

finnCap Group plc

# Report and Accounts

For the year ended 31 March 2023

Registered no. 11540126



## CONTENTS

<b>1</b>	<b>Strategic Report</b>
2	Letter from the Chair
4	Introducing the Cenkos Finncap Group
5	About us
6	CEO Statement
8	Business Model
10	Our Strategy
12	Key Performance Indicators
14	Managing Risks
20	Operating Responsibly
22	S.172 Statement
24	Engaging with stakeholders
26	Chief Financial Officer's Report
<b>28</b>	<b>Governance</b>
28	Board of Directors
30	Corporate Governance Report
34	Nomination Committee Report
35	Audit Committee Report
37	Risk and Compliance Committee Report
38	Remuneration Committee Report
<b>42</b>	<b>Financial Statements</b>
42	Statement of Directors' Responsibilities
44	Directors' Report
46	Auditors' Report
51	Consolidated Statement of Comprehensive Income
52	Consolidated Statement of Financial Position
53	Company Statement of Financial Position
54	Consolidated Statement of Cash Flows
55	Company Statement of Cash Flows
56	Consolidated Statement of Changes in Equity
57	Company Statement of Changes in Equity
58	Notes to the Financial Statements
80	Alternative performance measures
81	Other information

## LETTER FROM THE CHAIR

*In extraordinarily difficult conditions, our team has remained focused on client service and delivering on its ambitions.*

## FIRSTLY, A THANK YOU TO OUR PEOPLE

FY23 has been a complex period for finnCap and its people, but we have ended the year facing a future full of potential. I've been impressed by the collective spirit, dynamism and, in these challenging times, resilience of our people over the past 12 months. They have seized every opportunity to deliver on our clients' ambitions and maintain high levels of client service. Thank you to everyone at finnCap for your exceptional work over this year and for the support you have given each other.

## DELIVERING FOR CLIENTS IN CHALLENGING MARKETS

Following the invasion of Ukraine, the operating environment in FY23 could not have contrasted more sharply with FY22, when we delivered record revenues. A combination of economic uncertainty, rising inflation and interest rates, hit investor confidence in our core markets. Funds raised on AIM declined by 70% in FY23, and the availability of debt finance to PE buyers impacted private M&A timetables and asset pricing.

Notwithstanding this, in 2023 we delivered revenues of £32.9m (FY22: £52.5m) across a wide range of advisory products. Overall, we completed c.£780m (FY22: £2bn) of public and private M&A deals and equity and debt capital raising of over £320m (FY22: £1bn). Our team has demonstrated that finnCap can deliver great outcomes for mid-market clients across PE, private and listed company environments by providing access to a broad range of advice and solutions.

finnCap Capital Markets, which focuses on strategic advice and equity capital raising services, raised equity, in aggregate, of c.£160m (FY22: £660m) and advised on c.£150m (FY22: £880m) of public markets M&A. Our debt team arranged new credit facilities of c.£160m (FY22: £370m). finnCap Cavendish, which focuses on private M&A advice, delivered revenues of £13.6m (FY22: £24.3m), with a total deal value of c.£625m (FY22: £1.3bn).

## MANAGEMENT TRANSITION AND STRATEGY UPDATE

On 1 September 2022, John Farrugia became CEO of the Group, taking over from Sam Smith, CEO of finnCap for the past 24 years. Following his appointment as finnCap's CEO and, due to the pressure of ongoing market conditions, John undertook a short strategic review and subsequently initiated a cost restructuring programme.

We remain committed to our strategy of broadening and deepening our strategic financial advisory capabilities through developing our in-house teams and selective hiring, where appropriate. This approach has created a business more able to withstand the cyclicity of the equity markets, as shown by revenue contribution from non-ECM advisory mandates. We will continue to focus on deepening our sector focus, building on our existing strengths in technology, healthcare and consumer sectors across all products. We believe our sector-based approach ensures we remain relevant to clients – whether institutional, private equity, corporate or high net worth individuals – therefore we can identify clients that can benefit most from our services. However, reflecting opportunities in our existing markets, we no longer intend to broaden our business away from our core strategic financial advisory services.

## ALIGNING COSTS AND REVENUE

From September, we took the necessary actions to realign the Group's fixed operating cost base with the challenging operating environment and preserve cash resources. We reduced headcount by approximately 10% across the Group at all levels, through a mixture of voluntary and compulsory redundancy. In addition, we reviewed and cut discretionary spending, primarily in marketing, events and branding. This action has had a positive effect on our cost base in H2 FY23 and we expect the full benefits to come through in FY24. The costs of this essential process, in addition to senior management changes made earlier in FY23, are non-recurring and a driver behind the reduction in balance sheet cash since the end of FY22.

## MERGER WITH CENKOS

During FY23, we received a takeover approach from Panmure Gordon, the UK investment bank, and undertook detailed discussions. Despite engaging extensively with our largest shareholders, we were unable to agree a price and transaction structure. However, the Board appreciated that we could materially improve the efficiency and profitability of our ECM business by combining with a comparable business or by acquiring a smaller competitor and we mandated the executive team to explore and engage alternative acquisitions.

In March 2023, we were delighted to announce our proposed merger with Cenkos Securities plc (Cenkos), the institutional stockbroker, to create *Cenkos finnCap Group* which is being effected by an acquisition of all the issued and to be issued share capital of Cenkos by finnCap. The combined entity will be a market-leading, full-service financial advisory firm, with over £50m combined *pro forma* revenues, approximately £20m cash, and over 200 retained corporate clients. It will be managed jointly by our CEO John Farrugia and Cenkos' CEO Julian Morse. The key driver behind the merger is the evident cultural fit of our teams, who both focus relentlessly on serving their complementary client bases. The finnCap-Cenkos combination gives all of our clients access to a diverse range of financial advisory services, including our private M&A business, and expert debt and private capital raising advisory teams. finnCap's clients will benefit from Cenkos' strong reputation for ECM advice and capital raising. We expect the merger will also deliver attractive cost synergies from combining common systems, procedures, regulatory overlap and infrastructure, including property and IT.

At the time of writing, the merger remains only subject to the approval of the Financial Conduct Authority and final Court approval. We expect the merger to close during the third quarter.

## A NEW BOARD FOR CENKOS FINNCAP GROUP

As part of the merger, we will establish a Board combining executives and non-executive directors from each business. I will become Senior Independent Director of Cenkos finnCap Group and look forward to working with Lisa Gordon, the new Chair. As joint CEOs, Julian Morse and John Farrugia will have responsibility for the ECM and M&A businesses respectively. Ben Procter, CFO of Cenkos, will become CFO, and Richard Snow, our CFO, will become COO.

Geoff Nash was appointed to finnCap's Board as an Executive Director representing our ECM business in July 2022. Following the merger, Geoff will step down from the Board and become a member of the new Group Executive Committee. The Board has benefited enormously from Geoff's experience. He has made a tremendous contribution during a period where we have effected a significant management transition, refocused our strategy, realigned our cost base and explored two corporate transactions in detail, leading to our merger with Cenkos. I would like to thank him for his continued contribution to the Group, which he has delivered while leading our large healthcare sector practice.

## DIVIDENDS AND OUTLOOK

We continued to make good strategic progress throughout FY23, but it has been an exceptionally challenging year. Although we have substantially cut our fixed cost base, our cash position has reduced significantly. To preserve cash, stay true to our capital discipline approach, and ensure we are fit for the future, the Board has resolved not to pay a dividend for FY23.

With a more efficient cost base and despite continued challenging market conditions in ECM, financial performance has improved during the start of FY24 and revenues in our first quarter were over 30% ahead of the same period last year. Our ECM team has achieved notable successes, including the IPOs of Fadel Capital Partners LLP and Ocean Harvest Technology plc, share placings for Kromek plc, SRT Marine Systems PLC and Lok'n Store Group PLC. Our M&A team has already completed 6 private M&A transactions with an aggregate deal value of £400m.

The merged Cenkos finnCap Group will be well placed to benefit from further market improvement, allowing it to make attractive returns for our combined investors. I am looking forward to the future and potential opportunities this merger brings.

Robert Lister  
Chair  
12 July 2023

## INTRODUCING THE CENKOS FINNCAP GROUP

### A LEADING COMBINATION

Introducing Cenkos finnCap Group, a market-leading, full-service financial advisory firm focused on corporate clients across the mid-market and providers of capital including private equity, institutional investors and debt.

### HIGHLIGHTS

Total clients: over 200 retained listed or quoted clients

Total employees: 230

Combined revenues (pro forma<sup>1</sup>) £50m: combined cash (pro forma<sup>2</sup>): £20m

Lisa Gordon (Chair)

*"This proactive and mutually-beneficial merger creates a champion for growth and investment companies, both UK-quoted and private entrepreneurial businesses. This is good for our clients, our employees, our investors and the UK capital markets as a whole."*

Julian Morse (co-CEO)

*"Cenkos finncap Group is a true meeting of minds: the combination of two firms with a shared client-centric culture, creating a premium full-service advisory house that supports growth and investment companies."*

John Farrugia (co-CEO)

*"This combination of our two companies creates exciting future revenue potential through broader client reach, and collaboration across equity and private capital market disciplines."*

<sup>1</sup> Pro forma revenue has been calculated using the sum of consolidated revenue of Cenkos, for the year ended 31 December 2022 of £20.3m, and the consolidated revenue of finnCap of £32.9m for the year ended 31 March 2023.

<sup>2</sup> Pro forma combined cash has been calculated using the sum of cash for Cenkos of £14.2m in its consolidated balance sheet at 31 December 2022, and the cash for finnCap of £9.4m in its consolidated balance sheet at 31 March 2023, less the aggregate final dividend and proposed dividend payable shortly before merger completion to Cenkos shareholders of c.£2m.

Q. *How will this merger create shareholder value?*

A. Cenkos finnCap Group will have scale and a greater breadth of clients, with a high level of recurring revenue and improved operating cost efficiency from common systems and processes. There's also clear future revenue potential through offering a broader range of products to clients, with collaboration across public equity and private capital market disciplines. We hope these benefits will increase our resilience to stock market cyclicalities, delivering steady returns for shareholders.

Q. *Why is this merger great for our clients?*

A. With our collective strength in capital markets, M&A, debt advisory and private growth, we will be able to provide an unrivalled level of service to existing and prospective clients, with greater depth of expertise, transactional capacity and fundraising strength. finnCap and Cenkos have very few shared corporate clients, so the merger gives both sets of clients access to a wider range of services, resources and expertise including finnCap's private M&A business Cavendish, and finnCap's debt and private capital raising advisory teams.

Q. *What does the merger mean for our employees?*

A. We recognise our management and employees are our most important assets, and our success will be attributable to their skills, knowledge and expertise. Our strengthened financial position will enable us to invest in developing and recruiting the very best talent, at all levels and across divisions, to drive our growth. We want to establish new incentive and remuneration policies for existing and future employees of the combined group to reward revenue generation and financial performance, as well as non-financial contributions to Cenkos finnCap Group's success.

Q. *What are the ambitions of Cenkos finnCap Group?*

A. We are creating a market-leading, full-service advisory firm for quoted growth and investment companies, with a team of experienced and ambitious advisors. We will have over £20m combined cash on our balance sheet, providing us with financial resilience and a platform to support our future growth. This will help us to take advantage of disruption among our competitors as consolidation in our sector accelerates.

## ABOUT US

### OUR OBJECTIVE

We partner with innovative, entrepreneurial and determined businesses supporting them through each stage of their development and servicing key providers of capital: public and private. Together, we aim to unlock potential and deliver business transformation.

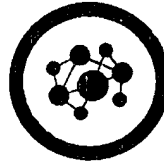
### HOW WE WORK

finnCap has a distinct set of values and is focused on creating value through strong partnerships between our people and our clients. Our values reflect how our people operate and define our culture and way of doing business.



#### Collegiate

We work as a team so our clients get the best possible advice based on a very wide set of options. We are inclusive and make use of everyone's different skills and perspectives.



#### Smart Thinking

To compete in our markets requires us to be innovative and proactive in developing ideas and relevant solutions for our clients.



#### Dynamic

We deliver our client's ambitions with energy, focused solely on their objectives.

### THE RIGHT WAY

Our people combine this set of values with established best practice within our markets and our wider engagement with stakeholders to do business in the right way.

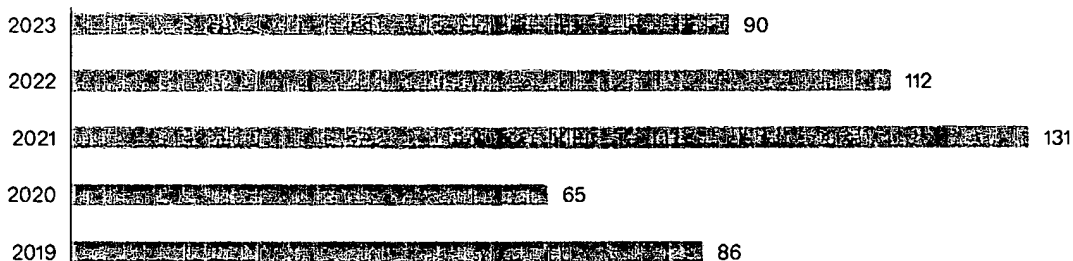
We believe this approach ensures our culture remains strong and attractive to existing employees and new talent. It also means we deliver the best service and outcomes for our clients.

### OUR CLIENTS

We work with a wide range of clients, predominantly in the UK.

- Listed Companies
- Private Equity Funds
- Family Offices
- Hedge Funds
- Private Companies
- Institutional Investors
- Investment Trusts
- Private Client Fund Managers

### AVERAGE UNITED CLIENT MARKET CAPITALIZATION (£M)



## CEO STATEMENT

*It has been a privilege to lead our team over the past ten months. They have responded admirably to the challenges that our industry has faced since the Russian invasion of Ukraine, focusing relentlessly on our clients' objectives and delivering the best outcomes possible for them.*

FY23 was an eventful year, both complex and challenging and with some of the most difficult equity market conditions we have experienced. After I became CEO in September 2022, we reviewed and re-focused our strategy, took decisive and necessary actions to manage our cost base for the extended downturn in equity capital markets (ECM), and engaged in two different major corporate transactions, leading to our merger with Cenkos Securities plc (Cenkos), announced just before our year end.

Our people have responded exceptionally well to all these challenges and I thank them for their energy and drive as we now focus on realising the huge potential of the merger.

### RESILIENCE IN A CHALLENGING AND UNSTABLE ENVIRONMENT

Our operating environment was hit hard following the Ukraine invasion, which led to economic uncertainty, sharply rising inflation and interest rates, and poor investor inflows. This has adversely affected issuer and investor confidence, particularly in ECM. Volumes of UK equity issuance – our key driver of ECM revenues – fell substantially in FY23, with overall equity placings over £5m on AIM down 70% to c.£1.7bn (FY22: £5.6bn)<sup>1</sup>.

Despite the challenging markets, we executed 52 transactions in FY23, with an aggregate deal value of c.£1.1bn (FY22: 62 transactions, aggregate value £3bn). Our strategy of diversifying outside ECM into new products and services has supported our performance, giving us an edge over our direct competitors and an increased relevance to our clients.

### DELIVERING FOUNDATIONAL FINANCIAL SERVICES

**finnCap Capital Markets (ECM)** generated £19.3m in FY23 (FY22: £28.3m).

**Retainers** – Total fees from retainer agreements increased to £7.0m (FY22: £6.6m), driven primarily by RPI adjustments. Our client base remained stable at 117 (FY22: 118), despite continued M&A activity and widely reported de-listings on AIM.

**Transactions** – Total ECM fees from transactions in the period were £9.0m (FY22: £15.8m). Deal fee revenue trends improved in H2 compared to H1, as expected. In FY23, we raised over £160m (FY22: £660m) across 19 (FY22: 25) equity fundraisings for listed clients. We continue to generate plc M&A activity where we have great depth of expertise and a strong market position. Our plc advisory team completed six plc M&A transactions (FY22: seven) with an aggregate value of c.£150m (FY22: £820m). Our debt advisory team, which works across both finnCap Capital Markets and finnCap Cavendish, completed eight (FY22: eight) fundraising mandates raising c.£160m (FY22: £350m).

**Trading** – Trading revenues were £3.3m (FY22: £5.9m), reducing in line with the wider equity issuance markets and lower levels of liquidity.

**finnCap Cavendish (M&A)** delivered another good performance in FY23. We closed 18 deals (FY22: 22) with an aggregate market value of c.£625m (FY22: £1.3bn) and with average success fees of c.£675,000, above our target level of £650,000. We generated revenues of £13.6m (FY22: £24.3m), down compared to our record FY22 performance, but ahead of our five-year average revenue levels. Although there has been turmoil in the commercial banking market, particularly in the US, the availability of deal financing has improved in 2023, improving buyer confidence from trade and private equity.

### FINANCIAL ADVICE – A STRATEGIC FOCUS FOR THE GROUP

In my first month as CEO, we undertook a review of our strategy and concluded that broadening and deepening our strategic financial advisory capabilities would remain a key focus for the Group. We will continue with our sector-based approach to maximise our relevance to our institutional, private equity, corporate and high net worth individual clients. We believe this approach puts us in a strong position to withstand market cyclicity. To scale, we will consider strategic M&A opportunities and focus on businesses and teams with services within or directly adjacent to our financial services advisory offering.

<sup>1</sup> source: London Stock Exchange.

With reduced revenue and a clear strategy, we undertook a cost restructuring programme, including voluntary and mandatory redundancies across the Group. We reviewed and cut our discretionary spend, including marketing, events, branding and external advisers. This process significantly reduced non-recurring expenditure and has placed the Group in a stronger financial position. In aggregate, the cost reduction actions should reduce our fixed cost base<sup>2</sup> to c.£28m for FY24 (excluding the impact of the Cenkos merger), substantially below the run rate in H1 23.

#### OUR MERGER WITH CENKOS

During mid-2022, we received a take-over approach from UK investment bank Panmure Gordon. Terms could not be agreed and we discontinued discussions towards the end of 2022. However, we remained convinced of the commercial and strategic merits of our strategy of building scale for our ECM business through acquisition and in late 2022 and early 2023 we held preliminary talks with a number of potential candidates.

In early 2023, we entered into discussions with Cenkos, and in March we announced a formal merger to create *Cenkos finnCap Group*, a market-leading, full-service advisory firm for growth and investment companies. We are nearing completion of the regulatory process to effect the merger and we hope completion will occur in the next few months. The merger is being effected by way of an acquisition for all of the issued and to be issued share capital of Cenkos by finnCap.

Cenkos finnCap Group has (on a *proforma* combined basis) over 200 retained listed or quoted clients and will employ 230 colleagues with shared ambitions to build on our existing strong foundations across equity capital markets, M&A advisory, debt advisory, and private growth capital fundraising. The new Group has over £50 million of *proforma* combined revenues and over £20 million combined cash (Basis see page 4).

This combination is expected to yield attractive cost synergies primarily from property savings and through combining our operations teams and systems. It will also enable us to offer more liquidity to our institutional and corporate clients and provide access to a more diverse range of financial advisory services. *Cenkos finnCap Group* will be jointly led by the existing CEOs of finnCap and Cenkos. Lisa Gordon, Chair of Cenkos, will chair the enlarged group, and the combined Board will comprise equal numbers of finnCap and Cenkos directors.

