# Annual Report 2020

FOR THE YEAR ENDING 31ST MARCH

## STRATEGIC REPORT



## GOVERNANCE



## FINANCIAL STATEMENTS

# STRATEGIC REPORT

## Chairman's Statement

This report covers the first full financial year of finnCap Group plc ("finnCap", "the Group", "the Company" or "the Firm") created by finnCap's acquisition of Cavendish Corporate Finance and its admission to AIM in December 2018.

During the financial year ended 31 March 2020, we made significant progress with business integration, consolidating our existing client offerings, improving our infrastructure and investing in new service offerings, which are central to delivering our strategy for growth and strengthening the business.

However, the operating environment for UK financial services was challenging and volatile. Business confidence was significantly impacted by the protracted discussion on Brexit timing in the first part of the financial year and then the resulting change in the Conservative Party leadership and the general election. Completing transactions in both the Equity Capital Markets ("ECM") and Mergers and Acquisitions ("M&A") sectors was significantly harder than experienced in the prior year. This was particularly evident in the quantum of funds raised on AIM in the calendar year 2019 which amounted to only £3.8bn, a reduction of 30% on the prior year and the lowest funds raised since 2012.

In this context, whilst the result for the year was disappointing, it reflects the importance of remaining profitable and continuance of the development of the business.

### *Key Financial Highlights*

The key financial highlights for the 12 months to 31 March 2020 are set out below. The 2019 comparatives are for the 11 months to 31 March 2019, being the new year end date chosen to align Cavendish Corporate Finance and finnCap following the acquisition in December 2018. The comparatives therefore include the results of finnCap for 11 months and Cavendish for approximately four months. Inevitably, this mixture of periods makes interpretation of the results difficult.

**Group revenues** £26.0m (2019: £24.5m)

**ECM revenues** £18.7m (2019: £21.3m)

**M&A revenues** £7.3m (2019: £3.2m)

**Pre-tax profit** £1.2m (2019: £3.2m)

**Earnings per share** 0.49p (2019: 1.85p)

**Adjusted earnings per share*** 0.80p (2019: 2.86p)

**Cash balance** £4.7m (31 March 2019: £4.7m)

### *Key Operating Highlights (at 31 March 2020)*

**Retained ECM clients** 126 (2019: 126)

**Average monthly retainer** £539k (2019: £538k)

**ECM transactions** 27 (2019: 29)

**New client PLC advisory mandates** 6 (2019: 6)

**M&A mandates completed** 13 (2019: 10)

* See page 80 for details of alternative performance measures.

### *Integrating Cavendish*

The commercial logic to finnCap's acquisition of Cavendish was that both organisations had clients with a range of advisory requirements that neither business, standalone, had the expertise and track record to undertake.

Now, we offer our core services to our combined client base, whilst also building up new service lines enabling us to offer a much wider menu of services to our larger client base.

We continue to integrate both businesses and have visibility of the benefits to both the revenue and cost base. Sector teams from both sides of the firm work together on potential client identification and mandates are being won off the back of joint pitches.

Our costs also continue to benefit from the efficiencies that flow from the consolidation of our operations.

Our collaborative approach has increasingly exposed the impracticality of operating from separate buildings. We are therefore delighted to have secured new offices at 1 Bartholomew Close which will, from September 2020, enable us to operate across both finnCap and Cavendish from a single base.

Although we will continue to operate and leverage our two brands, this physical move will undoubtedly improve our ability to share best practice, cross sell and win new clients and business.

We have also continued to expand and develop our teams, both in our established sectors, and in those that we are looking to develop.

The firm's business model has high operational leverage, so as revenues benefit from stronger markets, profit and cashflow should also improve.

***COVID-19 response and Dividend***

The COVID-19 pandemic required an urgent response and given the likelihood of severe economic impact, it was deemed sensible to preserve the Group's cash resources as a buffer against future developments.

To reduce costs, we implemented a 3-month voluntary and company-wide reduction in salaries and directors' remuneration, deferred recruitment and reduced discretionary expenditure. In addition, we have made limited redundancies and furloughed staff where appropriate. Alongside this, we also took the difficult decision to not pay any further dividends relating to the year ended 31 March 2020.

At the time of its admission, the firm set a dividend policy reflecting the historic performance of each business, the expectation of future cash flow generation and long-term earnings potential of the Group. During FY19 the Group made dividend payments of £1.2m.

The Board recognises the importance of income to its shareholders, and is keen to reinstate the dividend, but will only do so when the operating environment is more certain. We will review the position in November at the time of our interim results.

We recognise our employees' and directors' contribution to the firm's financial resilience in these testing times.

***Commercial and regulatory environment***

As discussed above, the economic and political environment in the financial year was particularly uncertain and business activity in our key sectors was much reduced.

The challenges continue with the COVID-19 pandemic resulting in the largest government intervention in daily life since World War 2.

Having adjusted our cost base and dividend to preserve liquidity, it was pleasing to see our corporate activity remained strong in the areas that the firm has chosen to operate and invest in over the past ten years. However, the ongoing uncertainty may impact the demand for our services for some time.

From a regulatory point of view, finnCap continues to invest in the resources to enable it to comply with the requirements of its various regulators, exchanges and non-statutory bodies. We believe that we have retained good relationships and standing with these bodies during the financial year.

During the year we successfully transitioned to the new Senior Managers and Certification Regime (SMCR).

### *Board*

After the year end, Vin Murria stepped down from the Board to allow her to focus more on her other interests. The Board thanks Vin for her considerable input into the Group's strategy and operations, particularly during the period of its acquisition of Cavendish and admission to trading on AIM.

In May, Richard Snow joined the Board as Chief Financial Officer. Tom Hayward, the previous CFO, remains on the Board in the new role of Chief Operating Officer with a particular focus on the performance and development of Cavendish as its Managing Partner.

The current Board of Directors is significantly invested in the success of finnCap and as at 30th June 2020 holds in total over 35% of the issued share capital of the Group.

### *People*

The finnCap Group now numbers nearly 140 people – an almost fourfold increase from its formation in early 2010.

We are very proud of our staff, who have invested not just a considerable amount of time and effort, but also a material proportion of their personal financial resources in the business. In aggregate, employee and directors own over 70% of the issued share capital providing the benefit of aligned interests in the Firm's success and an appropriate long-term view of what is best for the business.

We continue to believe that the Firm's culture is a material strength, and atypical amongst our peers. Being collegiate is one of the Firm's three core values and we focus on the success of the team rather than the individual. We believe this generates a more stable employee base, focussed on helping the firm as a whole to succeed, in the knowledge that they personally will then benefit.

### *Current Trading and Outlook*

In the 3 months to 30 June 2020, the Group recorded turnover (unaudited) of £9.8m (Q1 19: £6.5m), up by 51%.

Our ECM division has benefitted from a number of equity fundraisings by clients to invest in COVID-19 related activities, support balance sheets and to accelerate investment programmes. Alongside this the Group has completed several public M&A transactions, experienced favourable market-making conditions and continued to win clients.

In the M&A division, transactions have continued to complete and the team has won further mandates, although several transactions expected to close in the first quarter have been delayed as the result of COVID-19.

The trading performance, combined with the actions taken to protect the business during the initial stage of the COVID-19 pandemic, has led to an increase in cash to £8.5m at 30 June (excluding a £1.8m 5 year loan to fund the fit out of our new offices, and HMRC deferrals). This level of liquidity is substantially in excess of our capital requirements and provides a strong base as we look to an uncertain future.

In September 2020, the Group will move into its new premises at 1 Bartholomew Close which will enable us to operate and leverage our two brands across both finnCap and Cavendish from a single base and to share best practice, cross-sell and win new clients.

Whilst we have experienced a good start to the year and have a reasonable pipeline of deals to support revenue for the next few months, the outlook remains uncertain and we therefore continue to be cautious about the prospects for the year and particularly the trading period post September 2020.

We will continue to drive our strategy however and, as the result of our actions in March and a strong Q1 performance, we have a more resilient balance sheet to take advantage of any opportunities that arise in the post COVID-19 period as we service the needs of ambitious growing companies.

Your management team and staff have handled the events of the last three months outstandingly well, and their efforts and contribution to the Firm's financial resilience are greatly appreciated.

**Jon Moulton**
**Chairman**

## Business Model and Strategy

The Group is a full-service financial services firm for ambitious growth companies. It currently provides these companies with access to the private and public equity and debt markets and advice on acquisitions, disposals and public market bids. The Group's long-term strategy is to further develop these services to offer a full suite of best-in-class advisory services to its target market.

The Group's revenues are primarily generated in the UK, although a number of its corporate clients and institutional investors are based overseas.

The Group had 138 employees at the year end.

***Revenue generation***

The revenue model for the Group is based on

(i) retainer fees;

(ii) trading commissions, research payments and market making; and

(iii) deal fees for fundraisings and advisory mandates which are either a percentage of funds raised or deal value, or a fixed fee, or a combination of both.

The Directors believe that the retainer fees and trading revenues provide a stable base which underpins the Group's turnover. The Group's principal costs are its people, premises and IT infrastructure – the largest element by a significant margin is the cost of its people.

***Equity capital markets and corporate finance***

This team focuses on the UK equity markets and provides advice mainly to quoted companies across a wide range of transactions. Projects undertaken include taking companies public on UK equity markets, raising equity finance in the public markets, and advising on public company takeovers, mergers and acquisitions, disposals and restructurings. In addition to transactional work, the team provides day-to-day advice to quoted companies on market sentiment and likely reactions to market communications and strategy updates using knowledge gained from its extensive base of institutional investor contacts.

The team is also responsible for the active promotion of finnCap's client base to institutional fund managers.

The team operates across most industry sectors, including technology, life sciences, industrials, support services, consumer, mining, energy and financials.

finnCap Ltd is authorised by the London Stock Exchange to act as a nominated adviser allowing it to advise issuers seeking admission to, and trading on, AIM. Currently, the Corporate Finance team acts as nominated adviser to 82 AIM companies. finnCap Ltd is also authorised by the FCA to act as sponsor to issuers seeking a listing on, or conducting transactions on, the Official List, and is an AQSE (formerly NEX) corporate adviser and a member firm of the London Stock Exchange.

***Equity sales and trading***

The Equity Sales and Trading team serves institutional clients including long-only funds, specialist investors, wealth managers, and hedge funds both in the UK and Europe. The team seeks to target the full breadth of the investor universe to create the right balance between stable, long-term investors and those who provide trading liquidity on behalf of finnCap's retained corporate clients. The team additionally offers trading ideas and strategies for institutional clients and makes a market in approximately 180 securities. The team supports other services provided to the Group's clients by providing real time information on trading in retained corporate clients' securities.

***Research***

The Research team publishes daily research reports to generate and maintain institutional interest in the securities of the Group's retained corporate clients and other equity securities. The team is particularly focused on the technology, support services, life sciences, energy, industrials, mining, consumer and financial sectors and special situations. The focus is predominantly on companies quoted on a UK equity capital market with a market capitalisation below £500 million. The team delivers active coverage of over 140 securities which includes results coverage, corporate actions, morning notes, sector quarterlies and thematic pieces.

***Investment companies***

The Group provides a full-service offering of trading, sales, research and corporate finance advice to quoted funds, with a strong focus on the emerging market and alternative funds sectors. The team currently has 10 retained investment company clients.

***Private growth capital***

finnCap has a team focused on raising funds between £2 million and £50 million for private companies and funds, assisting the scale up of existing businesses that have clear commercial traction.

***M&A advisory***

The Cavendish M&A advisory team specialises in pre-sale exit planning, exit reviews and the delivery of sell-side and buy-side advisory mandates. This activity extends to the full management of the sales process and identification of the most appropriate purchaser for private businesses. Through its membership of Oaklins, the international association of 70 offices in over 45 countries, the team has access to both buyers and sellers of businesses world-wide and has particular expertise in technology, media, business services, consumer/retail, financial services, industrials and healthcare. The team has typically advised on the sale of businesses with an enterprise value between £10 million and £250 million. Cavendish usually charges a retainer at the commencement of a mandate and a success fee based on the value achieved on sale with incremental fees paid as value increases to further align its interest with the client.

***PLC strategic advisory***

As part of its existing corporate finance business, finnCap seeks to win strategic advisory mandates from its retained clients. Activity has included both acquisitions and disposals and nearly all of these mandates have involved advice on the Takeover Code. Over the past 4 years the team has also won many mandates from non-retained clients and the Firm seeks to expand this activity.

***Debt advisory***

The Group's debt advisory team advises finnCap's corporate clients and other clients on their debt raisings, and on buy-side M&A financing. The Group considers the opportunity here to be significant, particularly in the current economic climate.

***Strategic objectives***

The Group's objective is to become the leading full-service provider to ambitious publicly quoted and private companies. The Group has set itself three core objectives to drive growth:

(i) to capitalise on the existing successful Equity Capital Markets platform;

(ii) to expand the service offering to clients and into new markets; and

(iii) to increase its reach through brand development.

## Key Performance Indicators

The Group monitors and manages its performance through the use of various Key Performance Indicators (KPIs), at different levels within the business. The main KPIs used to assess the Group's performance as a whole over a financial period are set out below.

In each case, unless otherwise stated, the statistic for the prior period is based on the performance of the Group as consolidated in its IFRS accounts (i.e. comprising the performance of finnCap Ltd for 11 months and Cavendish for the four-month period from the date of its acquisition).

***Annualised average revenue per head***

| | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £'000 |
|---|---|---|
| Annualised average revenue per head | 186 | 230 |

The annualised average revenue per head incorporates both the Group's income and its main cost. The ability to pay staff appropriate remuneration is fundamental to the success of the Group. The movement in the annualised average revenue per head in the year was mainly due to the decrease in revenues (and specifically deal fees) as a result of the impact of the general economic climate on the rate of our clients' corporate transactions.

***Average monthly retainer fees***

| | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £'000 |
|---|---|---|
| Average monthly retainer fees | 539 | 538 |

The Group continues to focus on growing its retainer income, a resilient revenue stream that helps to reduce the risk in the Group's business model. Although the average did not change in the period, we continue to work to improve our client base through the recruitment of companies that are likely to transact as well as to provide our investors with strong returns.

***Completed M&A transactions***

| | Year ended 31 March 2020 Number | Year ended 31 March 2019 Number |
|---|---|---|
| Completed M&A transactions (by Cavendish in the full relevant period) | 13 | 28 |

The number of transactions closed in a given period is relatively small and is therefore potential subject to material proportional movement. The statistic in the previous period was particularly high relative to Cavendish's recent history, whereas the current year was adversely affected by the impact of political uncertainty on buyer and seller confidence which reduced our client base's propensity to transact.

***Total deal fees***

| | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £m |
|---|---|---|
| Total Deal fees | 15,968 | 15,179 |

As stated above and elsewhere in this Annual Report, the revenues in the period, when compared on a like for like basis, show the significant impact of the political and economic uncertainly throughout the year. In the light of this, we regard the performance in the current year as being robust.

***Adjusted earnings per share****

| | Year ended 31 March 2020 | Period ended 31 March 2019 |
|---|---|---|
| Adjusted earnings per share | 0.80p | 2.86p |

Whilst basic earnings per share is a standard measure, the Board focuses on adjusted earnings per share. Adjusted Earnings excludes non-recurring items, amortisation of intangible assets from acquisitions, share based payments and adds a normalised tax charge. The weighted number of shares excludes the shares held by the Group Employee Benefit Trust. The adjusted earnings per share reflects the reduced financial performance of the group in the current year.

