation	234,806	228,939
Amortisation	52,500	52,500
Operating leases	276,560	274,496
Share based payments	72,444	32,476
Net foreign exchange (gains)/losses	(1,084)	(101)

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014 (continued)

7 Interest payable and similar charges

	2014 £	2013 £
Finance leases	(4,388)	4,696
Subordinated loan note interest	21,000	21,000
	<u>16,612</u>	<u>25,696</u>

8 Taxation on profit from ordinary activities

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

	2014 £	2013 £
<i>Current tax</i>		
United Kingdom corporation tax at 22.84% (2013 - 23.92%)	(543,404)	(394,538)
Deferred tax	(20,173)	54,362
	<u>(563,577)</u>	<u>(340,176)</u>

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 22.84% (2013 - 23.92%). The difference is explained below:

Profit on ordinary activities before tax	<u>2,418,668</u>	<u>1,277,568</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK	552,317	305,566
Effects of:		
Expenses not deductible for tax purposes	62,803	37,459
Deduction for exercise of employee share options	(66,185)	(17,938)
Depreciation in excess of capital allowances	9,488	37,057
Adjustment to tax charge in respect of previous years	(13,580)	30,358
Short term timing differences	(1,441)	2,036
	<u>543,402</u>	<u>394,538</u>
<i>Balance sheet</i>		
Corporate tax creditor	<u>556,983</u>	<u>339,762</u>

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014 (*continued*)

9 Tangible assets

	Fixtures, fittings and equipment £	Leasehold improvements £	Total £
<i>Cost</i>			
At 1 May 2013	651,203	481,185	1,132,388
Additions	170,755	-	170,755
	<hr/>	<hr/>	<hr/>
At 30 April 2014	821,958	481,185	1,303,143
	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>			
At 1 May 2013	447,231	248,442	695,673
Charge for the year	138,569	96,237	234,806
	<hr/>	<hr/>	<hr/>
At 30 April 2014	585,800	344,679	930,479
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 April 2014	236,158	136,506	372,664
	<hr/>	<hr/>	<hr/>
At 30 April 2013	203,972	232,743	436,715
	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £Nil (2013 - £11,284) in respect of assets held under finance leases.

10 Goodwill

	£
<i>Cost</i>	
At 1 May 2013 and 30 April 2014	525,000
	<hr/>
<i>Amortisation</i>	
At 1 May 2013	301,875
Charge for the year	52,500
	<hr/>
At 30 April 2014	354,375
	<hr/>
<i>Net book value</i>	
At 30 April 2014	170,625
	<hr/>
At 30 April 2013	223,125
	<hr/>

Goodwill is being amortised on a straight-line basis over a period of 10 years.

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014 (continued)

11 Investments

Available for sale investments	£
<i>Valuation</i>	
At 1 May 2013	45,521
Disposals	-
Impairment recognised in the Available For Sale Reserve	(15,174)
	<hr/>
At 30 April 2014	30,347
	<hr/>
Derivative financial assets held at fair value through profit or loss	
At 1 May 2013	160,940
Additions	-
Acquisition of shares in listed companies	151,000
Revaluation recognised in the profit and loss account	219,585
Disposals	(357,205)
	<hr/>
At 30 April 2014	174,320
	<hr/>

Sensitivity analysis

If the future volatility of the quoted equity price had been 5% to 20% basis points higher or lower, the impact on fair value of the warrants would be as stated in the table below:

	20%	10%	5%	-5%	-10%	-20%
Fair value of Warrants	228,274	202,384	189,445	164,114	152,706	137,308

12 Other debtors

	2014 £	2013 £
Prepayments	550,913	434,369
Accrued income	40,892	20,470
Market making counterparty debtors	1,127,271	-
Other debtors	1,389,926	1,213,018
	<hr/>	<hr/>
	3,109,002	1,667,857
	<hr/>	<hr/>

Other debtors includes balances held at BNP representing secondary commission earned in the year of £169,897 (2013 - £215,415), and a deposit of £150,000 (2013 - £150,000) which is realisable after more than one year.

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014 (continued)

13 Cash at bank and in hand

	2014 £	2013 £
Sterling balances at bank	5,264,903	3,345,403
Foreign currency at bank on freely remittable accounts	554	454
	<u>5,265,457</u>	<u>3,345,857</u>

14 Other creditors: amounts falling due within one year

	2014 £	2013 £
Corporation tax payable	556,983	339,762
Social security	204,389	171,569
Accruals	1,373,252	1,288,606
Deferred income	65,499	21,157
Finance lease	-	18,019
Market making counterparty creditors	764,680	-
Other creditors	769,856	432,989
	<u>3,734,659</u>	<u>2,272,102</u>

15 Other creditors: amounts falling due after more than one year

	2014 £	2013 £
Loan note	600,000	600,000
	<u>600,000</u>	<u>600,000</u>

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014 (continued)

15 Other creditors: amounts falling due after more than one year (continued)

Maturity of debt:

	Loans and overdrafts 2014 £
Between one to two years	-
Between two to five years	600,000
More than five years	-
	<hr/>
	600,000
	<hr/>
	Loans and overdrafts 2013 £
Between one to two years	-
Between two to five years	600,000
More than five years	-
	<hr/>
	600,000
	<hr/>

The loan note is an unsecured subordinated variable rate loan note repayable in 2017. The interest rate payable on the loan is 3% margin on the Barclays base rate, which was 0.5% (2013 - 0.5%) at the balance sheet date. The loan note was redeemed after the balance sheet date.