#### OUR COMMITMENT TO EMPLOYEES

We continue to make a significant contribution in our local communities with a range of financial and skills support, including volunteering and encouraging entrepreneurship and diversity and inclusion in the workplace. In August, we held our second *The Side Hustle* competition run by YourGamePlan Limited, providing the winning youth entrepreneurs with funding to grow their businesses and active mentoring by our teams. We plan to hold this competition again in 2023.

We have now operated our Employee Volunteer Scheme for over 18 months. We aim to contribute socially to our local community through volunteering and encourage our people to volunteer and support worthy causes. We have a formal volunteering policy, and all employees can book two days paid leave per year to support their charitable and voluntary activities. Our matched funding programme allows employees to ask finnCap to match their fundraising up to £250 with consent of our ESG Committee. For more details see our ESG report on pages 20 to 21.

#### OUTLOOK

With a more efficient cost base and a solid balance sheet we are well placed to maximise the benefits of our merger with Cenkos and we remain confident in the long-term prospects for the Group. Despite the challenging backdrop, our pipeline of potential transactions in both plc M&A and equity fund raising in ECM remains encouraging.

Since the year end, we have already completed two IPOs bringing Fadel Capital Partners LLP and Ocean Harvest Technology plc to the AIM market and placings for SRT Marine Systems PLC, Kromek plc and Lok'n Store Group PLC. Equity market activity remains muted but we believe overall ECM deal fees in FY24 will be greater than in FY23, albeit weighted towards H2. Activity levels remain good for M&A team with 6 deals already completed in Q1 with an aggregate value of £400m and, given our pipeline, we expect FY24 M&A revenue will be in line with or ahead of FY23.

Unaudited total revenue for Q1 FY24 was £8.7m up c.32% on FY23 (£6.6m) and, at 30 June 2023 our cash position was £9.1m after payment of FY23 bonuses, primarily within the M&A team.

I look forward to the opportunity to scale the business together with Cenkos and firmly believe the merger creates a group fit to face the challenges of a consolidating market and capitalise on a potential market improvement in FY24. Furthermore, I'm confident we have the right cultural and operational fit to make this a success.

John Farrugia  
Chief Executive Officer

12 July 2023

<sup>2</sup> Being total fixed employee costs (i.e. excluding IFRS 2 Share-based payments charges and discretionary compensation) plus non-employee costs.

## BUSINESS MODEL

### A TRUSTED ADVISER TO OUR CLIENTS

We partner with ambitious, entrepreneurial businesses to unlock their potential and deliver business transformation. Through our two brands – finnCap Capital Markets and finnCap Cavendish – we offer a wide range of products and advise on different alternative solutions for our clients.



Strategic advisory and  
capital raising services

No 1 ranked AIM Adviser,  
AIM Broker and LSE Main  
Market Financial Adviser

A leading UK mid-market M&A  
house with global reach

## OUR PRODUCTS AND SERVICES

We help growth companies access capital and promote their stories across public and private markets. We are solution agnostic, providing the best advice for each business requirement to fuel faster growth, build value and we are trusted to deliver.

### **Investment banking**

#### **Strategic advice and capital**

finnCap helps companies and their owners achieve their ambition by providing strategic advice and raising appropriate capital to drive change, unlock growth and crystallise capital. These services include:

Public market fundraisings including: placings, rights issues and open offers.

#### **IPOS**

Public company M&A (acquisition, Rule 3, defence)

Private M&A (sell-side or buy-side)

Debt arrangement and advice

Private capital fundraisings

Acting as corporate broker/NOMAD on a retained basis

General advice on strategic options

### **Equities**

#### **Research**

In-depth research on UK listed companies.

Particular leadership in tech, life sciences, consumer and industrial tech sectors.

#### **Distribution and Execution**

Outstanding listed equity distribution and execution for institutional investors and corporate clients.

#### **finnCap Analytics**

Trading ideas and execution for larger hedge funds and institutional investors.

Access to the next level of investor for our corporate clients.

## OUR STRATEGY

### UNLOCKING VALUE FOR CLIENTS AND SHAREHOLDERS



We are focused on growing our revenues, profits and shareholder value through helping our clients unlock value through our key services: ECM, M&A, debt and private growth capital, advisory and capital raising.

Our strategy has four priority areas we believe combine to create a business capable of mitigating and manage market cyclicality, creating value and generating trust with our clients and wider stakeholders.

We continue to deepen our sector-based approach to maximise our relevance to our institutional, private equity, corporate and high net worth individual clients. We will consider opportunities that add strategic value and are focused on services within or directly adjacent to our financial services advisory offering.

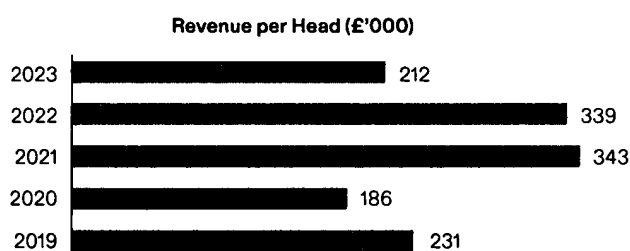
Grow  
Shareholder  
Returns

Our strategic priorities are clearly linked to our KPIs (page 12) and how we manage risk (page 14).

STRATEGIC PRIORITY	KPIs	RISKS
 <p><b>Grow Corporate Franchise</b> Win mandates from ambitious companies with equity values of £20m to £500m, public and private, to help them unlock value and deliver growth.</p>	<p>Revenue per head Advisory Revenue Corporate Client Base</p>	<p>Strategic Risk People Risk Conduct, Regulatory and Legal Risk Reputational Risk</p>
 <p><b>Extend Product Offering</b> Deepen strategic financial advisory capabilities through developing in-house teams and selective hiring to deepen our sector-based approach.</p>	<p>Advisory Revenue</p>	<p>Strategic Risk People Risk Conduct, Regulatory and Legal Risk Operational Risk</p>
 <p><b>Diversify Through Acquisition</b> Consider potential M&amp;A opportunities focused on businesses and teams offering services within or directly adjacent to financial services to help clients unlock value or growth.</p>	<p>Advisory Revenue</p>	<p>Strategic Risk People Risk Conduct, Regulatory and Legal Risk Other Operational Risk</p>
 <p><b>Maintain Operating &amp; Capital Discipline</b> Focus on strong cost control, operating efficiency and an adequate balance sheet, providing the resilience to withstand the impact of a cyclical environment and to meet regulatory capital and trading risk requirements.</p>	<p>Non-employment cost per head Cash Resources</p>	<p>Strategic Risk Technology Risk People Risk Conduct, Regulatory and Legal Risk Other Operational Risk</p>
 <p><b>Grow Shareholder Returns</b> Reward shareholders for the capital they give us.</p>	<p>Adjusted Earnings per Share Dividend per Share</p>	<p>All operating risks can impact our ability to deliver attractive shareholder returns. Risk of rising corporation or other tax rates.</p>

## OUR KEY PERFORMANCE INDICATORS (KPIs)

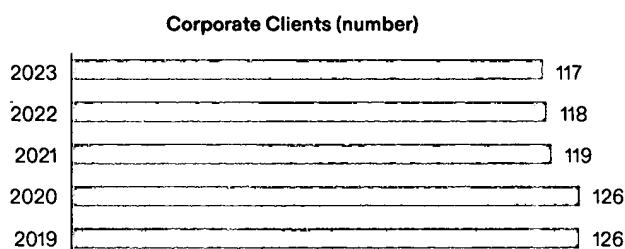
We use a range of financial and non-financial indicators to measure our performance at different levels of the business and assess alignment with our strategy. All measures, except dividend per share, are non-GAAP measures. References to notes are to the notes to the financial statements.



Measures our productivity per employee and reflects the performance of our business.

In FY23, revenue per head was c.20% below our five-year average. This was caused by two primary drivers: in ECM, reduced activity across the equity markets impacted activity across all market participants; in M&A, although FY23 revenues were broadly in line with our five-year average revenue level, overall revenues were substantially below the FY22 record year.

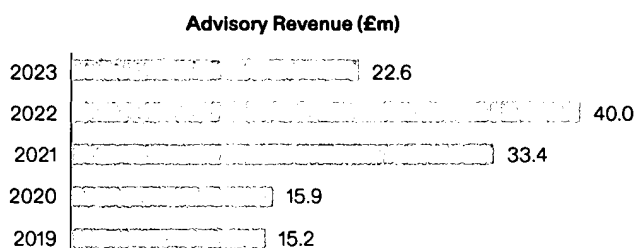
*Revenue per head in each financial period is calculated as: total revenue (see Note 5) divided by total number of employees (see Note 7).*



Measures the size of our finnCap Capital Markets franchise.

We aim to win new corporate clients that need to raise capital to support their growth. Successfully winning and retaining clients provides us with a source of recurring revenue (retainers) and a stronger deal flow over time.

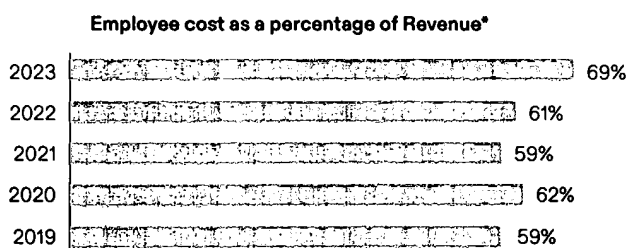
In FY22, our client base was broadly stable, with 12 client wins and 13 losses – including eight from takeover or delisting.



Reflects predominantly ECM and M&A fees, and will grow with an increasing client base and overall market activity.

In FY23, advisory revenue dropped back from record levels, driven by market conditions in ECM and a return to more normalised performance in M&A.

*Advisory revenue from all services in each financial period is calculated as: the sum of finnCap Capital Markets – transactions revenue and finnCap Covendish – private M&A advisory revenue (see Note 5).*



Measures our ability to manage pay as market conditions and revenues fluctuate.

In FY23, we paid an employee compensation ratio in excess of previous years to reward key contributors, particularly in M&A where divisional performance was good. We also want to retain employees so we can capitalise on revenue opportunities in the future.

Although the compensation ratio increased by eight percentage points, due to the decline in FY23 revenues in, total compensation paid to employees declined by 30%.

*\* Employee cost as a percentage of revenue in each financial period is calculated as: total employment benefit expense less share-based payments (see Note 7), divided by total revenue (see Note 5).*

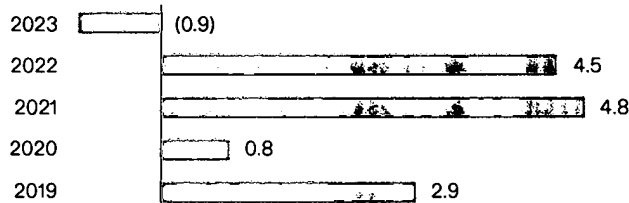
**Non-employment cost per employee (£'000)**

**Measures our operating efficiency outside our employment cost.**

Non-employment costs per employee reflects our efficient operating model and can be used to benchmark against our competitors.

Costs in FY23 were under pressure due to the high inflation environment. This was largely offset by cost control activities in H2 FY23.

*Calculated by deducting total employee cost (Note 7) from total administrative expenses (Note 6) and dividing this by the total number of employees (Note 7).*

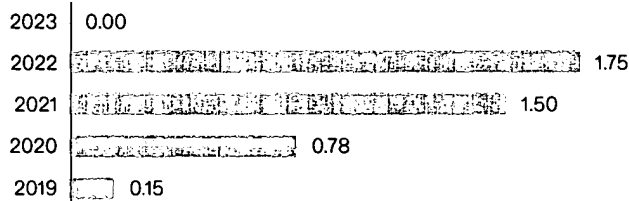
**Adjusted Earnings Per Share (EPS) (p)\***

**A measure of profitability for shareholders.**

When undertaking transactions or strategic investment, we assess using EPS accretion as a key metric. In FY23, adjusted earnings were negative due to lower revenues and the high operating fixed cost base of the business.

The cost restructuring activity undertaken in H2 FY23 has reduced our fixed operating cost base so we can return more rapidly to profitability once market conditions improve.

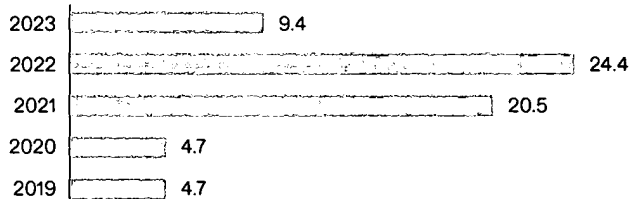
*\* The basis for non-GAAP adjusted data is set out on page 80.*

**Dividend Per Share (p)**

**The return for shareholders on their investment.**

We declared no dividends for FY23 to preserve liquidity and regulatory capital after an extended downturn in our core ECM business.

We are committed to paying attractive dividends to shareholders when conditions improve.

**Cash resources (£m)**

**Shows resources to grow the business.**

A strong balance sheet supports our ability to invest for growth and our ability to sustain dividends to shareholders during periods of weaker demand for our services.

Cash balances have reduced during FY23 due to the payment of FY22 variable compensation, dividends and cash outflows from restructuring and corporate transactions.

**Notes:**

1 The FY19 figures relate to the 11-month period from 1 May 2018 to 31 March 2019, due to a change in the Group's year-end as part of the acquisition and IPO, and include the results of Cavendish Corporate Finance for the four months following its acquisition on 5 December 2018. The basis for non-GAAP adjusted data is on page 80.

## MANAGING RISKS

### RISK MANAGEMENT



We actively manage risk by regularly reviewing the business and our operating environment, and by promoting a culture of compliance.



Our risk framework is supported by robust internal controls, and a maintained Risk Register with delegated authorities and authorisation processes, and these are reviewed on an ongoing basis so they operate effectively.


Our Risk and Compliance Committee comprises a Chair and an Independent Non-Executive Director, and is also attended by the CFO, and the Head and Deputy Head of Compliance. Our operational risk assessment is compiled by the Director of Compliance based on input and analysis by the senior members of our operating businesses and the Executive Directors. We have taken out insurance against risks the Directors consider appropriate to insure.



Our main risks are in the table below, separated into operational, regulatory and financial risks.



### RISK ASSESSMENT


RISK DESCRIPTION	MITIGATING ACTIONS	CHANGE AGAINST FY22
<b>OVERARCHING</b>		
<b>Geopolitical</b>		
<p>The risk of the impacts of the war in Ukraine on economies in which finnCap and our clients operate, namely: fuel and power cost increases causing inflation and central Bank base rates, in turn affecting consumer finances and corporate financial performance.</p>	<p>While the impacts we are managing are trivial by comparison with the suffering of the people of Ukraine, these events have resulted in high inflation and uncertainty and, therefore, limited equity issuance across the markets throughout FY23, driven primarily by the caution of institutional investors. This significantly impacted our FY23 results and continues to affect our sector. We have no direct exposure to Russia and have had no immediate loss of clients or revenue from sanctions and related actions against Russia. However, as many of our operating costs are fixed, any material decrease in revenues resulting from continued economic weakness or investor confidence directly impacts our profits and cash flow.</p> <p>In FY23 we took necessary steps to cut employment and non-people related costs during H2 FY23 to a level we consider appropriate for the current environment. We continue to monitor our operating environment and will take further cost action if the Board considers it necessary.</p>	
<b>OPERATIONAL</b>		
<b>Strategic</b>		
<p>The risk that we fail to deliver our strategy for growth and diversification, impacting our financial results and returns for shareholders.</p>	<p>We manage this risk primarily through the Board's oversight and annual strategy review, adhering to the QCA's Corporate Governance Code, ongoing risk analysis and the provision of timely management information for appropriate decision-making. The Board level and Management committee review and test our strategy every year, and we present progress and objectives half-yearly to all employees.</p> <p>During FY23, we undertook a focused review of our strategy and concluded that our revenue diversification strategy remained the best course of action. We are focusing our management team and financial resources on diversification around our core corporate and institutional financial services offering and not moving further into professional advisory service segments. At the end of FY23, we announced a merger with Cenkos Securities plc (Cenkos), which should improve our scale and financial resilience, and enable us to offer our additional advisory services to Cenkos' significant customer base. The Cenkos merger is on track to complete. (See page 4 for more details).</p>	

RISK DESCRIPTION	MITIGATING ACTIONS	CHANGE AGAINST FY22
OPERATIONAL		
<b>People</b>		
<p>Our services and strong client relationships are delivered and maintained by a specialised and highly skilled team. Failure to attract, motivate and retain team members is therefore a potential risk to our revenue by impacting our ability to execute business or our strategy.</p>	<p>We seek to mitigate these risks by maintaining appropriate remuneration and employment policies so we can retain and improve the quality of our team.</p> <p>During FY23, management transition and public corporate transactions have created significant uncertainty for our employees. We have endeavoured to maintain motivation, morale and our collegiate culture through engaging with employees and frequent communication, team events, volunteering opportunities and social events. Although the operating environment is weak in capital markets, competition for talented people is high and our risk of employee loss remains high across the business.</p>	
OPERATIONAL		
<b>Reputational</b>		
<p>Reputational risk potentially accompanies all transactions we advise on, our retained client relationships and associations, and from our personal behaviour within and outside the Group. Failure to maintain a good reputation would adversely affect our financial performance and our ability to grow.</p>	<p>We have robust policies on behaviour and conduct, which require us to maintain high standards.</p> <p>We operate a rigorous internal approval process, led by Deal Approval and Client Approval committees, to identify and mitigate risk during client and transaction intake, and at various stages of executing mandates. In addition, the NOMAD system requires us to undertake detailed due diligence before representing companies admitted to trading on AIM, on which most of our clients trade their shares.</p> <p>We actively engage with stakeholders, other professional bodies and our peers, as well as monitoring media and internet coverage, to understand our external perception. In the event of risk crystallisation, the Management team would rapidly address any market concerns with the support of the Board and its specialist communications advisers to maintain confidence in our offering and services.</p> <p>We believe our multi-year track record of growing our business, our supportive client base, and our ability to attract highly respected individuals to join our team demonstrates that our clients trust us, our reputation is good and continues to improve. During FY23, there were no events with a material adverse impact on our reputation.</p>	

RISK DESCRIPTION	MITIGATING ACTIONS	CHANGE AGAINST FY22
OPERATIONAL		
<b>Technology</b>		
<p>Technology risks arises from the failure or breach of core IT systems, software or processes within the Group or at one of our third-party providers.</p> <p>The level of risk arising from an IT failure depends largely on the extent and nature of the failure. It is particularly important for our sales and trading operations, which require an integrated IT system in order to trade and comply with regulations.</p> <p>In addition, our corporate finance and NOMAD operations require us to receive and hold confidential potentially market sensitive information on behalf of our clients.</p>	<p>We seek to mitigate these risks through a continual process of review, improvement and investment in our core systems. Where we rely on external parties or services, including software, we seek providers with suitable disaster recovery procedures and IT security controls in place. The Risk and Compliance committee and the Management committee review our IT upgrade plan, risks and issues.</p> <p>We have invested in externally tested, robust software solutions through a combination of in-house and packaged products. We also use a third-party data centre for off-site back up, disaster recovery and business continuity planning.</p> <p>During FY23, we continued to invest in cyber security, given the higher risks of a data breach from home working and a perceived threat of increased adverse cyber activity. We also continue to invest in UPS back up, hardware and software to improve the performance of our IT systems. We monitor and install third-party updates to our software systems for security and performance on an ongoing basis. We also invest in our network scale, capacity and security to support organic expansion and remote working, which is likely to become a normal part of our working practice. We have taken out specific insurance for cyber risk, to provide financial protection and give us access to specialist cyber security skills.</p> <p>We have begun an early consideration of the potential impact of developments of Artificial Intelligence software on our business. It is too early to tell what, if any, such impacts will be but we have taken steps around access protection (eg increasing mandatory password complexity) given reports of AI's capabilities in this area.</p>	