* See page 80 for details of alternative performance measures.

***Dividend per share***

| | Year ended 31 March 2020 | Period ended 31 March 2019 |
|---|---|---|
| Dividend per share | 0.78p | 1.38p |

The dividends paid in the current year were not characteristic of the dividend ambitions of the Group. As stated in the Chairman's Report, we have decided to hold back from declaring further dividends in the current economic climate.

***Employee cost as a percentage of revenue***

| | Year ended 31 March 2020 | Period ended 31 March 2019 |
|---|---|---|
| Employee costs as a percentage of revenue | 62% | 59% |

Employee costs as a percentage of revenue have remained broadly stable as the variable pay structures used by the Group have enabled it to flex pay in line with revenue.

## Financial Performance and Position

***Equity capital markets***

The equity capital markets division of the Group delivered £18.7m of turnover in the year (FY19: £21.3m). The principal reason for the reduction in turnover was a significant reduction in deal fees as a result of lower equity issuance by our corporate clients consistent with equity market activity as a whole. The individual contributors to this performance are considered below.

**Retainer revenues**

Total fees from retainers in the year were £6.5m, or a monthly average rate of £539k. Retainers have remained stable on a pro rata basis which does not reflect the significant change in the client base in the year. Our focus on client service saw 22 new client wins which was offset by client losses principally due to delistings and takeovers.

**Transactions**

Total fees received from transactions in the year were £8.7m (11 month period to 31 March 2019: £12.0m).

*Public Market Transactions*

Notable public market fundraisings and advisory mandates included:

- Xeros Technology Group plc – £5.7m equity fundraising
- Trackwise Designs plc – £5.9m equity fundraising
- Synairgen plc – £14.0m equity fundraising
- The Barkby Group plc – admission to AIM, £5.0m equity fundraising; £30.6m reverse takeover
- FFI Holdings plc – £39.5m recommended offer by Lumiere Acquisitions – Rule 3 adviser
- Nasstar plc – £79.4m recommended offer by GCI – Rule 3 adviser, NOMAD and broker
- SCISYS Group plc – £78.9m recommended offer by CGI Inc. – Rule 3 adviser, NOMAD and broker
- Kingswood Holdings plc – £80.0m Convertible Preference Shares issue

*Private Company*

Our private capital team closed 4 fundraisings including:

- Parsley Box Ltd – £3.0m Private Equity Fundraise
- Bella & Duke Ltd – £3.5m Private Equity Fundraise

*Debt Advisory*

Our debt advisory team – which works across Cavendish and finnCap - closed three deals and signed up a further 9 mandates for FY21.

***Trading and research***

Trading revenues improved to £3.6m (FY19: £3.4m) despite market conditions and reflect our core focus on providing liquidity to our corporate client list.

***M&A advisory***

Cavendish generated revenues of £7.3m in the year (FY19: £3.2m in the c.4 months after its acquisition), closing 13 private M&A transactions. Revenue was well down on the previous full financial year (year to 31 March 2019: £14.9m) reflecting the impact of political uncertainty in the second half of the year on buyer and seller confidence and the cancellation of a small number of high value deals that would have made a material difference to the year's outturn.

Activity improved in the final quarter and the team signed up a significant number of new retainers which, we believe, demonstrates the strength of the Cavendish brand and its engagement with clients in the private sell-side market. This should benefit revenue when buyer confidence returns to the market although COVID-19 is clearly delaying many deal timetables.

Key transactions included:

- Java Republic – sale to Spanish coffee group Cafento
- Centaur Media – sale of three subsidiaries as part of its strategic refocus
- The Farm Post Production – advised the founders and WPP plc on the sale to Picture Head Group
- Avicenna Holdings – sale to Juno Health
- Lay & Wheeler – advised Naked Wines Plc on its sale Coterie Limited
- Star Professional – sale to IRIS Software Group
- Falcon Green – sale of a minority stake to two private business investors
- AltoDigital Holdings – sale to Xerox.

***Administrative expenses***

Costs increased as a result of the longer period duration, the cost base assumed from the acquisition of Cavendish, and the additional costs of being a public company.

The average operating cost per employee reduced to £175k (FY19: £191k) primarily as a result of lower bonus payments. Average staff costs per employee reduced by 15% to £115k (FY19: £136k). Staff costs to revenue were broadly stable at 62% (FY19: 59%). Non staff operating cost per employee increased by 10% to £60k partly as the result of the transition to being a listed company. However, cost action decisions taken during Q4 reduced our quarterly cost run rate and we currently expect that operating costs excluding variable compensation and non-recurring costs (primarily redundancy and the property move) in FY21 to be roughly 10% below FY20.

***Group Financial position***

The Group's cash and cash equivalents, net of borrowings, did not change over the period at £4.7m. Net assets decreased from £20.9m to £20.3m through the payment of dividends in excess of profits.

The Board's intention in the coming years continues to be the growth of the Firm's net assets through the retention of profits after funding dividends, and to be able to fund future investment in appropriate opportunities.

## Principal Risks

finnCap Group plc actively guards against risk by regularly reviewing the business and by actively promoting a culture of compliance throughout the Group. The Company has a Risk and Compliance Committee, which includes its Chairman and an Independent Non-Executive Director and is attended by the COO, CFO, Head and Deputy Head of Compliance and General Counsel. Additionally, the Company has taken out insurance against those risks that the Directors consider to be appropriate. The Company's main risks are set out below, separated into operational, regulatory and financial risks.

***Operational risks***

**Risk from COVID-19** – like most businesses, the Group has been and continues to be impacted by COVID-19. There is a direct impact on the Group, in terms of the health and availability of key staff, the ability to interact effectively with clients and suppliers and restrictions on the day-to-day operation of the business from the implementation of social distancing. Additionally, the government's response to the virus has an impact on the general economy, and hence critical suppliers, clients and trading counterparties, where business models are being stretched beyond their intended boundaries. Many of the below risks are exaggerated by the virus, and the duration and extent of the eventual impact is simply unknowable.

**Risk of pursuing an inappropriate strategy** – the Group 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 Group 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. The Group as a whole is less reliant on any particular subsector of the financial markets than either of its previously independent subsidiaries.

**Risk of loss of key staff** – the Group is a people-oriented business and hence the loss of team members is a potential risk. The Group 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 Group 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 Group's offering and services.

**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. COVID-19 related IT risks – arising, for example, from the move from office based to home based IT systems – have been a particular focus in recent months.

**Capital risk** - the Group'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 Group's two operating companies are 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 each company. The operating companies manage their capital by performing a daily computation of the capital requirements and ensuring that their capital exceeds these requirements.

**Risk of poor trading performance** - the Group 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 Group 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 Group rarely holds significant positions outside trading.

**Risk from dependence on third party service providers** – the Group 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 Group. The Group 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 Group operates in a competitive market. The Group's main defence against competition is the actions that management and staff take to be a leader in the Group's markets in terms of client service and the development of new products and services.

**Risk of employee misconduct or error** – the Group 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 Group 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 Group 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 Group's operations now or in the future may be adversely affected by risks outside the control or anticipation of the Group. The Group mitigates some of these risks through its Risk Committee, which has responsibility for the identification and mitigation of the risks that the Group faces.

**Litigation risk** – legal proceedings may arise from time to time in the course of the Group's businesses. The Group mitigates the risk of litigation through the use of clear engagement letters that specify exactly what services are provided and which limit the Group's liability appropriately.

**Risk from integration with Cavendish** – the Group is in the process of integrating the two sides of the business in order to benefit from the synergies available. This diminishing risk could take longer, or be costlier than expected.

***Regulatory risk***

The Group operates in a regulated environment. The Group 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 Group. Particularly relevant here is the lack of visibility of the eventual resolution of Brexit, and its impact on the Group, its clients and markets.

***Financial and credit risk***

Details of the Group's financial and credit risks can be found in Note 4 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 on admission 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.

***Impact on key Board decisions during FY20***

The Board has primarily focussed on the integration of Cavendish and revenue generation throughout the year. That being the case, the key strategic decision made by the Board during FY20 was in relation to the Group's premises. Since admission, the Group has been based in two locations, reflecting the historically separate operations of finnCap Ltd and Cavendish prior to the merger. The imminent expiry of finnCap Ltd's lease at 60 New Broad Street, and the potential to exercise a break clause in Cavendish's lease of 40 Portland Place, required the Board to consider the best location for the Group going forwards. In reaching the decision to sign a lease on new premises in 1 Bartholomew Close, as announced on 17 January 2020, the Board considered the factors in s172 as follows:

- The Board considered that the consolidation of the Group's operations into one premises would benefit the Group's stakeholders in the long-term, giving it opportunity to capitalise on the additional revenue opportunities that are available to the Group as a result of delivering multiple services. The Board also had regard to the financial impact of the lease across its 10 year term, comparing this to the impact of maintaining its leases at its current properties.
- The Board took into account the views of employees on combining the office and location, which were sought via an all employee survey and were in favour of combining the Group's operations under one roof. The Board considered transport links for employees in approving

the new location of the Group's offices at Barbican to ensure that its employee base was able to commute efficiently.

- The needs of the Group's clients on both sides of the business were considered in deciding on an appropriate location for the new offices. It was noted that finnCap Ltd's clients needed ready access to visit investors and other brokers in the City of London, whereas Cavendish's clients and contacts were also located in the West End. The Board therefore considered a Barbican location to facilitate access to both areas of London.
- In choosing office space, the Board noted that bike racks and showers were available at the new property, meeting both the needs of employees who wish to cycle to work and allowing the Group to facilitate environmentally friendly ways of travelling to work.
- Finally, when determining how much office space the Group required, the Board considered not only the Group's plans for growth, but also the space required to ensure that teams could be separated and information flows restricted as required by its obligations under MAR and to the FCA and in order to meet its high standards of business conduct.

Towards the end of FY20, the Board were required to consider the ongoing and potential future impact of COVID-19 and the appropriate response for the Group. All employees were moved to remote working, in order to protect employees' health and safety. In addition, as announced on 1 April, the Board made the decision to reduce the Group's operating expenses, including by salary and fee sacrifices, furloughing staff and the cancellation or deferral of discretionary expenditures. The Board further decided not to pay a second dividend for FY20. These actions were taken to minimise the financial impact of the uncertainty of COVID-19 and to protect our strong balance sheet for the benefit of all stakeholders in the longer-term.

***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 Group's KPIs and strategy and as indicated in this Report.

**Clients**

Our ambition to be a full-service financial services firm for ambitious growth companies 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 that client's needs and often based on a relationship built over a number of years. We undertake independent, internal peer reviews of transactions to ensure that each one meets 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. We believe that the effect of these processes is reflected in the number of listed clients who have remained with us for more than 5 years.

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 and to enable non-executive Directors to monitor the Group's client relationships.

## Employees

Our employees are central to our success in delivering high quality service and advice to our clients. In a complex year of integration and a challenging operating environment, and after the year end with COVID-19, our employees have worked 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 define both how we succeed and behave and form a central part of each employee's half yearly assessment. In 2019, our Group HR Director undertook a wide staff survey, covering more than 90% of our workforce, to identify the key issues concerning employees and ensure that they were reflected in the Management Committee and Board's analysis of our business. 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 regular strategy sessions led by the Group's management team.

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.

## 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. During the year we conduct regular institutional investor meetings. We also engage with our large base of employee shareholders through regular briefing on results and events across the Group. All our resolutions were supported by shareholders at the 2019 AGM and proxies received averaged over 99% in favour.

## Regulators and Industry Bodies

Our two operating companies are regulated by, inter alia, the Financial Conduct Authority and, in finnCap Ltd's case, the London Stock Exchange. 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. We also require our employees to undertake specific training on regulation and best practice as required by their roles. During 2019 we held three formal review meetings with the FCA. We were subject to no censures or disciplinary action in the period.

## Community and Environment

We are committed to making a positive contribution to the wider community in which we operate including through the payment of taxes, managing our environmental impact and through creating the opportunity of employment and work experience. Our employees are actively involved in two important community charity initiatives: Stepping into Business – where we offer Enterprise programmes to school children to help them learn essential life skills for future careers in business - and Modern Muse where we provide mentors and role models to young women aged 13-18 to help them witness women succeeding in the modern workplace and encourage them to become business leaders. Through AmbitionNation we have developed Female Leaders Series events to promote and enhance equality in the workplace.

The Group acknowledges the importance of environmental matters and where possible uses environmentally friendly policies in its offices, such as recycling, offsetting our carbon emissions from air travel, and implementing energy-efficient practices.

The Group's energy consumption during the year was below 40,000 kWh.

***Anti-Corruption and Bribery***

The Group 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 report was approved by the Board of Directors on 6 July 2020 and signed on its behalf by:

**Samantha Smith**
**Chief Executive Officer**

# GOVERNANCE

## Board of Directors

Our Board is responsible for overseeing the management of the business as a whole and for ensuring high standards of corporate governance are maintained throughout the business. Certain aspects of this are delegated to Committees of the Board, as further described in the reports of the various Committees below.

The biographical details, skills and experience of each of the Directors who served in the year ended 31 March 2020 and our current serving Directors is below, including the expected time commitment of each Director.

**Jon Moulton, Non-Executive Chairman**

Jon was appointed Chairman of finnCap in January 2010. He is currently Chairman of The International Stock Exchange and Anti-Microbial Research Limited. He is a Chartered Accountant and a Fellow of the Institute for Turnaround Professionals. He chairs the Better Capital funds and Greensphere, an alternative energy infrastructure fund. He is an active private investor and has been working in private equity since 1979. Jon is a member of both the Board of the Corporate Finance Faculty and the Technical Strategy Board of the Institute of Chartered Accountants and regularly writes, broadcasts and speaks on corporate finance and financial matters. He is a Director of the think tank, The Centre for Policy Studies. Jon is also an Honorary Fellow of University College London and a Trustee of the UK Stem Cell Foundation and his own medical research charity. A former Managing Partner of Alchemy, Jon's career also included running Permira, CVC UK and the buy-out group of Apax, as well as being a director of numerous public and private companies, including Ashmore PLC. He was also a board member of the £3.8 billion UK Government Regional Growth Fund.

Time commitment: Approximately 2-3 days a month

**Lord Leigh of Hurley, Executive Deputy Chairman**

Howard is the senior partner and co-founder of Cavendish and has built the business into a leading UK M&A advisory practice. He graduated in Economics and, after a short period in UK merchant banking, joined Deloitte Haskins & Sells where he qualified as a Chartered Accountant and further qualified with the Chartered Institute of Taxation. In 1986 Howard established Deloitte's Mergers and Acquisitions business and developed an expertise in selling corporates. In 1988 he left to set up Cavendish. He served as the Chairman of the Faculty of Corporate Finance of the ICAEW between 2000 and 2004. During this time, he also served on the Takeover Panel as well as sitting on the Council of the ICAEW. In 2008 he was awarded the Faculty's Outstanding Achievement in Corporate Finance award. Howard was a Vice President of M&A International Inc., the global advisory M&A firm, and predecessor to Oaklins International Inc. He was elevated to the Peerage as Baron Leigh of Hurley in 2013 and speaks regularly in the House of Lords on business, finance and tax matters. Howard was appointed as a Treasurer of the Conservative Party in 2000, and subsequently as Senior Treasurer.