16 Provisions

	2014 £	2013 £
At 30 April 2013	69,253	81,673
Movement in the year	180,251	(12,420)
	<hr/>	<hr/>
At 30 April 2014	249,504	69,253
	<hr/>	<hr/>

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014 (*continued*)

17 Share capital

	2014 Number	Authorised 2013 Number	2014 £	2013 £
Ordinary shares of £0.01 each	132,000,000	125,000,000	1,320,000	1,250,000
		Allotted, called up and fully paid		
	2014 Number	2013 Number	2014 £	2013 £
Ordinary shares of £0.01 each	109,747,200	98,983,300	1,097,472	989,833

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.

finnCap Ltd

Notes forming part of the financial statements
for the year ended 30 April 2014 (continued)

18 Reconciliation of movement in shareholders' funds

	Ordinary share capital £	Preference share capital £	Share premium account £	Capital redemption account £	Own shares £	EBT reserve £	Share based payments reserve £	Available for sale reserve £	Profit and loss account £	Total shareholders funds £
Opening balance at 30 April 2012	974,833	300,000	72,000	120,000	(156,000)	(3,395)	210,011	(132,735)	613,625	1,998,339
- Buy back of shares	-	(300,000)	-	299,999	1	-	-	-	-	-
- Transfers of own shares by EBT	-	-	-	-	148,200	11,300	-	-	-	159,500
- Share based payments charge	-	-	-	-	-	-	32,476	-	-	32,476
- Dividends paid	-	-	-	-	-	-	-	-	(163,801)	(163,801)
- Share options exercised	15,000	-	-	-	-	-	(5,960)	-	5,960	15,000
- Realisation of investments available for sale (note 11)	-	-	-	-	-	-	-	11,346	-	11,346
- Impairment of assets available for sale (note 11)	-	-	-	-	-	-	-	121,389	-	121,389
- Profit on ordinary activities after taxation	-	-	-	-	-	(6,144)	-	-	943,536	937,392
Closing balance at 30 April 2013	989,833	-	72,000	419,999	(7,799)	1,761	236,527	-	1,399,320	3,111,641
- Transfers of own shares by EBT	-	-	-	-	7,799	-	-	-	-	7,799
- Share based payments charge	-	-	-	-	-	-	72,444	-	-	72,444
- Dividends paid	-	-	-	-	-	-	-	-	(670,111)	(670,111)
- Share options exercised	107,639	-	223,084	-	-	-	(63,634)	-	63,634	330,723
- Loss on revaluation of investments (note 11)	-	-	-	-	-	-	-	(15,174)	-	(15,174)
- Profit on ordinary activities after taxation	-	-	-	-	-	(6,673)	-	-	1,861,764	1,855,091
Closing balance at 30 April 2014	1,097,472	-	295,084	419,999	-	(4,912)	245,337	(15,174)	2,654,607	4,692,413

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014 (continued)

18 Reconciliation of movement in shareholders' funds (continued)

Own shares

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 2014 was Nil (2013 - 130,000) and £Nil (2013 - £7,800) respectively.

19 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 2014	Weighted average exercise price £ 2014	Number of share options 2013	Weighted average exercise price £ 2013
Outstanding at beginning of year	24,316,666	0.039	30,416,666	0.041
Granted during the year	2,000,000	0.070	2,000,000	0.060
Forfeited during the year	-	-	(6,600,000)	0.058
Exercised during the year	(8,016,666)	0.020	(1,500,000)	0.010
Outstanding at the end of the year	18,300,000	0.051	24,316,666	0.039
Exercisable at the end of the year	4,300,000		7,116,666	

During the year, 8,016,666 options were exercised. As a result, an amount of £63,634 relating to these shares in the Share Based Payments reserve was transferred to the Profit and Loss reserve during the period (see note 18).

All 2,000,000 share options (2013 - 2,000,000) granted during the year were granted over new shares by the company at a weighted average exercise price of £0.07 (2013 - £0.06).