RISK DESCRIPTION	MITIGATING ACTIONS	CHANGE AGAINST FY22
<b>OPERATIONAL</b>		
<b>Controls failure</b>		
<p>The risk of loss resulting from inadequate or failed internal processes. This risk increased following the implementation of working from home. We have separately analysed other operational risks, including technology and liquidity risks.</p>	<p>We have implemented a controls environment at a financial and operational level, and oversight functions at Board level, including the SMCR committee and the Management committee.</p> <p>We rely on third-party service providers for certain aspects of our businesses (for example, on Pershing for settling trades). There is a risk these service providers are unable to meet their contractual obligations. We manage this risk through identifying key providers, monitoring their performance, investigating issues as and when they arise, and through dialogue around providers' business continuity plans. We continue to periodically reassess, revise and improve our controls environment.</p> <p>The Cenkos merger will bring with it a complex integration and alignment of people, systems and controls. In the time before completion the management teams of both finnCap and Cenkos, supported by a wide variety of colleagues where appropriate, have been working on an integration plan to deliver the targeted benefits for clients and shareholders and to mitigate risks arising from the merger.</p>	
<b>FINANCIAL</b>		
<b>Financial markets</b>		
<p>The equity markets' appetite for investment and the confidence of M&amp;A buyers directly impacts our activity and revenue. Material adverse movements in financial markets can impact the value of our investments and market making positions.</p>	<p>The Board recognises we operate in cyclical markets, and our business model is robust in these circumstances. Delivery of our strategy, which targets diversification and an efficient operating model, is designed to increase our revenue and profits, and reduce any impact of significant movements in equity markets.</p> <p>We are exposed to movements in the value of our holdings in quoted and unquoted securities. This risk is mitigated through frequent review of our holdings for appropriateness, risk and liquidity. <i>We rarely hold significant positions other than for trading purposes.</i></p> <p>The equity capital markets (ECM) environment in FY23 has been exceptionally low. Equity placings on AIM, a key driver of our revenue, declined by c.70% against FY22. While our diversification strategy has brought additional revenue – the M&amp;A division brought in over £13m revenue in FY23 vs. £10m per annum run rate before our acquisition of Cavendish in 2018 – the reduction of revenue in our ECM business has been so significant that our strategy could not mitigate the impact of this decrease on our financial performance.</p> <p>We believe our merger with Cenkos will improve our ECM operating efficiency, primarily through reducing the cost of its support operations, and increase revenue through our ability to offer a broader set of financial advisory services across the enlarged group's client base.</p>	

RISK DESCRIPTION	MITIGATING ACTIONS	CHANGE AGAINST FY22
<b>FINANCIAL</b>		
<b>Capital and liquidity</b>		
<p>The risk that we have insufficient cash or capital to meet our contractual, contingent or regulatory obligations.</p>	<p>Our objective in managing capital and liquidity is to ensure a sufficient permanent base of cash funds to be able to operate, and to absorb any reasonable losses arising from an extreme event. During FY21, we set a minimum targeted level of gross cash holdings to provide sufficient liquidity for us to operate in challenging market conditions.</p> <p>During FY23, after adjusting for committed payments (including the payment of FY22 final bonus, corporation tax payments, dividends and the investment in Energise) our cash position has varied between £7m and £11m as we have taken advantage of this liquidity buffer during challenging trading conditions.</p> <p>Our two operating companies are 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.</p> <p>Our operating companies manage their capital risk by daily computing their capital requirements and ensuring they have sufficient capital. We also monitor capital and liquidity requirements on a consolidated basis – although we are not yet required to do so.</p>	
<b>FINANCIAL</b>		
<b>Credit</b>		
<p>The risk of loss from the failure of clients or counterparties to settle or fully honour their financial obligations to us.</p>	<p>We employ policies to establish credit limits for our clients. We do not make material loans or investments into clients.</p> <p>Our primary credit risk lies with our agency trading and market making business, and our extension of credit on normal terms to corporate clients.</p> <p>Overall credit risk has increased, reflecting our challenging ECM operating environment and lower absolute cash balances. Inevitably, some clients have been adversely impacted by the economic environment and our level of bad debts has risen. As a client-focused business, we have agreed payment plans with clients who have had difficulty paying our advisory fees in cash where appropriate and, in limited instances, we have accepted equity consideration. Such arrangements are agreed by the CFO with the appropriate client and management team.</p>	

RISK DESCRIPTION	MITIGATING ACTIONS	CHANGE AGAINST FY22
<b>REGULATORY</b>		
<i>Conduct, regulatory and litigation</i>		
<p>The risk of the impact of inappropriate conduct, behaviour or practices, which may result in damage to our clients' interests, our colleagues and/or our external reputation. The risk of financial reputational loss and/or fines, censure or other sanctions by our regulators. The risk that regulations (or the interpretation of them) change materially and may adversely affect the operation of our business.</p>	<p>We rely on our employees to deliver our services to clients and support our heavily regulated businesses. Employees could exceed the boundaries of their roles or transactional limits, either intentionally or through error. The FCA continues to set clearer and higher standards around diversity, inclusion and non-financial conduct, and we support this approach. Legal proceedings may arise from time to time if we fail to comply with regulations or industry best practice.</p> <p>Our Conduct Policy sets out the standards of behaviour we expect from all employees. It is supported by a system of management supervision, segregation of duties, an independent Compliance function and the use of technology (where appropriate) to restrict the potential for breach of law, regulation or policy, and monitoring to highlight breaches. We have also established a system of monitoring and oversight as part of our SMCR framework.</p> <p>We carry out focused regulatory, legal and conduct training for our employees. Our independent compliance department reports to the Board through the Risk &amp; Compliance Committee. The Directors monitor changes and developments in the regulatory environment and ensures sufficient resources are available to implement any required changes. However, future changes to the regulatory, legislative or tax environment may have further impacts on our profitability.</p> <p>We seek to mitigate litigation risk through engagement letters that clearly define services to be provided and that limit our liability appropriately. Our professional indemnity and general insurance provide some protection against litigation risks.</p> <p>We have well-established policies on whistleblowing and financial crime. Employees may report in confidence, and anonymously if preferred, any concerns about suspected impropriety or wrongdoing in any matters affecting our business. No matters were reported in FY23.</p> <p>During FY23, the Board established the People and Culture committee, chaired by Annette Andrews, Independent Non-Executive Director and Chair of our Remuneration Committee. It comprises the CFO, HR Director and Compliance Director. Our employees have undertaken refresher training around conduct, diversity and inclusion during Q4 FY23.</p>	

**LEGEND**



Increase in risk



No change in risk



Decrease in risk

## OPERATING RESPONSIBLY

We continue to focus on ensuring that finnCap is engaged in contributing positively to its communities either directly or through its people and continues to operate sustainably.

### ESG COMMITTEE

Our ESG Committee is responsible for coordinating and leading finnCap's internal and external ESG activities, reporting and governance. It comprises employees drawn from across finnCap, both client facing and support, and is chaired by the Group CFO. The Committee meets every two months and provides updates to the Board.

During the past 12 months, the ESG Committee has:

- Reviewed various policies established in 2021;
- Organised activities for employees under our volunteering policy;
- Approved our involvement in key charity and social initiatives;
- Undertaken another SECRE assessment of our CO<sub>2</sub> emissions and arranged carbon offset through tree planting in the UK;
- Considered measures to improve our carbon footprint.

### MAINTAINING OUR SUSTAINABLE IMPACT

finnCap recognises that it is essential that businesses seek to reduce their environmental impacts where practical. We are committed to improving our environmental impact with annual review points. Our main environmental impact lies with the direct and indirect carbon energy emissions from employee travel (mainly from air travel), employee commuting, energy usage in our office and by employees when homeworking.

In FY22 and FY23, we commissioned Energise, our net-zero and energy efficiency joint venture, to compile our Energy and Carbon emissions reports.

In FY23, finnCap produced 54 tonnes of CO<sub>2</sub> equivalent (FY22: 53 tonnes). We offset this through the purchase of UK woodland with Carbon Footprint Limited.

finnCap is a low impact entity, operating from highly sustainable premises, with high energy operating efficiency. Our offices use natural gas and deploy a zero-to-landfill waste policy. We have a large bike parking area which, with our bike-to-work scheme, encourages employees to use alternative forms of transport for their commute. As we merge with Cenkos, we expect our absolute carbon footprint to rise, driven primarily by increased client-related travel. However, with a near fully occupied office going forward, we expect our CO<sub>2</sub> production per capita to decline.

### MAINTAINING OUR SUSTAINABLE IMPACT

The Board recognises the importance of high standards of corporate governance. We have implemented a strong governance framework across the business to ensure compliance with standards and the SMCR Regime of the FCA. As an AIM company, finnCap has adopted the QCA Code of Corporate Governance for Smaller Companies. More details of our corporate governance framework and performance are in the committee reports – Governance, Remuneration, Nomination and Risk and Compliance – on pages 28 to 41.

We continuously strive to improve our standards and in FY23 established a sub-committee of the Board to cover people and culture matters, now a regular standing item on the Board's agendas. In FY24, this committee will undertake another formal Gender Pay Gap study and consider its implications, and conduct external training around behaviour, culture, diversity and inclusion, reflecting the FCA's guidance on the importance of good non-financial conduct in the financial services industry.

### ENCOURAGING BETTER WORKING PRACTICES

We believe we have a wider duty of care to our stakeholders and to society. Our key activities around broader social issues focus on encouraging better working practices and on diversity and inclusion in the workplace, and on our broader contribution to our local communities.

#### Diversity and inclusion

We believe an inclusive, values-driven, forward-thinking culture empowers our people to realise their full potential and, in doing so, provide the best solutions to deliver our clients' ambition, as well as their own. We continue to focus on diversity and inclusion practices across finnCap. Our goal is to provide a working environment where all employees are included and valued for their contribution.

Diversity at finnCap is about recognising and valuing difference. It is not just about 'protected characteristics,' but extends to a range of other differences including background, education, personality, life experience, beliefs and opinions. Inclusion at finnCap is about creating a psychologically safe working environment where everyone is heard, respected and valued. It is about creating a feeling of support and belonging, where everyone can be themselves and is able to perform to their full potential.

Compared with similar sized financial services firms, we believe finnCap has good female representation. At 31 March 2023: 33% (FY22: 32%) of our employees and 28% of our Board were women. We have already seen the value that comes through a diverse workforce and will continue to support difference and we believe our differentiated culture has been a key driver in our ability to attract the best and most capable people to work at finnCap. In FY23, we ran workshops exploring best practice behaviours and have begun updated diversity and inclusion training during FY24. Our female Non-Executive Directors also attended a session for our focus group Female Futures, which aims to promote the development of female talent in our industry. Our Diversity and Inclusion Policy is on our website [www.finncap.com](http://www.finncap.com).

We successfully recruit employees from across a wide range of available talent and have a transparent and fair recruiting process. In FY23, we updated our graduate recruitment processes to facilitate a broader, more diverse talent pool. We are also committed to the diversity of our Board and senior hires. More details are in the Nominations Committee report on page 34.

#### **Contributing to our communities, sponsoring entrepreneurship**

We aim to contribute socially to our local community through volunteering and encourage our people to volunteer and support worthy causes. We have an Employee Volunteer Scheme and all employees can book two days paid leave per year to support their charitable and voluntary activities.

Our employees are encouraged to support charities through their own fundraising events, and we match up to £250 of any funds raised with approval of the ESG committee. In FY23, Lord Leigh, senior partner at finnCap Cavendish, raised over £40,000 for WaterAid, a charity focused on giving clean water and sanitation across the world. Over the past decade, he has now raised over £400,000 for WaterAid. Other colleagues have created fundraising events or taken on challenges to raise money for charities important to them including: *The Charlie Waller Memorial Trust, Stokenchurch Dog Rescue, Great Ormond Street Hospital, Haven House Children's Hospice, The Brain Tumour Charity, Cancer Research UK and Royal Marsden Breast Cancer.*

As an entrepreneurial business, we recognise how important it is to develop, mentor and champion business and social skills in future generations. We are lead sponsor of *The Side Hustle*, which is run by YourGamePlan Limited. It is an initiative to support and mentor young entrepreneurs across the UK as a nationwide competition. Now in its second year, the final for the 2022 cohort of young entrepreneurs was held in August. We have agreed to continue sponsoring this competition and supporting with the creation and development of entrepreneurship education materials. finnCap employees have since signed up to provide regular mentoring to finalists.

We also contributed socially to our local community through supporting specific activities and charities.

- In May 2022, we sponsored ten Ukrainian refugees to gain English language and UK accreditation through sponsorship of Refuaid – part of the Ukraine Business Consortium.
- Volunteer support at the Whitechapel Mission, an East London-based charity that provides food, clothing and support for people in need.
- Ran an organised canal clean up in East London.

## S172(I) STATEMENT

Our ability to succeed depends, in part, on how we engage with and mobilise our diverse group of stakeholders – clients, employees, shareholders, regulators, and our local communities.

finnCap's Board, in line with its duties under Section 172(I) of the Companies Act 2006, acts in a way it considers, in good faith, would be most likely to promote finnCap plc's success for the benefit of its shareholders, and examines a range of matters when making long-term decisions.

Key decisions and matters of strategic importance to finnCap are appropriately informed by s172(I) factors and our Directors have regard, amongst other matters, to:

- The likely consequence of any decision in the long-term;
- The interests of our employees;
- Fostering business relationships with clients, regulators and others;
- The impact of operations on the community and the environment;

- Maintaining a reputation for high standards of business conduct;
- Acting fairly between finnCap's employees.

The Directors receive information on their responsibilities under s172(I) in each Board pack. Our Company Secretary provides support to the Board to ensure it considers issues relating to matters set out in s172 (I) when making key strategic decisions.

We prioritise an open and transparent dialogue with our key stakeholders, and we believe we have a clear understanding of their needs, assess their perspectives and monitor their impact on our strategic ambition and culture. How we engage with our key stakeholders is set out in more detail over the following pages.

As part of the Board's decision-making process, the Board and its Committees consider the potential impact of decisions on relevant stakeholders, as well as broader factors including: the impact of our operations on the community and environment, responsible business practices, and the likely consequences of our decisions over the long term.

### KEY BOARD DECISIONS IN 2022

The Board made several key decisions in FY23, promoting our strategy and long-term sustainability. The table also sets out how the Board's decision making took into account the matters set out in s172(I) and the considerations for different stakeholders.

#### DECISION

##### **Cost reduction programme implemented from September 2022:**

- Undertook an assessment of the medium-term revenue prospects of each business. This identified the need to reduce both employee and non-people expenditure in order to align costs with revenue
- Made selective headcount reductions across the firm, particularly in operational and ECM roles
- Reduced professional advisory and brand marketing expenditure where possible

#### CONSIDERATIONS

Given ongoing weak market conditions, the Board recognised the need to reduce our fixed cost base to better align costs with revenue opportunities. We considered how to balance this need with maintaining appropriate resources to benefit from potential opportunities and ensure our longer-term success.

**Clients:** We need to maintain our high-quality service and our provision of appropriately experienced and qualified executives within our team to support our AIM clients.

**Employees:** The impact of a headcount reduction on employees and company morale is significant. We endeavoured to communicate clearly with employees, with an emphasis on those impacted, ensuring the redundancy programme was operated in line with our high standards of business conduct.

**Shareholders:** We aim to create value for our shareholders over the longer term. We communicated the outcome of our cost reduction programme and its longer-term impact at our interim results in December 2022 and in a subsequent investor roadshow.

**Outcome and impact of the decision:** We have delivered the cost reduction plan in line with our objectives.

## DECISION

**Takeover approach from Panmure Gordon**

## CONSIDERATIONS

Although we received no formal binding offer, Panmure Gordon's approach to finnCap required significant consideration by the Board as to the merits of a potential deal. The Board engaged external adviser Smith Square Partners to assist in assessing the transaction. Until the existence of the approach became public, engagement with stakeholder groups was constrained under the Takeover Code.

**Clients:** The transaction could potentially have impacted client relationships adversely, particularly if key-client facing employees were made redundant or left the firm due to the take-over. We wrote to all clients following the deal becoming public, informing them of the approach and our commitment to a continued high-quality service either stand alone, or as part of an enlarged group.

**Employees:** The Board took particular care in considering the interests of our employees as the combination would have resulted in substantial redundancies across all functions of our business and consulted with a limited number of employees on the merits of the combination on a confidential basis.

**Shareholders:** We considered both strategic rationale and the potential commercial terms behind the potential transaction, and its impact on shareholder value creation. We formally obtained the views of four of our largest investors on the proposals during the process with consent of the Panel on Takeovers and Mergers.

**Regulators:** We informed our key regulators, the FCA and the AIM regulator, as soon as the approach became public.

**Outcome and impact of the decision:** Despite extensive involvement of our largest shareholders we were unable to agree terms for a transaction and talks were mutually terminated.

## ENGAGING WITH OUR KEY STAKEHOLDERS

We set out below our key stakeholders, why and how we engage with them over the year. As is normal for most listed or larger companies, the Board delegates authority for finnCap's day-to-day management to its Executive Directors and management team, providing oversight by monitoring their progress against our KPIs and strategy.

The Board has identified its key stakeholder groups as clients, employees, shareholders, regulators, and the wider community and environment. Below is more detail on our approach to engaging with each stakeholder group, and the standards we set for operating responsibly.

### CLIENTS

#### Why we engage

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

At 31 March 2023, our Capital Markets client base was 117. We regularly work for further clients on a diverse range of mandates including M&A, private capital raising and debt advisory and equities trading.

#### How we engage

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

Our dedicated teams across sectors and advisory lines offer bespoke advice to our quoted, advisory and institutional clients based on an in-depth understanding of those clients' needs, with many relationships built over several years.

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

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

### PEOPLE

#### Why we engage

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

Our cultural values – smart thinking, collegiate, dynamic – were defined by our employees and outline how we succeed and behave. Together, the values create our culture of teamwork and partnership, and so they also form a central part of each employee's half-yearly assessment.

#### How we engage

Employees, whether shareholders or not, are also given an opportunity to provide input on finnCap's business and strategy at strategy sessions led by management team.

Our female Non-Executive Directors attended a session of our Female Futures focus group which aims to promote the development of female talent in our industry.

Andy Hogarth, Senior Independent Director, is available to employees to discuss concerns in relation to our business or operations.

During FY23, we continued to encourage managers to engage with employees informally and provided appropriate support on mental health/well-being issues.

In FY24, we plan to roll out a pulse survey IT system for employees to provide direct feedback to their leadership team.

## SHAREHOLDERS

**Why we engage**

We recognise that delivering on shareholder expectations is fundamental to ensuring our business continues to be successful in the long term. The Board is committed to ongoing and proactive dialogue with shareholders.

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.

**How we engage**

We run a programme of formal and informal events, meetings and presentations with our shareholders throughout the year. We actively engage with our institutional investors through regular results-based and event-driven investor meetings, and we also engage with our large base of employee shareholders through regular results and strategy briefings.

All shareholders are invited to attend our Annual General Meeting (AGM) and all Board Directors attend, giving individual shareholders the opportunity to engage directly with the Board and senior management. The Chair welcomes questions from shareholders, who have an opportunity to raise issues before or at the AGM. All our resolutions were passed by the requisite majority at our 2022 AGM.