Time commitment: Full-time

**Samantha (Sam) Smith, Chief Executive Officer**

Sam established finnCap in 2007, having orchestrated the management buy-out of a small broking subsidiary of JM Finn & Co Limited, a private client stockbroking firm. Sam is the first female chief executive of a City stockbroking firm and is a supporter of social enterprises designed to inspire and engage the next generation of female business leaders and entrepreneurs. Sam qualified as a Chartered Accountant at KPMG and is an alumnus of the University of Bristol.

Time commitment: Full-time

**Tom Hayward, Chief Operating Officer, and Managing Partner of Cavendish**

Tom was appointed to the role of Finance Director to finnCap in 2010. Tom served as Chief Financial Officer of the Company during its admission to AIM in 2018 and until Richard Snow joined the Board in May 2020, and therefore was Chief Financial Officer during the financial year ended 31 March 2020. Since May 2020, Tom has continued to serve on the Board as Group Chief Operating Officer and Managing Partner of Cavendish, roles he assumed following the departure of the Group's Chief Commercial Officer in 2019. Tom previously spent nearly 10 years as a Venture Capital investor at Herald Investment Management Limited where he invested in early-stage information technology and media companies. Between 1998 and 2000, Tom worked in the telecoms and technology M&A team at J. Henry Schroder & Co. Tom qualified as a chartered accountant in KPMG's project finance team and has an MA (Hons) in Natural Sciences from Trinity College, Cambridge, and an MSc in Computing from Imperial College, London.

Time commitment: Full-time

**Richard Snow, Chief Financial Officer (appointed after the year-end on 20 May 2020)**

Richard joined the Company as Chief Financial Officer in May 2020. Prior to joining the Company, Richard was the Finance Director and Compliance Officer for Finance and Administration of the UK law firm Greenberg Traurig, LLP. He qualified as a Chartered Accountant with Arthur Andersen in 1991 and moved to the investment banking industry gaining 15 years' experience in corporate advisory at Charterhouse, Merrill Lynch, Goldman Sachs and Nomura. From 2006 to 2011 Richard was director of M&A and then Investor Relations at Vodafone Group plc. From early 2014, he was Director of Investor Relations of Ladbrokes plc and then, from December 2015, he served on its Executive Committee as acting Chief Financial Officer leading the finance team through the merger with Coral. Richard has an MA (Hons) in Natural Sciences from Trinity College, Cambridge.

Time commitment: Full-time

**Stuart Andrews, Managing Director of finnCap**

Stuart joined finnCap in March 2012 as Head of Corporate Finance and joined the board of finnCap in 2013. He qualified as a chartered accountant at PwC and subsequently worked in the corporate finance department of Beeson Gregory and Evolution Securities. Stuart has extensive knowledge of advisory roles for ambitious growth companies both on the public markets and privately which includes IPOs, all aspects of fundraising and M&A. Stuart is currently a member of the London Stock Exchange AIM Advisory Group, an external committee of senior executives who provide input and advice on all matters affecting the operation and regulation of AIM. He has previously chaired the Quoted Companies Alliance Markets and Regulations Committee and is now a member of the Primary Markets Expert Group.

Time commitment: Full-time

**Andrew (Andy) Hogarth, Senior Independent Non-Executive Director**

Andy was appointed to the board of Staffline Group plc as Finance Director in 2002, becoming Managing Director in 2003 and was appointed Chief Executive when the company was admitted to trading on AIM in 2004. During the fifteen years of his leadership, the business grew from a turnover of £40 million in 2004 to nearly £1 billion in 2017, with underlying operating profits growing from £2 million to over £39 million during the same period. He has held senior roles in a wide range of businesses, including retail, support services, healthcare, hospitality and construction. As Finance Director, he led the management buy-out and subsequent trade sale (to Morgan Sindall in 2002) of Pipeline Constructors Group, a utility services business. Andy currently sits on the board of an elderly care charity, is a Governor of two RSA academy schools and is the Non-Executive Chairman of Ten10 Ltd, a PE backed computer software testing consultancy. He is also a Director of Hogarths Hotels, which has two boutique hotels in Solihull and Kidderminster. He is a Fellow of the Association of Chartered Certified Accountants.

Time commitment: Approximately 2-3 days a month

**Vin Murria OBE, Non-Executive Director (resigned after the year-end on 19 May 2020)**

Vin has more than 25 years of venture capital, private equity, M&A, Chief Executive Officer and operational experience in the software sector. Vin has held Chief Executive Officer positions at Advanced Computer Software which she founded in 2008 and sold seven years later to Vista Private Equity, and at Computer Software Group. During her five-year tenure at Computer Software Group she took the company private, backed by HG Capital, then subsequently sold it to PE Hellman Friedman in July 2007. Vin is on the board of Bunzl Plc, a FTSE 100 company, Softcat Plc, a FTSE 250 company, and DWF Plc. Prior to this she sat on the board of two other FTSE 250 companies (Zoopla Plc and Sophos Plc), and Chime plc before they were taken private. Vin has a BSc (Hons) in Computer Science and an MBA from the University of London and a Doctorate Business Administration (Honorary) from Edinburgh Napier University. Vin stepped off the board on 19 May 2020, after the end of the year under consideration in this report and accounts, to pursue her many other interests.

Time commitment: Approximately 2-3 days a month

**Barbara Firth, Independent Non-Executive Director**

Barbara has decades of financial and management experience covering both private and quoted companies. Previous roles have included Chief Financial Officer and subsequently Chief Operating Officer of Advanced Computer Software Group plc (ACS) from its early stages to the sale in 2015 to Vista for £725 million. Prior to her role at ACS, Barbara was Chief Financial Officer of Computer Software Group plc (CSG) from the time of its float to the sale in 2007 to HG Capita. Prior to CSG, Barbara was the UK financial controller for Roberts Pharmaceutical Inc. and a member of the Roberts/Shire merger task force. Barbara has considerable M&A experience including processing and integrating many smaller bolt-on acquisitions and several larger scale transactions. Barbara's past responsibilities have included Finance, M&A, Human Resources, Legal and Commercial Contracts, Investor Relations and Company Secretarial functions.

Time commitment: Approximately 2-3 days a month

# Corporate Governance Report

***Introduction***

The Board has adopted the Quoted Companies Alliance's Corporate Governance Code ("**QCA Code**") since admission. The Board continues to support the QCA Code principles and believes that implementing these have created a strong governance framework for the Group.

The following sections of this Report sets out how the Company has measured itself against these principles in terms of the rules and spirit of good Corporate Governance.

The Board do not consider that there are any practices which differ from the expectations set by the QCA Code and have no adverse governance related matters to report in the year.

***QCA Code Principles***

The QCA Code is constructed around ten principles:

<u>Deliver Growth</u>

1. Establish a strategy and business model which promotes long-term value for shareholders (see pages 1 to 10 of this Annual Report)
2. Seek to understand and meet shareholder needs and expectations (see pages 14 to 17 of this Annual Report)
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success (see pages 14 to 17 of this Annual Report)
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation (see pages 11 to 13 and pages 21 to 32 of this Annual Report)

<u>Maintain a dynamic management framework</u>

5. Maintaining the Board as a well-functioning, balanced team led by the Chairman (see pages 18 to 32 of this Annual Report)
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities (see pages 18 to 20 of this Annual Report)
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement (see pages 21 to 24 of this Annual Report)
8. Promote a culture which is based on ethical values and behaviours (see pages 21 to 24 of this Annual Report)
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board (see pages 21 to 24 of this Annual Report)

<u>Build trust</u>

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders (see pages 14 to 17 of this Annual Report)

***Overview of the Group governance framework***

**Board oversight**

The Board provides oversight of the Group's governance and it is the Board's job to ensure that the Group is managed for the long-term benefit of our clients, staff, shareholders and other key stakeholders, with effective and efficient decision-making, including maximising revenue opportunities across the Group's trading subsidiaries. It delegates authority to various Committees:

- The Nominations Committee is responsible for receiving and recommending changes to the composition of the Board and its Committees.

- The Remuneration Committee is responsible for overseeing the overall remuneration policy for the Group and the remuneration of the Executive Directors.
- The Audit Committee is responsible for overseeing financial performance, financial risk, internal controls and external audit.
- The Risk & Compliance Committee is responsible for overseeing the risk management policies of the Group.

Further information on each of the Board Committees is set out in their respective reports in this Annual Report.

***Management***

The Executive Directors are responsible for the management of the business and, in the case of the CEO, the strategic development of the Group. They have general authority to manage the business of the Group, subject to a list of matters reserved for consideration by the Board.

The Executive Directors, other than Howard Leigh, sit on the boards of the trading subsidiaries of the Group, and are the regulated entities' "Senior Managers" for the purposes of the Senior Managers & Certification Regime ("SMCR"). They meet regularly (usually monthly) in this capacity, reviewing matters relating to the risk management, legal & compliance issues, staff conduct, technology risks, financial procedures and other issues as required.

***Group-wide committees***

The Group has a Management Committee, which comprises of the CEO, COO, CFO, Managing Director of finnCap, various heads of departments at finnCap and two Cavendish partners. The Management Committee reviews the implementation of the Group's strategy and performance, as well as departmental matters and discusses and proposes new strategic ideas for consideration by the CEO and Board, as appropriate.

The Group also has an Operations Committee, which is chaired by the CFO and operates on a Group-wide basis. It consists of members of the Trade Support, Compliance, Finance, Legal, IT, HR and wider operations team and considers inter-departmental projects and other operational issues.

***Subsidiary committees***

finnCap Ltd and Cavendish Corporate Finance LLP, being the Group's operating subsidiaries, each have an Executive Committee ("ExCom") comprised of key revenue generators and department heads. The Cavendish ExCom is chaired by its Managing Partner and discusses and decides on matters specific to Cavendish's business, performance and staff. The finnCap ExCom is chaired by its Managing Director and discusses and decides on matters specific to finnCap's business, performance and staff.

finnCap and Cavendish each have new business committees which consider the take-on of new clients or transactions. finnCap also has certain other committees, including a Nomad committee, Sponsor committee and Opinions committee, which assist in meeting its regulatory obligations in providing services to its clients.

### *Board and Committee Meetings*

The Board has regular scheduled meetings at least six times per year and meets at other times as necessary. At its scheduled meetings, the Board reviews financial performance, strategy, key risks and monitors key performance indicators. Board packs are circulated several days in advance of formal scheduled meetings and all Directors receive appropriate information on a timely basis to enable them to discharge their duties accordingly.

Attendance at Board and Committee meetings by members of the Board, and Committee membership, during the year ended 31 March 2020 was as follows.

| | Position | Board | | Committee membership | | | | |
|---|---|---|---|---|---|---|---|---|
| | *As at 31 March 2020* | *Maximum possible attendance* | *Meetings attended* | *Nominations Committee* | *Audit Committee* | *Risk Committee* | *Remuneration Committee* | *Considered independent* |
| Jon Moulton | Chairman (non-executive) | 10 | 10 | ✓ | | ✓* | | |
| Sam Smith | CEO | 10 | 10 | | | | | |
| Howard Leigh | Deputy Chairman (executive) | 10 | 10 | | | | | |
| Tom Hayward | CFO | 10 | 10 | | | ✓ | | |
| Stuart Andrews | Managing Director, finnCap | 10 | 10 | | | | | |
| Andy Hogarth | Senior Independent Director | 10 | 10 | ✓* | ✓ | | ✓* | ✓ |
| Vin Murria | Non-Executive Director | 10 | 9 | | | | | |
| Barbara Firth | Non-Executive Director | 10 | 10 | ✓ | ✓* | ✓ | ✓ | ✓ |

* Chair

| | Nominations Committee | | Audit Committee | | Remuneration Committee | | Risk Committee | |
|---|---|---|---|---|---|---|---|---|
| | *Maximum possible attendance* | *Meetings attended* | *Maximum possible attendance* | *Meetings attended* | *Maximum possible attendance* | *Meetings attended* | *Maximum possible attendance* | *Meetings attended* |
| Jon Moulton | 1 | 1 | n/a | n/a | n/a | n/a | 9 | 9 |
| Tom Hayward | n/a | n/a | n/a | n/a | n/a | n/a | 9 | 9 |
| Andy Hogarth | 1 | 1 | 4 | 4 | 3 | 3 | n/a | n/a |
| Barbara Firth | 1 | 1 | 4 | 4 | 3 | 3 | 9 | 9 |

### *Development and Support*

All Directors receive regular updates on legal, regulatory and governance issues, as appropriate. The Board and its various Committees have access to independent advice at the Company's expense, as well as access to the Company's Nomad and Company Secretary.

No new Directors joined the Company in the period from the Company's IPO to 31 March 2020. Richard Snow joined as CFO in May 2020, subsequent to year-end. A personalised induction programme was run for Richard and will, in future, be provided to all new Directors in order to help familiarise them with their duties and the Company's operations. Richard's induction programme included, and it is expected that future induction programmes for directors will include, meetings with members of the Board, one-to-one meetings with senior managers, access to Board and Committee papers and minutes and meetings with external advisers, including the Company's Nomad.

### *Board Effectiveness Review*

In December 2019, the Board conducted its first formal annual evaluation of its effectiveness, including its Committees, which was facilitated by the Company Secretary. Questionnaires covering topics such as composition, meeting effectiveness and balance of skills & knowledge were circulated, and the results compiled by the Company Secretary for consideration by the Board. The findings of the evaluation confirmed that the Board and its Committees were operating effectively, and no changes were required at that time.

### *Whistleblowing*

The Group has in place well-established policies on whistleblowing and financial crime. Employees may report in confidence, and anonymously if preferred, any concerns they may have about suspected impropriety or wrongdoing in any matters affecting the business. No matters were reported in the year.

This report was approved by the Board on 6 July 2020 and signed on its behalf by:

**Jon Moulton**
Chairman

# Nominations Committee Report

***Role of the Nomination Committee***

The Board has delegated authority to the Nomination Committee for ensuring that the Board has the right balance of skills and experience, including succession planning for directors and other senior executives and filling vacancies in the Board as they arise.

The Committee's terms of reference are available on the finnCap Group website and set out in further detail the objectives and responsibilities of the Committee.

***Members and Meetings***

The Nominations Committee comprises Andy Hogarth, Jon Moulton and Barbara Firth. The Committee is chaired by Andy Hogarth. The experience and expertise of the Committee members is set out in the directors' biographies on pages 18 to 20.

The Committee meet as appropriate, and at least once a year. In the last financial year, the Committee met once. Information about meetings and attendance is set out on page 23.

The Chief Executive Officer and/or Chief Operating Officer are invited to attend these meetings as appropriate. The Company Secretary acts as the secretary of the Committee.

***Activity during the year***

The chief business of the Nominations Committee during the financial year was to consider the recommendation of Richard Snow's appointment as CFO. In considering the appointment, the Committee considered the balance of skills and experience on the Board, as well as Richard's own skills and experience, and was satisfied that Richard would bring additional capacity and capability to the executive team and the Board.

***Diversity***

The Nominations Committee recognises the importance of diversity, in its broadest sense, having regard to gender, ethnicity, background, skillset and breadth of experience, at Board level and throughout the Group. The Committee is currently satisfied with the diversity of the Board but will keep this under review and will give it careful consideration on any changes in the composition of the Board in the future.

