

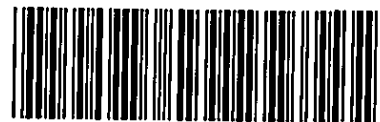
**Company Registration No. 5210733**

**Cenkos Securities plc**

**Report and Financial Statements**

**31 December 2006**

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# **Cenkos Securities plc**

## **Report and financial statements 2006**

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# **Cenkos Securities plc**

## **Report and financial statements 2006**

### **Officers and professional advisers**

#### **Directors**

J J Durkin  
A J Hobson  
J Hodson  
S C Melling  
P D Roy  
A M Stewart

#### **Secretary**

S C Melling

#### **Registered office**

6 7 8 Tokenhouse Yard  
London  
EC2R 7AS

#### **Bankers**

HSBC  
West End Corporate Banking Centre  
70 Pall Mall  
London  
SW1Y 5EZ

#### **Solicitors**

Travers Smith  
10 Snow Hill  
London  
EC1A 2AL

Ozannes Advocates & Notaries Public  
PO Box 186  
1 Le Merchant Street  
St Peter Port  
Guernsey  
GY1 4HP  
Channel Islands

#### **Auditors**

Deloitte & Touche LLP  
London

## Cenkos Securities plc

### Chairman's statement

I was delighted to be appointed Chairman of Cenkos Securities plc ("Cenkos") prior to the Company's successful flotation on AIM in October 2006. The Company was formed in 2005 by a small team of individuals, most of whom had previously worked together for a number of years at Collins Stewart. Even with this well established track record, in a remarkably short period of time they have turned the Company into a highly profitable financial services company with a reputation for offering an entrepreneurial and innovative service to its client base.

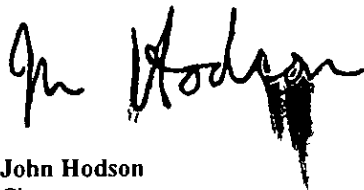
This team provides corporate broking and advisory services to small and medium sized companies quoted on the London Stock Exchange, both on the Official List and on AIM. During the current period we have managed to attract two high calibre teams which complement the original team, one specialising in investment funds and the other in providing corporate broking services to small cap companies. In addition, we have added to our institutional equities team which now provides coverage of a number of important industry sectors. This expansion now means that the Company employs 67 focused and high quality individuals. At the time of writing, this client base includes 53 listed companies with a combined market capitalisation of approximately £8 billion. It is very much the Company's intention to continue to enlarge this base without compromising the quality of our client base. We have specialist research, sales and market making resources, all of which contributed to a strong set of results for the Group. Corporate finance has also been active during the period to the end of December 2006. In addition to being involved in substantial fundraisings, it has also advised on mergers and acquisitions for our corporate clients.

Some commentators have expressed caution concerning the current climate for investment banking, questioning the continuing demand for listings on AIM and noting that, after such a successful bull run in mergers and acquisitions activity, the rapid and profitable pace of corporate activity may slow down. For our part, given the solid performance in delivery of corporate finance transactions and an encouraging pipeline, we continue to view the future with optimism and will concentrate on expanding our business on all fronts. If the markets were to turn against us we believe that, given our low fixed cost base and an overall remuneration package heavily skewed towards performance, we are in a better position than most to deal with such an event. We also believe that there may be some further consolidation within our industry and we will continue to be alert to opportunities which will enhance shareholder value.

The current year has started well, and in the years ahead we aim to offer our shareholders an above average dividend return, together with growth within the core business. This objective can, of course, be affected by the market conditions prevailing during the period.

The Company is not a capital intensive business and is cash generative and the Board does not seek to retain profits unless it can produce superior returns by doing so. As a result we will be adopting a distribution policy reflecting a low dividend cover.

Finally, to create and list a business of this quality, within such a short time frame, demonstrates the skills and commitment of our staff and the loyalty of our corporate and institutional clients and we are proud of this significant achievement.



**John Hodson**  
Chairman

22 March 2007

# **Cenkos Securities plc**

## **Operational and financial review**

### **Introduction**

In a good year which saw Cenkos Securities plc admitted to AIM, we have delivered significant success across all of our business streams. The Company has continued to attract new institutional and corporate clients and this remains our strategy for growth. We have also added two well respected teams, one specialising in investment funds and the other in providing corporate broking services to small cap companies. During the period we have also continued to widen and deepen our research capability. As a result of this growth and our admission to AIM, we have also strengthened our infrastructure in order to deal with the increased activity levels. We continue to look for high quality teams which will augment and complement our existing ones, an approach which we believe will continue to be beneficial to the ongoing growth of the Group.

### **Financial Review**

In order to provide greater clarity about the 2006 performance, unaudited pro-forma financial information is included as an appendix to this Annual Report. The pro forma statement of profits has been prepared to illustrate the effect on the profits of the Group if all individual members and employees of Cenkos Securities LLP had been employed by the Group during the periods to 31 December 2006 and 30 November 2005. On the basis of these pro-forma figures turnover in the thirteen month period ended 31 December 2006 rose by 110% to £32.7 million (2005 £15.6 million) and profit before tax increased by 112% to £13.0 million (2005 £6.1 million). These profit figures are based on the unaudited pro-forma statement of profits set out in the Appendix. Basic and diluted earnings per share decreased by 12% to 16.2p from 18.4p. This decrease is predominantly due to the fact that the weighted average number of shares in the current period includes the total number of B shares granted to the new teams, even though they are partly paid shares, as these shares are entitled to a full dividend payout. These shares were predominantly issued in July and August 2006 and the teams joined us some months later due to previous employer restrictions and therefore were only able to produce revenues at the end of the year.

We are delighted by the performance of the Group, which was achieved against a backdrop of a difficult IPO market, since May 2006. We have seen an increase in both secondary issues and other corporate transactions including mergers and acquisitions advisory work. The Group has declared an interim dividend of £1.00 (2005 £nil) per share during the current period. As set out in the Group's admission document, the directors do not propose to pay a final ordinary dividend (2005 nil) but do expect to pay an interim dividend in respect of the six month period ending 30 June 2007.