All Non-Executive Directors are available to meet shareholders, if requested, and the Board is regularly updated on shareholder feedback. The Chair is also available to meet major shareholders – without the Executive Directors being present – encouraging direct feedback in an open and transparent forum.

We benefit from regular ad-hoc investor feedback through our institutional equity sales team and corporate broker Oberon, which works alongside our in-house broking team. Oberon provides institutional shareholders with increased support for corporate actions, and a channel to feedback outside our formal roadshow process, allowing the Board to benefit from an independent third party's views of our investment case, communication and engagement with our investors.

## REGULATORS AND INDUSTRY BODIES

**Why we engage**

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

finnCap Capital Markets, and finnCap Cavendish, our two operating companies, are regulated by the Financial Conduct Authority and, in finnCap's case, the London Stock Exchange, the UK Listing Authority and AIM team.

**How we engage**

We have an open and transparent dialogue with the regulatory and industry bodies we work with, and we employ leading compliance professionals to monitor and police our adherence with best practice. We require our employees to undertake specific training on regulation and best practice as required by their roles.

No formal review meetings with the FCA were held during FY23, neither were we subject to any censures or disciplinary action.

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

## COMMUNITY AND ENVIRONMENT

**Why we engage**

We believe companies require a broader 'consent to exist' from the communities where they operate and should have clear goals and objectives beyond shareholder returns, to demonstrate and measure a wider contribution.

**How we engage**

We have set out the ways that finnCap approaches ESG matters, contributes to its community and seeks to minimise its environmental impact in Operating responsibly – our ESG report on page 20.

## CHIEF FINANCIAL OFFICER'S REPORT

*The operating environment in FY23 was extremely challenging – requiring us to reduce our fixed operating cost base substantially and manage liquidity carefully.*

## OPERATING COSTS

	FY23 £m	FY22 £m	%
Employee costs	22.7	32.0	(29)
Share-based payments	0.6	1.1	(45)
Introductory fees	0.1	0.8	(88)
Non-employee costs	11.1	10.1	10
<b>Administrative costs</b>	<b>34.5</b>	<b>43.9</b>	<b>(21)</b>

Administrative costs, decreased by 21% primarily driven by lower employee variable compensation payments with employee costs declining overall by 30%. Although employee costs declined significantly, employee costs as a percentage of revenue increased to 69%. This compares to c.60% in prior years and reflects the need to pay some level of variable compensation to key contributors, particularly in the M&A team to retain them. Non-employee costs increased in part due to high inflation.

Once it became clear that the post-Ukraine impact on our key ECM market would persist for the medium-term, we undertook a Group-wide cost rationalisation programme in H2 FY23 to mitigate the effects as much as possible, while maintaining key capabilities across the Group – particularly in client-facing roles. After a period of strong revenue growth and investment in people, our fixed cost base – employee costs excluding discretionary pay, plus non-employee operating expenses – rose from c.£22.0m in FY20 to c.£32m in FY23, (annualising our H1 performance). This increase of c.50% was substantially ahead of our growth in headcount (c.20%) and was driven by several factors, including: high wage inflation across the sector for client-facing employees; the substantial cost of the Group's new property; higher corporate costs; and investment in IT systems to support sales and trading, CRM and cyber risks.

As a result of our cost reduction programme, non-employee costs reduced in H2 against H1 on an underlying basis. Non-employee costs per employee – a key efficiency measure – were broadly stable at £73,000 (FY 22: £70,000). With the benefit of a full year, we expect that non-employee operating expenses will be c.£10.5m in FY24, before the impact of the merger with Cenkos Securities plc (Cenkos).

## INVESTMENT

In May 2022, we invested c.£2m for a 50% interest in Energise, an energy efficiency and net zero consultancy. For its financial year to 30 September 2022, Energise recorded unaudited revenue of £1.5m, up c.40% on the previous year, and an unaudited pre-tax loss of c.£0.3m, in line with its plans. This is consistent with Energise's strategy to drive revenue growth through hiring consultants to increase client growth over the next three years.

Energise has started its new financial year well and is benefiting from growth in its core net zero and energy consulting business, as well as from fees derived from the three yearly building efficiency ESOS certification cycle in 2023.

## PROFIT BEFORE TAX AND PER SHARE LOSS

	FY23 £m	FY22 £m
(Loss)/profit before taxation	(6.3)	8.1
Adjusted (LBT)/PBT	(1.7)	9.3
Basic (loss)/earnings per share (p)	(3.3)	4.0
Adjusted basic (loss)/earnings per share (p)*	(0.9)	4.5

As a result of the significant reduction in revenue in FY23, our restructuring programme and our high fixed operating costs, we recorded a loss before tax and loss per share.

On an adjusted basis earnings per share were also negative, primarily because the benefits of our cost reduction programme were only delivered during Q4 FY23. Our revised cost base gives us the ability to continue to provide our clients with high-quality service while capitalising on potential market improvement in FY24, thereby improving both our financial performance and our ability to continue to pay key employees in line with our market peers.

## NON-RECURRING EXPENDITURE

	FY23 £m	FY22 £m
Transaction costs	0.4	-
Group restructuring costs	3.1	-
<b>Total</b>	<b>3.5</b>	<b>-</b>

Group restructuring costs relate to changes in leadership of the Group during FY23 and the redundancy programme we implemented in Q3 FY23.

Transaction costs relate to fees paid to financial and legal advisers for the proposed takeover offer received from Panmure Gordon during FY23, which mutually terminated in November. There will be further restructuring costs in FY24 as we bring Cenkos and finnCap together following completion of the merger. Although we have undertaken significant integration planning, we cannot yet quantify these costs and commensurate benefits.

## TAXATION

	FY23 £m	FY22 £m
Effective corporate tax rate	n/m	20%
Corporation tax	n/m	1.6
Net VAT paid	0.6	1.1
Business rates	0.5	0.5
Employer's National Insurance	3.5	3.7
<b>Total contribution</b>	<b>4.6</b>	<b>6.9</b>
% Revenue	14%	13%

Payment of taxes is an essential part of operating responsibly, contributing to the cost of public services and services for our community. In FY23, we generated a substantial loss, and paid lower VAT and expect to pay lower corporation tax as a result. We will seek to recover some of our corporation tax loss from FY23 through carry back elections after publication of our results in order to improve our liquidity position.

As we return to profitability, we expect the Group's effective accounting corporation tax rate to be c.20%, broadly in line with the prevailing UK corporation tax rates during the year.

As people are our primary asset and cost, we pay significant Employer's National Insurance. As a business primarily offering intermediary services, a sizeable proportion of our input VAT is also irrecoverable.

## CASH FLOW, CAPITAL AND LIQUIDITY

	FY23 £m	FY22 £m
Operating cash flow (net of lease)	(5.4)	9.8
Working capital	(5.3)	(0.8)
Capital expenditure	(0.8)	(0.6)
Tax paid	(1.2)	(1.6)
Dividends paid	(2.0)	(2.6)
Sale/purchase of investments	(0.6)	0.6
Other cash flows	0.2	(0.6)
<b>Net cash flow</b>	<b>(15.1)</b>	<b>4.0</b>
Cash	9.4	24.4
Debt	(1.3)	(1.2)

Cash balances have reduced during the year due to: the payment of FY22 bonuses and corporation tax liability; a fit out of our additional office space (increasing our capacity for client meeting rooms and also creating a suitable for sub-letting, if appropriate); our £2m FY22 final dividend to shareholders; and our £2.1m investment in Energise; and the outflow of non-recurring costs relating to restructuring and potential corporate transactions. Cash is stated before the £0.9m balance of the fit-out loan, payable in instalments over the next three years.

Maintaining a strong liquidity position means we are in a better position to withstand challenging operating conditions and our balance sheet will be strengthened following our merger with Cenkos. Although we have substantially cut our fixed cost base, our cash position has reduced. To preserve cash, stay true to our capital discipline approach, and ensure we are fit for the future, as announced in March with our proposed merger with Cenkos, the Board has resolved not to pay a dividend for FY23.

Richard Snow  
Chief Financial Officer

12 July 2023

## BOARD OF DIRECTORS

The Board is responsible for overseeing the management of the business and for ensuring high standards of corporate governance are maintained throughout finnCap plc. Certain responsibilities are delegated to Committees of the Board, as described in our Committee reports on pages 34 to 41. Each Director's biographical details, skills and experience are summarised below, including their expected time commitment.

### Robert Lister

Independent Non-Executive Chair

Robert Lister joined the Board on 1 January 2021 as a Non-Executive Director and Chair. Robert brings substantial senior executive financial services and non-executive leadership experience to the Board as well as senior non-executive experience both within financial services and beyond, having served as a non-executive director at many organisations for more than a decade.

Robert spent 25 years in investment banking. He started at Barclays de Zoete Wedd as a graduate in 1983 and rose to become Head of European Equities in 1998. At Dresdner Kleinwort Benson, he was Global Head of Equities. He was also Non-Executive Director of Investec Wealth and Investment Limited (2010 to 2020), Aberdeen Smaller Companies Income Investment Trust PLC (2012 to 2022) and Credit Suisse Asset Management Limited (2012 to 2022).

### External appointments:

- Non-Executive Director at Integrafín Holdings plc.
- Investment Expert and Chair of the Salvation Army International Trust Fund and Retired Officer Allowance Scheme.
- Director of Wellington Square Chelsea Ltd, a residents association.

Time commitment: Approximately 2-3 days a month

### John Farrugia

Chief Executive Officer  
(from September 2022)

John was appointed to the Board as Chief Executive Officer (designate) on 8 July 2022, and became Chief Executive Officer from 1 September 2022. He has over 20 years' experience in investment banking, primarily within mergers and acquisitions, and has an outstanding deal completion track record within the technology and tech-enabled business services sectors.

John joined Cavendish (now finnCap Cavendish) in 2008 and became Managing Partner, joining the Group's Executive committee in November 2020. He started his career within the technology M&A division at DC Advisory (formerly Close Brothers), then Strata Technology Partners, before moving to Cavendish Partners.

Time commitment: Full-time

### Geoff Nash

Executive Director  
(appointed 8 July 2022)

Geoff is a founding shareholder of finnCap plc and was a key member of finnCap's 2007 MBO, as a director of the Group. He has over 25 years' corporate finance experience in growth companies, having advised on all aspects of IPO, M&A and secondary funding.

Geoff has advised clients across a range of sectors, with a particular focus on life sciences. Prior to joining the Group, Geoff qualified with KPMG and previously worked in private equity. He also spent seven years at Evolution Securities (formerly Beeson Gregory and now part of Investec).

Time commitment: Full-time

**Richard Snow,**  
Chief Financial Officer

Richard joined finnCap as Chief Financial Officer in May 2020. He has held CFO and senior finance roles in several organisations and brings a wide range of senior financial experience and expertise to the Board. He also held senior investor relations roles and through his extensive investment banking career has wide experience in mergers, acquisitions, divestments and capital fund raising.

Richard was previously Finance Director and Compliance Officer for Finance and Administration of the UK law firm Greenberg Traurig LLP. Richard qualified as a Chartered Accountant with Arthur Andersen in 1991. In 1993 he moved to the investment banking industry gaining 15 years' experience in corporate finance advisory at Charterhouse, Merrill Lynch, Goldman Sachs and Nomura. In 2006 he joined Vodafone plc as Group Director of M&A and then Investor Relations. In 2014, he became Director of Investor Relations of Ladbrokes plc and from 2015, he served on its Executive Committee as acting Chief Financial Officer, leading the finance team through its merger with Coral Group plc.

Time commitment: Full-time

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

Andy joined finnCap as a Non-Executive Director in November 2018. Andy has held senior roles both as Chief Executive and Chief Financial Officer in a wide range of businesses, including retail, support services, healthcare, hospitality and construction.

He was appointed to the board of Staffline Group plc as Finance Director in 2002, becoming Managing Director in 2003 and Chief Executive when it started trading on AIM in 2004. He led the management buy-out and subsequent trade sale (to Morgan Sindall in 2002) of Pipeline Constructors Group, a utility services business.

**External appointments:**

- Governor of an RSA academy school and Trustee of a not-for-profit elderly care charity.
- CEO of Helping Hands, the UK's largest private pay home care company, operating from over 150 locations in England and Wales.
- Director/Owner of Hogarths Hotels, two boutique hotels in Solihull and Kidderminster.
- Fellow, Association of Chartered Certified Accountants.

Time commitment: Approximately 2-3 days a month

**Barbara Firth**  
Independent Non-Executive Director

Barbara joined finnCap as a Non-Executive Director in November 2018. She has decades of financial and management experience covering both private and quoted companies. She brings considerable M&A experience including processing and integrating many smaller bolt-on acquisitions and several larger scale transactions. Her past responsibilities include finance, M&A, human resources, legal and commercial contracts, investor relations and company secretarial functions.

Barbara was the UK financial controller for Roberts Pharmaceutical Inc. and a member of the Roberts/Shire merger task force. She was then Chief Financial Officer of Computer Software Group plc (CSG) from its float to its sale to HG Capital, and was then Chief Financial Officer and subsequently Chief Operating Officer of Advanced Computer Software Group plc from its early stages to the sale in 2015 to Vista for £725m.

**External appointments:**

- Woodland Drive Residents Association Ltd, a residents association
- St Luke's (Guildford) Management Ltd, a property management company

Time commitment: Approximately 2-3 days a month

**Annette Andrews**  
Independent Non-Executive Director

Annette joined finnCap as an Independent Non-Executive Director in January 2022. Annette brings substantial HR and people expertise to the Board after a 30-year career in HR roles in both regulated financial and commercial environments.

Over the past 15 years, Annette has held senior HR leadership positions at Lloyd's of London (Chief People Officer), Catlin Insurance (HR Director), Lloyds Banking Group PLC (various roles, including Head of HR Americas) and the Ford Motor Company in Europe and the UK.

On leaving Lloyd's of London in 2020, Annette founded Acaria Coaching and Consultancy, working with individuals and organisations globally to help them achieve their full potential. Annette is MBA and FCIPD qualified, and an Executive Coach and HR Consultant.

**External appointments:**

- Non-Executive Director, Foxtons Group PLC
- Non-Executive Director, Company of Human Resource Professionals
- Chair, Strengths in Communities, a community interest charity
- Fellow, Chartered Institute of Personnel Development

Time commitment: Approximately 2-3 days a month

## CORPORATE GOVERNANCE REPORT

### CHAIRMAN'S INTRODUCTION

I am pleased to present our Corporate Governance report for the year ended 31 March 2023.

In what has been a very busy year for finnCap and the Board, we continue to adopt and apply the principles of the Quoted Companies Alliance's Corporate Governance (QCA Code). This report sets out how we have applied those principles during the year. We also describe our governance framework that supports the implementation of the principles, and our approach to good corporate governance. Just like last year, this report is structured under the headings of the ten QCA Code principles for ease of reference. I'm pleased to confirm the Board's belief that we have complied with the ten principles of the QCA Code throughout the year.

We have experienced a period of significant change and challenge during FY23, including:

- The continued impact of a difficult market environment, and the need to restructure our cost base and discretionary spend;
- Overseeing the handover between our outgoing CEO (Sam Smith) and the appointment of her internal successor (John Farrugia);
- Managing further Executive Director change following the departures of Stuart Andrews and Tom Hayward from the Board;
- Responding to the approach from Panmure Gordon;
- Considering the terms of, and agreeing, the proposed all-share merger with Cenkos Securities plc (Cenkos).

I'm pleased with how the Board has responded to these challenges and worked together to make decisions in the best interests of our shareholders, colleagues and other stakeholders.

We continue to develop our governance framework and processes to ensure they meet our business needs and to support high corporate governance standards. During the year, that development has included formalising a rolling schedule of governance activity for the Board and its Committees, the establishment of the People & Culture Committee – an additional sub-committee of the Board (to provide oversight over our people strategy and initiatives, and to promote a positive culture across the business), and the introduction of an electronic Board portal to facilitate a more efficient and secure method of sharing Board papers and other materials.

Our principal committees have all reviewed and, where appropriate, updated their Terms of Reference, and the Schedule of Matters reserved to the Board has also been updated, ensuring these documents reflect our governance framework and the operation of the relevant entities.

We continue to receive updates on all relevant regulatory and corporate governance developments. Our Company Secretary provides a report to each scheduled Board meeting, including a forward-looking view of potential legislative and governance developments that may impact us in the future. The Compliance function provides regulatory updates via the Risk & Compliance Committee.

Assuming all outstanding approvals for our merger with Cenkos are received, the new Board will be chaired by Lisa Gordon and will combine executive and non-executive directors from both businesses. We share the view that good governance processes will support the future success of the combined group, and believe our respective governance structures are sufficiently similar, so the transition will not present any significant challenges.

### Strategy and business model (Principle 1 of the QCA Code)

Our strategy and business model, including the key risks and challenges in delivering them, are set out in the strategic report on pages 1 to 27.

The Board regularly discusses the Group's long-term strategy and monitors the Executive team's performance in delivering that strategy. The Board also discusses Group performance against our KPIs at each meeting.

### Shareholder relations (Principle 2)

The Board is committed to listening and communicating openly with its shareholders to ensure our strategy, business model and performance are clearly understood. Helping these audiences understand our business and strategy is a key part of driving our success.

The Annual General Meeting is the main forum through which the Board is available for engagement with shareholders. Through our Executive Directors (primarily our CEO and CFO), we engage with our shareholders through our investor engagement programme, including investor roadshows and our regular financial reporting.

The Board is kept informed of the views and concerns of shareholders through briefings following engagement activity conducted by the Executive Directors and Non-Executive Directors, and any significant investment reports are also circulated to the Board. All Non-Executive Directors (in particular, the Chair and Senior Independent Director) are available to meet with major shareholders. See more on Board engagement in our s172(l) statement on page 22.

### Our stakeholders (Principle 3)

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions. The Board is regularly updated on wider stakeholder feedback to stay abreast of stakeholder insights into issues that matter to them and our business, so the Board can understand and consider these issues in decision-making.

In addition to our shareholders, the Board has identified our key stakeholder groups as our employees, our clients, our community and the environment, our regulators and relevant industry bodies. Information on how we engage with each key stakeholder group is on pages 24 to 25.

### People & Culture Committee

The Board established a People & Culture Committee during FY23. The Committee is chaired by Annette Andrews, and its members include Barbara Firth (Independent Non-Executive Director), the CFO, the HR Director and the Group Head of Compliance. The Committee's primary role is to provide oversight and input into the development of key people policies (including culture and conduct).

The People & Culture Committee met four times during the year. It discussed key initiatives around diversity and inclusion facilitating regulatory conduct and employment law refresher training to the Board and senior executives, and reviewing potential HR and whistleblowing platforms to support more efficient and effective processes and reporting.

**Risk management (Principle 4)**

We operate a clearly defined, robust, scalable and enterprise-wide risk management and control framework, through which we aim to identify actual and potential risks, ensure appropriate controls and safeguards are in place, and mitigate risks within agreed risk appetite.

The Board has ultimate responsibility for the systems of internal control and risk management, with oversight of financial risk management systems and internal controls delegated to the Audit Committee. The Risk & Compliance Committee has delegated responsibility for assessing the quality, integrity, implementation and reliability of the Group's risk management processes. The Audit Committee and Risk & Compliance Committee reports are on pages 35 and 37 respectively. Given the size of the business and the Board, and in order to support a more efficient process in the oversight of risk management and internal control effectiveness, the Board intends to merge the Audit and Risk & Compliance Committees into a single entity during FY24.

Further information on our approach to risk management and the principal risks facing the Group is on pages 14 to 19.