**Andy Hogarth**
**Chairman – Nominations Committee**

# Audit Committee Report

## *Role of the Audit Committee*

The Board has delegated authority to the Audit Committee to provide oversight and governance to the Group's financial reports, its internal controls and processes in place, its financial risk management systems and the appointment of and relationship with the external auditor.

The Committee's terms of reference are available on the finnCap Group website and set out in further detail the objectives and responsibilities of the Committee.

## *Members and Meetings*

The Audit Committee comprises Barbara Firth and Andy Hogarth, and Jon Moulton (as Chairman) is invited to attend. The Committee is chaired by Barbara Firth. The experience and expertise of the Committee members is set out in the directors' biographies on pages 18 to 20.

The Committee meet as appropriate, and at least three times a year. In the last financial year, the Committee met four times. Information about meetings and attendance is set out on page 23.

## *Activity during the year*

The main items of business considered by the Audit Committee during the year included:

- Reviewing and monitoring the integrity of the Group's interim financial statements published in November 2019;
- Considering the Group's revenue recognition policy and clarifications for FY20 and ongoing;
- Reviewing the FY20 audit plan and audit engagement letter;
- Reviewing the suitability of the Group's external auditors for FY20;
- Considering the key audit matters and how they were addressed in the financial statements for the 11 month period ended 31 March 2019;
- Reviewing the financial statements and Annual Report for the 11 month period ended 31 March 2019; and
- Considering the external audit report and management representation letter for the 11 month period ended 31 March 2019.

## *Role of the External Auditor*

The Audit Committee monitors the relationship with the Group's external auditor BDO LLP, to ensure that its independence and objectivity is maintained. Noting the tenure of BDO LLP, the Committee will keep under review the need for an external tender.

As part of its review, the Committee monitors the review of non-audit fees and this is set out in Note 6. The Audit Committee also assesses the auditor's performance. The Committee has confirmed it is satisfied with the performance of BDO LLP and has recommended to the Board that the auditors be reappointed, and there will be a resolution to that effect at the forthcoming AGM.

## *The Audit Process*

The Group's auditors prepare an audit plan for the review of the full period financial statements. The audit plan sets out the scope of the audit, areas to be targeted and the audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following the audit, the auditor presents its findings to the Audit Committee for discussion.

### *Internal Audit*

Currently the Group does not have an internal audit function and the Audit Committee believes that management is able to derive assurance as to the adequacy and effectiveness of the internal controls from its risk management procedures. This position is reviewed annually.

**Barbara Firth**
**Chair – Audit Committee**

# Risk Committee Report

## *Role of the Risk & Compliance Committee*

The Board has delegated authority to the Risk & Compliance Committee to assess the quality, integrity, implementation and reliability of the Company's risk management processes.

The Committee's full terms of reference are available on the finnCap Group website.

## *Members and Meetings*

The Risk & Compliance Committee comprises Jon Moulton and Barbara Firth as non-executive directors, and the COO, CFO, the Head & Deputy Head of Compliance and the General Counsel attend meetings of the Committee. The Committee is chaired by Jon Moulton. The experience and expertise of the Committee members is set out in the directors' biographies on pages 18 to 20.

The Committee meets as appropriate, and at least six times a year. In the last financial year, the Committee met nine times. Information about meetings and attendance is set out on page 23.

## *Activity during the year*

During this year, the Risk & Compliance Committee has overseen a thorough review of the Group's risks, including the assessment of the estimated impact of the risk occurring, likelihood of the risk occurring and the timing of the risk occurring. A detailed risk management and oversight plan was prepared based on this review and assessment and progress against that plan is monitored by the Senior Managers and the Committee.

The Committee received regular updates from the Compliance team on market abuse monitoring, financial crime training and procedures, gifts & hospitality, conflicts checking and other matters. The Committee also received regular updates on the Group's technology and IT related risk management and procedures, and updates from the Group's General Counsel.

Another major area of focus for the Committee during the year was overseeing the implementation of the Senior Managers & Certification Regime ("SMCR") for the Group's trading subsidiaries. The Group has taken thorough and detailed steps to ensure that its Senior Managers, management team and staff are aware of their responsibilities under the SMCR, including running training which was compulsory for all staff to attend and making a Q&A on expected conduct and other materials available on the Group's Intranet pages. The Group has amended its procedures to incorporate the certification process required for staff holding relevant positions.

Towards the end of the year and thereafter, the Committee has overseen the Group's response to COVID-19 from a regulatory risk management perspective, receiving regular updates on how the Group continued to comply with its regulatory requirements (including in relation to trade reporting, call recording and inside information) and considering the technology and fraud risks arising from working from home. The Committee also oversaw planning actions if key members of staff were to become unwell or unavailable.

**Jon Moulton**
**Chair – Risk Committee**

## Remuneration Committee Report

### *Role of the Remuneration Committee*

The Board has delegated authority to the Remuneration Committee to set the framework and policy for the remuneration of the executive directors and other senior managers, as well as to determine the overall remuneration policy for the Group.

The Committee's terms of reference are available on the finnCap Group website and set out in further detail the objectives and responsibilities of the Committee.

### *Members and Meetings*

The Remuneration Committee comprises the independent non-executive directors – Andy Hogarth and Barbara Firth. The Committee is chaired by Andy Hogarth. The experience and expertise of the Committee members is set out in the directors' biographies on pages 18 to 20.

The Committee meet as appropriate, and at least twice a year. In the last financial year, the Committee met three times. Information about meetings and attendance is set out on page 23.

The Chief Executive Officer and/or Chief Financial Officer are invited to attend these meetings as appropriate but are not present when their own remuneration is discussed. The Company Secretary acts as the secretary of the Committee. The Committee is authorised to consult external advisers on remuneration and regulatory issues, when appropriate.

### *Remuneration Policy*

The Group's remuneration policy is designed to ensure that the remuneration packages attract, motivate and retain all employees of high calibre and to reward them for enhancing value to shareholders. The Group's policy is that a substantial proportion of the total potential remuneration of the Executive Directors should be performance-related and aligned to performance measures that benefit all shareholders and promote the long-term success of the group. The performance measurement of the Executive Directors and the determination of their annual remuneration package, including performance targets, are undertaken by the Remuneration Committee.

There are five main elements of the remuneration package offered by the Group to its employees (including the Executive Directors):

| | |
|---|---|
| ***Fixed**** | • Base salary<br>• Benefits<br>• Pension contribution |
| ***Variable*** | • Discretionary cash bonus*<br>• Share option awards (long-term incentivisation) |

*Before its acquisition by finnCap, Cavendish's partners were remunerated with sub-market salaries and a revenue share. Some of these partners are still remunerated on this basis (none of whom are Executive Directors) but they are therefore excluded from the Group bonus pot.

**Policy for determining fixed remuneration**

The Committee reviews the Executive Directors' base salaries and the other elements of fixed compensation on an annual basis. In the event that an increase in any element of fixed compensation is considered, the Committee takes into account the performance of the individual, comparisons with peer group companies within the industry, the experience of the individual and their responsibility. On a pro-rated basis, there have been no increases in the Executive Directors' fixed compensation since the Company's admission to AIM in December 2018.

The Executive Directors and senior management carry out a similar process in determining the fixed remuneration of other members of staff.

**Policy for determining variable remuneration**

In relation to determining the variable elements of compensation, the Committee will consider paying discretionary bonuses from the Group bonus pool or granting share option awards in recognition of both corporate performance and individual achievement of objectives set each year via the Group's performance review framework.

The quantum of the discretionary bonus pool is determined by the Committee with specific reference to the Group's profit before bonus and tax, typically by capping the aggregate pool to an agreed percentage of this profit measure. The Committee is able to establish clear targets when setting the aggregate pool available for variable compensation at Group level, acknowledging that a degree of flexibility is required at different stages of the business cycle. The Committee also considers the Executive Directors' recommendation for the distribution of the pool to staff in different business areas, based on the performance and targets for those business areas.

Individual performance is assessed through clearly defined objectives and a structured process of review and feedback. In particular, a discretionary bonus payable to a member of staff (including the Executive Directors) is determined with regard to the performance of the individual, performance of the area, sector or function of the business in which the individual works or for which the individual is responsible, the profitability of the Group and levels of reward for comparable roles in the external market. In the case of bonuses or option awards proposed for the Executive Directors, these are determined by the Committee.

In the financial year ending 31 March 2020, no discretionary bonus pool was available for distribution.

## Director remuneration for the year (audited)

The single total remuneration of each of the Directors who held office during the year ended 31 March 2020 was as follows. No share option awards were made to Directors during this period:

| | Base salary/fees | | Discretionary bonus | | Benefits (including pension) | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Executive directors** | | | | | | | | |
| Sam Smith | 275,000 | 234,450 | - | 258,000 | 2,079 | 1,253 | 277,079 | 493,703 |
| Howard Leigh | 200,000 | 66,667 | - | - | 6,230 | 1,763 | 206,230 | 68,429 |
| Tom Hayward | 177,469 | 162,680 | - | 116,636 | 926 | 1,876 | 178,395 | 281,192 |
| Stuart Andrews | 200,000 | 166,448 | - | 194,636 | 11,187 | 1,899 | 211,187 | 362,983 |
| **Non-Executive Directors** | | | | | | | | |
| Jon Moulton | 55,000 | 50,417 | - | - | - | - | 55,000 | 50,417 |
| Andy Hogarth | 50,000 | 16,667 | - | - | - | - | 50,000 | 16,667 |
| Vin Murria | 50,000 | 45,833 | - | - | - | - | 50,000 | 45,833 |
| Barbara Firth | 50,000 | 16,667 | - | - | - | - | 50,000 | 16,667 |
| TOTAL | 1,057,469 | 759,829 | - | 569,272 | 20,422 | 6,791 | 1,077,891 | 1,335,890 |

### Directors' interests under Employee Share Plans

| | Date of issue | Outstanding 31 March 2019 | Granted | Exercised | Outstanding 31 March 2020 | Exercise price (p) | Vested | Expiry date |
|---|---|---|---|---|---|---|---|---|
| Sam Smith | November 2018 | 1,685,714 | - | - | 1,685,714 | 5.0 | Yes | March 2023 |
| | November 2018 | 173,076 | - | - | 173,076 | 10.4 | Yes | September 2020 |
| Tom Hayward | November 2018 | 1,000,000 | - | 400,000 | 600,000 | 5.0 | Yes | March 2023 |
| | November 2018 | 173,736 | - | - | 173,736 | 10.4 | Yes | September 2020 |
| Stuart Andrews | November 2018 | 1,100,000 | - | - | 1,100,000 | 14.0 | Yes | May 2021 |
| | November 2018 | 1,100,000 | - | - | 1,100,000 | 14.0 | May 2020 | May 2023 |

### Salaries and pension

The Committee considered the basic salary paid to Executive Directors and the levels of remuneration for other key senior executive positions as well as the lack of pay rises proposed for other Group employees. The Committee concluded that there should be no change for the financial year ending 31 March 2021 in respect of the Executive Directors. No Executive Director currently receives any pension contributions.

### Discretionary bonuses

The Group did not have a discretionary bonus pool for allocation for the financial year ended 31 March 2020. The Executive Directors therefore did not receive any discretionary bonus.

### Share options

The Remuneration Committee did not grant any additional options to the Executive Directors in the financial year ended 31 March 2020.

### Non-Executive Directors' remuneration

Remuneration of Non-Executive Directors is set by the Board on the recommendation of the CEO (in consultation with the Chairman, in relation to the other non-executive directors, and the Remuneration Committee in relation to the Chairman), considering comparisons with peer group companies, experience and responsibility of the individual and the level of work carried out during the year. Remuneration comprises an annual fee only with reimbursement of all reasonable expenses. Non-Executive Directors do not participate in any form of variable compensation, be that discretionary cash bonuses or awards under the Group's share schemes and are not eligible for pension benefits.

No changes have been proposed to the fees of the Non-Executive Directors for the current financial year, although it is noted that all non-executive directors have waived their fees for the period from 1 April 2020 to 30 June 2020 and will therefore be paid a lower overall amount than in the previous financial year.

## *Events following the end of the financial year*

As described elsewhere in this Annual Report and announced by the Company on 1 April, COVID-19 and the social and economic measures implemented by the government in response have impacted, and are expected to continue to impact, on the Group. Since the end of the financial year, unapproved options over approximately 5.3 million shares were granted as recompense to members of staff who agreed to sacrifice portions of their salary on 1 April 2020 for a period of three months, as announced in the Company's trading update. No director received any options pursuant to the salary sacrifice scheme.

On 2 April 2020, the Group became ineligible to grant EMI options because of the commencement of its lease of offices at 1 Bartholomew Close. Therefore, on 1 April 2020, holders of options pursuant to the finnCap Unapproved Plan surrendered options over 3,150,000 shares and were granted options over an equivalent number of shares pursuant to the finnCap EMI Plan. Stuart Andrews, an executive director of the Company, surrendered unapproved options over 300,000 shares and was granted EMI options over the same number on equivalent terms.

Finally, Richard Snow joined the Company on 20 May 2020 as its Chief Financial Officer. The Remuneration Committee carefully considered the remuneration package to be offered to him, taking into account its Remuneration Policy above. Richard's base salary is £190,000 per annum and he is eligible for a discretionary bonus on the same basis as the above. On joining the Group, it was agreed that he would be granted unapproved options over 250,000 shares pursuant to the Group's established share option scheme, which are subject to performance conditions related to Group performance and will vest over a period of five years. His benefits and pension entitlement are in line with those offered to other Group employees.

## *Director service contracts*

### Executive directors

The general principle is that all Executive Directors will have a rolling contract of employment with mutual notice periods of at least six months. The table below provides details of the service contracts of the Executive Directors as at 31 March 2020.

| | Date of appointment | Nature of contract | Notice period | Next re-election |
|---|---|---|---|---|
| Sam Smith | 28 August 2018 | Rolling | 12 months | 2020 |
| Howard Leigh | 28 November 2018 | Rolling | 6 months | 2020 |
| Tom Hayward | 28 August 2018 | Rolling | 6 months | 2020 |
| Stuart Andrews | 28 November 2018 | Rolling | 6 months | 2020 |

### Non-executive directors

Non-executive Directors are engaged under letters of appointment, which are available for shareholders to view at the Company's registered office and will be available at the Annual General Meeting.

The table below provides details of the date of appointment of the Non-executive Directors together with the next election or re-election date as at 31 March 2020. Vin Murria resigned following year-end, and therefore will not be proposed for re-election.

| | Date of appointment | Nature of contract | Notice period | Next re-election |
|---|---|---|---|---|
| Jon Moulton | 28 November 2018 | 3 years | 3 months | 2020 |
| Andy Hogarth | 28 November 2018 | 3 years | 3 months | 2020 |
| Vin Murria | 28 November 2018 | 3 years | 3 months | n/a |
| Barbara Firth | 28 November 2018 | 3 years | 3 months | 2020 |

**Andy Hogarth**
**Chairman – Remuneration Committee**

# FINANCIAL STATEMENTS

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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 they have been prepared in accordance with IFRSs as adopted by the European Union, 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 requirements of 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.

The Directors are also responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

# Directors' Report

The Directors serving during the financial year ended 31 March 2020 and up to the date of the signing of the Financial Statements present their report on the affairs of the Company (finnCap Group plc) and its subsidiaries (collectively the Group), together with the Company Financial Statements and the audited Financial Statements of the Group and the associated Independent Auditors' Report, for the year ended 31 March 2020.