### **Corporate broking and advisory**

We have seen another year of growth, not only in turnover, but the number of transactions completed and funds raised. With the widely reported tightening of the IPO market, it is pleasing to report that we have also seen the Company participate in a number of corporate transactions not involving the raising of funds, including advising on various mergers and acquisitions. In addition, we have continued to grow the number of retained corporate clients and have a firm strategy in place to attract new clients. The Company was nominated adviser or corporate broker to 32 companies as at 31 December 2006. During the period, the Company also raised more than £800 million for its clients. The Company was granted sponsor status from the UK Listing Authority on 4 August 2006, enabling it to act as sponsor to companies listed on the Official List. During the period we have added to this team which will allow us to continue the growth in this area.

## **Cenkos Securities plc**

### **Operational and financial review (continued)**

#### **Institutional equities**

The institutional equities team currently provides research-driven investment recommendations to institutional clients. At present, the team has particular expertise in the business services, chemicals and consumer sectors, having recruited professionals who were previously top-ranked analysts in these sectors. The Group intends to expand its institutional equities team by recruiting further professionals with specific sector expertise. The team focuses on servicing large institutional and hedge fund clients, as we believe that this avoids the reduction in margins caused by servicing a larger number of smaller clients.

#### **Market making**

The Group has market making capabilities to support the other services that it provides to its clients. The Company makes markets in the securities of all companies where it has a broking relationship, its strategy being to take small positions in a wide range of stocks, thereby providing liquidity. The Company does not engage in proprietary trading.

#### **Investment funds**

In August 2006, the Company recruited an investment funds team. This team provides a broad range of services, including corporate broking, corporate finance, market making and sales, with a sole focus on investment funds. They act as counterparty for a large number of investment fund investors, and have detailed knowledge of their asset allocation strategies enabling successful secondary distribution and primary sales. The Group currently makes markets in approximately 200 investment fund securities, and by 31 December 2006, the Company had been appointed as corporate broker to 14 investment funds raising over £100 million having completed two transactions.

The investment funds team uses (and will continue to use) significant levels of capital to take positions in the shares of quoted investment funds. These positions primarily facilitate institutional client trading and support the strategies of its investment fund clients. As the investment funds business grows, the level of capital used is expected to increase.

#### **Offshore wealth management and stockbroking services**

Offshore wealth management and stockbroking services are provided through Cenkos Channel Islands Limited, a 75 per cent owned subsidiary of the Company, which was founded in August 2005 and is based in Guernsey. Varying levels of stockbroking services, from discretionary to execution-only, are provided primarily to high net-worth individuals, and also to financial intermediaries and institutions.

#### **People**

We have continued to invest in our staff whilst maintaining a tight control over our overhead base and are looking to acquire further high quality teams and businesses. We believe that these teams should be rewarded by a mixture of bonus and equity based payments that align their interests with that of our shareholders. However, unlike some of our competitors we will not grant cheap options which would under international accounting standards give rise to a high share based payments charge.

Our concentration on controlling overheads has ensured a flat operating margin of 37% (2005 38%), which is after fully charging bonuses and payments to the Cenkos LLP. We have assembled an excellent team and I should like to thank them all for their achievements and hard work. We have made a commitment to grow the business and we look forward to their continued support.

## **Cenkos Securities plc**

### **Operational and financial review (continued)**

#### **Outlook**

We are pleased to have started the new financial year on a positive note. Our pipeline of business is encouraging and we are confident that our entrepreneurial philosophy will help the continued growth in our revenues. We will continue to expand our corporate client base and believe that our ability to attract high quality individuals will serve the Company well in its objective of being a first class, relationship based stockbroking business.

**Andy Stewart**  
Chief Executive Officer

22 March 2007

# Cenkos Securities plc

## Corporate governance statement

### Introduction

The Group is not subject to the Combined Code, which is obliged to be adopted by companies admitted to the Official List. The Directors do, however, support high standards of corporate governance and intend to comply with the Combined Code, insofar as practicable given the Group's size and nature, and will follow the recommendations on corporate governance made by the Quoted Company Alliance ("QCA"). The Group has therefore decided to disclose the following information relating to corporate governance.

### The Directors and the Board

The Board is composed of six Directors, three Executive and three Non-Executive. The current composition is as follows:

**John Hodson\*** *Chairman*

**Andrew Stewart** *Chief Executive Officer*

**Jim Durkin** *Executive Director*

**Simon Melling** *Finance Director, Chief Operating Officer and Company Secretary*

**Anthony Hobson\*** *Non-Executive Director*

**Paul Roy** *Non-Executive Director*

(\* denotes Independent Non-Executive Director)

Biographical details of all the Directors are set out on pages 8 and 9. The Board currently meets bi-monthly and at other times as necessary. The Board is responsible for strategic and major operational issues affecting the Group. It reviews financial performance, regulatory compliance and monitors key performance indicators and will consider any matters of significance to the Group including corporate activity.

### Re-election and election of Directors

In accordance with the Company's Articles, the Directors are obliged to retire by rotation and are eligible for re-election at the third annual general meeting after the annual general meeting at which they were elected. Andrew Stewart and Paul Roy will accordingly retire at the forthcoming annual general meeting and will seek re-election to the Board. In addition, any Director appointed by the Board holds office only until the next annual general meeting, when he is eligible for election. At the forthcoming annual general meeting Jim Durkin, Anthony Hobson, John Hodson and Simon Melling, having been appointed to the Board during the year, and being eligible, will seek election to the Board.

### Remuneration Committee

The Remuneration Committee, which comprises the Non-Executive Directors, is chaired by Paul Roy. It determines salary levels, discretionary bonuses and the terms and conditions of service of the Executive Directors. It makes its decisions in consultation with the Chief Executive Officer. No Director plays a part in any decision about their own remuneration. This Committee also reviews bonus and equity arrangements for the Group's other senior employees and in addition has responsibility for supervising the Cenkos Share Option Scheme and the grant of options under its terms. The remuneration of Non-Executive Directors is fixed by the Board.