Key financial and non-financial controls are set out below:

**Financial controls**

- The Board is responsible for reviewing and approving overall Group strategy, approving revenue and capital budgets and plans, and determining our financial structure, including treasury, tax and dividend policy. Results and variances from plans and forecasts are reported to the Board.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.
- There are comprehensive procedures for budgeting and planning, monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover profit, cash flows, capital expenditure and balance sheets. Results are reported against budget and compared with the previous year, and forecasts for the current financial year are regularly revised in the light of actual performance.

**Non-financial controls**

The principal elements of the internal control system include:

- Close management of the Group's day-to-day activities by the Executive Directors;
- An organisational structure with defined levels of responsibility to promote entrepreneurial decision making and rapid implementation, while minimising risks;
- An appropriately staffed compliance department with a clear annual work plan;
- A robust IT strategy, which is vital to the Group's security and continuity.

**The Board (Principle 5)**

The Board oversees corporate governance, and it is the Board's job to ensure finnCap Group plc is managed for the long-term benefit of our clients, employees, shareholders and other key stakeholders, with effective and efficient decision making, including maximising revenue opportunities across our trading subsidiaries.

As at the date of this report, the Board comprises: the Chair, three Executive Directors and three Independent Non-Executive Directors, with a gender balance of 72% male and 28% female directors. The Board is satisfied this is an appropriate balance between independence and knowledge so it can discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

The Board has effective procedures to monitor and deal with conflicts of interest, including recording other external commitments and interests of its Directors.

The Board has delegated specific responsibilities to various Committees as follows:

- 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 Group's overall Remuneration policy 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 finnCap's risk management policies.

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

**Board and Committee Meetings**

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

During FY23, we introduced an online Board portal to support a more efficient and secure approach to managing Board and Committee meetings and to distributing papers and other materials to the Board. The system is used to support all Board and committee meetings, and for the quarterly meetings of the Boards of the Group's trading subsidiaries. It is also a document library for previous meeting documents, key governance documents and other materials to which Board and Committee members may wish to refer.

Attendance at Board and Committee meetings during the year ended 31 March 2023 is outlined in the table below. For Directors who were appointed to, or stepped down from the Board during the year, the table reflects their attendance at meetings from the relevant date.

	Position As at 31 March 2022	Board (6 meetings)*	Nominations Committee (2 meetings)	Audit Committee (4 meetings)	Remuneration Committee (7 meetings)	Risk and Compliance Committee (5 meetings)
<b>Directors</b>						
Robert Lister	Chair (Non-Executive Director)	6	2	4	7	5
John Farrugla	CEO (appointed 8 July 2022)	4	-	-	-	-
Richard Snow	CFO	6	-	-	-	4
Geoff Nash	Executive Director (appointed 8 July 2022)	-	-	-	-	-
Annette Andrews	Independent Non-Executive Director	6	2	-	7	-
Andy Hogarth	Senior Independent Director	6	2	4	7	-
Barbara Firth	Independent Non-Executive Director	6	1	4	7	5
<b>Past Directors</b>						
Sam Smith	CEO (stepped down 1 September 2022)	2	-	-	-	-
Stuart Andrews	Managing Director, finnCap (stepped down 15 May 2022)	-	-	-	-	-
Tom Hayward	COO (stepped down 20 January 2022)	5	-	-	-	4

\* In addition to the six scheduled Board meetings, the Board also met at short notice on a further twelve occasions during the year. These additional meetings were predominantly to discuss CEO succession, the approach from Panmure Gordon in Q3 FY23, and the proposed all-share merger with Cenkos in Q1 FY24. In general, all Directors attended these additional meetings. On the rare occasions when a Director was unable to attend, the Chair ensured the Director was fully briefed either before or after the meeting to capture their views.

## ROLES AND RESPONSIBILITIES

### Chair

Robert Lister is our Non-Executive Chair. He is responsible for the effective leadership, operation and governance of the Board, ensuring all Directors contribute effectively to the Board's discussions and our strategic development. He also ensures our culture and values are reflected in how the Board operates.

### Independent Non-Executive Directors

Annette Andrews, Barbara Firth and Andy Hogarth are considered by the Board as Independent Non-Executive Directors (NEDs). The NED role is to oversee and scrutinise the Executive Directors' performance. Our NEDs are expected to devote enough time for the proper performance of their duties, equating to approximately two to three days a month, including attending all Board and Committee meetings for which they are members (or which they chair). In FY23, significantly more time was needed, given the additional meetings and corporate activity.

### Executive Directors

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

The CEO and CFO sit on the boards of the Group's trading subsidiaries, finnCap Ltd and Cavendish Corporate Finance LLP, (with Geoff Nash) and are the regulated entities' 'Senior Managers' for the purposes of the Senior Managers & Certification Regime (SMCR). They meet regularly in this capacity, reviewing matters relating to risk management, legal and compliance issues, employee conduct, technology risks, financial procedures and other issues as required.

To support the Executive Directors in managing the business, finnCap Group plc has established a Group Executive Committee, comprising the Executive Directors, a Senior Partner in finnCap Cavendish, the Co-Heads of Corporate Finance, the Head of Equities and the Head of HR. The Group Executive Committee meets weekly to monitor implementation of our strategy.

### Subsidiary committees

finnCap Ltd and Cavendish Corporate Finance LLP, as the Group's operating subsidiaries, each have an Executive Committee (ExCom), comprised of key revenue generators and department heads. Each ExCom meets regularly to discuss and decide on matters specific to the relevant subsidiary's business, performance and employees.

finnCap Ltd and Cavendish also each have new business committees that consider taking on new clients or transactions. finnCap Ltd has other committees including a Nomad Committee, Sponsor Committee and Opinions Committee, which assist in meeting finnCap Ltd's regulatory obligations in providing services to its clients.

**Directors' skills and capabilities (Principle 6)**

The Board has a blend of sector, financial and listed company experience, and the Executive Directors have broad experience in financial services, investment banking and M&A.

With the support of our Company Secretary, nominated advisor (Nomad) and other advisors, the training and development needs of the Board are met through regular updates on legal, regulatory and governance issues as appropriate. During FY23, all Board directors attended regulatory and employment law training workshops facilitated by our legal advisers. These sessions ensured all Directors were fully briefed in developments in regulator expectations around financial and non-financial conduct.

On joining the Board, Directors receive a tailored induction programme, including meetings with members of the Board and senior management, access to Board and Committee papers and minutes, and meetings with relevant external advisers, including finnCap Group plc's Nomad. As the only Board appointments during the year were internal, and both John Farrugia and Geoff Nash are long-serving senior employees, there was no specific induction process beyond Nomad briefings and provision of Board-related information.

Biographies of each Director, including details of their experience and roles on the Board, are on page 28.

**Board performance evaluations (Principle 7)**

The Board evaluated its own performance in FY23 through an internally facilitated process. Each Director was asked to identify areas of effectiveness and good practice, and areas of the Board's operation that could be improved. This approach was adopted to elicit more qualitative feedback than from a standard questionnaire-based approach. The Company Secretary collated the responses, which were then reviewed by the Chair and discussed at the Board meeting in May 2023.

In general, the feedback was that the Board had operated well given the circumstances of a very challenging year. Board relationships are felt to be constructive, with an appropriate level of challenge and debate at Board meetings. Recognising the significant management distractions during the year, the feedback also indicates that although the quality of executive reports to the Board is good, there are opportunities to improve KPI reporting and strategic updates.

The Board will use this feedback to continue to develop and improve its process and individual executive director performance during FY24. The Board intends to continue to conduct an annual performance evaluation process, with the format of the FY24 process to be discussed and agreed during the year.

The Chair is responsible for an annual appraisal of CEO's performance, and the CEO for each of the other Executive Directors.

**Corporate culture (Principle 8)**

The Board recognises that core values provide a framework that influence every level of our organisation. Our values are smart thinking, collegiate and dynamic. All employees are encouraged to live our values at work as we believe sharing and demonstrating these values plays a major role in creating an enjoyable work environment and engaging our employees. These values are set out in our Employee Handbook and form a key part of employee performance and development reviews.

All employees receive training on the FCA's Senior Manager and Certification Regime (SMCR), which applies to the Group's regulated subsidiaries finnCap Ltd and finnCap Cavendish.

This includes training on expected levels of conduct. Materials are also available to employees on our intranet. Employee conduct is a standing item on Risk & Compliance Committee's agenda, the quarterly meetings of the Group's Senior Managers, and the Group and regulated subsidiaries' Executive committees.

The Board receives feedback on Group culture through updates from the Executive Directors, including employee engagement surveys, and direct interactions with employees. Updates are also provided following each meeting of the People & Culture Committee.

**Whistleblowing**

The Group has 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.

**Governance structure (Principle 9)**

The Board is satisfied that our governance structures and processes are fit for purpose. The roles and responsibilities of the Board, its Committees and Directors are described above and in the reports of the principal Committees set out in this Annual Report.

There is a formal Schedule of Matters reserved to the Board, including but not limited to ensuring responsibility for overall strategy, approval of major investments (capital expenditure or operational expenditure), approval of external financial reporting, annual budgets, dividend policy, and Board structure. The Board also monitors the exposure to key business risks, and reviews the strategic direction of the Group's trading subsidiaries, their annual budgets and their performance in relation to those budgets.

Each of the Board's Committees operates under specific Terms of Reference approved by the Board and reviewed annually, available on our website: [www.finncap.com](http://www.finncap.com)

Our governance framework is supported by robust internal controls, delegated authorities and authorisation processes, and these are reviewed on an ongoing basis so they operate effectively.

**Shareholder and stakeholder communications (Principle 10)**

Our approach to maintaining a dialogue with shareholders and other stakeholders is explained in Shareholder relations (Principle 2) and Our stakeholders (Principle 3) above. The Board believes transparency in its dealings offers a level of comfort to stakeholders and an understanding that their views will be listened to.

Our website ([www.finncap.com](http://www.finncap.com)) provides information about our business activities, access to all regulatory announcements and copies of all our Annual Reports to date.

Our Non-Executive Directors attend the AGM and can attend other meetings with shareholders, and do so from time to time or as requested. All shareholders are invited to attend the AGM to raise any questions regarding the Group's management or performance.

Robert Lister  
Chair

12 July 2023

## NOMINATION COMMITTEE REPORT

### ROLE OF THE NOMINATION COMMITTEE

The Board has delegated authority to the Nomination Committee (the Committee) for ensuring the Board has the right balance of skills and experience, including succession planning for Directors and other senior executives, and filling Board vacancies as they arise. The Committee's Terms of Reference set out in further detail the objectives and responsibilities of the Committee are available on finnCap's website: [www.finncap.com](http://www.finncap.com).

### COMMITTEE MEMBERSHIP AND MEETINGS

As at the date of this report, the Committee comprised:

- Chair: Andy Hogarth, Senior Independent Director;
- Barbara Firth, Independent Non-Executive Director;
- Robert Lister, Board Chair.

Details on the experience and expertise of the Committee members is on page 28 of this Annual Report. The Committee meets as appropriate, and at least once a year. In the last financial year, the Committee met twice primarily to discuss Board succession. More information about meetings and attendance during FY23 is in the Corporate Governance report on page 32. The Chief Executive Officer (CEO) and/or Chief Financial Officer are invited to attend these meetings as appropriate. The Company Secretary acts as the secretary of the Committee.

### KEY RESPONSIBILITIES

The principal business of the Nominations Committee during the financial year was to review the composition of the Board and its Committees, discuss Board succession plans (albeit these discussions have been superseded to some extent by the merger announced in March 2023), and to address

other recurring items under its terms of reference reviewing Non-Executive Director independence, the time commitment required of Non-Executive Directors, recommending the Directors to stand for re-election at the Annual General Meeting, and reviewing its terms of reference.

### APPOINTMENTS AND SUCCESSION PLANNING

Two new Executive Directors were appointed to the Board during FY23. Both were internal appointments and therefore no formal search process was conducted. The process leading to Board approval for the appointments of John Farrugia as CEO, and Geoff Nash as an Executive Director was led by the Chair, and discussed by the Board. The Committee and Board have also discussed senior executive succession planning during the year.

### 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 finnCap. Although female representation on the Board has fallen during the year following Sam Smith stepping down on 1 September 2022, the Committee remains satisfied with the gender diversity of the Board. We note that 28% of the Board are women, a higher percentage than the Investment Association's minimum requirement for FTSE small cap companies. The Committee will keep Board-level diversity and the application of the Group's Diversity & Inclusion policy in Board recruitment processes under review, particularly in relation to discussions about Board composition and future appointments.

Andy Hogarth  
Chair - Nomination Committee

12 July 2023

## AUDIT COMMITTEE REPORT

### ROLE OF THE AUDIT COMMITTEE

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

The Committee's Terms of Reference set out in further detail the objectives and responsibilities of the Committee and are available on finnCap's website: [www.finncap.com](http://www.finncap.com)

### COMMITTEE MEMBERS AND MEETINGS

At the date of this report, the Committee comprised:

- Chair, Barbara Firth, Independent Non-Executive Director;
- Robert Lister, Board Chair;
- Andy Hogarth, Senior Non-Executive Director.

Details on the experience and expertise of the Committee members is on page 28 of this Annual Report.

The Committee meets as appropriate, and at least three times a year. Over the past financial year, the Committee met four times. More information about meetings and attendance during FY23 is in the table in the Corporate Governance report on page 32 of this Annual Report.

### KEY ITEMS CONSIDERED

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

- Reviewing and monitoring the integrity of the Group's interim financial statements published in November 2022;
- Reviewing the FY23 audit plan and audit engagement letter;
- Reviewing the suitability of the Group's External Auditors for FY23;
- Considering the key audit matters and how they were addressed in the financial statements for FY22;
- Reviewing the financial statements and Annual Report for FY22;
- Considering the external audit report and management representation letter for FY22;
- Reviewing the effectiveness and quality of the FY22 external audit process;
- Assessing the principal risks and uncertainties facing finnCap;
- Reviewing our system of internal financial controls and risk management systems;
- Considering our need for an internal audit function.

### SPECIFIC AREAS OF FOCUS IN FY23

#### Significant issues considered in relation to the financial statements

As part of monitoring the integrity of the financial statements, significant matters and accounting judgements identified by the finance team and External Auditor are reviewed by the Committee. Significant matters considered by the Committee for the year-ended 31 March 2023 are set out below:

**Revenue recognition:** The Committee reviewed management's judgements around the timing of revenue recognition in respect of deal fees and commission income where such revenue is recognised near financial period ends. This includes reviewing the outcome of the external auditors review of the design and implementation of controls around revenue recognition. The Committee is satisfied that income has been recognised in the correct accounting period.

**Going concern status:** The Committee reviewed management's going concern analysis and associated stress testing. Considering finnCap Ltd's balance sheet position, the Committee concurred with management's view that finnCap Group plc has adequate resources to continue to operate for the foreseeable future, and therefore supports the recommendation that the going concern basis continue to be adopted in preparing the financial statements.

#### Role of the External Auditor

The Committee monitors our relationship with BDO LLP (BDO). Our External Auditor, to ensure BDO maintains independence and objectivity. Noting the tenure of BDO, the Committee will keep the need for an external audit tender process under review.

#### Audit process

BDO prepares an audit plan for the review of the full-year 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 Committee. Following the audit, BDO presents its findings to the Committee for discussion.

#### Non-audit services

As part of its monitoring, the Committee keeps the nature and extent of non-audit services (and non-audit fees set out in Note 6 to the financial statements) provided by BDO, under review. Non-audit services are primarily in connection with regulatory reporting requirements. BDO and the Committee are satisfied that appropriate safeguards are in place so the external audit team preserves its independence.

#### Audit effectiveness and Auditor reappointment

The Committee annually assesses the External Auditor's performance. The Committee is satisfied with BDO's performance and has recommended to the Board that a resolution to reappoint BDO as finnCap Group plc's External Auditor is proposed at the forthcoming AGM.

**Internal audit**

The Committee considers at least annually whether the Group requires an internal audit function. It is satisfied that assurance as to the adequacy and effectiveness of internal controls can be appropriately derived through finnCap Group plc's risk management procedures. The Committee will regularly review the need for an internal audit function, as well as any areas where additional assurance may be required.

**Internal control**

The Board has overall responsibility for maintaining sound internal control systems, which are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The Committee is responsible for reviewing the effectiveness of finnCap plc's internal financial control and risk management systems.

The Group's system of financial controls includes a robust governance and reporting structure, clearly defined levels of delegated authority, and controls for the key operational and financial processes of the business. During the year, the Group

implemented a new accounting system. The Finance Team has updated detailed process notes for financial processes with process maps developed for key processes. A more detailed review of processes and controls documentation will be conducted in FY24. The Group Financial Controller has updated the Committee on these reviews. The Committee is satisfied there have been no material control issues during FY23, and that the financial and control processes operate effectively.

**Performance Evaluation**

The Committee reviewed its own performance following the year-end. Each Committee member was asked to feed back on Committee effectiveness. This was collated and discussed at our meeting in June 2023. I'm pleased to report that the feedback indicates the Committee continues to operate effectively.

Barbara Firth  
**Chair - Audit Committee**  
12 July 2023

## RISK AND COMPLIANCE COMMITTEE REPORT

### ROLE OF THE RISK & COMPLIANCE COMMITTEE

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

The Committee's Terms of Reference set out in further detail the objectives and responsibilities of the Committee, and are available on finnCap's website: [www.finncap.com](http://www.finncap.com).

### COMMITTEE MEMBERS AND MEETINGS

At the date of this report, the Committee comprised:

- Chair: Robert Lister, Board Chair;
- Barbara Firth, Independent Non-Executive Director;
- Richard Snow, CFO;
- Mark Tubby, Head of Compliance.

Tom Hayward (Chief Operating Officer) was also a member of the Committee during the year, up to his resignation from the Board on 20 January 2023.

The experience and expertise of the Committee's Board representatives is on page 28 of this Annual Report.

The Committee normally meets quarterly, aligned with our Senior Managers' compliance monitoring responsibility under SMCR. During FY23, the Committee met on five occasions, including the FY22 Q4 meeting, which was postponed to April 2022 (after the FY22 financial year-end). Meetings were also attended (by invitation) by the Deputy Head of Compliance and a representative Director from the Corporate Finance team. More information on the meetings held in FY23 is in the Corporate Governance report on page 32.

### KEY REPORTING MATTERS

The Committee's standing agenda includes regular updates on:

- Compliance matters, including:
  - Incidents and breaches;
  - Market abuse monitoring;
  - Regulatory reporting;
  - Compliance policies and procedures (reviewing and recommending changes to the Board where appropriate);
  - Regulatory developments and consultations;
  - IT updates on related risk management and procedures (including cyber security risks and controls, penetration testing, and systems projects);
  - Employee conduct;
  - Legal updates.

The Committee also reviews and challenges Senior Managers' assessment of risks facing finnCap Group plc, including:

- The Risk Register;
- Risk appetite;
- The effectiveness of controls in place to mitigate risks and the assessment of residual risk scores taking account of those controls;
- Proposed actions and responses to further mitigate risks. Further information on key risks facing finnCap Group plc is on page 14 of this Annual Report.