**Parent Company**

The Company acts as the holding company for the Group and details of its subsidiary undertakings can be found in Note 14.

**Dividend**

Interim dividends of £1,218,000, 0.78p per share, were paid during the year (2019 - £1,635,000). No final dividend is proposed.

**Going concern**

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

As normal, the Company has assessed the appropriateness of accounting on a going concern basis. This has become more relevant given the current economic environment caused by COVID-19. This process involved the review of a forecast for the coming 15 months, along with stress testing a second downside scenario. Both cases showed that the Group has the required resources to operate within its resources during the period. The Board also noted the ability of the Firm to obtain to obtain additional liquidity though existing financial arranges, the potential to realise assets and if necessary, the ability to raise further equity.

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.

**Risks arising from financial instruments**

Risks arising from financial instruments include, but are not limited to, credit risk, liquidity risk and market risk. Details of these risks and how they are managed can be found in Note 4.

**Post balance sheet events**

Details of post-balance sheet events are set out in Note 27.

**Relations with shareholders**

The Chief Executive Officer and Chief Financial Officer communicate the Group's strategy and results to shareholders and analysts principally through meetings held following the announcement of the Group's full annual and interim results.

Shareholders may also attend the Annual General Meeting at which members of the Board are available to answer questions.

### Independent auditors

BDO LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint BDO LLP as auditor of the Group will be proposed at the forthcoming Annual General Meeting.

### Employment policy

The Group's employment policies are based on a commitment to equal opportunities for all from the selection and recruitment processes, through to training, development, appraisal and promotion. The Group recognises that its people are pivotal to its success and encourages the involvement of employees by its performance-driven employee share plans.

### Change of control

Directors' and employees' employment contracts do not provide for compensation for loss of office or employment due to a change of control. The provisions of the Company's share plans may, however, cause options and awards granted to employees under such plans to vest on a change of control.

### Political donations

The Group did not make any political donations or incur any political expenditure during the year.

### Directors' indemnities

Directors and Officers' Liability Insurance is maintained by the Group for all Directors and Officers of the Company and the Group as permitted by the Companies Act 2006. To the extent permitted by law and in accordance with its Articles of Association, the Company indemnifies its Directors in respect of any loss, liability or expense they incur in relation to the Company or any associated company of the Company. Indemnity provisions were in force during the year and these remain in force at the date of this report.

### Share capital and share premium

As at 31 March 2020, the issued share capital of the Company was £1,697,300. This comprised of 169,730,089 ordinary 1p shares, which are admitted to trading on AIM. All shares have equal voting rights and no person has any special rights over the Company's share capital.

Details of shares issued during the year are shown in Note 20.

### Directors and their interests

The Directors who served during the year and their interests in the share capital of the Company as at 31 March 2020 are shown below.

| | Number of ordinary shares | % of ordinary shares in issue |
|---|---|---|
| **Executive directors** | | |
| Sam Smith (appointed 28/8/2018) | 16,014,286 | 9.44 |
| Howard Leigh (appointed 28/11/2018) | 16,327,892 | 9.62 |
| Tom Hayward (appointed 28/8/2018) | 3,593,352 | 2.11 |
| Stuart Andrews (appointed 28/11/2018) | 3,878,334 | 2.29 |
| **Non-Executive Directors** | | |
| Jon Moulton (appointed 28/11/2018) | 20,022,854 | 11.80 |
| Andy Hogarth (appointed 28/11/2018) | 357,142 | 0.21 |
| Vin Murria (appointed 28/11/2018 and resigned 19/05/2020) | 18,592,698 | 10.95 |
| Barbara Firth (appointed 28/11/2018) | 357,142 | 0.21 |

The Directors' interests in options over ordinary shares in the Company as at 31 March 2020 are set out in the Remuneration Report on page 29.

## Substantial shareholders

In addition to the Directors' interests noted above, the Directors have been notified of substantial shareholders, set out below, who have an interest in 3% or more of the Company as at 31 March 2020.

| Holder | Number of ordinary shares | % of ordinary shares in issue |
|---|---:|---:|
| finnCap Group plc Employee Benefit Trust | 12,291,006 | 7.24 |
| Geoff Nash | 7,080,000 | 4.17 |
| Mark Tubby | 5,196,687 | 3.06 |

## Purchase of own shares

The Group's Employee Benefit Trust has not purchased or sold shares during the year.

This report was approved by the Board of Directors on 6 July 2020 and signed on its behalf by:

**Tom Hayward**
**Director**

# Auditors' Report

### Independent auditor's report to the members of finnCap Group plc

### Opinion

We have audited the financial statements of finnCap Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise the consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of cash flows, consolidated and company statements 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 the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Key audit matters

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

| **Key Audit Matter** | **How we addressed the Key Audit Matter in the Audit** |
|---|---|
| Revenue Recognition of Corporate Finance Fees and Commissions (Note 2 and Note 5)<br><br>As described in note 2 to the financial statements, the Group generates revenue from several different distinct revenue streams including, income from trading activities, corporate finance fee and retainer income and trading profits from short-term investments.<br><br>Revenue from corporate finance fees and commission are generated upon successfully raising debt or equity finance on behalf of clients and therefore only earned when the deal is concluded.<br><br>There is a risk in the recognition of corporate finance fees and commission that revenue is not recognised in accordance with contractual entitlement or satisfaction of performance obligations. Furthermore, if there are any deals which are significantly progressed around the year-end judgement is required in determining whether performance obligations have been satisfied and whether revenue may be recognised. | Our procedures performed included:<br><br>For a sample of commissions recognised during the year, we:<br><br>• recalculated the commission that should be recognised by obtaining a placing agreement for each engagement and reviewing the engagement letter to confirm the percentage commission due to the Group and the supporting statements or contracts confirming the amount of debt or equity finance raised.<br>• compared our calculation above to the revenue recognised by the Group;<br>• agreed the timing of revenue recognition to regulator announcements in order to confirm the timing and occurrence of the deal.<br>• agreed the income recognised by the Group to the sales invoice and to bank statements.<br><br>For a sample of corporate finance fees recognised during the year, we:<br><br>• reviewed the terms of the engagement letter in order to assess the performance obligations and determined whether these had been met through inspection of applicable supporting documentation.<br>• agreed the fee recognised to the fee per the engagement letter.<br>• agreed the income recognised by the Group to the sales invoice and to bank statements. |

| | |
|---|---|
| | Performed cut off testing by selecting a sample of recorded commission and corporate finance fee income recorded for a defined period before and after year end and agreed the performance obligations back to contract and regulatory announcements to check that the income was recognised in the correct accounting period.<br>*Key observations*<br>Based on procedures performed we did not find any material errors in relation to the recognition of corporate finance fees and commission revenue. |

## Our application of materiality

We apply the concept of materiality both in planning and in performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we will also take account of the nature of the identified misstatements and the particular circumstance of their occurrence, when evaluating their effect on the financial statements.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £177,000 (2019: £272,000), which represents 8.1% of the Group's average profit before tax for 2019 and 2020 (2019: 8.5% of 2019 profit before tax). Materiality for the parent company was £116,000 (2019: £272,000) based on 66% (2019: 100%) of Group materiality

Our audit work on each component of the Group was executed at levels of materiality applicable to the individual entity or restricted to the Group materiality. Component materiality ranged from £13,000 to £140,000 (2019: £12,000 to £272,000).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceed materiality. On the basis of our risk assessment together with our assessment of the overall control environment, performance materiality for the Group and parent company was set at 75% of materiality (70% of materiality), equating to £133,000 and £87,000 (2019: £190,000 and £190,000) respectively.

We agreed with the Audit Committee that we would report to them all audit differences in excess of £7,000 (2019: £11,000), as well as differences below that threshold, that in our view, warranted reporting on qualitative grounds.

## An overview of the scope of our audit

We tailored our audit to ensure we have performance sufficient work to be able to give an opinion on the financial statements as a whole taking into account the structure of the Group and its accounting processes and controls. The Group is based in the United Kingdom and it operates through subsidiaries of the parent company. The main trading entities are finnCap Limited and Cavendish Corporate Finance LLP who provide stockbroking and corporate finance services to their clients.

The Group audit engagement team carried out full scope audits for the Parent Company and the group companies' finnCap Ltd, Cavendish Corporate Finance LLP and Cavendish Corporate Finance (UK) Limited which are all significant components.

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

In the light of the knowledge and understanding of the Group and the Parent 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions, we have formed.

Timothy West (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

6 July 2020

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

## Consolidated Statement of Comprehensive Income

| | Notes | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £'000 |
|---|---|---|---|
| Revenue | 5 | 26,006 | 24,516 |
| Other operating income | 5 | (115) | 14 |
| **Total income** | | **25,891** | **24,530** |
| Administrative expenses | 6 | (24,522) | (20,264) |
| **Operating profit before non-recurring items** | | **1,369** | **4,266** |
| Non-recurring items | 8 | (188) | (1,095) |
| **Operating profit** | | **1,181** | **3,171** |
| Finance income | | 26 | 28 |
| Finance charge | | (24) | - |
| **Profit before taxation** | | **1,183** | **3,199** |
| Taxation | 9 | (411) | (875) |
| **Profit attributable to equity shareholders** | | **772** | **2,324** |
| **Total comprehensive income for the year** | | **772** | **2,324** |
| **Earnings per share (pence)** | | | |
| Basic | 10 | 0.49 | 1.85 |
| Diluted | 10 | 0.46 | 1.65 |

There are no items of other comprehensive income.

All results derive from continuing operations.

The notes on pages 49 to 79 form part of these financial statements.

## Consolidated Statement of Financial Position

| | Note | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 635 | 487 |
| Intangible assets | 12 | 13,533 | 13,644 |
| Financial assets held at fair value | 13 | 393 | 691 |
| Deferred tax asset | 15 | 171 | 428 |
| **Total non-current assets** | | **14,732** | **15,250** |
| **Current assets** | | | |
| Trade and other receivables | 16 | 9,037 | 8,541 |
| Current assets held at fair value | | 431 | 1,111 |
| Cash and cash equivalents | 17 | 4,695 | 4,659 |
| **Total current assets** | | **14,163** | **14,311** |
| **Total assets** | | **28,895** | **29,561** |
| | | | |
| **Non-current liabilities** | | | |
| Provisions | | **40** | **63** |
| **Current liabilities** | | | |
| Trade and other payables | 18 | 8,469 | 8,065 |
| Corporation taxation | | 64 | 498 |
| **Total current liabilities** | | **8,533** | **8,563** |
| **Equity** | | | |
| Share capital | 20 | 1,697 | 1,688 |
| Share premium | 21 | 616 | 575 |
| Own shares held | 22 | (1,636) | (1,636) |
| Merger relief reserve | 21 | 10,482 | 10,482 |
| Share based payments reserve | | 388 | 292 |
| Retained earnings | | 8,775 | 9,534 |
| **Total equity** | | **20,322** | **20,935** |
| **Total equity and liabilities** | | **28,895** | **29,561** |

The Financial Statements of finnCap Group plc, company number 11540126, were approved and authorised for issue by the Board of Directors on 6 July 2020 and were signed on its behalf by:

Tom Hayward
**Director**

The notes on pages 49 to 79 form part of these Financial Statements

Company Statement of Financial Position

| | Note | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 14 | 23,404 | 23,404 |
| **Total non-current assets** | | **23,404** | **23,404** |
| **Current assets** | | | |
| Trade and other receivables | 16 | 481 | 156 |
| Cash and cash equivalents | 17 | 8 | 105 |
| **Total current assets** | | **489** | **261** |
| **Total assets** | | **23,893** | **23,665** |
| | | | |
| **Non-Current liabilities** | | | |
| Provisions | | **29** | **34** |
| **Current liabilities** | | | |
| Trade and other payables | 18 | 30 | 69 |
| Corporation taxation | | 21 | 13 |
| Amounts due to subsidiaries | 20 | 2,894 | 2,894 |
| **Total current liabilities** | | **2,945** | **2,976** |
| **Equity** | | | |
| Share capital | 21 | 1,697 | 1,688 |
| Share premium | 22 | 616 | 575 |
| Merger relief reserve | 22 | 16,612 | 16,612 |
| Share based payments reserve | | 18 | 18 |
| Retained earnings | | 1,976 | 1,762 |
| **Total equity** | | **20,919** | **20,655** |
| **Total equity and liabilities** | | **23,893** | **23,665** |

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present the Company Statement of Comprehensive Income. The profit after taxation attributable to the Company in the period ended 31 March 2020 was £1,423,000 (2019: £1,041,528).

The Financial Statements of finnCap Group plc, company number 11540126, were approved and authorised for issue by the Board of Directors on 6 July 2020 and were signed on its behalf by:

Tom Hayward
**Director**

The notes on pages 49 to 79 form part of these Financial Statements.

## Consolidated Statement of Cashflows

| | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 1,183 | 3,199 |
| Adjustments for: | | |
| Depreciation (see note 25) | 948 | 242 |
| Amortisation of intangible assets | 79 | 56 |
| Finance income | (26) | (28) |
| Share based payments charge | 110 | 100 |
| Net fair value gains recognised in profit or loss | 115 | (155) |
| Payments received of non-cash assets | (275) | (218) |
| | **2,134** | **3,196** |
| **Changes in working capital:** | | |
| (Increase)/decrease in trade and other receivables | (495) | 778 |
| Increase in trade and other payables | 173 | 109 |
| Decrease in provisions | (23) | (10) |
| **Cash generated from operations** | **1,789** | **4,073** |
| Net cash receipts /(payments) for current asset investments held at fair value through profit or loss | 680 | (465) |
| Tax paid | (845) | (796) |
| **Net cash inflow from operating activities** | **1,624** | **2,812** |
| **Cash flows from investing activities** | | |
| Acquisition of subsidiaries, net of cash acquired | - | (3,592) |
| Purchase of property, plant and equipment | (262) | (249) |
| Purchase of intangible assets | (9) | (30) |
| Proceeds on sale of investments | 508 | 70 |
| Interest received | 26 | 28 |
| **Net cash outflow from investing activities** | **263** | **(3,773)** |
| **Cash flows from financing activities** | | |
| Purchase of own shares by EBT | - | (1,260) |
| Sale of own share by EBT | - | 693 |
| Equity dividends paid | (1,218) | (1,635) |
| Proceeds from the issue of new shares net of costs | - | 3,665 |
| Proceeds from exercise of options | 50 | 375 |
| Lease liability payments | (683) | - |
| Proceeds from borrowings | - | (739) |
| **Net cash (outflow)/inflow from financing activities** | **(1,851)** | **1,099** |
| Net increase/(decrease) in cash and cash equivalents | 36 | 138 |
| Cash and cash equivalents at beginning of year | 4,659 | 4,521 |
| **Cash and cash equivalents at end of year** | **4,695** | **4,659** |

The notes on pages 49 to 79 form part of these Financial Statements.