# Cenkos Securities plc

## Corporate governance statement (continued)

### Audit Committee

The Audit Committee, which comprises all the Non-Executive Directors, is chaired by Anthony Hobson who qualifies as a financial expert. This has the following responsibilities:

- The monitoring of the Group's internal control environment,
- The assessment of the Group's financial risks (including market risk in relation to the Group's market making activities) and plans for mitigating these risks,
- Review of the Group's financial statements, reports and announcements and the accounting policies that underlie them, on behalf of the Board,
- The recommendation to the Board on the appointment and remuneration of the external auditors,
- The monitoring of the independence of the external auditors and the establishment of a policy for the use of the auditors for non audit work, and
- The monitoring of the need for an internal audit resource

The Committee meets at least four times a year. Other Directors, members of staff and the external auditors are invited to attend these meetings, as appropriate. The Committee reports to the Board on the Company's full and half year results, having examined the accounting policies on which they are based and ensured compliance with relevant accounting standards. In addition, it reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. To this end, the Audit Committee have stated as an objective that fees paid to the auditor for non-audit work should not exceed the fees for audit work, without prior approval. At this stage of the Group's development there is no Internal Audit function. During 2007 the Committee will determine the appropriate timing of the establishment of such a function.

### Nominations Committee

The Nominations Committee, which comprises the Non-Executive Directors, is chaired by John Hodson. It will consider appointments to the Board and is responsible for nominating candidates to fill Board vacancies and for making recommendations on Board composition.

### Management of Operations

The day to day business is managed by Andrew Stewart, the Chief Executive Officer, in conjunction with the Heads of Department as follows:

Nick Wells - *Corporate finance*  
Jim Durkin & Paul Hodges - *Corporate broking*  
Peter Isard - *Institutional equities*  
Charles Ricketts - *Investment funds*  
Jeremy Warner-Allen - *Small-cap corporate broking*  
Jonathan Ravenscroft - *Cenkos Channel Islands*  
Simon Melling - *Finance & operations*  
Anna-Maria De La Roche - *Compliance Officer*

### Internal Control and Risk Management

The Board confirms that it is developing an ongoing process to identify, evaluate and manage the significant risks faced by the Group, one which will comply with the guidance *Internal Control: Guidance for Directors on the Combined Code*. The process will be regularly reviewed by the Board.

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss.

# Cenkos Securities plc

## Corporate governance statement (continued)

### Market risk exposure

The Group is exposed to market risk arising from its short-term positions in predominantly market making stocks. The Group manages market risk by establishing individual stock limits and overall trading book limits. There are daily procedures in place to monitor the utilisation of these limits.

### Currency and interest rate risk

The Group does not have any material dealings in foreign currency, the majority of transactions are in UK based equities and hence denominated in sterling. Neither does the Group have any significant exposure to movements in interest rate risk. Credit risk is referred to in note 13.

### Board of Directors

#### John Hodson

*Independent Chairman and Chairman of Nominations Committee*

John was appointed as Chairman of the Company in September 2006. John has over 35 years' experience in banking, having joined Singer & Friedlander Group in 1970 as a Private Client Portfolio Manager. Subsequently, John progressed through the ranks to become Chairman and Chief Executive of Singer & Friedlander Group, before leaving in 2004. He currently holds a number of non-executive directorships.

#### Andrew Stewart

*Chief Executive Officer*

Andrew is the founder shareholder of the Company and has served as Chief Executive Officer since incorporation. Andrew has over 30 years' experience in the UK securities industry. In 1991 he co-founded Collins Stewart, subsequently listing it on the London Stock Exchange with a market capitalisation on listing of approximately £326 million. Andrew started his career as a stockbroker in 1969 with Simon & Coates, where he became a senior partner. After Simon & Coates was acquired by Chase Manhattan Bank, he became Chief Executive of Chase Manhattan Securities until the launch of Collins Stewart.

#### Simon Melling

*Group Finance Director, Chief Operating Officer and Company Secretary*

Simon was appointed as the Company's Finance Director in September 2006. Simon has 20 years' experience in the banking and securities industry and is a Chartered Accountant, having qualified with Peat Marwick Mitchell in 1988. He subsequently joined the Singer & Friedlander Group, ultimately becoming Director of Group Financial Services. In 2001 Simon joined Collins Stewart and was appointed Chief Operating Officer of the Private Client Division in 2001, a position he held until March 2005. In April 2005 Simon was appointed as Finance Director of Capital Accumulation Limited, which includes the Interactive Investor financial portal and Moneywise magazine.

#### Jim Durkin

*Executive Director*

Jim joined the Group as head of the corporate broking team in March 2005 and was appointed as Executive Director in October 2006. Jim has over 20 years' experience in the UK securities industry. Prior to joining the Group, Jim worked at Collins Stewart. He has worked extensively on the origination and execution of corporate finance transactions across a range of industries including insurance, property, financials and utilities.

## **Cenkos Securities plc**

### **Corporate governance statement (continued)**

#### **Paul Roy**

*Non-Executive Director and Chairman of the Remuneration Committee*

Paul has been a non-executive Director since the Company commenced trading in April 2005. Paul has over 35 years' experience in the banking and securities industry. He is a founder of NewSmith Capital Partners LLP, and was previously Co-President of Merrill Lynch's Global Markets and Investment Banking division with the responsibility for the firm's worldwide Investment Banking, Debt and Equity Markets businesses. Paul joined Merrill Lynch in 1995 when Merrill Lynch acquired Smith New Court, where he was Chief Executive Officer. He is also a Non-Executive Director of Benfield Group.

#### **Anthony Hobson**

*Independent Director and Chairman of Audit Committee*

Anthony was appointed as non-executive Director of the Company on 4 October 2006. He is the Chairman of Northern Foods plc, and holds non-executive roles at HBOS plc, Sage Group plc and Glas Cymru. Anthony qualified as a Chartered Accountant with Arthur Andersen & Co in 1971 and received an MBA from the Darden Graduate School of Business, University of Virginia, in 1974. He was the Group Finance Director of Legal & General Group plc from 1987 to 2001.

# Cenkos Securities plc

## Directors' remuneration report

### Introduction

The Directors have voluntarily chosen to prepare a Directors' Remuneration Report. The Report is not intended to comply with the disclosure requirements of Schedule 7A of the Companies Act, 1985 and is not subject to audit.

