

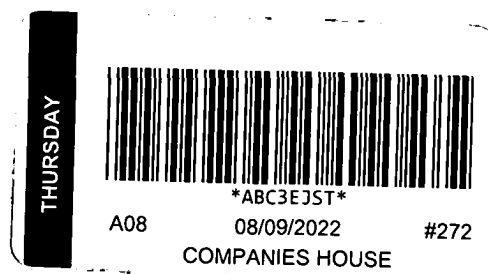
finnCap Ltd

Report and Financial Statements

For the year ended

31 March 2022

Company Number 06198898



finnCap Ltd

Report and Financial Statements for the year ended 31 March 2022

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Directors

S J Smith
T W R Hayward
R C Snow

Registered office

1 Bartholomew Close, London, EC1A 7BL, United Kingdom.

Company number

06198898

Auditors

BDO LLP, 55 Baker Street, London W1U 7EU, United Kingdom.

finnCap Ltd

Strategic Report for the year ended 31 March 2022

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 (London Stock Exchange) stocks.

The Company's revenues are largely 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 94 staff (2021 - 95).

Business Review

Revenue for the year ended 31 March 2022 was £28.3m (2021 – £34.5m), a decrease of 18%. Operating profit was £0.7m (2021 - £8.7m), a decrease of 92%.

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 shareholder value, through a combined focus on profitability, stability and growth.

Key Performance Indicators

The Company has identified a number of Key Performance Indicators (KPIs) to help measure the success of the strategy. KPIs that the Company focuses on include:

<i>Profitability</i>	Year ended 31 March 2022	Year ended 31 March 2021
Ratio of profit before tax to revenue	3%	25%

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 revenue and pre-tax profits decreased during the year as a result of the worsened macro environment in which it operated.

<i>Cost coverage from non-deal fees</i>	Year ended 31 March 2022	Year ended 31 March 2021
Ratio of non-deal fee income to total costs	45%	49%

Management considers 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. During the year, this proportion decreased due to slightly lower revenues and increased costs due to inflationary pressures.

finnCap Ltd
Strategic Report
for the year ended 31 March 2022 (continued)

Key Performance Indicators (continued)

<i>Income generation per employee</i>	Year ended	Year ended
	31 March 2022	31 March 2021
Income per employee	£260,000	£369,000

The Company is focused on profitable growth. In the year, the income generated per employee decreased as a result of the lower revenues as a result of the macro environment in which it operates.

<i>Number of corporate clients</i>	Year ended	Year ended
	31 March 2022	31 March 2021
Number of corporate clients	118	119

The number of corporate clients is a sign of both the Company's market share and the lack of reliance on any individual client. In the year, the number of corporate clients that the Company was retained stayed broadly the same.

Principal risks and uncertainties

The Company 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 pursuing an inappropriate strategy – the Company manages this risk through the Board's oversight of strategy, adherence to the QCA's corporate governance code, risk analysis and the provision of timely management information in order to enable decisions to be made appropriately.
- Risk of market downturn - as with other firms in our sector, the Company is generally dependent on the financial market's health and appetite for investment. However, the Board recognises that the business and its markets are cyclical and has developed a business model that is robust in these circumstances. Particularly relevant here is the lack of visibility of eventual resolution of the war in Ukraine, and its impact on the Company, its clients and markets.
- Risk of loss of key staff – the Company is a people-oriented business and hence the loss of team members is a potential risk. The Company maintains appropriate remuneration and employment policies to seek to retain and improve the quality of its team and regularly reviews these to ensure they are still appropriate for this purpose.
- Reputational risk - reputational risk accompanies all transactions. The Company has internal approvals processes that mitigate risk both before it takes on new business and as transactions proceed. In the event of risk crystallisation, management would proactively to address market impact and maintain confidence in the Company's offering and services.