## Company Statement of Cashflows

| | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £'002 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 1,431 | (1,042) |
| Adjustments for: | | |
| Share based payments charge | 9 | - |
| | **1,440** | **(1,042)** |
| **Changes in working capital:** | | |
| Increase in trade and other receivables | (325) | (156) |
| (Decrease)/increase in trade and other payables | (39) | 70 |
| (Decrease)/increase in provisions | (5) | 33 |
| **Net cash inflow/(outflow) from operating activities** | **1,071** | **(1,095)** |
| **Cash flows from investing activities** | | |
| Acquisition of subsidiaries | - | (5,252) |
| **Net cash outflow from investing activities** | **-** | **(5,252)** |
| **Cash flows from financing activities** | | |
| Equity dividends paid | (1,218) | (231) |
| Proceeds from the issue of new shares net of costs | - | 3,665 |
| Proceeds from exercise of options | 50 | 124 |
| Proceeds from intercompany loans | - | 2,894 |
| **Net cash outflow from financing activities** | **(1,168)** | **6,452** |
| Net increase in cash and cash equivalents | (97) | 105 |
| Cash and cash equivalents at beginning of year | 105 | - |
| **Cash and cash equivalents at end of year** | **8** | **105** |

## Consolidated Statement of Changes in Equity

| Group | Share Capital £'000 | Share Premium £'000 | Capital Redemption Reserve £'000 | Own Shares Held £'000 | EBT Reserve £'000 | Merger Relief Reserve £'000 | Share Based Payment Reserve £'000 | Retained Earnings £'000 | Total Equity £'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 30 April 2018** | **1,180** | **768** | **452** | **(676)** | **(54)** | **-** | **247** | **5,418** | **7,335** |
| Total comprehensive income for the period | - | - | - | - | 54 | - | - | 2,270 | 2,324 |
| **Transactions with owners:** | | | | | | | | | |
| Transfer of own shares | - | - | - | (960) | - | - | - | - | (960) |
| Issue of share capital | 134 | 3,616 | - | - | - | - | - | - | 3,750 |
| Share issue costs | - | (85) | - | - | - | - | - | - | (85) |
| Shares issued as part of the consideration in a business combination | 334 | - | - | - | - | 9,019 | - | - | 9,353 |
| Elimination in share for share acquisition | - | (1,011) | (452) | - | - | 1,463 | - | - | - |
| Share premium cancellation | | (3,048) | - | - | - | - | - | 3,048 | - |
| Share based payments charge | - | - | - | - | - | - | 100 | - | 100 |
| Deferred tax on share based payments | - | - | - | - | - | - | - | 378 | 378 |
| Dividends | - | - | - | - | - | - | - | (1,635) | (1,635) |
| Share options exercised | 40 | 335 | - | - | - | - | (55) | 55 | 375 |
| | **508** | **(193)** | **(452)** | **(960)** | **-** | **10,482** | **45** | **1,846** | **11,276** |
| **Balance at 31 March 2019** | **1,688** | **575** | **-** | **(1,636)** | **-** | **10,482** | **292** | **9,534** | **20,935** |
| Total comprehensive income for the period | - | - | - | - | - | - | - | 772 | 772 |
| **Transactions with owners:** | | | | | | | | | |
| Share based payments charge | - | - | - | - | - | - | 110 | - | 110 |
| Implementation of IFRS16 (note 24) | - | - | - | - | - | - | - | (70) | (70) |
| Deferred tax on share based payments | - | - | - | - | - | - | - | (257) | (257) |
| Dividends | - | - | - | - | - | - | - | (1,218) | (1,218) |
| Share options exercised | 9 | 41 | - | - | - | - | (14) | 14 | 50 |
| | **9** | **41** | **-** | **-** | **-** | **-** | **96** | **(1,531)** | **(1,385)** |
| **Balance at 31 March 2020** | **1,697** | **616** | **-** | **(1,636)** | **-** | **10,482** | **388** | **8,775** | **20,322** |

## Company Statement of Changes in Equity

| Company | Share Capital £'000 | Share Premium £'000 | Merger Relief Reserve £'000 | Share Based Payment Reserve £'000 | Retained Earnings £'000 | Total Equity £'000 |
|---|---|---|---|---|---|---|
| **Balance on incorporation** | **-** | **-** | **-** | **-** | **-** | **-** |
| Total comprehensive income for the period | - | - | - | - | (1,055) | (1,055) |
| **Transactions with owners:** | | | | | | |
| Issue of share capital | 134 | 3,616 | - | - | - | 3,750 |
| Share issue costs | - | (85) | - | - | - | (85) |
| Shares issued as part of the consideration in a business combination | 334 | - | 9,019 | - | - | 9,353 |
| Shares issued in share for share acquisition | 1,206 | - | 7,593 | - | - | 8,799 |
| Share premium cancellation | | (3,048) | - | - | 3,048 | - |
| Share based payments charge | - | - | - | - | - | - |
| Dividends | - | - | - | - | (231) | (231) |
| Share options exercised | 14 | 92 | - | 18 | - | 124 |
| | **1,688** | **575** | **16,612** | **18** | **2,817** | **21,710** |
| **Balance at 31 March 2019** | **1,688** | **575** | **16,612** | **18** | **1,762** | **20,655** |
| Total comprehensive income for the period | - | - | - | - | 1,423 | 1,423 |
| **Transactions with owners:** | | | | | | |
| Share based payments charge | - | - | - | 9 | - | 9 |
| Dividends | - | - | - | - | (1,218) | (1,218) |
| Share options exercised | 9 | 41 | - | (9) | 9 | 50 |
| | **9** | **41** | **-** | **-** | **(1,209)** | **(1,159)** |
| **Balance at 31 March 2020** | **1,697** | **616** | **16,612** | **18** | **1,976** | **20,919** |

# Notes to the Financial Statements

## 1. General information

finnCap Group plc (the “Company”) is a public limited company, limited by shares, incorporated and domiciled in England and Wales. The Company was incorporated on 28 August 2018. The registered office of the Company is at 1 Bartholomew Close, London, EC1A 7BL, United Kingdom. The registered company number is 11540126. The Company is listed on AIM, a market of the London Stock Exchange.

## 2. Accounting policies

### a. Basis of preparation

These consolidated Financial Statements contain information about the Group and have been prepared on a historical cost basis except for certain Financial Instruments which are carried at fair value. Amounts are rounded to the nearest thousand, unless otherwise stated and are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

These consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as adopted by the European Union and the IFRS Interpretation Committee interpretations (collectively IFRSs), and in accordance with applicable law.

The preparation of Financial Statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

### b. Basis of consolidation

The Group’s consolidated Financial Statements include the Financial Statements of the Company and all its subsidiaries. Subsidiaries are entities over which the Group has control if all three of the following elements are present: power over the investee, exposure to variable returns from the investee and the ability of the investor to use its power to affect those variable returns. Subsidiaries are fully consolidated from the date on which control is established and de-consolidated on the date that control ceases.

The acquisition method of accounting is used for the acquisition of subsidiaries. Transactions and balances between members of the Group are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of consolidation.

### c. Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement. The Strategic Report and Directors’ Report describe the financial position of the Group; the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

As normal, the Company has assessed the appropriateness of accounting on a going concern basis. This has become more relevant given the current economic environment caused by COVID-19. This process involved the review of a forecast for the coming 15 months, along with stress testing a second downside scenario. Both cases showed that the Group has the required resources to operate within its resources during the period. The Board also noted the ability of the firm to obtain additional liquidity though existing financial arrangements, the potential to realise assets and if necessary, the ability to raise further equity.

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.

**d. New standards, amendments and interpretations**

The Company has adopted the IFRS 16 – Leases (effective 1 January 2019).

The adoption of the above standard removes the distinction between finance and operating leases. As a result, the Group's property leases are recognised as right of use assets and lease liabilities in the Statement of Financial Position, whilst the Statement of Comprehensive Income includes depreciation and interest charges as opposed to operating lease payments.

Further detail on the adoption of this standard can be found in Note 24.

There are other standards in issue, effective in future periods, which are not expected to have an impact on the Group and therefore have not been included in the list above.

**e. Principal accounting policies**

**Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Where consideration includes financial instruments or other non-cash items, revenue is measured at fair value using an appropriate valuation method. Revenue comprises:

(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

To determine whether to recognise revenue, the Company follows a 5-step process as follows:

i) Identifying the contract with a customer;
ii) Identifying the performance obligations;
iii) Determining the transaction price;
i) Allocating the transaction price to the performance obligations; and
ii) Recognising revenue when/as performance obligation(s) are satisfied

The Company also considers whether it is acting as a principal or an agent for each type of revenue. Revenue is recognised either at a point in time, or over time as the Company satisfies performance obligations by transferring the promised services to its customers as described below.

**(a) Income from trading activities**

Income from trading activities includes commissions from agency dealing which are recognised on trade date. Trading activities also include gains and losses on market making, with trades recognised on trade date, with corresponding financial assets and financial liabilities 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 period end. Market making revenues consist of the realised and unrealised profits and losses on financial assets and financial liabilities, arrived at after taking into account attributable dividends. Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

**(b) Corporate finance fees and retainers**

Corporate finance transaction fees and commission are recognised at a point in time when, under the terms of the contract, the conditions have been unconditionally met such that the Company is entitled to the fees specified. Corporate finance retainer fees, including nominated adviser retainer fees, are recognised over time as the services are delivered.

**(c) Other income**

Revenue also includes the fair value of options and warrants over securities received as consideration for corporate finance services rendered.

Contract costs including commissions and referral fees paid to introducers of business are shown in administrative expenses.

**Foreign currency**

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

**Classification of instruments issued by the Company**

Instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

(i) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(ii) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Financial payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation is provided on the following basis:

| | |
|---|---|
| Fixtures, fittings and equipment | 3-4 years straight line |
| Leasehold improvements | Over period of lease |

It is assumed that all assets will be used until the end of their economic life.

**Investments**

Fixed asset investments are investments in subsidiaries and are stated at cost less any accumulated impairment losses. Cost is measure of the fair value of consideration paid for the investment.

**Intangible assets**

Trademarks, trade names and computer software and are stated at cost net of accumulated amortisation and provision for any impairment in value. Amortisation is provided on the following basis:

| | |
|---|---|
| Computer software | 2-4 years straight line |
| Trade names | 10 years straight line |
| Trademarks | held at cost less any provisions for impairment |

Goodwill is recognised on consolidation as the difference between the fair value of identifiable assets and liabilities acquired and the purchase consideration. Goodwill has an indefinite life and is assessed for impairment at each reporting date.

**Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount, being the higher of value in use and fair value less costs to sell, of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. The reversal of the impairment loss shall not increase the carrying amount of the asset above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. An impairment loss recognised for goodwill is not reversed.

**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 respect of service in the year. Differences between contributions payable during the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except to the extent that it arises on:

- (i) the initial recognition of goodwill;
- (ii) the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- (iii) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits.

**Financial instruments**

***Financial assets***

The Company's financial assets comprise trading investments, derivative financial instruments, trade and other receivables, and cash and cash equivalents. 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 held at fair value through profit or loss are held for trading and are acquired principally for selling or repurchasing. These include market making positions valued at the closing market bid price (long positions) or offer price (short positions) at the balance sheet date and presented within current asset investments. The change in the value of investments held for trading is recognised in the profit and loss account. Purchases and sales of investments are recognised on trade date with the associated financial assets and liabilities presented as market making counterparty debtors and creditors up to settlement date.

Non-current financial assets held at fair value through profit or loss are derivative assets comprising equity shares, options and warrants that are initially accounted for and measured at fair value on the date the Group becomes a party to the contractual provisions of the derivative contract and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement within revenue, as part of net trading gains or losses. Fair values are obtained from quoted prices prevailing in active markets, including recent market transactions and valuation techniques including discounted cash flow models and option pricing models as appropriate. 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 price. 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. Derivatives are included in assets when their fair value is positive and liabilities when their fair value is negative.

Gains and losses from the financial assets held at fair value through profit and loss are presented within revenue as income from trading activities, or other operating income for trading profit on short-term investments.

Financial assets also include trade and other receivables and cash and cash equivalents. Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially recorded at fair value and thereafter are measured at amortised cost using the effective interest rate.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

**Financial liabilities**

The Group's financial liabilities comprise trade and other payables including market making counterparty creditors and provisions. The classification of financial liabilities at initial recognition depends upon the purpose for which they are acquired and their characteristic.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. After initial recognition, these liabilities are measured at amortised cost using the effective interest method. The entities' borrowings, trade and most other payables fall into this category of financial instruments. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. After initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are initially recorded at fair value and thereafter at amortised cost using the effective interest rate method.

**Segmental reporting**

The Group is managed as an integrated corporate advisory, M&A advisory and stockbroking business and although there are different revenue streams, the Group's activities are considered to be subject to similar economic characteristics. Consequently, the Group is managed as one business unit which is reported in a manner consistent with the internal reporting to the Board of Directors, which has been identified as the chief operating decision maker.

**Share capital**

Share capital represents the nominal value of shares that have been issued.

**Share premium**

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

**Own shares held by the finnCap Limited Employee Benefit Trust**

Transactions of the Group-sponsored Employee Benefit Trust are treated as being those of the Group and are therefore reflected in these consolidated financial statements. In particular, the Trust's purchases and sales of shares in the Company are debited and credited to equity.

**Share-based payments**

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans are cash-settled. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values using the Black Scholes model.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to equity. Where vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current year. The number of vested options ultimately exercised by holders does not impact the expense recorded in any year.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

**Retained earnings**

Retained earnings includes all current and prior year retained profits and losses.

**Dividends**

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

**Leases**

All leases are accounted for by recognising a right of use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see Note 24.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the group's incremental borrowing rate.

On initial recognition, the carrying value of the right to use asset also includes:

- the amount of the lease liability, reduced for any lease incentives received;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease.

## 3. Critical accounting estimates and judgements

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

**Impairment of non-current assets**

The Directors apply judgement in the assessment as to whether the Company's tangible and intangible assets are impaired at each reporting date, considering several factors including the economic viability and expected future financial performance of the asset.

During the assessment of Going Concern, see Note 2.c, the Directors additionally considered the impact of COVID-19 on the carrying value of intangible assets. This process concluded that there are no indications that the assets are impaired.

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

**Estimated fair values of financial derivative assets where there is no quoted price**

The Group holds options and warrants in unlisted entities which are not in an active market and cannot be valued by reference to unadjusted quoted prices for identical instruments. The Directors use judgement to select valuation techniques and make assumptions that are based on observable market data, as far as possible, in respect of equivalent instruments at the balance sheet date.

## 4. Risk Management

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

**Credit risk**

Credit risk is the risk that clients or other counterparties to a financial instrument or contracted engagement will cause a financial loss by failing to meet their obligation.

Credit risk exposure therefore arises as a result of trading, investing, and financing activities. The primary source of credit risk faced by the Company is that arising from the settlement of equity trades carried out in the normal course of business.

The credit risk on a particular equity trade receivable is measured by reference to the original amount owed to the Company less any partial payments less any collateral to which the Company is entitled.

Credit risk exposures are managed by the use of individual counterparty limits applied initially on the categorisation of the counterparty and assessed further according to the results of relevant financial indicators and/or news flow.

Trade receivables relating to fees due on the Company's corporate finance and advisory activities are monitored on a weekly basis. Formal credit procedures include checking client creditworthiness before starting to trade, approval of material trades and chasing of overdue accounts.

Other debtors consist of deposits held at our agency settlement agent (Pershing, a wholly owned subsidiary of Bank of New York Mellon Corporation), employee loans secured by finnCap Group plc shares and s455 tax. These balances are considered low risk and are reviewed on a monthly basis.