### Remuneration Policy

Cenkos Securities has a policy to attract, motivate and reward individuals of the highest calibre who are committed to grow the value of the business and to maximise returns to shareholders. This policy is as relevant to Executive Directors as it is to employees, and the rewards of Executive Directors will be aligned with those of shareholders in reflecting the performance of the Group. The reward structure will aim to reconcile the remuneration arrangements of competitors and the merits of other senior Group employees who are not Directors.

The Group operates in the investment banking and equities arena where it is common practice to pay substantial bonuses to those whose performance is outstanding. This compensates for basic salaries which are capped at relatively modest levels and for the risk of little or no bonus in the event of difficult market conditions.

### Directors' Service Contracts

No Director has a service contract for longer than twelve months and no contract contains provisions for sums to be paid on termination. Copies of Directors' service contracts will be available for review at the Annual General Meeting.

### Pension Arrangements

The Group does not operate a pension scheme.

### Share Options

Prior to the listing on AIM the Company set up an LTIP Scheme and a share option plan but as at the date of these accounts no grants had been made. The Remuneration Committee has responsibility for supervising the scheme and the grant of options under its terms. The Company's policy is to use the Share Option Scheme to attract and retain key senior employees including the Executive Directors. Any grant of options is at the discretion of the Remuneration Committee and will take into account individual performance and responsibilities. Where appropriate, a grant of options may incorporate performance criteria.

### Directors' Remuneration

A summary of the total remuneration paid for the period to Directors who served during the period is set out below.

	Notes	Salary/fees	Annual performance cash bonus	Benefits in kind	Total 2006 £'000	Total 2005 £'000
Andrew Stewart		8	2,167	1	2,176	2001
Jim Durkin	a)	8	-	-	8	-
Simon Melling	b)	42	133	-	175	-
John Hodson	c)	21	-	-	21	-
Paul Roy		9	-	-	9	-
Anthony Hobson	d)	9	-	-	9	-
Michael Marks		-	-	-	-	-

## Cenkos Securities plc

### Directors' remuneration report (continued)

- a) Prior to joining the Board Jim Durkin was a partner in Cenkos LLP and in this capacity received a profit share of £ 2,394,950. He joined the Board on 31 October 2006
- b) Simon Melling joined the Board on 4 September 2006
- c) John Hodson joined the Board on 29 August 2006
- d) Anthony Hobson joined the Board on 4 October 2006

#### Directors' Interests in Ordinary Shares of Cenkos Securities plc

The Directors in office at the period-end had interests in the ordinary share capital of the Company (all of which were beneficial) as shown below

	Note	1 December 2005 £	31 December 2006 £	Percentage Interest as at 31 December 2006
Andrew Stewart	a)	16,666,670	16,666,670	22.96%
Jim Durkin	b)	3,750,000	5,625,000	7.46%
Paul Roy	c)	16,666,670		0.00%

- a) Subsequent to the period end Andrew Stewart transferred 500,000 of his shares to The Andrew Stewart Charitable Trust
- b) 1,875,000 of these Ordinary Shares are currently held by NewSmith Capital Partners but are subject to an option granted to Jim Durkin
- c) All Ordinary Shares are held by NewSmith Capital Partners, of which Paul Roy is a limited partner. Of the original shares owned by them 11,250,000 ordinary shares were sold at the time of the group's admission to AIM the remaining 5,416,670 are subject to options granted to key management including Jim Durkin

#### Directors' Interests in Share Options

The following Directors had interests in options over ordinary shares of the Company as shown below

Names of Director	1 December 2005	Options granted in period	31 December 2006	Exercise price
John Hodson	-	600,000	600,000	70.9p
Simon Melling	-	427,046	427,046	140.5p
Anthony Hobson	-	28,469	28,469	140.5p

All the above options were granted on 23 October 2006

#### Approval

This Report was approved by the Remuneration Committee and signed on its behalf by

**Paul Roy**  
Chairman of the Remuneration Committee

22 March 2007

# **Cenkos Securities plc**

## **Directors' report**

The Directors present their report on the affairs of the Group, together with the financial statements and auditors' report, for the thirteen month period ended 31 December 2006. The Group has changed its accounting reference date from 30 November to 31 December during the current period, in order to align its self with other quoted competitors.

### **Principal Activities**

The Cenkos group is an independent, specialist institutional securities group focused on UK small and mid-cap companies and investment funds. The Group's principal activities currently comprise corporate finance, corporate broking, institutional equities, market making, and high net-worth private client stockbroking. The parent carries out all the activities with the exception of the last.

### **Business Review and Future Developments**

A review of the Group's operations and performance during the financial year, setting out the position at the year end, significant changes during the year and providing an indication of the outlook for the future, is contained in the Operational and financial review.

### **Principal risks and uncertainties**

The Board believes that the greatest risk to the firm comes from the potential for loss of reputation. Whilst entrepreneurial staff are always encouraged to develop new clients and streams of revenue, all new business is subject to an appraisal process supervised by the New Business Committee. This discriminates strongly in favour of high quality, high potential businesses and management teams. The next most important risk the business faces is stock market conditions. Adverse market conditions may have a significant negative effect on revenues and profitability. The Company mitigates some of this risk by targeting revenues across a number of sectors of the market, by careful control of overheads and by having in place a flexible remuneration policy. The Group's future success will also depend on its ability to attract and retain high quality executives and employees. The group seeks to minimise this risk by rewarding employees through an overall remuneration package which is heavily skewed towards performance and other share based payments which align the interests of the employees and shareholders.

### **Results and Dividends**

The Consolidated income statement for the year is set out on page 18. As set out in the Group's admission document, the Directors do not propose to pay a final ordinary dividend (2005 £nil), but do expect to pay an interim dividend in respect of 2007 in September 2007.