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Strategic Report for the year ended 31 March 2022 (*continued*)

Operational risks (*continued*)

- Risk of IT failure - the level of risk arising from an IT failure is dependent largely on the extent of the failure. In particular, there is a risk of data loss, potentially through cyber-attack. As finnCap relies on core data services, management actively seeks providers who have suitable disaster recovery procedures of their own in place, in addition to building networks that are a robust and externally tested 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 a daily computation of the capital requirements and ensuring that their capital exceeds these requirements.
- Risk of poor trading performance - the Company relies on the supervised decision-making of its market makers and proprietary traders. It contains its potential exposure 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.
- Market risk – the Company is exposed to movements in the value of its holdings in quoted and unquoted securities. This risk is mitigated through frequent review of its holdings for appropriateness, risk and liquidity. In any case the Company rarely holds significant positions outside trading.
- Risk from dependence on third party service providers – the Company relies on third party service providers for certain aspects of its businesses (for example, on Pershing for settlement of its trades). There is a risk that these service providers are unable to meet their contractual obligations to the Company. The Company manages this risk through the identification of key providers, monitoring of their performance, investigation of issues as and when they arise and dialogue about these providers' business continuity plans.
- Competition risk – the Company operates in a competitive market. The Company's main defence against competition is the actions that management and staff take to be a leader in the Company's markets in terms of client service and the development of new products and services.
- Risk of employee misconduct or error – the Company is reliant on its staff to operate their roles appropriately. There is the potential for employees to exceed the boundaries of their roles, either intentionally or through error. The Company manages this risk through clear job descriptions, the use of segregation of duties and technology to restrict the potential for breach and monitoring to highlight breaches when they occur so enabling timely remedy. The Company has also carried out extensive conduct training and ensured that appropriate channels of oversight are in place as part of the implementation of SMCR.
- Risk of Force Majeure - the Company's operations now or in the future may be adversely affected by risks outside the control or anticipation of the Company. The Company mitigates some of these risks through its Risk Committee, which has responsibility for the identification and mitigation of the risks that the Company faces.
- Litigation risk – legal proceedings may arise from time to time in the course of the Company's businesses. The Company mitigates the risk of litigation through the use of clear engagement letters that specify exactly what services are provided and which limit the Company's liability appropriately.

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Strategic Report for the year ended 31 March 2022 (continued)

Regulatory risk

The Company operates in a regulated environment. The Company has an independent and well-resourced compliance department that reports to the main Board through the Risk & Compliance Committee. The Directors monitor changes and developments in the regulatory environment and ensure that sufficient resources are made available to implement any required changes. However, there is the potential that future changes to the regulatory, legislative or tax environment may have further impacts on the profitability of the Company.

Financial and credit risk

Details of the Company's financial and credit risks can be found in note 16 of the financial statements.

The Board's Statement on s172(1) of CA2006

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors and our directors have regard, amongst other matters to:

- Likely consequence of any decision in the long-term;
- Interests of employees;
- Fostering business relationships with suppliers, customer and others;
- Impact of operations on the community and the environment;
- Maintaining a reputation for high standards of business conduct; and
- Acting fairly as between members of the company.

All Directors were briefed in writing on their responsibilities under s172 and this will be refreshed at regular intervals, as well as forming part of the induction for new directors. The Group's General Counsel & Company Secretary provides support to the Board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172 when making key strategic decisions.

Through an open and transparent dialogue with our key stakeholders, we believe that we have developed a clear understanding of their needs, assessed their perspectives and monitored their impact on our strategic ambition and culture.

As part of the Board's decision-making process, the Board and its Committees consider the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term.

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Strategic Report for the year ended 31 March 2022 (continued)

Impact on key Board decisions during FY22

The Company's primary focus was in continuing to deliver its strategy for growth.

Flexible Working Policy (impact on employees, client service, supervision and training)

During the COVID-19 lock-down periods, the Company successfully operated with almost all of its employees working from home. From discussions with employees it became clear to the directors that some form of continuation of flexible working arrangements would enable employees to more effectively manage their work life balance in an industry where client demands often happen outside conventional office hours and during holidays. From September 2021 we asked teams for feedback and trialled variations of flexible working. The directors considered whether the quality of client service and staff training and supervision would be impacted by such arrangements but noted that it had worked well during the lock-down. Various other factors such as health and safety issues, access to first aiders, creating the opportunity for good on the job training experiences and appropriate supervision of junior regulated team members were considered. We have since resolved that our usual "in office" days will usually be Tuesday to Thursday with employees being allowed to work from home on Monday and Friday subject to the needs of clients and the business. The directors believe that these arrangements are working effectively and that operating in an environment where the entire team could immediately switch to all office home working without materially impacting our operation has improved our resilience to external unexpected events such as loss of access to our office.