The Group's cash and cash equivalents are held with HSBC Bank plc, National Westminster Bank plc and Pershing.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 31 March 2020 | 31 March 2019 | 31 March 2020 | 31 March 2019 |
| **Risk exposure** | **Rating** | **£'000** | **£'000** | **£'000** | **£'000** |
| Non-current asset investments | AA | 393 | 691 | - | - |
| Market making counterparty debtors | AA | 4,128 | 2,806 | - | - |
| Trade debtors | Unrated | 1,910 | 2,864 | - | - |
| Other debtors | Unrated | 2,006 | 1,944 | - | - |
| Cash and cash equivalents | AA- | 2,615 | 2,629 | 8 | 105 |
| Cash and cash equivalents | AA | 825 | 1,138 | - | |
| Cash and cash equivalents | A+ | 1,255 | 892 | - | - |
| **Total** | | **11,877** | **12,964** | **8** | **105** |

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 (on a delivery versus payment basis) at its agency settlement agent, which were £5.0 million (2019: £9.6m) at the balance sheet date. The vast majority are settled within two days.

**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.

The table below analyses the entities' non-derivative and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than three months £'000 |
|---|---|
| **As at 31 March 2020** | |
| Trade and other payables | 6,464 |
| | |
| **As at 30 April 2019** | |
| Trade and other payables | 3,473 |

**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 of 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 Group manages market price risk by monitoring the value of its financial instruments daily. The risk of future losses is limited to the fair value of investments as at the balance sheet date.

If equity prices had been 10% higher/lower, net profit for the period ended 31 March 2020 would have been £83k higher/lower (2019: £180k higher/lower) due to the change in value of investments held at fair value through the profit and loss. The Group's exposure to equity price risk is closely monitored by senior management on a daily basis.

**Summary of financial assets and liabilities by category**

The carrying amount of financial assets and liabilities recognised at the balance sheet date of the reporting periods under review may also be categorised as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **£'000** | **£'000** | **£'000** | **£'001** |
| ***Financial assets*** | | | | |
| *Financial assets measured at fair value through profit or loss* | | | | |
| Non-current financial assets – investments | 393 | 691 | - | - |
| Current asset investments | 431 | 1,111 | - | - |
| **Total non-current** | **824** | **1,802** | **-** | **-** |
| *Financial assets measured at amortised cost* | | | | |
| Market making counterparty debtors | 4,128 | 2,806 | - | - |
| Trade debtors | 1,910 | 2,864 | - | - |
| Other debtors | 2,006 | 1,944 | - | - |
| Cash and cash equivalents | 4,695 | 4,659 | 8 | 105 |
| **Total current** | **12,739** | **12,273** | **8** | **105** |
| **Total financial assets** | **13,563** | **14,075** | **8** | **105** |
| ***Financial liabilities*** | | | | |
| *Financial liabilities measured at amortised cost* | | | | |
| Amounts due to subsidiaries | - | - | 2,894 | 2,894 |
| Market-making counterparty creditors | 3,624 | 2,496 | - | - |
| Trade and other payables | 2,425 | 977 | - | 12 |
| **Total current** | **6,049** | **3,473** | **2,894** | **2,906** |
| **Net financial assets and liabilities** | **7,514** | **10,602** | **(2,886)** | **(2,801)** |

Financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy are categorised as follows:

Level 1 – Quoted equity investments - fair value is based on quoted market prices at the balance sheet date.

Level 2 – None.

Level 3 – Warrants and private company investments – fair value is determined using either the value of a recent investment reviewed for changes in fair value or the Black Scholes model as deemed most appropriate. The investments valued using Black Scholes at the reporting dates are immaterial as are the sensitivities on these assumptions.

The amounts are based on the values recognised in the statement of financial position.

Current asset investments are all level 1.

Movements in non-current financial assets during the period were as shown below:

| | Level 1 £'000 | Level 3 £'000 | 31 March 2020 £'000 | Level 1 £'000 | Level 3 £'000 | 31 March 2019 £'000 |
|---|---|---|---|---|---|---|
| At start of year | 390 | 301 | 691 | 1 | 387 | 388 |
| Net (losses)/gains recognised in other operating income | 8 | (123) | (115) | 171 | (16) | 155 |
| Additions | 192 | 134 | 326 | 218 | - | 218 |
| Disposals | (509) | - | (509) | - | (70) | (70) |
| **At end of year** | **81** | **312** | **393** | **390** | **301** | **691** |

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.

**Capital management policies and procedures**

The Group's capital management objectives are:

- To ensure the Group's ability to continue operating as a going concern; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

This is achieved through close management of working capital and regular reviews of pricing. Decisions on whether to raise funding using debt or equity are made by the Board based on the requirements of the business.

Capital for the reporting period under review is shown as total equity in the balance sheet. This was £20,322,000 as at 31 March 2020 (31 March 2019: £20,935,000). Subsidiary entities within the group are subject to FCA capital requirements. The Group closely monitors its capital resources to ensure that sufficient headroom is maintained at all times.

## 5. Segmental Analysis

The Group is managed as an integrated full-service financial services group and the different revenue streams are considered to be subject to similar economic characteristics. Consequently, the Group is managed as one business unit.

The trading operations of the Group comprise of Corporate Advisory and Broking, M&A Advisory and Institutional Stockbroking. The Group's revenues are derived from activities conducted in the UK, although several of its corporate and institutional investors and clients are situated overseas. All assets of the Group reside in the UK.

| | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £'000 |
|---|---|---|
| **Revenues** | | |
| Retainers | 6,471 | 5,922 |
| Transactions | 8,642 | 11,950 |
| **Corporate advisory and broking** | **15,113** | **17,872** |
| M&A advisory | 7,326 | 3,229 |
| Institutional stockbroking | 3,567 | 3,415 |
| **Total revenue** | **26,006** | **24,516** |
| | | |
| Services transferred at a point in time | 18,777 | 16,891 |
| Services transferred over a period of time | 7,229 | 7,625 |
| **Total revenue** | **26,006** | **24,516** |
| | | |
| **Other operating income** | | |
| Trading profit on long term investments | (115) | 11 |
| Rental income | - | 3 |
| **Total other operating income** | **(115)** | **14** |

### Major customers

There are no customers that individually accounted for more than ten percent of total revenues.

## 6. Expenses by Nature

| | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £'000 |
|---|---|---|
| Employee benefit expense (see note 7) | 16,095 | 14,451 |
| Depreciation | 948 | 242 |
| Amortisation | 79 | 56 |
| Operating lease payments | - | 467 |
| Foreign exchange (gains) | (112) | (55) |
| Other expenses | 7,512 | 5,103 |
| **Total administrative expenses** | **24,522** | **20,264** |
| Audit Services | 90 | 115 |
| Other Services | | |
| IPO Reporting Accountants | - | 211 |
| Regulatory reporting | 15 | 7 |
| **Total auditors' remuneration** | **105** | **333** |

The impact in the year of the adoption of IFRS 16 on depreciation and amortisation can be seen in note 24 for further details.

## 7. Staff costs

| | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £'000 |
|---|---|---|
| Employee benefit expenses (including the Directors): | | |
| Wages and salaries | 13,881 | 12,829 |
| Social security costs | 1,633 | 1,237 |
| Pension costs | 471 | 285 |
| Share based payments | 110 | 100 |
| **Total employee benefit expense** | **16,095** | **14,451** |

| | 31 March 2020 Number | 31 March 2019 Number |
|---|---|---|
| Average number of employees: | | |
| Corporate broking and corporate finance | 76 | 54 |
| Sales and trading | 9 | 9 |
| Research | 15 | 14 |
| Administration | 40 | 29 |
| **Total number of employees** | **140** | **106** |

**Key Management Personnel**

Key management personnel are considered to be the Executive Directors of finnCap Group plc.

**Highest Paid Director**

| | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £'000 |
|---|---|---|
| Total emoluments | 277 | 494 |

Details of the remuneration for all Board members is disclosed in the Remuneration Report on page 29.

**8. Non-recurring items**

| | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £'000 |
|---|---|---|
| Group formation costs | - | 1,095 |
| Group structuring costs | 188 | - |
| **Total non-recurring items** | **188** | **1,095** |

Non-recurring items in the current year relate to one off expenditure from cost reductions carried out in the year.

Non-recurring items in the prior period relate to transaction costs from the acquisition of finnCap Ltd, Cavendish Corporate Finance (UK) Limited and Cavendish Corporate Finance LLP and the costs related to the listing on AIM.

## 9. Taxation

| | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £'000 |
|---|---|---|
| Analysis of charge in the period | | |
| **Current tax** | | |
| Current taxation charge for the period | 316 | 950 |
| Adjustments made in respect of prior periods | 95 | (25) |
| **Total current tax** | **411** | **925** |
| **Deferred taxation** | | |
| Origination and reversal of timing differences | - | (50) |
| **Total tax charge** | **411** | **875** |

| | | |
|---|---|---|
| **Reconciliation of total tax charge** | | |
| Profit before taxation | 1,183 | 3,199 |
| Profit before taxation multiplied by the standard rate of UK taxation (19%) | 225 | 608 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 85 | 342 |
| Deduction for the exercise of employee share options | (35) | (50) |
| Income not taxable for tax purposes | 20 | (9) |
| Capital allowances in excess of depreciation | 21 | 9 |
| Adjustments made in respect of prior periods | 95 | (25) |
| **Total tax charge** | **411** | **875** |

### 10. Earnings per share

| | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £'000 |
|---|---|---|
| **Earnings (£'000)** | | |
| Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders | 772 | 2,324 |
| **Number of shares** | | |
| Weighted average number of shares for the purposes of basic earnings per share | 157,093,604 | 125,845,121 |
| Weighted average dilutive effect of conditional share awards | 9,553,641 | 14,927,048 |
| Weighted average number of shares for the purposes of diluted earnings per share | 166,647,245 | 140,772,169 |
| **Profit per ordinary share (pence)** | | |
| Basic profit per ordinary share | 0.49 | 1.85 |
| Diluted profit per ordinary share | 0.46 | 1.65 |

The shares held by the Group's Employee Benefit Trust, see Note 22, have been excluded from the calculation of earnings per share.

### 11. Property, plant and equipment

| | Right of use asset £'000 | Leasehold improvements £'000 | Fixtures and fittings £'000 | Office equipment £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **As at 1 May 2018** | **-** | **910** | **380** | **535** | **1,825** |
| Additions | - | 104 | 28 | 117 | 249 |
| Acquired through business combinations | - | - | 1 | 34 | 35 |
| **As at 1 April 2019** | **-** | **1,014** | **409** | **686** | **2,109** |
| Additions | - | 3 | 25 | 225 | 253 |
| Adoption of IFRS 16 | 850 | - | - | - | 850 |
| **As at 31 March 2020** | **850** | **1,017** | **434** | **911** | **3,212** |
| **Depreciation** | | | | | |
| **As at 1 May 2018** | **-** | **(670)** | **(295)** | **(415)** | **(1,380)** |
| Charge for the year | - | (120) | (46) | (76) | (242) |
| **As at 1 April 2019** | **-** | **(790)** | **(341)** | **(491)** | **(1,622)** |
| Charge for the period | (600) | (160) | (57) | (138) | (955) |
| **As at 31 March 2020** | **(600)** | **(950)** | **(398)** | **(629)** | **(2,577)** |
| **Net book value** | | | | | |
| **As at 30 April 2018** | **-** | **240** | **85** | **120** | **445** |
| **As at 31 March 2019** | **-** | **224** | **68** | **195** | **487** |
| **As at 31 March 2020** | **250** | **67** | **36** | **282** | **635** |

The right of use asset was created during the year on the adoption of IFRS 16. See Note 24 for further details.

**12. Intangibles**

| | Other intangibles £'000 | Computer software £'000 | Goodwill £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| **As at 1 May 2018** | **20** | **516** | **-** | **536** |
| Additions | - | 30 | - | 30 |
| Acquired through business combinations | 214 | - | 13,335 | 13,549 |
| **As at 1 April 2019** | **234** | **546** | **13,335** | **14,115** |
| Additions | - | 9 | - | 9 |
| **As at 31 March 2020** | **234** | **555** | **13,335** | **14,124** |
| **Amortisation** | | | | |
| **As at 1 May 2018** | **-** | **(415)** | **-** | **(415)** |
| Charge for the year | (20) | (36) | - | (56) |
| **As at 1 April 2019** | **(20)** | **(451)** | **-** | **(471)** |
| Charge for the period | (79) | (41) | - | (120) |
| **As at 31 March 2020** | **(99)** | **(492)** | **-** | **(591)** |
| **Net book value** | | | | |
| **As at 30 April 2018** | **20** | **101** | **-** | **121** |
| **As at 31 March 2019** | **214** | **95** | **13,335** | **13,644** |
| **As at 31 March 2020** | **135** | **63** | **13,335** | **13,533** |

On 5 December 2018, the Company acquired all the share capital of Cavendish Corporate Finance (UK) Limited and all of the partnership rights of Cavendish Corporate Finance LLP. The Company has recognised goodwill, trade name and technology assets arising from the acquisition. Intangible assets are recognised at cost less accumulated amortisation and impairment losses.

The goodwill arising from the acquisition has been assessed for impairment by calculating the net present value of future cashflows from the Cavendish entities as cash generating units. The assessment was carried out over four years assuming consistent performance as in the last group forecast. The cashflows were discounted at the Group's weighted average costs of capital. No impairment has been recognised during the period.

During the assessment of Going Concern, see Note 2.c, the Directors additionally considered the impact of COVID-19 on the carrying value of intangible assets. This process shown that the discounted cashflow had sufficient headroom and concluded that they are no indications that the assets are impaired.

## 13. Investments

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|
| **Financial assets held at fair value through profit and loss** | | |
| Opening | 691 | 388 |
| Acquisition of shares in listed companies | 326 | 218 |
| Change in market value recognised in the profit and loss | (115) | 155 |
| Disposals | (509) | (70) |
| **Closing** | **393** | **691** |

The shares acquired during the period relates to the settlement of corporate finance fees and the participation in placings. As a non-cash item, this does not appear in the consolidated statement of cashflows.

Each investment is revalued at each reporting date. The change in value is recognised through the statement of comprehensive income. All items were classified as held at fair value upon recognition and there have been no reclassifications during the period.

**Sensitivity analysis**

These financial assets include warrants valued at 31 March 2020 at £2,867 (31 March 2019 at £1,751). If the future volatility of the quoted equity price had been 5 percent to 20 percent basis points higher or lower, the impact on fair value of the warrants would have been immaterial.

### 14. Investments in subsidiaries

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|
| Opening | 23,404 | - |
| Share for share exchange | - | 8,799 |
| Acquisitions | - | 14,605 |
| **Carrying amount** | **23,404** | **23,404** |

| **Name** | | **Country of incorporation and principal place of business** | **Proportion of ownership and voting rights at 31 March 2020** |
|---|---|---|---|
| finnCap Ltd | Financial services | United Kingdom | 100% |
| Cavendish Corporate Finance (UK) Limited | Holding company | United Kingdom | 100% |
| Cavendish Corporate Finance LLP | Financial services | United Kingdom | 100% |

### 15. Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount for financial reporting purposes differs from the tax basis. 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.

| | 31 March 2020 £'000 | 30 April 2,019 £'000 |
|---|---|---|
| Opening balance | **428** | - |
| Origination and reversal of temporary difference expense | - | 50 |
| Recognised in equity | (257) | 378 |
| **Closing balance** | **171** | **428** |

Deferred taxation for the group 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.