### **Directors**

The Directors of the Company who held office during the current period are as follows:

#### **Current Directors**

John Hodson (appointed 29 August 2006)  
Andrew Stewart  
Jim Durkin (appointed 31 October 2006)  
Paul Roy  
Anthony Hobson (appointed 4 October 2006)  
Simon Melling (appointed 4 September 2006)

#### **Former Director**

Michael Marks (resigned 29 August 2006)

# Cenkos Securities plc

## Directors' report (continued)

### Directors' Interest

The interest of current Directors in shares and options are disclosed in the Directors' Remuneration Report set out on pages 10 to 11

### Significant Shareholdings

In addition to the current Directors' interests shown on page 11, the Directors have been notified that the following shareholders had interests in 3% or more of the Company's ordinary share capital at 19 March 2007

	Number of class of share	Notes	Percentage interest as at 19 March 2007 a)
Cenkos Securities (Trustees) Limited	21,252,630 Ordinary and B Shares	b)	29.28
NewSmith Capital Partners LLP	5,416,670 Ordinary Shares	c)	7.46
AMVESCAP plc	4,449,000 Ordinary Shares		6.13
Paul Hodges	3,750,000 Ordinary Shares	d)	5.16
Charlie Rickets	2,833,550 B Shares	e)	3.90

- a) Percentage of the Group's Ordinary and B shares combined
- b) These shares are held as a nominee on behalf of certain employees of the Group
- c) All of these shares are subject to options granted to certain employees of the Group
- d) In addition Paul Hodges has options over 1,875,000 shares granted to him by NewSmith Capital Partners LLP
- e) These shares are included in those held by Cenkos Securities (Trustees) Limited as a nominee

### Share Capital

Information relating to the Company's ordinary share capital is shown in note 18 to the financial statements

### Employee Share Trust

The Group currently operates one Employee Benefit Share Trust, Cenkos Securities EBT, which administers the Cenkos Securities plc share schemes as Trustee. At 31 December 2006, the Trust held no shares

### Employment Policies

The Group's employment policies are based on a commitment to equal opportunities from the selection and recruitment process through to training, development, appraisal and promotion. Also, employees are encouraged to participate in the success of the Group through a performance based incentive scheme incorporating bonus and share option arrangements. Employees are kept informed of progress at regular review meetings.

### Charitable and Political Donations

The Group made charitable donations amounting to £ 21,390 (2005 - £ 6,750) during the period. The Group did not make any political donations (2005 - £Nil).

# **Cenkos Securities plc**

## **Directors' report (continued)**

### **Supplier Payment Policy**

It is the Group's policy to settle debts with its creditors on a timely basis, taking into consideration the terms and conditions offered by each supplier. The number of supplier days outstanding at the year end, based on the average monthly outstanding Group creditor balances, was 4 days (2005 – nil days)

### **Directors' and Officers' Liability Insurance**

The Company purchases and maintains liability insurance for its Directors and Officers as permitted by the Companies Act 1985

### **Financial instruments**

Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in notes 13 and 14 of the financial statements together with an explanation of the risks associated with such instruments

### **Auditors**

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

(1) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(2) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

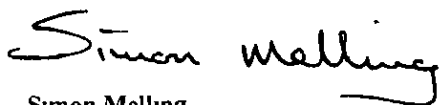
This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

### **Annual General Meeting**

The Annual General Meeting of the company will be held at 6 7 8 Tokenhouse Yard, London, EC2R 7AS on 27 April 2007 at 12 00 noon. A copy of the notice of meeting is shown on pages 47 to 50

By order of the Board



Simon Melling  
Company Secretary

22 March 2007



## **Cenkos Securities plc**

### **Statement of directors' responsibilities**

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. The Directors elected to prepare the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records that 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 1985. 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.

## **Independent auditors' report to the members of Cenkos Securities plc**

We have audited the group and parent company financial statements (the "financial statements") of Cenkos Securities plc for the period from 1 December 2005 to 31 December 2006, which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The Directors' responsibilities for preparing the Annual Report, and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

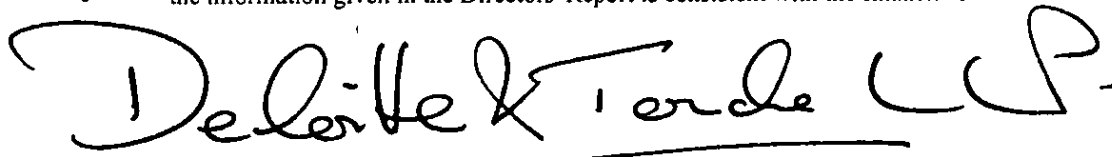
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

### In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2006 and of its profit for the period then ended,
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2006,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

A large, stylized handwritten signature in black ink, appearing to read 'Deloitte & Touche LLP', is written over a horizontal line.

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors

London, United Kingdom

22 March 2007

## Cenkos Securities plc

### Consolidated income statement 13 month period ended 31 December 2006

		1 December 2005 to 31 December 2006 £	20 August 2004 to 30 November 2005 £
	Note		
Revenue	3	32,670,329	15,571,727
Administrative expenses		(12,715,410)	(4,743,275)
<b>Operating profit</b>		<b>19,954,919</b>	<b>10,828,452</b>
Investment income - interest receivable		811,526	215,770
Finance costs - interest payable		(13,740)	(5,498)
<b>Profit before tax</b>	5	<b>20,752,705</b>	<b>11,038,724</b>
Tax	6	(3,978,747)	(1,843,680)
<b>Profit for the period</b>		<b>16,773,958</b>	<b>9,195,044</b>
Attributable to			
Equity holders of the parent		9,011,374	4,281,774
Minority interests		7,762,584	4,913,270
		<b>16,773,958</b>	<b>9,195,044</b>
<b>Earnings per share</b>			
Basic	8	16 2p	18 4p
Diluted	8	16 2p	18 4p

All amounts shown in the consolidated financial statements derive from continuing operations of the Group


The profit attributable to the company in the 13 months period ended 31 December 2006 was £8,762,275 (period ended 30 November 2005 £4,299,756)

# Cenkos Securities plc

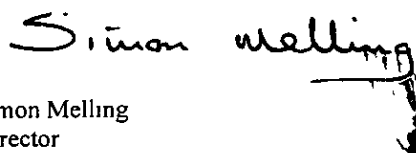
## Consolidated balance sheet 31 December 2006