Engagement with stakeholders

We set out, below, who we view to be our key stakeholders, how we engage with them and our assessment of how effective this engagement has been. As is normal for most listed or larger companies, the Board delegates authority for the day-to-day management of the Company to its executive Directors and management team, providing oversight by monitoring their progress against the Company's KPIs and strategy and as indicated in this Report.

Clients

Our clients are central to the success of our business. Our aim is to provide them with a team of experts who deliver exemplary service to achieve their business ambition.

At 31 March 2022 our Capital markets team were formally engaged by a total of 118 clients on a retainer basis and we regularly work for a further 40-50 other clients on a diverse range of mandates including M&A, private capital raising and debt advisory.

Our strategy requires us to provide and maintain a high-quality service for our clients at all times. We recognise that the success of our clients is critical to our own success and that this applies equally to our advisory clients, quoted clients and institutional clients.

We have dedicated teams across sectors and advisory lines offering bespoke advice to our quoted, advisory and institutional clients based on a proper understanding of those clients' needs and often founded on relationships built over a number of years.

We regularly select and undertake independent, internal peer reviews of transactions to ensure that we maintain our internal standards and to identify where we can improve service. We also hold weekly client service meetings to identify client issues and resolution, a key aspect for retaining our listed client base.

In the unusual event we fail to meet our clients' high standards, our complaints procedure escalates matters immediately to the Head of Compliance. Information about complaints is circulated to the Board's Risk & Compliance Committee for appropriate oversight.

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Strategic Report for the year ended 31 March 2022 (*continued*)

People

Our employees are central to our success in delivering high quality service and advice to our clients. Engagement with our employees requires a high degree of informal day-to-day contact; regular functional team meetings; an annual strategy update and bi-annual results briefings.

For much of FY22, the firm operated remotely due to various COVID-19 restrictions and our employees have worked exceptionally hard to support the business and to sustain our culture which is central to our employee engagement. The Group's cultural values – Smart Thinking, Collegiate, Dynamic - were established and defined by our employees and outline both how we succeed and behave and form a central part of each employee's half yearly assessment and in creating a culture of teamwork and partnership in the Group more generally. Employees, regardless of whether they are shareholders or not, are also given an opportunity to provide input on the Group's business and strategy at the strategy sessions led by the Group's management team.

During FY22, our Chairman has held lunches for small numbers of staff drawn across all functions of the Group to get direct feedback for him and the Board to consider. In September 2021 we engaged Great Place to Work to undertake a formal staff survey on our company and its culture. We were delighted to be rated as number 78 in their list of the UK's best medium workplaces (51-250 employees), the highest rated financial services business.

Andy Hogarth, Senior Independent Non-Executive Director, is available to employees to discuss concerns in relation to the Group's business or operations, and his contact details have been circulated to all employees. During FY22 the Group continued to encourage managers to engage with employees in the less formal engagements and provided appropriate support on mental health/well-being issues. As noted above we have also implemented a flexible working policy and an enhanced unlimited holiday policy.

Shareholders – Institutional and Employee

Alongside the provision of capital, our shareholders play an essential role by monitoring our financial performance, progress on our key KPIs, strategy development, and our approach to governance and Board leadership. We actively engage with our institutional investors through regular results based or event driven investor meetings and also benefit from regular ad hoc feedback through our institutional equity sales team and corporate broker Oberon. Throughout the year we conduct regular institutional investor meetings.

We also engage with our large base of employee shareholders through regular briefing on results and our strategy across the Group. All shareholders are invited to attend the Annual General Meeting (AGM) and all Board Directors attend, giving individual shareholders the opportunity to engage directly with the Board and senior management. The Chairman welcomes questions from shareholders, who have an opportunity to raise issues before or at the AGM. All Non-Executive Directors are available to meet shareholders, if requested, and the Board is regularly updated on shareholder feedback.

The Chairman is also available to meet major shareholders without the Executive Directors being present to permit direct feedback in an open and transparent forum. All our resolutions were supported by shareholders at the 2021 AGM and proxies received averaged over 99% in favour.