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014 (continued)

19 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
01-Aug-07	1,100,000	£0.01	4 years	7 years
21-May-09	1,250,000	£0.05	4 years	7 years
28-Jul-09	1,950,000	£0.05	4 years	7 years
01-May-10	2,150,000	£0.05	4 years	7 years
15-Jun-11	7,250,000	£0.05	4 years	7 years
19-Mar-12	600,000	£0.06	4 years	7 years
25-Sep-12	1,000,000	£0.06	4 years	7 years
18-Dec-12	1,000,000	£0.06	4 years	7 years
01-Jul-13	1,000,000	£0.06	4 years	7 years
01-Oct-13	1,000,000	£0.08	4 years	7 years

The options outstanding at 30 April 2014 had a weighted average exercise price of £0.051 (2013 - £0.039), and a weighted average remaining contractual life of 3.8 years (2013 - 3.6 years). The aggregate of the estimated fair values of the options granted on those dates is £331,151 (2013 - £366,415). The inputs into the Black-Scholes model are as follows:

	2014 £	2013 £
Weighted average share price	7.6p	6.0p
Weighted average exercise price	5.1p	3.9p
Expected volatility	55%	50%
Expected life	Up to 7 years	Up to 7 years
Risk-free rate	4.16%	3.00%
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 £72,444 (2013 - £32,476) related to equity-settled share-based payment transactions in the year ended 30 April 2014.

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014 (continued)

20 Reconciliation of operating profit to net cash inflow from operating activities

	2014 £	2013 £
Operating profit	2,424,015	1,299,129
Depreciation and amortisation	287,306	281,439
Increase in debtors	(1,238,946)	(987,548)
Share based payments charge	72,444	32,476
Increase in creditors	1,499,677	1,309,181
Increase/(decrease) in provisions	180,251	(12,420)
Impairment of investments	-	257,951
Increase in short term investments held at fair value through profit and loss	(437,720)	-
Gains on long term investments held at fair value through the profit and loss	(219,586)	(111,879)
Net cash inflow from operating activities	2,567,441	2,068,329

21 Reconciliation of cash flow to movement in net funds

	2014 £	2013 £
Increase in cash in the year	1,919,600	1,947,114
Change in net funds	1,919,600	1,947,114
Net funds brought forward	2,745,857	798,743
Net funds carried forward	4,665,457	2,745,857

22 Analysis of net funds

	At 1 May 2013 £	Cash flow £	At 30 April 2014 £
Cash in hand and at bank	3,345,857	1,919,600	5,265,457
Subordinated loan	(600,000)	-	(600,000)
Total	2,745,857	1,919,600	4,665,457

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014 (continued)

23 Commitments under operating leases

The company has annual commitments under non-cancellable operating leases as set out below:

	2014 £	2013 £
Operating leases which expire:		
Within one year	-	-
In two to five years	-	-
After five years	277,788	277,788
	<u>277,788</u>	<u>277,788</u>

24 Financial instruments

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

	Amortised cost £	Held at fair value through profit or loss £	Held at fair value as available for sale assets £	Total £
Financial assets				
Investments	-	174,320	30,347	204,667
Trade and other receivables	3,033,874	437,720	-	3,471,594
Cash at bank and in hand	5,265,457	-	-	5,265,457
	<u>8,299,331</u>	<u>612,040</u>	<u>30,347</u>	<u>8,941,718</u>
Total	8,299,331	612,040	30,347	8,941,718
Financial liabilities				
Borrowings	600,000	-	-	600,000
Trade and other payables	2,334,731	-	-	2,334,731
Accruals	1,373,252	-	-	1,373,252
	<u>4,307,983</u>	<u>-</u>	<u>-</u>	<u>4,307,983</u>
Total	4,307,983	-	-	4,307,983

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, which are summarised below.

finnCap Ltd

Notes forming part of the financial statements for the year ended 30 April 2014 (*continued*)

24 Financial instruments (*continued*)

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 £8.3m 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. The company's risk exposure to interest rate risk is its subordinated loan note (see note 15), which was redeemed after 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 2014 (continued)

25 Related party transactions

The company has borrowed £600,000 by way of a subordinated loan. J P Moulton, a director of the company, purchased the subordinated Loan from J. M. Finn & Co Ltd on 30 April 2010 for total consideration of £500,000. The interest charged to the company over the year from this loan was £21,000 (2013 - £21,000) and the balance outstanding at 30 April 2014 was £10,414 (2013 - £10,414). The loan was redeemed after the year end. Mr Moulton 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 loan outstanding to M J McNamara, a director of the company. The amount outstanding on the loans at the end of the year was £121,663. The interest charged during the year was £1,813.

The company has a 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 £305,679. The interest charged during the year was £4,556.

The company has a loan outstanding to S A Andrews, a director of the company. The amount outstanding on the loan at the end of the year was £60,435. No interest was charged in the year.

26 Dividends on equity shares

Interim dividends of £670,111, or 0.63p per share, were paid to shareholders during the year ended 30 April 2014 (2013 - £163,801). The directors do not recommend the payment of a final dividend.