	Note	31 December 2006 £	30 November 2005 £
<b>Non-current assets</b>			
Property, plant and equipment	9	737,174	364,445
Available for sale investments	10	3,229,164	4,327,797
Deferred tax asset	16	158,356	-
		<u>4,124,694</u>	<u>4,692,242</u>
<b>Current assets</b>			
Trading investments – long positions	12	13,123,643	977,363
Trade and other receivables	13	39,620,045	7,701,859
Cash and cash equivalents	14	9,780,584	12,261,523
		<u>62,524,272</u>	<u>20,940,745</u>
<b>Total assets</b>		<u>66,648,966</u>	<u>25,632,987</u>
<b>Current liabilities</b>			
Trading investments - short positions	12	(5,127,238)	(954,823)
Trade and other payables	15	(26,968,091)	(12,265,481)
		<u>(32,095,329)</u>	<u>(13,220,304)</u>
<b>Net current assets</b>		<u>30,428,943</u>	<u>7,720,441</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	(669,032)	(996,622)
Preference shares	17	-	(400,000)
<b>Total liabilities</b>		<u>(32,764,361)</u>	<u>(14,616,926)</u>
<b>Net assets</b>		<u>33,884,605</u>	<u>11,016,061</u>
<b>Equity</b>			
Share capital	18	725,936	440,283
Share premium account		22,733,114	3,962,551
Available for sale reserve		1,556,408	2,325,452
Retained earnings		8,843,146	4,281,774
<b>Equity attributable to equity holders of the parent</b>		<u>33,858,604</u>	<u>11,010,060</u>
<b>Minority interests</b>		<u>26,001</u>	<u>6,001</u>
<b>Total equity</b>		<u>33,884,605</u>	<u>11,016,061</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2007. They were signed on its behalf by



Andrew Stewart  
Chief Executive Officer



Simon Melling  
Director

# Cenkos Securities plc

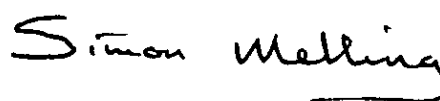
## Company balance sheet 31 December 2006

	Note	31 December 2006 £	30 November 2005 £
<b>Non-current assets</b>			
Property, plant and equipment	9	704,625	329,882
Available for sale investments	10	3,229,164	4,327,797
Deferred tax asset	16	158,356	-
Investments in subsidiary undertakings	11	114,613	20,004
		<u>4,206,758</u>	<u>4,677,683</u>
<b>Current assets</b>			
Trading investments - long positions	12	12,773,643	977,363
Trade and other receivables	13	45,265,981	9,626,085
Cash and cash equivalents	14	9,461,457	12,206,198
		<u>67,501,081</u>	<u>22,809,646</u>
<b>Total assets</b>		<u>71,707,839</u>	<u>27,487,329</u>
<b>Current liabilities</b>			
Trading investments - short positions	12	(5,127,238)	(954,823)
Trade and other payables	15	(32,286,082)	(14,107,842)
		<u>(37,413,320)</u>	<u>(15,062,665)</u>
<b>Net current assets</b>		<u>30,087,761</u>	<u>7,746,981</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	(667,032)	(996,622)
Preference shares	17	-	(400,000)
<b>Total liabilities</b>		<u>(38,080,352)</u>	<u>(16,459,287)</u>
<b>Net assets</b>		<u>33,627,487</u>	<u>11,028,042</u>
<b>Equity</b>			
Share capital	18	725,936	440,283
Share premium account		22,733,114	3,962,551
Available for sale reserve		1,556,408	2,325,452
Retained earnings		8,612,029	4,299,756
<b>Total equity</b>		<u>33,627,487</u>	<u>11,028,042</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2007. They were signed on its behalf by



Andrew Stewart  
Chief Executive Officer



Simon Melling  
Director

# Cenkos Securities plc

## Consolidated cash flow statement 13 month period ended 31 December 2006

	1 December 2005 to 31 December 2006 £	20 August 2004 to 30 November 2005 £
<b>Profit for the period</b>	16,773,958	9,195,044
Adjustments for		
Finance income	(797,786)	(210,272)
Tax expense	3,978,747	1,843,680
Depreciation of property, plant and equipment	133,552	50,620
Share-based payment expense	372,832	-
<b>Operating cash flows before movements in working capital</b>	20,461,303	10,879,072
Net increase in trading position	(7,973,865)	(22,540)
Increase in trade and other receivables	(14,198,456)	(7,701,859)
Increase in trade and other payables	13,452,715	10,421,801
Distributions to minority interests	(7,762,584)	(4,913,270)
<b>Net cash inflow from operating activities</b>	3,979,113	8,663,204
Interest paid	(13,605)	(5,498)
Taxation paid	(2,891,208)	-
<b>Net cash inflow from operating activities</b>	1,074,300	8,657,706
<b>Investing activities</b>		
Interest received	535,729	215,770
Purchase of property, plant and equipment	(506,281)	(415,065)
Purchase of available-for-sale investments	-	(1,005,723)
<b>Net cash generated by/(used in) investing activities</b>	29,448	(1,205,018)
<b>Financing activities</b>		
Dividends paid	(4,822,834)	-
Proceeds from issue of equity shares	1,612,147	4,402,834
(Redemption of)/issue of preference shares	(400,000)	400,000
Issue of capital by subsidiary to minority interests	26,000	6,001
<b>Net cash (used in)/generated by financing activities</b>	(3,584,687)	4,808,835
<b>Net (decrease)/increase in cash and cash equivalents</b>	(2,480,939)	12,261,523
<b>Cash and cash equivalents at beginning of period</b>	12,261,523	-
<b>Cash and cash equivalents at end of period</b>	9,780,584	12,261,523