In FY21 we appointed a new corporate broker, Oberon, to work alongside our in-house broking team. This provides institutional shareholders with increased support for corporate actions, a channel to provide ad hoc feedback outside our formal roadshow process and also allows the Board to benefit from an independent third party's views of our investment case, communication and engagement with our investors.

We recognise that delivering on shareholder expectations is fundamental to ensuring that our business continues to be successful in the long term.

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Strategic Report for the year ended 31 March 2022 (continued)

Regulators and Industry Bodies

We work in a highly regulated industry where it is vital to stay on top of the key regulatory requirements which are subject to rapid change and have also been impacted by the UK's departure from the European Union.

Our two operating companies are regulated by, *inter alia*, the Financial Conduct Authority and, in finnCap Ltd's case, the London Stock Exchange, the UK Listing Authority and AIM Team. We have an open and transparent dialogue with the regulatory and industry bodies that we work with and we employ leading compliance professionals to monitor and police our adherence with best practice. During FY22 we held one formal review meeting with the FCA. We were subject to no censures or disciplinary action in the period. We also require our employees to undertake specific training on regulation and best practice as required by their roles.

We are also a member of the Quoted Companies Alliance and have contributed to significant issues statements and guidance including the recently published "The QCA Guide to Practical ESG".

Community and Environment

We believe that companies require a broader 'consent to exist' from the community in which we operate and should have clear goals and objectives - beyond just shareholder returns - in order to demonstrate and measure a wider contribution to the communities in which we operate.

We have set out the ways that finnCap approaches ESG matters, contributes to its community and seeks to minimise its environmental impact in a separate section - Operating Responsibly – Our ESG Report.

Anti-Corruption and Bribery

The Company is committed to the highest level of ethical standards in the conduct of its business affairs, and this is encapsulated in its Financial Crime Policy. This covers all of the major forms of financial crime, including bribery and corruption. Staff are required to conform to this policy, and the Firm's Gifts and Hospitality Policy, and receive appropriate training.

Approval

This strategic report was approved on behalf of the Board on 28 July 2022.



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Richard Snow
Director

finnCap Ltd

Directors' Report for the year ended 31 March 2022

The Directors present their report together with the audited financial statements for the year ended 31 March 2022.

Results and dividends

Profit after tax for the year end 31 March 2022 was £831,000 (2021 – £7,351,000).

No dividends were paid during the year (2021 - £5,000,000). The Directors propose that no final dividend is paid.

Principal activities

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

Directors

The directors during the year and at the date of signing were as follows:

S J Smith
T W R Hayward
R C Snow

Going concern

As normal, the Company has assessed the appropriateness of accounting on a going concern basis. This process involved the review of a forecast for a period of at least twelve months from when the financial statements are authorised for issue, along with stress testing a second downside scenario. Both cases showed that the Company has the required resources to operate within its resources during the period. 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 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.

Acquisition of the Company's own shares

During the year, the Group's Employee Benefit Trust purchased 2,945,459 shares (2021: 545,450) at 28.6p per share (2021: 16.5p per share).

During the year, the Group's Employee Benefit Trust sold 4,616,318 shares (2021: Nil) at 13.9p per share in relation to the issue of share options.

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Directors' Report for the year ended 31 March 2022 (continued)

Matter covered in the Strategic Report

The Directors have included a business review within the Strategic Report. Also included are details of future developments of the Group, the principal risks and uncertainties and a review of the key performance indicators as assessed by the directors.

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 £1,250 (2021 - £1,000).

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors during the year and these remain in force at the date of this report.

Post balance sheet events

There were no subsequent events after the Balance Sheet date.

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



Richard Snow
Director

Date 28 July 2022

finnCap Ltd

Statement of Directors' Responsibilities for the year ended 31 March 2022

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 including Financial Reporting Standard 102). 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

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Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINNCAP LIMITED

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 31 March 2022 and of its result 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.

We have audited the financial statements of finnCap Limited ("the Company") for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

finnCap Ltd

Independent Auditor's Report (*continued*)

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud.