### SPECIFIC AREAS OF FOCUS IN FY23

- Ongoing review of the implementation, and protocols relating to, the operation of conduct monitoring software;
- Monitoring cyber-security risks through regular updates on actions identified through penetration testing;
- Agreeing amendments to finnCap's Software and Applications policy. Reference to high-profile incidents in other firms, in relation to the use of third-party messaging apps for business purposes. Agreeing process to raise internal awareness of the revised Software and Applications policy;
- Reviewing analysis of the Financial Resources Requirement for finnCap Group plc and its subsidiaries;
- Risks associated with the cost reduction exercise and redundancy programme conducted in FY22;
- Increased oversight of employee conduct matters in the context of broader business risks in line with an enhanced focus on people and culture matters, including through the work of the People & Culture Committee, established by the Board in FY23. Regular reviews of feedback from employee exit interviews.

The Committee is satisfied finnCap's systems and procedures to manage risk and compliance processes are appropriate and effective, and appropriate processes are in place so finnCap can meet its regulatory including reporting obligations.

Robert Lister  
**Chair – Risk and Compliance Committee**  
 12 July 2023

## 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 set out in further detail the objectives and responsibilities of the Committee and are available on finnCap's website: [www.finncap.com](http://www.finncap.com)

### COMMITTEE MEMBERS AND MEETINGS

At the date of this report, the Committee comprised:

- Chair: Annette Andrews;
- Andy Hogarth, Senior Non-Executive Director;
- Barbara Firth, Independent Non-Executive Director;
- Robert Lister, Board Chair.

Details on the experience and expertise of the Committee members is on page 28 of this Annual Report.

The Committee meets as appropriate, and at least twice a year. Over the past financial year, the Committee met seven times, and has met three times since the year-end to review Group bonus proposals in respect of FY23. Information about meetings and attendance is set out in the Corporate Governance Report on page 32.

The CEO, CFO and/or HR Director are invited to attend these meetings as appropriate, and the Company Secretary acts as the secretary of the Committee. None of these individuals are present when their own remuneration is discussed. The Committee is authorised to consult external advisers on remuneration and regulatory issues, when appropriate.

### MAJOR DECISIONS ON EXECUTIVE REMUNERATION DURING THE FINANCIAL YEAR

The Committee's activity during the year has been framed by the Board changes during the period, and the impact of the offer periods relating to both the potential takeover by Panmure Gordon, and the merger with Cenkos Securities plc (Cenkos).

#### Board changes

The Committee considered and approved proposals relating to the remuneration packages of the Executive Directors (John Farrugia and Geoff Nash) who joined the Board in July 2022. With respect to John Farrugia, this included approving an increase to his base salary to align it with the salary of the outgoing CEO at £300,000 per annum, and discussions relating to continuing retention and incentive arrangements (the design and implementation of which were impacted by the two offer periods).

The Committee also agreed that, in connection with his continuing role as MD of the finnCap Cavendish business, and as disclosed in the table summarising the Remuneration Policy included in our FY22 Annual Report, John Farrugia would continue to be eligible (subject to Remuneration Committee approval) to participate in the deal-related bonus arrangements in place for finnCap Cavendish team members, as this was an integral part of his compensation package and he continued to lead and support deals.

In order to strengthen John's incentivisation and alignment with shareholders, the Committee has agreed to make an incentive and retention award to John in the form of share options. Regulatory dealing restrictions relating to our discussions with Panmure Gordon and Cenkos have prevented us from being able to make this award to date, however it is our intention to do so prior to the effective date of the merger with Cenkos. Details will be announced at the time of grant.

Following his appointment to the Board, the Committee approved an increase to Geoff Nash's salary to £200,000 per annum (from £160,000 per annum), reflecting the increased role and responsibilities connected with his position as an Executive Director of the Group.

#### Dilution

As previously stated (including in the AIM Admission document in 2018), the Board has resolved that equity incentive awards from the IPO onwards to be satisfied with the issue of new shares will not exceed 10% of the Company's issued share capital from time to time in any 10-year rolling period (excluding options in existence at the time of the IPO or to be granted in connection with Admission).

As reported previously, the Committee's aim is to ensure that awards to finnCap staff members not eligible to participate in any new long-term share incentive arrangements, which may be introduced for Executive Directors in the future, will be operated within the 10% dilution threshold and on a sustainable basis going forwards. At the date of this report, options granted (or to be granted) which may be satisfied by the issue of new shares and count towards the dilution threshold represent 9.6% of issued share capital.

Assuming the merger with Cenkos completes, the Committee expects that incentive arrangements will be reviewed in the following year as part of the integration planning process.

#### Salaries

Other than disclosed above in relation to John Farrugia and Geoff Nash, no changes to Executive Director salaries are proposed.

#### Bonus

Considering the financial performance of the Group in FY23, no performance bonuses in relation to overall corporate performance have been proposed or paid to Executive Directors. In connection with his eligibility to participate in the finnCap Cavendish deal-related bonus arrangements, and based on his personal deal performance in generating M&A revenue during the year, the Committee approved an FY23 bonus for John Farrugia (the details of which are set out in the Directors' Remuneration table below). In line with the approach adopted for any FY23 bonuses paid to other senior employees of the Group, 25% of John's deal-related bonus is deferred and will be paid to him in January 2024, subject to his continued employment with the Group.

### SHARES AND SHARE-BASED PAYMENTS

The Committee is committed to an open and transparent dialogue with its shareholders and will be available to answer questions relating to our remuneration policy at the AGM in September 2023.

## REMUNERATION POLICY

The Group's remuneration policy, which operated during FY23, is designed to ensure that the remuneration packages attract, motivate and retain employees of a 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 aligned with regulatory requirements, performance-related, and aligned to performance measures that benefit all shareholders and promote the Group's

long-term success. 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 that the Group offers to its Executive Directors, which are summarised in the table below:

Purpose & link to strategy	Operation	Performance conditions & assessment
<p><b>Base salary</b></p> <p>The provision of a competitive fixed salary to support the recruitment and retention of Executive Directors, reflecting their role, skills and experience.</p>	<p>Reviewed on an annual basis, having regard to competitors, industry and needs, as well as pay levels elsewhere within the Group, its size and complexity.</p>	<p>Not applicable, although individual performance is considered when determining base salary increases.</p>
<p><b>Benefits</b></p> <p>To provide market benefits on a cost-effective basis.</p>	<p>Benefits offered include private medical insurance, life assurance and subsidised gym membership.</p> <p>Other benefits may be offered in line with market practice if it is considered appropriate.</p>	<p>Not applicable.</p>
<p><b>Pension</b></p> <p>To assist Executive Directors in providing for retirement where considered an aid in attracting and retaining the individual.</p>	<p>An employer contribution to a defined contribution pension saving scheme.</p> <p>Employer contribution of 5% of base salary, aligned with that provided to the wider workforce.</p>	<p>Not applicable.</p>
<p><b>Annual Bonus</b></p> <p>To recognise an Executive Director's achievement of annual objectives that support the Group's strategy and financial performance.</p>	<p>The discretionary performance bonus pool is determined by the Committee, considering corporate financial and non-financial performance and having regard for the need to balance all stakeholder interests. A flexible approach to establishing the bonus pool is adopted to ensure that the Group can pay market rate bonuses, and the Committee reviews discretionary bonus proposals to ensure resulting compensation remains within the Board's agreed compensation to revenue ratio (excluding equity-based compensation) range.</p> <p>Discretionary bonus payments are subject to clawback whereby the Group has, in certain circumstances, the option to seek repayment.</p> <p>(NB: John Farrugia is also eligible to participate in a deal related bonus scheme in connection with his continuing role as MD of the finnCap Cavendish business).</p>	<p>Individual performance bonus awards to Executive Directors are determined by the Committee, reflecting the individual's performance after considering risk factors (including behaviour and conduct).</p> <p>Individual performance is assessed through a structured process of review and feedback.</p>
<p><b>Long-Term Share Incentives</b></p> <p>To retain and motivate senior leadership to drive strong Group performance during the next phase of the Group's growth strategy.</p>	<p>Current long-term incentivisation is operated by way of options under the finnCap Unapproved Share Option Plan.</p> <p>It is intended that any new long-term share arrangement will operate by way of upfront shares or options subject to a performance underpin.</p> <p>Subject to malus and clawback provisions</p> <p>Aligned to regulatory requirements and recommendations.</p>	<p>Share incentives aligned to share price or absolute TSR performance. Performance underpin aligned to individual performance, underlying business performance, as well as the Group's risk profile and control environment.</p>

## DIRECTORS' REMUNERATION FOR THE YEAR (AUDITED)

The single total remuneration figure of each of the Directors holding office during the year ended 31 March 2023:

	Base salary/fees		Discretionary bonus		Benefits (including pension)		Payment for loss of office (including settlement agreements)		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Executive Directors</b>										
John Farrugia <sup>1</sup>	223,910	-	233,958	-	14,503	-	-	-	472,371	-
Geoff Nash <sup>1</sup>	149,128	-	-	-	2,318	-	-	-	151,446	-
Richard Snow	210,000	190,000	-	190,000	10,248	10,478	-	-	220,248	390,478
<b>Non-Executive Directors</b>										
Robert Lister	70,000	70,000	-	-	2,695	1,883	-	-	72,695	71,883
Annette Andrews <sup>2</sup>	50,000	8,538	-	-	-	-	-	-	50,000	8,538
Barbara Firth	50,000	50,000	-	-	-	-	-	-	50,000	50,000
Andy Hogarth	50,000	50,000	-	-	-	-	-	-	50,000	50,000
<b>Past Directors</b>										
Sam Smith <sup>3</sup>	137,692	275,000	-	500,000	1,429	1,607	630,100	-	769,221	776,607
Stuart Andrews <sup>4</sup>	41,667	250,000	-	200,000	2,818	14,018	345,391	-	389,876	464,018
Tom Hayward <sup>5</sup>	145,385	177,469	-	100,000	366	96	181,100	-	326,851	277,565
<b>Total</b>	<b>1,127,782</b>	<b>1,071,007</b>	<b>233,958</b>	<b>998,350</b>	<b>34,377</b>	<b>19,732</b>	<b>1,156,591</b>	<b>-</b>	<b>2,552,708</b>	<b>2,089,089</b>

1 John Farrugia and Geoff Nash were appointed as Directors on 8 July 2022, and therefore this data includes remuneration for the period from that date to the end of the FY23 financial year. As they did not serve as Directors during FY22, no data is included for that period.

2 Annette Andrews was appointed as a Director on 25 January 2022 and therefore the 2022 data includes remuneration for the period from that date to the end of the 2022 financial year.

3 Sam Smith served as a Director until 1 September 2022, and therefore the base salary and benefits data includes remuneration for the period from 1 April 2022 until that date.

4 Stuart Andrews served as a Director until 15 May 2022, and therefore the base salary and benefits data includes remuneration for the period from 1 April 2022 until that date.

5 Tom Hayward served as a Director until 20 January 2023, and therefore the base salary and benefits data includes remuneration for the period from 1 April 2022 until that date.

## Directors' interests under Employee Share Plans

	Date of issue	31 March 2022	Granted	Exercised	Lapsed	31 March 2023	Exercise Price (p)	Vested	Expiry date
John Farrugia	05/12/2018	610,090	-	-	-	610,090	28.0	Yes	05/12/2023
	01/04/2020	425,000	-	-	-	425,000	17.5	No	09/07/2027
	01/04/2020	775,000	-	-	-	775,000	17.5	No	09/07/2027
	18/08/2020	666,667	-	-	-	666,667	1.0	Yes	31/03/2025
	18/08/2020	666,667	-	-	-	666,667	1.0	Yes	31/03/2026
Richard Snow	August 2020	250,000	-	-	-	250,000	15.5	No	May 2028

### Payments for loss of office

The Remuneration Committee may agree additional exit payments where such payments are made in good faith to discharge existing legal obligations, or as damages for breach of such obligations, or in settlement or compromise of any claim arising on termination of a Directors' office or employment. During the year, the Company entered into three settlement agreements and an aggregate amount of £1.1m was paid to three directors in this respect. Based on corporate performance, and the approach adopted for our current Executive Directors, no FY23 performance bonus was paid to these Directors.

### 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 Non-Executive Directors other than the Chairman, and the Remuneration Committee in relation to the Chairman), after 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.

### 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 2023.

	Date of appointment	Nature of contract	Notice period	Next re-election
John Farrugia	7 July 2022	Rolling	6 months	2023
Geoff Nash	7 July 2022	Rolling	3 months	2023
Richard Snow	20 May 2020	Rolling	6 months	2023

#### 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 2023.

	Date of appointment	Nature of contract	Notice period	Next re-election
Robert Lister	1 January 2021	3 years	3 months	2023
Annette Andrews	25 January 2022	3 years	3 months	2023
Barbara Firth	28 November 2018	3 years	3 months	2023 <sup>1</sup>
Andy Hogarth	28 November 2018	3 years	3 months	2023 <sup>1</sup>

<sup>1</sup> If the merger with Cenkos has completed prior to posting of the 2023 AGM Notice, Barbara Firth and Andy Hogarth will not submit themselves for re-election at the 2023 AGM.

Annette Andrews  
**Chair – Remuneration Committee**  
 12 July 2023

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with UK Adopted International Accounting Standards and applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements, and they have elected to prepare the company financial statements in accordance with UK Adopted International Accounting Standards. 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 for the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with 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 UK Adopted International Accounting Standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## WEBSITE PUBLICATION

The Directors are 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.

## FINANCIAL STATEMENTS AND CARBON REPORT

In line with "The Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018" we present the details of the Group's carbon and energy usage.

Emission type	2023		2022	
	kWh	Carbon	kWh	Carbon
Scope 1: Operation of Facilities	-	-	-	-
Scope 1: Combustion	-	-	-	-
<b>Total Scope 1</b>	-	-	-	-
Scope 2: Purchased Energy	266,753	51	236,623	50
<b>Total Scope 2</b>	<b>266,753</b>	<b>51</b>	<b>236,623</b>	<b>50</b>
Scope 3: Indirect Energy use	11,350	3	10,052	2
<b>Total Scope 3</b>	<b>11,350</b>	<b>3</b>	<b>10,052</b>	<b>2</b>
<b>Total</b>	<b>278,103</b>	<b>54</b>	<b>246,675</b>	<b>53</b>

#### METHODOLOGY

Our methodology has been based on the principals of the Greenhouse Gas Protocol, taking account of the 2015 amendment which sets out a 'dual reporting' methodology for the reporting of Scope 2 emissions. In the 'Total Footprint' summary above, purchased electricity is reported on a location-based method. We have reported on all the measured emissions sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 except where stated.

This includes limited emissions under Scope 1 and 2 (gas & fuel used in transport; purchased electricity), except where stated, and limited emissions under Scope 3 (fuel used in personal cars for business purposes). Energy use and emissions figures relate to our UK operation (including offshore energy and emissions) only, except where stated. Conversion factors for UK electricity (location-based methodology), gas and other emissions are those published by the Department for Environment, Food and Rural Affairs for 2021. Conversion factors for UK electricity (market-based methodology) are published at [electricityinfo.org/provided](http://electricityinfo.org/provided) by the relevant supplier.

#### STATEMENT OF EXCLUSIONS

None known at the time of reporting.

#### ENERGY EFFICIENCY ACTIONS

During the financial year we have completed a refurbishment of our offices to expand the available office/meeting space. In delivering this we ensured that our investment aligned to current best practice in relation to energy efficiency (LED lighting, controls, high performance heating/cooling systems). Alongside this work, we continue our sustainability programme through our ESG committee providing regular updates to the team on our actions and engaging the team in our ongoing initiatives.

The Group continues to monitor energy use in its already highly efficient office space. Following completion of the Cenkos merger we expect that our energy intensity should decrease as we do not require to lease any more office space for the merged entity to operate. We continue to encourage staff to use energy efficient transport (eg choose train vs fly) where appropriate and continue to encourage cycle commuting through the Bike to Work scheme and the high quality bike storage and related locker and shower facilities in our office building.

## DIRECTORS' REPORT

The Directors present their report for the year-ended 31 March 2023. Additional information which is incorporated by reference into this Directors' report can be located as follows

Disclosure	Location
Future business developments	Strategic report – pages 1 to 27
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 4 to the Financial Statements – pages 58 to 79
Exposure to price risk, credit risk, liquidity risk and cash flow risk	Strategic Report – pages 14 to 19 and note 4 to the Financial Statements
Directors' responsibilities statement	Page 42
s172 Statement	Page 22
Stakeholder engagement	Pages 24 to 25
Greenhouse gas emissions	Energy and Carbon Emissions Report – page 42

### PARENT COMPANY

The Company acts as the holding company for the Group and details of its subsidiary undertakings can be found in Note 15.

### FINANCIAL PERFORMANCE OVERVIEW

The Group's (loss)/profit before taxation for the year was £(6.1)m (FY22: £8.1m). More information about the Group's financial performance can be found in the Chief Financial Officer's Report on pages 26 to 27 and in the financial statements on pages 42 to 79.

No interim dividend was paid during the year, and the Board is not proposing a final dividend.

### POST-BALANCE SHEET EVENTS

Details of post-balance sheet events are set out in Note 29.

### DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The Directors of the Company who held office during the year, together with their interests in the shares of the Company, are as follows:

	No. of Ordinary Shares of £0.01 each	31 March 2023 % of issued share capital
<b>Executive Directors</b>		
Richard Snow	328,697	0.2%
John Farrugia (appointed as a Director on 8 July 2022)	1,927,669	1.1%
Geoff Nash (appointed as a Director on 8 July 2022)	7,132,626	3.2%
<b>Non-Executive Directors</b>		
Robert Lister (Chair)	65,450	0.0%
Barbara Firth	357,142	0.2%
Andy Hogarth	357,142	0.2%
<b>Past Directors</b>		
Sam Smith (resigned as a Director with effect from 1 September 2022)	17,730,000	9.8%

### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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.

### ISSUED SHARE CAPITAL

As at 31 March 2023, the issued share capital of the Company was £1,810,948.44 (31 March 2022 – £1,798,810.87) divided into 181,094,844 Ordinary Shares of 1 pence each (31 March 2022 – 179,881,087) 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 23.

#### SHAREHOLDERS' INTERESTS

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 2023:

	No. of Ordinary Shares of £0.01 each	31 March 2023 % of issued share capital
Jon Moulton	20,022,854	10.05%
Vin Murria	18,305,198	10.10%
Baron Leigh of Hurley	16,327,892	9.01%
finnCap Group plc Employee Benefit Trust	11,560,094	6.43%

#### AUTHORITY TO PURCHASE OWN SHARES

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

At the Company's AGM held on 15 September 2022, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 18,081,817 of its Ordinary Shares. The Company has not repurchased any of its Ordinary Shares under this authority, which is due to expire at the AGM to be held on 29 September 2023, and accordingly has an unexpired authority to purchase up to 18,081,817 Ordinary Shares with a nominal value of £180,818.17.

During the year, the Group's Employee Benefit Trust has not purchased or sold any shares in the Company (2022: sold 4,616,318) in relation to the issued of share options.

#### POLITICAL CONTRIBUTION

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

#### EMPLOYMENT POLICIES AND EMPLOYEE ENGAGEMENT

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 actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Group's activities and financial performance by such means as employee briefings and publication (via the Group's intranet) to all staff of relevant information and corporate announcements. More information on how we engage with our employees is set out in the Strategic Report on page 24.

#### RELATED PARTY TRANSACTIONS

There are no related party transactions required to be disclosed under the AIM rules.

#### GOING CONCERN

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further detail on going concern is set out in Note 2 to the financial statements.

#### DISCLOSURE OF INFORMATION TO AUDITORS

So far as each of the Directors who held office at the date of this Director's Report is aware:

- There is no relevant audit information of which the Group's auditors are unaware; and
- Each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

#### INDEPENDENT AUDITOR

BDO LLP has expressed its 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.

#### ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 29 September 2023 at the Company's offices, One Bartholomew Close, London EC1A 7BL. The notice convening the meeting, together with details of the business to be considered and explanatory notes for each resolution, will be published separately and will be available on the Company's website and distributed to shareholders who have elected to receive hard copies of shareholder information.

The Directors' Report was approved by the Board on 12 July 2023 and is signed on its behalf by:

**Richard Snow**  
**Chief Financial Officer**

12 July 2023

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINNCAP GROUP PLC

## OPINION ON THE FINANCIAL STATEMENTS

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 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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.

We have audited the financial statements of finnCap Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Company Statement of Cashflows, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## INDEPENDENCE

We remain 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.

## CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing going concern including the relevance and reliability of underlying data used to make the assessment, whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other;
- Challenging the Directors' assumptions and judgements made in their cash forecasts assuming the proposed merger with Cenkos goes through and challenging the Directors' assumptions and judgements in their cash forecasts assuming the proposed merger with Cenkos does not go through;
- Obtaining and reviewing the Directors' cash flow forecasts/budgets, stress tests and other available information to assess whether there are material uncertainties over the going concern assumption;
- Establishing the reliability of the Directors' forecasts by comparing prior year budgeted results to current year actuals;
- Evaluating the assumptions used in the forecasts and stress tests with reference to historical trends and current market factors;
- Agreeing forecasted figures to supporting documentation where possible;
- Performing our own sensitivity analysis of the forecasts which included consideration of the available liquidity and capital requirements; and
- Evaluating the adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment;

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

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

## OVERVIEW

## Coverage

96% (2022: 100%) of Group profit before tax  
100% (2022: 100%) of Group revenue

## Key audit matters

	2023	2022
Revenue Recognition of deal fees and commission income	✓	✓

## Materiality

Group financial statements as a whole

£490,000 (2022: £626,000) based on 1.5% of Group's current year revenue (2022: 1.5% of Group's average 3 year Revenue).

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We tailored our audit to ensure we have performed sufficient work to be able to give an opinion on the Group 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 operates through the subsidiaries of the Parent Company. The main trading entities are finnCap Ltd which engages in corporate finance and brokerage services and Cavendish Corporate Finance LLP which offers specialist independent advice and support on the sale and purchases of businesses.

The Group audit engagement team carried out full scope audits for the Parent Company, finnCap Ltd and Cavendish

Corporate Finance LLP which were considered to be significant components of the Group due to their contribution to revenue, as well as Cavendish Corporate Finance (UK) Limited which was not considered to be significant. In addition, specific procedures were performed on the loss recognised by the joint venture, Energise Ltd, a non-significant component, using Group materiality.

## 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) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Revenue recognition of deal fees and commission income</b> (Note 2 and Note 5)</p> <p>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 transaction fees, commission and retainer income and trading profits from short-term investments.</p> <p>Revenue from corporate finance transaction fees ("deal fees") and commission income are generated upon successfully raising debt or equity finance on behalf of clients and therefore only earned when the deal is concluded.</p> <p>There is a risk in the recognition of corporate finance transaction fees ("deal fees") and commission income that revenue is not recognised in accordance with contractual entitlement or satisfaction of the performance obligations.</p> <p>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. Therefore, this was considered to be an area of focus for our audit.</p>	<p>Our procedures included the following:</p> <p>For cut-off of deal fees and commission income, we selected a sample of material deal fees and commission income before and after year end and obtained evidence of fulfilment of performance obligations to establish whether revenue was recognised in the correct accounting period.</p> <p>For a sample of deal fees recognised during the year, we:</p> <ul style="list-style-type: none"> <li>- Reviewed the terms of the engagement letter in order to assess the performance obligations and determined whether these had been fulfilled through inspection of applicable supporting documentation;</li> <li>- agreed the fee recognised to the engagement letter or email confirmation where applicable; and</li> <li>- agreed the income recognised to the sales invoice and traced to bank statements.</li> </ul> <p>Where a commission element existed, we performed the following additional procedures:</p> <ul style="list-style-type: none"> <li>- Obtained and inspected the engagement letter associated with the deal for the percentage commission due;</li> <li>- Obtained supporting statements or contracts confirming the amount of debt or equity finance raised;</li> <li>- Inspected regulatory announcements or similar evidence in order to establish the timing and occurrence of the underlying deal; and</li> <li>- Based on the above, recalculated the commission that should be recognised, investigating any material variances noted.</li> </ul> <p><b>Key observations:</b></p> <p>Based on procedures performed we did not find any matters indicating that the recognition of deal fees and commission income was inappropriate.</p>

## OUR APPROACH TO MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine

the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2023 £	2022 £	2023 £	2022 £
Materiality	490,000	626,000	489,000	510,000
Basis for determining materiality	1.5% of Group current year revenue	1.5% of Group average 3 year revenue	99.8% of Group materiality	96% of Group materiality
Rationale for the benchmark applied	We determined that current year revenue is the most appropriate benchmark (2022: 3-year average). Given lower current year revenue, we considered it more prudent to use current as opposed to three-year average revenue to avoid any smoothing impact. Revenue is also a key measure of performance for users of the financial statements.		Capped at 99.8% (2022: 96%) of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	367,000	469,000	366,000	383,000
Basis for determining performance materiality	75% (2022: 75%) of Materiality based on our knowledge and experience of the audited entity including the expected total value of known and likely misstatements.			

## COMPONENT MATERIALITY

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group based on a percentage of between 35% and 99.8% (2022: 35% and 96%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £178,000 to £489,000 (2022: £219,000 to £600,000). In the audit of each component, we further applied performance materiality levels of 75% (2022: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

## REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £25,000 (2022: £25,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

### Strategic report and Directors' report

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

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

In the light of the knowledge and understanding of the Group and 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.

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

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.

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

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

### Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations; and
- Inspection of correspondence with regulatory authorities for other laws and regulations that may have a material impact on the financial statements.

We considered the significant laws and regulations to be the Companies Act 2006, UK adopted International Accounting Standards, UK tax legislation, AIM Listing Rules and the Financial Conduct Authority's regulations.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

## FRAUD

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the risk of fraudulent revenue recognition, valuation of the goodwill intangible asset and management override of control.

Our procedures in respect of the above included:

- In addressing the risk of fraudulent revenue recognition, the procedures set out in the key audit matters section of our report;
- In addressing the risk of inappropriate valuation of goodwill:
  - reviewing and challenging the assumptions used in the Value in Use model;
  - working with our internal valuation experts in forming a basis for our opinion on the reasonableness and comparability of some of the key assumptions used in the Value in Use model;
  - corroborating calculations used in the forecasts with those used in the Directors going concern assessment; and
  - considering any contradictory evidence.
- In addressing the risk of management override of controls, testing a sample of journal entries throughout the year, which met a defined risk criterion, by agreeing to supporting documentation; and
- Review of minutes of Board meetings throughout the period for any known or suspected instances of fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## SCOPE 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

12 July 2023

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 2023 £'000	Year ended 31 March 2022 £'000
Revenue	5	32,864	52,545
Other operating income	5	(214)	13
<b>Total income</b>		<b>32,650</b>	<b>52,558</b>
Administrative expenses	6	(34,543)	(43,941)
<b>Operating (loss)/profit before non-recurring items</b>		<b>(1,893)</b>	<b>8,617</b>
Non-recurring items	8	(3,658)	-
<b>Operating (loss)/profit</b>		<b>(5,551)</b>	<b>8,617</b>
Share of associate loss		(297)	-
Finance income		65	12
Finance charge	9	(502)	(524)
<b>(Loss)/profit before taxation</b>		<b>(6,285)</b>	<b>8,105</b>
Taxation	10	767	(1,594)
<b>(Loss)/profit attributable to equity shareholders</b>		<b>(5,518)</b>	<b>6,511</b>
<b>Total comprehensive income for the year</b>		<b>(5,518)</b>	<b>6,511</b>
<b>Earnings per share (pence)</b>			
Basic	11	(3.25)	3.95
Diluted	11	(3.25)	3.57

There are no items of other comprehensive income.

All results derive from continuing operations.

The notes on pages 58 to 79 form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2023 £'000	31 March 2022 £'000
<b>Non-current assets</b>			
Property, plant and equipment	12	12,239	13,304
Intangible assets	13	13,492	13,512
Financial assets held at fair value	14	404	802
Investment in associates and joint ventures		2,106	-
Deferred tax asset	17	886	620
<b>Total non-current assets</b>		<b>29,127</b>	<b>28,238</b>
<b>Current assets</b>			
Trade and other receivables	18	12,736	13,074
Corporation taxation receivable		450	-
Current assets held at fair value		269	871
Cash and cash equivalents	19	9,382	24,435
<b>Total current assets</b>		<b>22,837</b>	<b>38,380</b>
<b>Total assets</b>		<b>51,964</b>	<b>66,618</b>
<b>Non-current liabilities</b>			
Trade and other payables	20	10,008	11,151
Borrowings		481	851
Provisions		29	94
<b>Total non-current liabilities</b>		<b>10,518</b>	<b>12,096</b>
<b>Current liabilities</b>			
Trade and other payables	20	14,632	20,389
Corporation taxation		-	714
Borrowings	21	843	356
<b>Total current liabilities</b>		<b>15,475</b>	<b>21,459</b>
<b>Equity</b>			
Share capital	23	1,811	1,799
Share premium	24	1,716	1,475
Own shares held	25	(1,926)	(1,926)
EBT reserve		(294)	(322)
Merger relief reserve	24	10,482	10,482
Share-based payments reserve	26	1,771	1,294
Retained earnings		12,411	20,261
<b>Total equity</b>		<b>25,971</b>	<b>33,063</b>
<b>Total equity and liabilities</b>		<b>51,964</b>	<b>66,618</b>

The Financial Statements of finnCap Group plc, company number 11540126, were approved and authorised for issue by the Board of Directors on 12 July 2023 and were signed on its behalf by:



Richard Snow  
Chief Financial Officer

The notes on pages 58 to 79 form part of these Financial Statements

## COMPANY STATEMENT OF FINANCIAL POSITION

	Note	31 March 2023 £'000	31 March 2022 £'000
<b>Non-current assets</b>			
Property, plant and equipment	12	12,066	13,041
Intangible assets		6	-
Investments in subsidiaries	15	23,404	23,404
Investment in associates and joint ventures	16	2,006	-
Deferred tax asset	17	-	45
<b>Total non-current assets</b>		<b>37,482</b>	<b>36,490</b>
<b>Current assets</b>			
Trade and other receivables	18	2,026	12,712
Corporation taxation receivable		60	-
Cash and cash equivalents	19	187	61
<b>Total current assets</b>		<b>2,273</b>	<b>12,773</b>
<b>Total assets</b>		<b>39,755</b>	<b>49,263</b>
<b>Non-current liabilities</b>			
Trade and other payables	20	10,008	11,151
Provisions		-	11
<b>Total non-current liabilities</b>		<b>10,008</b>	<b>11,162</b>
<b>Current liabilities</b>			
Trade and other payables	20	4,077	2,880
Corporation taxation		-	1,391
Amounts due to subsidiaries	22	382	4,438
<b>Total current liabilities</b>		<b>4,459</b>	<b>8,709</b>
<b>Equity</b>			
Share capital	23	1,811	1,799
Share premium	24	1,716	1,475
Merger relief reserve	24	16,612	16,612
Share-based payments reserve	26	7	26
Retained earnings		5,142	9,480
<b>Total equity</b>		<b>25,288</b>	<b>29,392</b>

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 (loss)/profit after taxation attributable to the Company in the period ended 31 March 2023 was (£2,338,000) (2022: £6,043,000).

The Financial Statements of finnCap Group plc, company number 11540126, were approved and authorised for issue by the Board of Directors on 12 July 2022 and were signed on its behalf by:



Richard Snow  
Chief Financial Officer

The notes on pages 58 to 79 form part of these Financial Statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>Cash flows from operating activities</b>		
(Loss)/profit before taxation	(6,285)	8,105
Adjustments for:		
Depreciation (see note 25)	1,789	1,739
Amortisation of intangible assets	60	83
Finance income	(65)	(12)
Finance charge	502	524
Share-based payments charge	577	1,100
Net fair value gains recognised in profit or loss	382	(55)
Payments received of non-cash assets	(854)	(448)
	<b>(3,894)</b>	<b>11,036</b>
<b>Changes in working capital:</b>		
Decrease/(increase) in trade and other receivables	398	(5,292)
(Decrease)/increase in trade and other payables	(5,654)	4,456
(Decrease)/increase in provisions	(65)	(1)
	<b>(9,215)</b>	<b>10,199</b>
<b>Cash generated from operations</b>		
Net cash receipts/(payments) for current asset investments held at fair value through profit or loss	602	(943)
Tax paid	(1,155)	(1,628)
	<b>(9,768)</b>	<b>7,628</b>
<b>Net cash (outflow)/inflow from operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(724)	(454)
Purchase of intangible assets	(40)	(182)
Investment in associates	(2,029)	-
Proceeds on sale of investments	870	1,515
Interest received	65	12
	<b>(1,858)</b>	<b>891</b>
<b>Net cash (outflow)/inflow from investing activities</b>		
<b>Cash flows from financing activities</b>		
Equity dividends paid	(1,954)	(2,639)
Proceeds from exercise of options	3	581
Purchase of own shares	-	(843)
Interest paid	(38)	(52)
Lease liability payments	(1,555)	(1,222)
Net proceeds from borrowings	117	(343)
	<b>(3,427)</b>	<b>(4,518)</b>
<b>Net cash (outflow) from financing activities</b>		
Net (decrease)/increase in cash and cash equivalents	(15,053)	4,001
Cash and cash equivalents at beginning of year	24,435	20,434
	<b>9,382</b>	<b>24,435</b>
<b>Cash and cash equivalents at end of year</b>		
<b>Reconciliation of net debt</b>		
Net proceeds from borrowings	117	(343)
Borrowings at beginning of year	1,207	1,550
	<b>1,324</b>	<b>1,207</b>
<b>Borrowings at end of year</b>		

The notes on pages 58 to 79 form part of these Financial Statements.

## COMPANY STATEMENT OF CASH FLOWS

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>Cash flows from operating activities</b>		
(Loss)/profit before taxation	(2,339)	6,043
Adjustments for:		
Depreciation (see note 25)	1,649	1,605
Finance charge	464	473
Share-based payments charge	(19)	(2)
	<b>(245)</b>	<b>8,119</b>
<b>Changes in working capital:</b>		
Increase/(decrease) in trade and other receivables	10,626	(9,527)
(Decrease)/increase in trade and other payables	(6,416)	5,136
Decrease in provisions	(11)	(55)
<b>Net cash inflow from operating activities</b>	<b>3,954</b>	<b>3,673</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(322)	(332)
<b>Net cash outflow from investing activities</b>	<b>(322)</b>	<b>(332)</b>
<b>Cash flows from financing activities</b>		
Equity dividends paid	(1,954)	(2,639)
Proceeds from exercise of options	3	581
Lease liability payments	(1,555)	(1,223)
<b>Net cash outflow from financing activities</b>	<b>(3,506)</b>	<b>(3,281)</b>
Net increase in cash and cash equivalents	126	60
Cash and cash equivalents at beginning of year	61	1
<b>Cash and cash equivalents at end of year</b>	<b>187</b>	<b>61</b>

The notes on pages 58 to 79 form part of these Financial Statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Share capital £'000	Share premium £'000	Own shares held £'000	EBT reserve £'000	Merger relief reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total Equity £'000
<b>Balance at 31 March 2021</b>	<b>1,737</b>	<b>956</b>	<b>(1,726)</b>	<b>-</b>	<b>10,482</b>	<b>1,132</b>	<b>15,719</b>	<b>28,300</b>
Total comprehensive income for the period	-	-	-	-	-	-	6,511	6,511
<b>Transactions with owners:</b>								
Share-based payments charge	-	-	-	-	-	1,100	-	1,100
Deferred tax on share-based payments	-	-	-	-	-	-	(268)	(268)
Purchase of shares	-	-	(843)	-	-	-	-	(843)
EBT gift	-	-	-	100	-	-	-	100
Dividends	-	-	-	-	-	-	(2,639)	(2,639)
Share options exercised	62	519	643	(422)	-	(938)	938	802
	<b>62</b>	<b>519</b>	<b>(200)</b>	<b>(322)</b>	<b>-</b>	<b>162</b>	<b>(1,969)</b>	<b>(1,748)</b>
<b>Balance at 31 March 2022</b>	<b>1,799</b>	<b>1,475</b>	<b>(1,926)</b>	<b>(322)</b>	<b>10,482</b>	<b>1,294</b>	<b>20,261</b>	<b>33,063</b>
Total comprehensive income for the period	-	-	-	28	-	-	(5,546)	(5,518)
<b>Transactions with owners:</b>								
Share-based payments charge	-	-	-	-	-	577	-	577
Deferred tax on share-based payments	-	-	-	-	-	-	(450)	(450)
Purchase of shares	-	-	-	-	-	-	-	-
EBT gift	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(1,954)	(1,954)
Share options exercised	12	241	-	-	-	(100)	100	253
	<b>12</b>	<b>241</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>477</b>	<b>(2,304)</b>	<b>(1,574)</b>
<b>Balance at 31 March 2023</b>	<b>1,811</b>	<b>1,716</b>	<b>(1,926)</b>	<b>(294)</b>	<b>10,482</b>	<b>1,771</b>	<b>12,411</b>	<b>25,971</b>

## COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Share-based payments reserve £'000	Retained earnings £'000	Total Equity £'000
<b>Balance at 31 March 2021</b>	<b>1,737</b>	<b>956</b>	<b>16,612</b>	<b>98</b>	<b>6,150</b>	<b>25,553</b>
Total comprehensive income for the period	-	-	-	-	6,043	6,043
<b>Transactions with owners:</b>						
Share-based payments charge	-	-	-	(2)	-	(2)
Deferred tax on share-based payments	-	-	-	-	(144)	(144)
Dividends	-	-	-	-	(2,639)	(2,639)
Share options exercised	62	519	-	(70)	70	581
	<b>62</b>	<b>519</b>	<b>-</b>	<b>(72)</b>	<b>(2,713)</b>	<b>(2,204)</b>
<b>Balance at 31 March 2022</b>	<b>1,799</b>	<b>1,475</b>	<b>16,612</b>	<b>26</b>	<b>9,480</b>	<b>29,392</b>
Total comprehensive income for the period	-	-	-	-	(2,339)	(2,339)
<b>Transactions with owners:</b>						
Share-based payments charge	-	-	-	(19)	-	(19)
Deferred tax on share-based payments	-	-	-	-	(45)	(45)
Dividends	-	-	-	-	(1,954)	(1,954)
Share options exercised	12	241	-	-	-	253
	<b>12</b>	<b>241</b>	<b>-</b>	<b>(19)</b>	<b>(1,999)</b>	<b>(1,765)</b>
<b>Balance at 31 March 2023</b>	<b>1,811</b>	<b>1,716</b>	<b>16,612</b>	<b>7</b>	<b>5,142</b>	<b>25,288</b>

## 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 the AIM market of the London Stock Exchange.

### 2. ACCOUNTING POLICIES

#### a. Basis of preparation

These consolidated and Parent Company 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 and Parent Company Financial Statements have been prepared in accordance with UK Adopted International Accounting Standards.

The preparation of Financial Statements in compliance with UK Adopted International Accounting Standards 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 Letter from the Chairman. 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 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 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 not adopted any new standards in this financial year.