## Cenkos Securities plc

### Company cash flow statement 13 month period ended 31 December 2006

	1 December 2005 to 31 December 2006 £	20 August 2004 to 30 November 2005 £
<b>Profit for the period</b>	8,762,275	4,299,756
Adjustments for		
Finance income	(749,944)	(213,988)
Tax expense	3,908,774	1,842,754
Depreciation of property, plant and equipment	116,140	44,815
Share-based payment expense	353,223	-
<b>Operating cash flows before movements in working capital</b>	12,390,468	5,973,337
Net increase in trading position	(7,623,865)	(22,540)
Increase in trade and other receivables	(17,920,167)	(9,626,085)
Increase in trade and other payables	16,994,317	12,265,088
<b>Net cash inflow from operating activities</b>	3,840,753	8,589,800
Taxation paid	(2,883,208)	-
<b>Net cash inflow from operating activities</b>	957,545	8,589,800
<b>Investing activities</b>		
Interest received	474,284	213,988
Purchase of fixed assets	(490,883)	(374,697)
Purchase of available-for-sale investments	-	(1,005,723)
Capitalisation of subsidiaries	(75,000)	(20,004)
<b>Net cash used in investing activities</b>	(91,599)	(1,186,436)
<b>Financing activities</b>		
Dividends paid	(4,822,834)	-
Proceeds from issue of equity shares	1,612,147	4,402,834
(Redemption of)/issue of preference shares	(400,000)	400,000
<b>Net cash (used in)/generated by financing activities</b>	(3,610,687)	4,802,834
<b>Net (decrease)/increase in cash and cash equivalents</b>	(2,744,741)	12,206,198
<b>Cash and cash equivalents at beginning of period</b>	12,206,198	-
<b>Cash and cash equivalents at end of period</b>	9,461,457	12,206,198



## Cenkos Securities plc

### Consolidated statement of changes in equity 13 month period ended 31 December 2006

	Note	Share capital £	Share premium £	Available for sale reserve £	Retained earnings £	Minority Interests £	Total £
<b>On incorporation</b>		-	-	-	-	-	-
Equity and non-equity shares issued		840,283	3,962,551	-	-	-	4,802,834
Capital contributed by minority interest		-	-	-	-	6,001	6,001
Retained profit for the period		-	-	-	6,607,226	-	6,607,226
Profit allocated to minority interests		-	-	-	-	4,913,270	4,913,270
Distribution of profit to minority interest		-	-	-	-	(4,913,270)	(4,913,270)
<b>At 30 November 2005</b>		<u>840,283</u>	<u>3,962,551</u>	<u>-</u>	<u>6,607,226</u>	<u>6,001</u>	<u>11,416,061</u>
<b>Implementation of IFRSs</b>							
Reclassification of preference shares to non-current liabilities		(400,000)	-	-	-	-	(400,000)
Fair valuation of available-for-sale investments		-	-	3,322,074	(3,322,074)	-	-
Deferred tax liability arising on fair valuation of available-for-sale investments		-	-	(996,622)	996,622	-	-
<b>At 30 November 2005</b>		<u>440,283</u>	<u>3,962,551</u>	<u>2,325,452</u>	<u>4,281,774</u>	<u>6,001</u>	<u>11,016,061</u>
Shares issued	18	285,653	20,819,945	-	-	-	21,105,598
Capital contributed by minority interest		-	-	-	-	26,000	26,000
Retained profit for the period		-	-	-	9,011,374	-	9,011,374
Profit allocated to minority interests		-	-	-	-	7,762,584	7,762,584
Distribution of profit to minority interest		-	-	-	-	(7,762,584)	(7,762,584)
Transfer of amounts to payables on retirement of minority interest members		-	-	-	-	(6,000)	(6,000)
Revaluation of available-for-sale investments		-	-	(1,098,634)	-	-	(1,098,634)
Reversal of deferred tax liability on revaluation of available-for-sale investments		-	-	329,590	-	-	329,590
Credit to equity for equity-settled share-based payments		-	-	-	372,832	-	372,832
Share issue costs taken through premium		-	(2,049,382)	-	-	-	(2,049,382)
Dividends paid	7	-	-	-	(4,822,834)	-	(4,822,834)
<b>At 31 December 2006</b>		<u>725,936</u>	<u>22,733,114</u>	<u>1,556,408</u>	<u>8,843,146</u>	<u>26,001</u>	<u>33,884,605</u>

## Cenkos Securities plc

### Company statement of changes in equity 13 month period ended 31 December 2006

	Note	Share capital £	Share premium £	Available for sale reserve £	Retained earnings £	Total £
<b>On incorporation</b>		-	-	-	-	-
Equity and non-equity shares issued		840,283	3,962,551	-	-	4,802,834
Retained profit for the period		-	-	-	6,625,208	6,625,208
<b>At 30 November 2005</b>		840,283	3,962,551	-	6,625,208	11,428,042
<b>Implementation of IFRSs</b>						
Reclassification of preference shares to non-current liabilities		(400,000)	-	-	-	(400,000)
Fair valuation of available-for-sale investments		-	-	3,322,074	(3,322,074)	-
Deferred tax liability arising on fair valuation of available-for-sale investments		-	-	(996,622)	996,622	-
<b>At 30 November 2005</b>		440,283	3,962,551	2,325,452	4,299,756	11,028,042
Shares issued	18	285,653	20,819,945	-	-	21,105,598
Retained profit for the period		-	-	-	8,762,275	8,762,275
Revaluation of available-for-sale investments		-	-	(1,098,634)	-	(1,098,634)
Reversal of deferred tax liability on revaluation of available-for-sale investments		-	-	329,590	-	329,590
Credit to equity for equity-settled share-based payments charge		-	-	-	353,223	353,223
Credit to equity for fixed asset investments made in subsidiary (note 11)		-	-	-	19,609	19,609
Share issue costs taken through premium		-	(2,049,382)	-	-	(2,049,382)
Dividends paid	7	-	-	-	(4,822,834)	(4,822,834)
<b>At 31 December 2006</b>		725,936	22,733,114	1,556,408	8,612,029	33,627,487

# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 1 Accounting policies

#### General information

Cenkos Securities plc is a company incorporated in the United Kingdom under the Companies Act 1985. The group's principal activity is the provision of investment banking services. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

#### Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, for the first time. Up until 30 November 2005, the Group prepared its financial statements under UK Generally Accepted Accounting Principles ("UK GAAP"). From 1 December 2005, the Group consolidated financial statements are prepared in accordance with IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS, with the prior period being presented on the same basis.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 22. The financial statements have been prepared on the historical cost basis as modified by the valuation of certain financial instruments, as described below. The principal accounting policies adopted are set out below.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

No income statement is presented for the Company as provided by section 230(2) of the Companies Act 1985.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amounts of these interests at the date of the original business combination plus minority's share of undistributed reserves.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### Financial instruments

##### *Trading investments*

Trading investments pertain to investment securities which are held for trading purposes. These investments comprise both long and short positions and are initially measured at cost, including transaction costs. Subsequently and at each reporting date, these investments are measured at their fair values, with the resultant gains and losses arising from changes in fair value being taken to the income statement. Trading investments include securities and options over securities which have been received as consideration for corporate finance services rendered.