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Independent Auditor's Report (continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006, the Financial Conduct Authority (FCA) Regulations and the United Kingdom Accounting Standards.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- discussion among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. Furthermore, we communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- enquiries of management in relation to any non-compliance with laws and regulations;
- review of minutes of board meetings throughout the period for any non-compliance in relation to laws and regulations; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

We also addressed the risk of management override of internal controls, our procedures included reviewing journals and evaluating whether there was evidence of bias or manipulation that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Timothy West
3E18818C1A454FF...

Timothy West (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
28 July 2022

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

**Statement of Comprehensive Income
for the year ended 31 March 2022**

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Turnover	3	28,285	34,480
Other operating income		13	926
Total income		28,298	35,406
Administrative expenses		(27,575)	(26,676)
Operating profit before non-recurring items		723	8,730
Non-recurring items	6	-	(54)
Operating profit	7	723	8,676
Interest receivable		11	15
Profit on ordinary activities before taxation		734	8,691
Taxation on profit from ordinary activities	8	97	(1,340)
Profit for the financial year		831	7,351
Other comprehensive income		-	-
Total profit and other comprehensive income for the financial year		831	7,351

All amounts relate to continuing operations.

The notes on pages 18 to 33 form part of these financial statements.

finnCap Ltd

Balance Sheet at 31 March 2022

	Note	31 March 2022 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2021 £'000
Fixed assets					
Intangible assets	9		177		29
Tangible assets	10		175		141
Financial assets held at fair value through profit or loss	11		802		1,685
Deferred tax asset	12		<u>460</u>		<u>131</u>
			1,614		1,986
Current assets					
Trade debtors		1,834		1,564	
Other debtors	13	18,468		6,031	
Current asset investments held at fair value through profit and loss account		871		-	
Cash at bank and in hand		<u>6,819</u>		<u>13,203</u>	
		27,992		20,798	
Creditors: amounts falling due within one year					
Trade creditors		1,370		524	
Current liabilities investments held at fair value through profit and loss		-		72	
Other creditors	14	<u>15,348</u>		<u>10,322</u>	
		16,718		10,918	
Net current assets			11,274		9,880
Total assets less current liabilities			12,888		11,866
Non-current provision			(31)		(30)
Net assets			12,857		11,836
Capital and reserves					
Called up share capital	15		1,207		1,207
Share premium account			897		897
Capital redemption reserve			420		420
Own shares			(1,926)		(1,726)
EBT reserve			(322)		-
Share based payments reserve			813		690
Profit and loss account			<u>11,768</u>		<u>10,348</u>
Shareholders' funds			12,857		11,836

The financial statements were approved by the Board of Directors and authorised for issue on 28 July 2022.



Richard Snow
Director

The notes on pages 18 to 33 form part of these financial statements.

finnCap Ltd

Statement of Changes in Equity for the year ended 31 March 2022

	Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Own shares £'000	EBT reserve £'000	Share based payments reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
Closing balance at 31 March 2020	1,207	897	420	(1,636)	-	354	7,997	9,239
- Transfer of own shares	-	-	-	(90)	-	-	-	(90)
- Share based payments charge	-	-	-	-	-	336	-	336
- Dividends	-	-	-	-	-	-	(5,000)	(5,000)
- Profit on ordinary activities after taxation	-	-	-	-	-	-	7,351	7,351
Closing balance at 31 March 2021	1,207	897	420	(1,726)	-	690	10,348	11,836
- Transfer of own shares	-	-	-	(843)	-	-	-	(843)
- Share based payments charge	-	-	-	-	-	712	-	712
- EBT Gift	-	-	-	-	100	-	-	100
- Share options exercised	-	-	-	643	(422)	(589)	589	221
- Profit on ordinary activities after taxation	-	-	-	-	-	-	831	831
Closing balance at 31 March 2022	1,207	897	420	(1,926)	(322)	813	11,768	12,857

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 or group'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 31 March 2022 was 11,165,597 (2021 – 12,836,456) and £1,925,794 (2021 - £1,726,204)

The notes on pages 18 to 33 form part of these financial statements.

finnCap Ltd

Notes forming part of the financial statements for the year ended 31 March 2022

1 Basis of preparation and accounting policies

finnCap Ltd is a limited company, limited by shares, incorporated and domiciled in England and Wales. The registered office of the Company is at 1 Bartholomew Close, London, EC1A 7BL, United Kingdom. The registered company number is 06198898.