## 16. Trade and other receivables

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|
| **Group** | | |
| Trade receivables | 1,910 | 2,864 |
| Market marketing counterparty debtors | 4,128 | 2,806 |
| Prepayments and accrued income | 993 | 927 |
| Other debtors | 2,006 | 1,944 |
| **Total trade receivables** | **9,037** | **8,541** |
| | | |
| **Company** | | |
| Prepayments and accrued income | **481** | **156** |

The Directors consider that the carrying amount of trade and other receivables approximates the fair value due to short maturities.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries where the Group operates. Based on the historically low level of irrecoverable debts, the Board have concluded that there is no requirement for additional provisions.

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|
| **Group** | | |
| **Movements in the impairment allowance for trade receivables:** | | |
| At start of year | 12 | 28 |
| Receivables provided for during the year as uncollectible | - | (28) |
| Acquired through business combinations | - | 12 |
| **At end of year** | **12** | **12** |

The carrying amounts of the entity's trade and other receivables are all denominated in GBP.

**Contract assets**

Contract assets arise when the Group performs services for a customer in advance of consideration being received or due. Contract assets comprise of retainer fee income accrued for ongoing advice given to retained clients.

**17. Cash and cash equivalents**

| | **31 March 2020 £'000** | **31 March 2019 £'000** |
|---|---|---|
| **Group** | | |
| **Cash and cash equivalents** | | |
| Cash at bank and in hand | **4,695** | **4,659** |
| | | |
| Cash and cash equivalents were held in the following currencies: | | |
| UK Pound | 3,908 | 4,376 |
| United States Dollar | 541 | 123 |
| Euros | 246 | 160 |
| **Total cash and cash equivalents** | **4,695** | **4,659** |
| | | |
| **Company** | | |
| **Cash and cash equivalents** | | |
| Cash at bank and in hand | **8** | **105** |
| | | |
| Cash and cash equivalents were held in the following currencies: | | |
| UK Pound | **8** | **105** |

The Group's Employee Benefit Trust had a cash balance of £125,000 under the control of the Trustees and not accessible by the Directors.

## 18. Trade and other payables

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|
| **Group** | | |
| Trade payables | 1,881 | 655 |
| Social security | 438 | 481 |
| Accruals | 1,389 | 3,968 |
| Deferred income | 178 | 143 |
| Market marketing counterparty creditors | 3,624 | 2,496 |
| Lease liability | 415 | - |
| Other creditors | 544 | 322 |
| **Total trade and other payables** | **8,469** | **8,065** |
| | | |
| **Company** | | |
| Accruals | 30 | 57 |
| Other creditors | - | 12 |
| **Total trade and other payables** | **30** | **69** |

The lease liability was created during the year due to the adoption of IFRS16, see note 24.

The Directors consider that the carrying amount of trade and other payables approximates the fair value due to short maturities. All trade and other payables were held in GBP.

**Contract liabilities**

Contract liabilities arise where consideration is received for which the Group has an obligation to perform a service for a customer. Contract liabilities comprise of retainer fee deferred income for ongoing advice given to retained clients.

## 19. Amounts due to subsidiaries

| | 31 March 2020 £'000 | 31 March 2019 £'001 |
|---|---|---|
| **Company** | | |
| Amounts due to subsidiaries | **2,894** | **2,894** |

Amounts due to subsidiaries incur no interest and are repayable on demand.

## 20. Share Capital

| | 31 March 2020 Number | 31 March 2019 Number |
|---|---|---|
| Opening | 168,830,089 | 117,951,100 |
| Issue of new shares | - | 11 |
| Issue of shares on exercise of options | 900,000 | 4,082,715 |
| Issue of shares on admission to AIM | - | 13,392,857 |
| Issue of shares through business combinations | - | 33,403,406 |
| **Closing** | **169,730,089** | **168,830,089** |

| | Issued, called up and fully paid | |
|---|---|---|
| | **Number** | **£'000** |
| Ordinary shares of £0.01 each | 169,730,089 | 1,697 |

The Company has one class of ordinary shares in issue, which are non-redeemable, carry one vote per share and have 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.

## 21. Reserves

### Merger relief reserve

The merger relief reserve represents:

- the difference between net book value of finnCap Ltd and the nominal value of the shares issued due to the share for share exchange on the acquisition of finnCap Ltd. Upon consolidation, part of the merger reserve is eliminated to recognise the pre-acquisition share premium and capital redemption reserve of finnCap Ltd; and
- the difference between the fair value and nominal value of shares issued for the acquisition of Cavendish Corporate Finance (UK) Limited and Cavendish Corporate Finance LLP

This reserve is not distributable.

### Share Premium

Share premium represents the excess of over the nominal value of new shares issued less the costs of issuing the shares.

## 22. Own shares held

The value of own shares held is the cost of shares purchased by the Group's Employee Benefit Trust. The Trust was established with the authority to acquire shares in finnCap Group plc and is funded by the Group.

| Shares held | 31 March 2020 Number | 31 March 2019 Number |
|---|---|---|
| At the start of year | 12,291,006 | 4,503,170 |
| Movement | - | 7,787,836 |
| **At the end of year** | **12,291,006** | **12,291,006** |

During the year, the Group's Employee Benefit Trust purchased nil ordinary shares (2019: 10,903,772 at a weighted average price of £0.116). Total consideration for these purchases was nil (2019: £1,259,229) and these purchases represent nil percent of the ordinary called up share capital (2019: 6.46%).

In addition, the Group's Employee Benefit Trust sold nil ordinary shares (2019: 3,115,936 ordinary shares at a weighted average price of £0.223). Total consideration for these sales was nil (2019: £693,354) and these sales represent nil percent of the ordinary called up share capital (2019: 1.85%).

## 23. Share Based Payments

The Company has a share option scheme for employees of the Group. If options remain unexercised after a period of 4 or 7 years from the date of grant, then the options expire without value. Options are forfeited if the employee leaves the Group before the options vest. Details of the share options outstanding are as follows:

| | **Number of share options** | **Weighted average exercise price £** |
|---|---|---|
| Outstanding at beginning of the period | 27,285,515 | 0.132 |
| Granted during the period | 3,000,000 | 0.260 |
| Exercised during the period | (900,000) | 0.056 |
| Forfeit during the period | (4,803,297) | 0.142 |
| Outstanding at the end of the period | **24,582,218** | **0.148** |
| Exercisable at the period end | 15,638,386 | |

The options outstanding at the period end were:

| **Grant date** | **Number of shares under option** | **Exercise price per share** | **Vesting period** | **Exercise period** |
|---|---|---|---|---|
| 26 November 2018 | 2,285,714 | 0.05 | Up to 4 years | Up to 7 years |
| 26 November 2018 | 750,000 | 0.06 | Up to 4 years | Up to 7 years |
| 26 November 2018 | 3,357,672 | 0.10 | Up to 3 years | Up to 4 years |
| 26 November 2018 | 3,795,000 | 0.13 | Up to 4 years | Up to 7 years |
| 26 November 2018 | 3,391,667 | 0.15 | Up to 4 years | Up to 7 years |
| 26 November 2018 | 5,450,000 | 0.14 | Up to 4 years | Up to 7 years |
| 05 December 2018 | 1,000,000 | 0.28 | Up to 4 years | Up to 7 years |
| 03 January 2019 | 802,165 | 0.23 | Up to 3 years | Up to 4 years |
| 24 January 2019 | 750,000 | 0.15 | Up to 4 years | Up to 7 years |
| 09 July 2019 | 3,000,000 | 0.26 | Up to 4 years | Up to 7 years |
| **Total options granted** | **24,582,218** | | | |

The options outstanding at 31 March 2020 had a weighted average exercise price of £0.148, and a weighted average remaining contractual life of 3.7 years. The aggregate of the estimated fair values of the options granted on those dates is £669,248. The inputs into the Black-Scholes model are as follows:

| | **2020** |
|---|---|
| Weighted average share price | 23.3 |
| Weighted average exercise price | 14.8 |
| Expected volatility | 33.8% |
| Expected life | Up to 7 years |
| Risk-free rate | 1.7% |
| Expected dividend yield | 5.0% |

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

The Group recognised total expenses of £110,037 (2019: £99,977) related to equity-settled share-based payment transactions in the period.

Certain current and former employees of the Group, including key management personnel, have provided the Employee Benefit Trust with 6,100,901 call options for shares in finnCap Group plc. Separate, but related, options have been provided by the Employee Benefit Trust to other employees of the Group. As these options will effectively be settled between these current and former employees of the Group, they have not been included in the share options disclosed above.

**24. IFRS 16 Leases**

With the adoption of IFRS 16 – Leases, the distinction between operating and finance leases has been removed resulting in the recognition of right of use assets and lease liabilities in the Statement of Financial Position.  Rental payments previously recognised as an operating lease expenses have been replaced by depreciation of the right of use asset and interest charged on the lease liability.

The Group has applied the modified retrospective approach to the two existing property leases. As such, assets and liabilities were created on 1 April 2019 and the comparative figures have not been restated. The right of use asset and lease liability have been calculated as the net present value of the remaining lease payments discounted at the incremental borrowing rate of 3.0%. As a result of this change the Group has also derecognised a rent-free period accrual and adjusted retained earnings brought forward upon creation of the IFRS 16 assets and liabilities.

The impact of this change on the financial statements is summarised below.

On the 1 April 2019, the Group recognised the right to use assets for the two properties whilst creating corresponding lease liabilities. The right of use asset for 60 New Board Street was calculated using the lease payments over the life of the lease. The asset for the 40 Portland Place property was calculated based on the lease payments from the date of acquisition of Cavendish by the Group. There adjustments have given rise to an adjustment to bought forward reserves.

| | 1 April 2019 £'000 | IFRS 16 Adoption £'000 | 31 March 2019 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 1,337 | 850 | 487 |
| **Current liabilities** | | | |
| Accruals | 3,814 | (154) | 3,968 |
| Lease liability | 1,074 | 1,074 | - |
| **Equity** | | | |
| Retained earnings | 9,464 | (70) | 9,534 |

The rental payments previously recognised as an expense have been removed from the statement of comprehensive income and replaced by depreciation and finance costs, as shown below.

| | Year ended 31 March 2020 £'000 |
|---|---|
| Decrease in operating lease payments | 760 |
| Increase in depreciation | (600) |
| **Operating profit** | **160** |
| Finance Costs | (24) |
| **Impact on profit before taxation** | **136** |

At the reporting date, the remaining undiscounted cashflows on the property leases are shown below.

| | 31 March 2020 £'000 |
|---|---|
| **Undiscounted cashflows** | |
| Due within one year | 415 |

| | 31 March 2019 £'000 |
|---|---|
| Opening balance | - |
| Adoption of IFRS16 | 1,074 |
| Finance Costs | 24 |
| Lease payments due | (683) |
| **Closing balance** | **415** |

On 2 April, the Group took possession of its new lease of 5th Floor, 1 Bartholomew Close. The right to use asset created by this lease will be recognised in the reporting period beginning on 2 April 2020 and is therefore not shown in these financial statements.

## 25. Dividends

| | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £'000 |
|---|---|---|
| Dividends proposed and paid during the year | 1,218 | 1,635 |
| Dividends per share | 0.78p | 1.38p |

Dividends are declared at the discretion of the Board.

## 26. Related party transactions

Transactions and balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and, in accordance with IAS 24, are not discussed in this note.

The remuneration of key management personnel and their interests in the shares and options of the Company are disclosed in the Remuneration Report on pages 29 to 32.

There are no outstanding balances with key management personnel at the balance sheet date.

## 27. Post balance sheet events

On 2 April, the Group took possession of its new lease of 5th Floor, 1 Bartholomew Close. On 10 June, the Group entered into a loan agreement for £1.8m to finance the fitout of these premises with National Westminster Bank.

On 6th May, the company announced that the Takeover Panel had agreed that the finnCap Concert Party, as previously described in the admission document dated 29 November 2018, comprised of Sam Smith, Jon Moulton and Tom Hayward and their respective families and connected persons. Consequently, the finnCap Concert Party holds, in aggregate, 39,630,492 Shares representing 23.31% of the issued share capital of the Company. Sam Smith and Tom Hayward also hold, in aggregate, options over 2,631,866 Shares pursuant to the finnCap Group's various employee share option plans. Should all of these options vest pursuant to their terms and be exercised in full together, the holding of the finnCap Concert Party would increase to 42,262,358 Shares representing 24.48% of the Company's issued share capital as enlarged by that exercise and assuming no other shares had been issued by finnCap. Since the finnCap Concert Party is now interested in shares carrying less than 30% of the voting rights of the Company, members of the finnCap Concert Party are able to make purchases of shares to increase their interest up to 29.99% without triggering the requirement to make a mandatory offer to all shares pursuant to Rule 9 of the Takeover Code.

On 20 May, Richard Snow joined the firm as Chief Financial Officer, and was appointed to the Board. At the same time, Vin Murria stepped off the board to pursue her many other interests.

# Other Information

**Alternative performance measures**

The below non-GAAP alternative performance measures have been used.

**Adjusted earnings per share**

**Measure**: Adjusted earnings per share is calculated excluding share-based payments, non-recurring items, amortisation of intangible assets from the acquisition of Cavendish and includes a nominal tax charge adjustment. As with earnings per share, the weighted average number of shares in issue during the period excludes shares held by the Group's Employee Benefit Trust.

**Use:** Provides a consistent measure of the earnings performance of the core business activities.

| | Year ended 31 March 2020 £'000 | Period ended 31 March 2019 £'000 |
|---|---|---|
| Profit attributable to equity shareholders | 772 | 2,324 |
| Non-recurring items | 188 | 1,095 |
| Share based payments | 110 | 100 |
| Amortisation | 79 | 56 |
| Notional tax adjustment | 115 | 30 |
| **Adjusted earnings** | **1,264** | **3,605** |
| Basic shares | 157,093,604 | 125,845,121 |
| Earnings per share (basic) | 0.49 | 1.85 |
| **Adjusted earnings per share (basic)** | **0.80** | **2.86** |

These measures are additional to GAAP measures to aid understand of these financial statements and may not be the same as those used by other companies.

# Other information

### Registered office for all entities

1 Bartholomew Close
London
EC1A 7BL

### Websites

www.finncap.com

www.cavendish.com

### Registration numbers and company of incorporation

finnCap Group plc – 11540126
finnCap Ltd – 06198898
Cavendish Corporate Finance LLP – OC333044
Cavendish Corporate Finance (UK) Ltd – 02234889

All companies are incorporated in England

### Directors

Jon Moulton, Non-Executive Chairman
Baron Leigh of Hurley, Executive Deputy Chairman
Samantha Smith, Chief Executive Officer
Richard Snow, Chief Financial Officer
Tom Hayward, Chief Operating Officer, and Managing Partner of Cavendish
Stuart Andrews, Managing Director, finnCap
Andy Hogarth, Senior Independent Non-Executive Director
Barbara Firth, Independent Non-Executive Director

### Company Secretary

Amy Ruprai

### Nominated Adviser

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

### Broker

finnCap Ltd
1 Bartholomew Close
London
EC1A 7BL

### Auditors

BDO LLP
150 Aldersgate Street
London
EC1A 4AB

### Solicitors

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

### Registrar

Share Registrars Limited
17 West Street
Farnham
GU9 7DR


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