There are other standards in issue, effective in future periods, which are not expected to have an impact on the Group.

#### 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
- iii) Other income, including trading profits from short-term investments taken as consideration for core services.

To determine whether to recognise revenue, the Group follows a five-step process as follows:

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

The Group 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 Group 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 considering 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.

#### **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 instrument.

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.

Investments in excess of 20% where management has power to exercise significant influence over decision making are treated as associates. In the case of 50% ownership with no ability for management to directly control decision making, the investment is treated as a joint venture. Both joint ventures and associations are accounted for using the equity method.

Under the equity method, the investment is recognised at cost plus post-acquisition changes in the Group's share of the net assets less any distributions received and any impairment in the value of the investment. The Group income statement reflects the Group's share of the results after tax of the equity accounted entity.

### Intangible assets

Trademarks, trade names and computer software 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 unit ('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 does 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 Group 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 characteristics. 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 characteristics.

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 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 acquired in the ordinary course of business from suppliers. They 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. Although there are different revenue streams, the Group's activities are subject to similar economic characteristics. Consequently, the Group is managed as one business unit, reported in a manner consistent with internal reporting to the Board, which is 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.

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.

After 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 assessing 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.

In preparing these financial statements, the Directors have made the following estimations: estimated fair values of financial 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.

The Directors apply judgement in the assessment of the annual charges for share-based payments. These assumptions are set out in Note 25.

### 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 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 Group 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 Group less any partial payments less any collateral to which the Group is entitled.

Credit risk exposures are managed using 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 Group'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.

Risk exposure	Rating	Group		Company	
		31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Non-current asset investments	AA-	404	802	-	-
Market making counterparty debtors	AA-	6,178	7,993	-	-
Trade debtors	Unrated	2,523	2,258	-	-
Other debtors	Unrated	1,945	1,610	-	-
Cash and cash equivalents	AA-	6,551	6,898	187	61
Cash and cash equivalents	A+	2,831	17,537	-	-
<b>Total</b>		<b>20,432</b>	<b>37,098</b>	<b>187</b>	<b>61</b>

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 Group has credit risk exposure to the gross value of unsettled trades (on a delivery versus payment basis) at its agency settlement agent, which were £4.9m (2022: £12.9m) 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
<b>As at 31 March 2023</b>	
Trade and other payables	8,893
<b>As at 30 April 2022</b>	
Trade and other payables	9,464

**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 2023 would have been £82k higher/lower (2022: £161k 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	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
<b>Financial assets</b>				
<i>Financial assets measured at fair value through profit or loss</i>				
Non-current financial assets – investments	404	802	-	-
Current asset investments	269	871	-	-
<b>Total non-current</b>	<b>673</b>	<b>1,673</b>	<b>-</b>	<b>-</b>
<i>Financial assets measured at amortised cost</i>				
Market making counterparty debtors	6,178	7,993	-	-
Trade debtors	2,523	2,258	-	-
Other debtors	1,945	1,610	-	-
Amounts due from subsidiaries	-	-	658	11,465
Cash and cash equivalents	9,382	24,435	187	61
<b>Total current</b>	<b>20,028</b>	<b>36,296</b>	<b>845</b>	<b>11,526</b>
<b>Total financial assets</b>	<b>20,701</b>	<b>37,969</b>	<b>845</b>	<b>11,526</b>
<b>Financial liabilities</b>				
<i>Financial liabilities measured at amortised cost</i>				
Borrowings	843	356	-	-
Amounts due to subsidiaries	-	-	382	4,438
Market-making counterparty creditors	5,974	7,254	-	-
Trade and other payables	2,919	2,210	-	-
<b>Total current</b>	<b>9,736</b>	<b>9,820</b>	<b>382</b>	<b>4,438</b>
Borrowings	481	851	-	-
<b>Total non-current</b>	<b>481</b>	<b>851</b>	<b>-</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>10,217</b>	<b>10,671</b>	<b>382</b>	<b>4,438</b>
<b>Net financial assets and liabilities</b>	<b>10,484</b>	<b>27,298</b>	<b>463</b>	<b>7,088</b>

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 2023 £'000	Level 1 £'000	Level 3 £'000	31 March 2022 £'000
At start of year	293	509	802	504	1,181	1,685
Net (losses)/gains recognised in other operating income	(382)	-	(382)	16	40	56
Additions	854	-	854	448	128	576
Disposals	(820)	(50)	(870)	(675)	(840)	(1,515)
<b>At end of year</b>	<b>(55)</b>	<b>459</b>	<b>404</b>	<b>293</b>	<b>509</b>	<b>802</b>

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 £25,971,000 as at 31 March 2023 (31 March 2022: £33,063,000). Subsidiary entities within the Group are subject to FCA capital requirements. The Group closely monitors its capital resources to ensure that sufficient headroom is always maintained.

#### 5. SEGMENTAL ANALYSIS

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

The trading operations of the Group comprise 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 2023 £'000	Year ended 31 March 2022 £'000
<b>Revenues</b>		
Retainers	6,956	6,615
Transactions	9,035	15,767
Institutional stockbroking	3,276	5,903
<b>finnCap Capital Markets</b>	<b>19,267</b>	<b>28,285</b>
finnCap Cavendish – private M&A advisory	13,597	24,260
<b>Total revenue</b>	<b>32,864</b>	<b>52,545</b>
Services transferred at a point in time	24,413	43,462
Services transferred over a period of time	8,451	9,083
<b>Total revenue</b>	<b>32,864</b>	<b>52,545</b>
<b>Other operating income</b>		
Trading profit on long-term investments	(214)	13

#### Major customers

There are no customers that individually accounted for more than 10% of total revenues.

## 6 EXPENSES BY NATURE

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Employee benefit expense (see note 7)	23,257	33,081
Depreciation	402	1,740
Amortisation	59	84
Foreign exchange	5	58
Introducers fees	147	756
Other expenses	10,673	8,222
<b>Total administrative expenses</b>	<b>34,543</b>	<b>43,941</b>
Audit Services	185	127
Audit-related Services	39	18
Regulatory reporting	3	3
<b>Total auditors' remuneration</b>	<b>227</b>	<b>148</b>

## 7 STAFF COSTS

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>Employee benefit expenses (including the Directors):</b>		
Wages and salaries	19,357	27,532
Social security costs	2,609	3,783
Pension costs	714	666
Share-based payments	577	1,100
<b>Total employee benefit expense</b>	<b>23,257</b>	<b>33,081</b>

	31 March 2023 Number	31 March 2022 Number
<b>Average number of employees:</b>		
Corporate broking and corporate finance	88	88
Sales and trading	17	14
Research	13	14
Administration	37	39
<b>Total number of employees</b>	<b>155</b>	<b>155</b>

**Key Management Personnel**

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

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>Total emoluments</b>	<b>769</b>	<b>777</b>

Details of the remuneration for all Board members is disclosed in the Remuneration Committee Report.

**a. NON-RECURRING ITEMS**

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Group structuring costs	3,247	-
Transaction costs	411	-
<b>Total non-recurring items</b>	<b>3,658</b>	<b>-</b>

Group structuring costs relate to one off expenditure from reorganising team structures.

Transaction costs related to a take-over approach from Panmure Gordon, the UK investment bank. Terms could not be agreed and discussions discontinued towards the end of FY23.

**b. FINANCE CHARGE**

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Lease liability interest	464	473
Loan interest	38	51
<b>Total finance charge</b>	<b>502</b>	<b>524</b>

## 10. TAXATION

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>Analysis of charge in the period</b>		
<b>Current tax</b>		
Current taxation charge for the period	–	1,614
Adjustments made in respect of prior periods	(51)	(20)
<b>Total current tax</b>	<b>(51)</b>	<b>1,594</b>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(716)	–
<b>Total tax charge</b>	<b>(767)</b>	<b>1,594</b>
<b>Reconciliation of total tax charge</b>		
Profit before taxation	(6,285)	8,105
Profit before taxation multiplied by the standard rate of UK taxation (19%)	(1,194)	1,540
Effects of:		
Expenses not deductible for tax purposes	403	315
Deduction for the exercise of employee share options	(16)	(371)
Sale of long-term investments	41	127
Capital allowances in excess of depreciation	2	3
Losses carried forward	(171)	–
Adjustments made in respect of prior periods	168	(20)
<b>Total tax charge</b>	<b>(767)</b>	<b>1,594</b>

## 11. EARNINGS PER SHARE

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>Earnings (£'000)</b>		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	(5,518)	6,511
<b>Number of shares</b>		
Weighted average number of shares for the purposes of basic earnings per share	169,724,785	164,699,708
Weighted average dilutive effect of conditional share awards	11,847,873	17,546,548
Weighted average number of shares for the purposes of diluted earnings per share	181,572,658	182,246,256
<b>(Loss)/profit per Ordinary Share (pence)</b>		
Basic (loss)/profit per Ordinary Share	(3.25)	3.95
Diluted (loss)/profit per Ordinary Share	(3.25)	3.57

The shares held by the Group's Employee Benefit Trust (see Note 25) have been excluded from the calculation of earnings per share.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use asset £'000	Leasehold improvements £'000	Office equipment £'000	Total £'000
<b>Group cost</b>				
<b>As at 1 April 2021</b>	<b>13,869</b>	<b>1,856</b>	<b>1,531</b>	<b>17,256</b>
Additions	-	264	190	454
<b>As at 1 April 2022</b>	<b>13,869</b>	<b>2,120</b>	<b>1,721</b>	<b>17,710</b>
Additions	352	175	197	724
<b>As at 31 March 2023</b>	<b>14,221</b>	<b>2,295</b>	<b>1,918</b>	<b>18,434</b>
<b>Group depreciation</b>				
<b>As at 1 April 2021</b>	<b>(1,387)</b>	<b>(113)</b>	<b>(1,167)</b>	<b>(2,667)</b>
Charge for the year	(1,387)	(207)	(145)	(1,739)
<b>As at 1 April 2022</b>	<b>(2,774)</b>	<b>(320)</b>	<b>(1,312)</b>	<b>(4,406)</b>
Charge for the year	(1,387)	(228)	(174)	(1,789)
<b>As at 31 March 2023</b>	<b>(4,161)</b>	<b>(548)</b>	<b>(1,486)</b>	<b>(6,195)</b>
<b>Net book value</b>				
<b>As at 31 March 2021</b>	<b>12,482</b>	<b>1,743</b>	<b>364</b>	<b>14,589</b>
<b>As at 31 March 2022</b>	<b>11,095</b>	<b>1,800</b>	<b>409</b>	<b>13,304</b>
<b>As at 31 March 2023</b>	<b>10,060</b>	<b>1,747</b>	<b>432</b>	<b>12,239</b>
<b>Company cost</b>				
<b>As at 1 April 2021</b>	<b>13,869</b>	<b>1,856</b>	<b>92</b>	<b>15,817</b>
Additions	-	264	68	332
<b>As at 31 March 2022</b>	<b>13,869</b>	<b>2,120</b>	<b>160</b>	<b>16,149</b>
Additions	352	175	147	674
<b>As at 31 March 2023</b>	<b>14,221</b>	<b>2,295</b>	<b>307</b>	<b>16,823</b>
<b>Group depreciation</b>				
<b>As at 1 April 2021</b>	<b>(1,387)</b>	<b>(113)</b>	<b>(3)</b>	<b>(1,503)</b>
Charge for the year	(1,387)	(207)	(11)	(1,605)
<b>As at 31 March 2022</b>	<b>(2,774)</b>	<b>(320)</b>	<b>(14)</b>	<b>(3,108)</b>
Charge for the year	(1,387)	(228)	(34)	(1,649)
<b>As at 31 March 2023</b>	<b>(4,161)</b>	<b>(548)</b>	<b>(48)</b>	<b>(4,757)</b>
<b>Net book value</b>				
<b>As at 31 March 2021</b>	<b>12,482</b>	<b>1,743</b>	<b>89</b>	<b>14,314</b>
<b>As at 31 March 2022</b>	<b>11,095</b>	<b>1,800</b>	<b>146</b>	<b>13,041</b>
<b>As at 31 March 2023</b>	<b>10,060</b>	<b>1,747</b>	<b>259</b>	<b>12,066</b>

## 11. INTANGIBLES

Cost	Other £'000	Computer Software £'000	Goodwill £'000	Total £'000
<b>As at 1 April 2021</b>	<b>214</b>	<b>555</b>	<b>13,335</b>	<b>14,104</b>
Additions	-	182	-	182
<b>As at 31 March 2022</b>	<b>214</b>	<b>737</b>	<b>13,335</b>	<b>14,286</b>
Additions	-	40	-	40
<b>As at 31 March 2023</b>	<b>214</b>	<b>777</b>	<b>13,335</b>	<b>14,326</b>
<b>Amortisation</b>				
<b>As at 1 April 2021</b>	<b>(165)</b>	<b>(526)</b>	<b>-</b>	<b>(691)</b>
Charge for the year	(49)	(34)	-	(83)
<b>As at 31 March 2022</b>	<b>(214)</b>	<b>(560)</b>	<b>-</b>	<b>(774)</b>
Charge for the year	-	(60)	-	(60)
<b>As at 31 March 2023</b>	<b>(214)</b>	<b>(620)</b>	<b>-</b>	<b>(834)</b>
<b>Net book value</b>				
<b>As at 1 April 2021</b>	<b>49</b>	<b>29</b>	<b>13,335</b>	<b>13,413</b>
<b>As at 31 March 2022</b>	<b>-</b>	<b>177</b>	<b>13,335</b>	<b>13,512</b>
<b>As at 31 March 2023</b>	<b>-</b>	<b>157</b>	<b>13,335</b>	<b>13,492</b>

The goodwill arising from the acquisition has been assessed for impairment by calculating the net present value of future cash flows 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 cash flows were discounted at the Group's weighted average costs of capital. No impairment has been recognised during the period.

## 12. INVESTMENTS

	31 March 2023 £'000	31 March 2022 £'000
<b>Financial assets held at fair value through the profit and loss</b>		
Opening	802	1,685
Acquisition of shares in listed companies	854	576
Change in market value recognised in the profit and loss	(382)	56
Disposals	(870)	(1,515)
<b>Closing</b>	<b>404</b>	<b>802</b>

Acquired during the period includes shares relating 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 cash flows.

Each investment is revalued at the reporting date. The change in value is recognised through the profit or loss account. All items were classified as held at fair value upon recognition and there have been no reclassifications during the period.

## 15. INVESTMENTS IN SUBSIDIARIES

	31 March 2023 £'000	31 March 2022 £'000
Investments in subsidiaries	23,404	23,404

Name	Type	Country of incorporation and principal place of business	Proportion of ownership and voting rights 31 March 2022
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%

## 16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 March 2023 £'000	31 March 2022 £'000
<b>Group</b>		
Opening	-	-
Acquisitions	2,403	-
Share of profits	(297)	-
<b>Carrying amount</b>	<b>2,106</b>	-

	31 March 2023 £'000	31 March 2022 £'000
<b>Company</b>		
Opening	-	-
Acquisitions	2,303	-
Share of profits	(297)	-
<b>Carrying amount</b>	<b>2,006</b>	-

The Company paid a total of £2,203,000 in exchange for a 50% joint venture interest in Energise Ltd.

The Company paid a total of £100,000 in exchange for a 20% associate interest in BB Technology Limited.

## 17 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 2023 £'000	31 March 2022 £'000
<b>Group</b>		
Opening balance	620	888
Origination and reversal of temporary difference expense	716	-
Recognised in equity	(450)	(268)
<b>Closing balance</b>	<b>886</b>	<b>620</b>

	31 March 2023 £'000	31 March 2022 £'000
<b>Company</b>		
Opening balance	45	189
Recognised in equity	(45)	(144)
<b>Closing balance</b>	<b>-</b>	<b>45</b>

Deferred taxation for the Group relates to timing difference on the taxation relief on the exercise of options (£170,000, 2022: £620,000) and tax losses carried forward (£716,000, 2022: £nil).

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.

## 18 TRADE AND OTHER RECEIVABLES

	31 March 2023 £'000	31 March 2022 £'000
<b>Group</b>		
Trade receivables	2,523	2,258
Market marketing counterparty debtors	6,178	7,993
Prepayments and accrued income	2,540	1,213
Other debtors	1,495	1,610
<b>Total trade receivables</b>	<b>12,736</b>	<b>13,074</b>
<b>Company</b>		
Prepayments and accrued income	1,358	503
Other debtors	70	11
Amounts due from subsidiaries	658	11,465
<b>Total trade receivables</b>	<b>2,026</b>	<b>11,979</b>

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 2023 £'000	31 March 2022 £'000
<b>Group</b>		
<b>Movements in the impairment allowance for trade receivables:</b>		
At start of year	2	332
Receivables provided for during the year as uncollectible	185	(330)
Reversal of provisions	-	-
<b>At end of year</b>	<b>187</b>	<b>2</b>

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.

#### 19. CASH AND CASH EQUIVALENTS

	31 March 2023 £'000	31 March 2022 £'000
<b>Group</b>		
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	9,366	24,435
Cash and cash equivalents were held in the following currencies:		
UK Pound	9,285	24,363
United States Dollar	74	25
Euros	7	47
<b>Total cash and cash equivalents</b>	<b>9,366</b>	<b>24,435</b>
<b>Company</b>		
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	184	61
Cash and cash equivalents were held in the following currencies:		
UK Pound	184	61

The Group's Employee Benefit Trust had a cash balance of £23,443 under the control of the Trustees and not accessible by the Directors.

## 20 TRADE AND OTHER PAYABLES

	31 March 2023 £'000	31 March 2022 £'000
<b>Group</b>		
<i>Due after one year</i>		
Lease liability	10,008	11,151
<i>Due within one year</i>		
Trade payables	2,784	1,788
Social security	616	784
Accruals	2,886	8,102
Deferred income	181	166
Market marketing counterparty creditors	5,974	7,254
Lease liability	1,925	1,873
Other creditors	266	422
<b>Total trade and other payables</b>	<b>14,632</b>	<b>20,389</b>
<b>Company</b>		
<i>Due after one year</i>		
Lease liability	10,008	11,151
<i>Due within one year</i>		
Accruals	416	768
Trade payables	1,691	239
Other payables	45	-
Lease liability	1,925	1,873
<b>Total trade and other payables</b>	<b>4,077</b>	<b>2,880</b>

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.

## 21. AMOUNTS DUE TO SUBSIDIARIES

	31 March 2023 £'000	31 March 2022 £'000
<b>Company</b>		
Amounts due to subsidiaries	382	3,705

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

## 22. BORROWINGS

	31 March 2023 £'000	31 March 2022 £'000
<b>Current</b>		
Market making funding	473	-
Bank loans due within one year	370	356
<b>Total current</b>	<b>843</b>	<b>356</b>
<b>Non-current</b>		
Bank loans due after one year	481	851

The Group agreed a loan of £1.8m with NatWest Bank during the year to 31 March 2021 to fund the fit out of the new offices at 1 Bartholomew Close. The loan is repayable over five years and has a fixed rate of interest. NatWest Bank holds a fixed and floating charge over the assets of the Group.

## 23. SHARE CAPITAL

	31 March 2023 Number	31 March 2022 Number
Opening	179,881,087	173,699,389
Issue of shares on exercise of options	311,667	6,181,698
Issue of shares through business combinations	902,090	-
<b>Closing</b>	<b>181,094,844</b>	<b>179,881,087</b>
	Issued, called up and fully paid Number	£'000
Ordinary Shares of £0.01 each	181,094,844	1,811

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.