The financial statements have been prepared under the historical cost basis except for the revaluation of financial instruments and are in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d); and
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

The financial statements contain information about finnCap Ltd as an individual company and include the results of the finnCap Group Employee Benefit Trust. This information is included in the consolidated financial statements of finnCap Group plc and which may be obtained from <https://www.finncap.com>.

These financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates. Amounts are rounded to the nearest thousand pounds, unless otherwise stated.

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 and Directors' Report. These reports 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 represent amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes; comprising:

- i) income from trading activities;
- ii) corporate finance fees and retainers, and
- iii) other income, including trading profits from short term investments taken as consideration for core services

finnCap Ltd

Notes forming part of the financial statements for the year ended 31 March 2022 (*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 year.

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 shown in administrative expenses.

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.

Intangible fixed assets

Intangible fixed assets are stated at cost net of accumulated amortisation and provision for any impairment in value. All intangible fixed assets are depreciated on a straight-line basis over their useful economic lives. Amortisation is provided on software over 4 years. Trademarks are held at cost less any provisions for 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 31 March 2022 (*continued*)

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

Financial assets held at fair value through profit or loss

Financial assets held at fair value through profit or loss, include warrants, unquoted and quoted investments obtained as a result of corporate finance transactions.

Level 3 financial instruments comprise investments or warrants in unquoted companies. The determination of fair value requires judgement, particularly in determining whether changes in fair value have occurred since the last observable transaction in the company's shares. In making this judgement the Company evaluates amongst other factors the materiality of each individual holding, the stage of the company's development, financial information of each company and relevant discussions with the company's management. Warrants are valued 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 3. 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.

The fair value measurements are disclosed using 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, 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)

Current asset 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.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

finnCap Ltd

Notes forming part of the financial statements for the year ended 31 March 2022 (*continued*)

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

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 issues equity settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant and relate to the shares of finnCap Group plc. 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 31 March 2022 (*continued*)

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

Leases

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.

Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the year.

Government grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Company.

During FY21, the Company received support from the UK Government during the early part of the COVID-19 Pandemic. PAYE and VAT payments were deferred and furlough support payments of £150k received. All these support payments were repaid on or in advance of November 2021.

finnCap Ltd

Notes forming part of the financial statements for the year ended 31 March 2022 (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 there are indicators of impairment of the company's tangible and intangible assets. 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.

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

- Determine a means of attributing the value of share based payments for their recognition in the profit and loss account, and;
- 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.

	2022 £'000	2021 £'000
Income from trading activities	5,903	6,765
Corporate finance income	22,382	27,710
Other fees and commissions	-	5
	<u>28,285</u>	<u>34,480</u>

4 Staff costs

	2022 £'000	2021 £'000
Staff costs consist of:		
Wages and salaries	14,028	14,721
Social security costs	1,824	2,031
Pension costs	455	371
Share based payments	712	336
	<u>17,019</u>	<u>17,459</u>

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

	2022 Number	2021 Number
Corporate broking and finance	53	47
Sales and trading	14	9
Research	14	14
Administration	28	24
	<u>109</u>	<u>94</u>

finnCap Ltd

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

5 Directors

	2022 £'000	2021 £'000
Directors' remuneration consists of:		
Emoluments	-	-
Company contributions to pension scheme	-	-
	<u>-</u>	<u>-</u>
	-	-
	<u>-</u>	<u>-</u>

During the year, directors exercised £nil options (2021 – nil).

The share-based payments expense for the year for options held by directors was £nil (2021 - £nil).

The emoluments, excluding pension contributions, of the highest paid director were £nil (2021 - £nil) and pension contributions were £nil (2021 - £nil). The highest paid director exercised nil options during the year (2021 – nil). Since the acquisition of the Company in November 2018 by finnCap Group plc, the remuneration of its Directors has been borne by the parent company, and hence is not included here.

6 Non-recurring items

	2022 £'000	2021 £'000
Group relocation	-	54
	<u>-</u>	<u>54</u>
	-	54
	<u>-</u>	<u>54</u>

Non-recurring items relate to one off expenditure from moving into a combined group office.

7 Operating profit

	2022 £'000	2021 £'000
Operating profit has been arrived at after charging:		
Auditors' remuneration:		
Statutory audit	37	35
Regulatory reporting	15	22
Depreciation	82	172
Amortisation	34	34
Operating lease	-	128
Share based payments	712	336
Exchange differences	(9)	22
	<u>712</u>	<u>336</u>
	(9)	22

finnCap Ltd

Notes forming part of the financial statements for the year ended 31 March 2022 (*continued*)

8 Taxation on profit from ordinary activities

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

	2022 £'000	2021 £'000
United Kingdom corporation tax at 19% (2021 – 19%)	232	1,300
Deferred tax	(329)	40
	<hr/>	<hr/>
Taxation on profit from ordinary activities	(97)	1,340
	<hr/>	<hr/>

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 19% (2021 – 19%). The difference is explained below:

	2022 £'000	2021 £'000
Profit on ordinary activities before tax	734	8,691
	<hr/>	<hr/>
Taxation on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020 – 19%)	139	1,651
Effects of:		
Expenses not deductible for tax purposes	200	67
Deduction for exercise of employee share options	(226)	(58)
Income not taxable for tax purposes	127	(208)
Depreciation in excess of capital allowances	(13)	17
Group relief	-	(141)
Adjustment to tax charge in respect of previous years	5	(28)
Deferred tax	(329)	40
	<hr/>	<hr/>
Total tax charge for year	(97)	1,340
	<hr/>	<hr/>

finnCap Ltd

Notes forming part of the financial statements
for the year ended 31 March 2022 (*continued*)

9 Intangible assets

	Trademarks £'000	Computer software £'000	Total £'000
<i>Cost</i>			
At 1 April 2020	20	555	575
Disposals	(20)	-	(20)
At 1 April 2021	-	555	555
Additions	-	182	182
At 31 March 2022	-	737	737
<i>Accumulated Amortisation</i>			
At 1 April 2020	-	492	492
Charge for the year	-	34	34
At 1 April 2021	-	526	526
Charge for the year	-	34	34
At 31 March 2022	-	560	560
<i>Net book value</i>			
At 31 March 2022	-	177	177
At 31 March 2021	-	29	29

finnCap Ltd

Notes forming part of the financial statements
for the year ended 31 March 2022 (*continued*)

10 Tangible assets

	Fixtures, fittings and equipment £'000	Leasehold improvements £'000	Total £'000
<i>Cost</i>			
At 1 April 2020	1,084	1,017	2,101
Additions	53	-	53
Disposals	-	(1,017)	(1,017)
At 1 April 2021	1,137	-	1,137
Additions	115	-	115
At 31 March 2022	1,252	-	1,252
<i>Accumulated depreciation</i>			
At 1 April 2020	911	950	1,861
Charge for the year	85	67	152
Disposals	-	(1,017)	(1,017)
At 1 April 2021	996	-	996
Charge for the year	81	-	81
At 31 March 2022	1,077	-	1,077
<i>Net book value</i>			
At 31 March 2022	175	-	175
At 30 April 2021	141	-	141

finnCap Ltd

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

11 Investments

	2022 £'000	2021 £'000
Financial assets held at fair value through profit or loss		
Opening	1,685	393
Acquisition of shares in listed and unlisted companies	576	386
Revaluation recognised in the profit and loss account	55	926
Disposals	(1,514)	(20)
	802	1,685

12 Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount for financial reporting purposes differs from the tax base. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

	2022 £'000	2021 £'000
Opening balance	131	171
Origination and reversal of temporary difference expense	329	(40)
	460	131

Deferred taxation for the Company relates to timing difference on the taxation relief on the exercise of options. The amount of the asset is determined using tax rates that have been enacted or substantively enacted when the deferred tax assets are expected to be recovered.

13 Other debtors

	2022 £'000	2021 £'000
Prepayments	553	333
Accrued income	20	3
Intercompany debtors	4,866	953
Market making counterparty debtors	11,890	3,809
Other debtors	1,139	933
	18,468	6,031

Intercompany debtors incur no interest and are repayable on demand.

finnCap Ltd

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

14 Other creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Corporation tax payable	-	697
Social security	539	401
Accruals	3,066	5,814
Deferred income	166	133
Market making counterparty creditors	11,151	2,582
Intercompany creditors	37	423
Other creditors	389	272
	<u>15,348</u>	<u>10,322</u>

Intercompany creditors incur no interest and are repayable on demand.

15 Share capital

	2022 Number	2021 Number	Authorised 2022 £'000	2021 £'000
Ordinary shares of £0.01 each	<u>132,000,000</u>	<u>132,000,000</u>	<u>1,320</u>	<u>1,320</u>
	Allotted, called up and fully paid			
	2022 Number	2021 Number	2022 £'000	2021 £'000
Ordinary shares of £0.01 each	<u>120,653,826</u>	<u>120,653,826</u>	<u>1,207</u>	<u>1,207</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.

finnCap Ltd

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

16 Financial instruments

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

	2022	2022	2022
	Amortised	Held at fair	Total
	cost	value	
	£'000	through	£'000
		profit or loss	
		£'000	
Financial assets			
Investments	-	1,673	1,673
Trade and other debtors	19,729	-	19,729
Cash at bank and in hand	6,819	-	6,819
Total	26,548	1,673	28,221
Financial liabilities			
Trade and other creditors	12,947	-	12,947
Total	12,947	-	12,947
	2021	2021	2021
	Amortised	Held at fair	Total
	Cost	value	
	£'000	through	£'000
		profit or loss	
		£'000	
Financial asset investments			
Trade and other debtors	-	1,685	1,685
Cash at bank and in hand	7,259	-	7,259
	13,203	-	13,203
Total	20,462	1,685	22,147
Financial liabilities			
Trade and other creditors	-	72	72
	3,801	-	3,801
Total	3,801	72	3,873

finnCap Ltd

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

16 Financial instruments (continued)

The fair value measurements are disclosed using the following fair value measurement hierarchy:

	31 March			31 March		
	Level 1	Level 3	2022	Level 1	Level 3	2021
	£'000	£'000	£'000	£'000	£'000	£'000
At start of year	504	1,181	1,685	81	312	393
Net (losses)/gains recognised in other operating income	16	40	56	207	719	926
Additions	448	128	576	237	150	387
Disposals	(675)	(840)	(1,515)	(21)	-	(21)
At end of year	293	509	802	504	1,181	1,685

- 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, 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)

The main risks arising from the financial instruments are credit risk, liquidity and market risk. Market risk comprises currency risk, interest rate risk and another 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 year is equal to the balance sheet figure. In addition, the company has credit risk exposure to the gross value of unsettled trades (on a delivery versus payment basis), which were £12.9m (2021 - £7.3m) at the balance sheet date.

finnCap Ltd

Notes forming part of the financial statements for the year ended 31 March 2022 (*continued*)

16 Financial instruments (*continued*)

The Company's cash and cash equivalents are held with HSBC Bank plc and Pershing.

	Rating	2022 £'000	2021 £'000
Financial asset investments	AA-	1,673	1,685
Market making counterparty debtors	AA-	11,890	3,809
Trade debtors	Unrated	1,834	1,564
Other debtors	Unrated	6,005	1,886
Cash at bank and in hand	AA-	6,819	13,203
		<hr/>	<hr/>
Total		28,221	22,147
		<hr/>	<hr/>

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 31 March 2022 (*continued*)

17 Related party transactions

The Company has taken advantage of the exemption FRS 102 section 33.1A not to disclose transactions with group entities on the grounds that it is a wholly-owned subsidiary undertaking whose results are included in publicly available consolidated financial statements.

18 Dividends on equity shares

No dividends were paid to shareholders during the year ended 31 March 2022 (2021 - £5,000,000). The directors do not recommend the payment of a final dividend.

19 Subsequent events

There were no subsequent events after the Balance Sheet date.

20 Ultimate parent company and controlling party

The immediate and ultimate parent undertaking is finnCap Group plc, an AIM listed company registered in England and Wales. The registered office of the finnCap Group plc is at 1 Bartholomew Close, London, EC1A 7BL, United Kingdom. There is no further ultimate controlling party.

The results of finnCap Ltd are consolidated into the 2022 consolidated financial statements of finnCap Group plc. The group financial statements of finnCap Group plc are available from www.finnCap.com.