##### *Available for sale investments*

Available for sale investments are initially measured at cost, including transaction costs. At each reporting date, these investments are measured at their fair values and the resultant gains and losses, after adjusting for taxation, are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 1. Accounting policies (continued)

#### *Trade and other receivables*

Market debtors are measured at fair value

All other debtors are measured at amortised cost. Appropriate allowance for estimated irrecoverable amounts is recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### *Trade and other payables*

Trade and other payables are measured at fair value

#### *Financial liabilities and equity*

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

#### *Equity instruments*

Equity instruments issued by the company are recorded at the proceeds receivable, net of direct issue costs.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Gains and losses arising during the period on transactions denominated in foreign currencies are treated as normal items of income and expenditure in the income statement.

#### **Investments in subsidiary undertakings**

Investments in subsidiary undertakings are stated at cost, less any provision for diminution in value.

#### **Operating leases**

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its estimated useful life as follows:

Leasehold improvements	Ten years
Fixtures and fittings	Three years
IT equipment	Three years

The carrying values of property, plant and equipment are subject to annual review and any impairment is charged to the income statement.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 1 Accounting policies (continued)

#### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

#### Revenue recognition

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 discounts, VAT and other sales related taxes.

Revenue comprises fees for corporate finance advisory services which are taken to the income statement when the services are performed. Revenue also comprises profits on dealing operations, being gains less losses on shares, arrived at after taking into account attributable dividends and directly related interest, together with commission income receivable.

Interest income is recognised at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 1. Accounting policies (continued)

#### Share-based payments

The Group has applied the requirements of IFRS 2 *Share-based payment*. The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

#### General information

At the date of authorisation of these financial statements, the following Standards and Interpretations (relevant to the Group's activities) which have not been applied in these financial statements were in issue but not yet effective:

(i) IFRS 7 – Financial instruments: Disclosures, and the related amendment to IAS1 on capital disclosures

### 2. Critical accounting judgement and key sources of estimation uncertainty

#### a) Equity-settled share-based payments

The fair value of share based payments is calculated by reference to a Monte Carlo simulation model. Inputs into the model are based on management's best estimates of appropriate volatility, discount rate and share price growth.

#### b) Valuation of investments

Trading investments include options over securities which have been received as consideration for corporate finance services rendered. The fair values of these investments have been calculated by reference to a Monte Carlo simulation model. Inputs into the model are based on management's best estimates of appropriate volatility, discount rate and share price growth.

#### c) Bad debt policy

The Group regularly reviews all outstanding balances and provides for amounts it considers irrecoverable.

### 3. Business and geographical segments

The directors consider that there is only one activity undertaken by the Group, that being investment banking. The majority of this activity is undertaken in the United Kingdom.

### 4. Staff costs

	1 December 2005 to 31 December 2006 £	20 August 2004 to 30 November 2005 £
Staff costs comprise		
Wages and salaries	8,430,140	3,151,618
Social security costs	976,386	395,415
	<u>9,406,526</u>	<u>3,547,033</u>

The Group does not operate any pension schemes.

# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 4. Staff costs (continued)

The average number of employees (including Executive Directors) was

	2006 No.	2005 No.
Corporate finance	7	7
Corporate broking	23	3
Administration	10	3
	<u>40</u>	<u>13</u>
	£	£
The total emoluments of the highest paid Director were	<u>2,176,000</u>	<u>2,001,040</u>

### 5. Profit for the period

The profit for the period has been arrived at after charging

	1 December 2005 to 31 December 2006 £	20 August 2004 to 30 November 2005 £
Operating lease rentals	219,594	146,863
Auditors' remuneration (refer to analysis below)	133,000	55,500
Depreciation of property, plant and equipment	133,552	50,620
Staff costs (see note 4)	<u>2,170,918</u>	<u>506,033</u>

The analysis of auditors' remuneration is as follows

	1 December 2005 to 31 December 2006 £	20 August 2004 to 30 November 2005 £
Fees payable to the Group's auditor for the audit of the Group's annual accounts and consolidation	65,000	48,500
Fees payable to the Group's auditor for other services		
- The audit of the Group's subsidiaries, pursuant to legislation	8,000	7,000
- Other services, pursuant to legislation	5,000	-
- Tax services	<u>55,000</u>	<u>-</u>
	<u>133,000</u>	<u>55,500</u>

In addition to above, fees of £300,000 were paid to the Group's auditors for work performed in relation to the floatation of Cenkos Securities plc on AIM during the period. These fees formed part of the £2,049,382 floatation costs, and were taken directly to share premium account as share issue costs. A description of the work of the Audit Committee is set out on pages 6 and 7 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 6. Tax

The tax charge comprises

	2006 £	2005 £
<b>Current tax</b>		
United Kingdom corporation tax at 30% (2005 - 30%) based on the profit for the period	4,091,258	1,843,680
Adjustment in respect of prior period	43,845	-
<b>Total current tax</b>	<u>4,135,103</u>	<u>1,843,680</u>
<b>Deferred tax</b>		
Credit on account of timing differences	(158,356)	-
Charge on account of timing differences	2,000	-
<b>Total deferred tax (refer note 16)</b>	<u>(156,356)</u>	<u>-</u>
<b>Total tax on profit on ordinary activities</b>	<u>3,978,747</u>	<u>1,843,680</u>

The tax charge for the period differs from that resulting from applying the standard rate of UK corporation tax of 30% to the profit before tax for the reasons set out in the following reconciliation

	2006 £	2005 £
Profit on ordinary activities before tax	<u>20,752,705</u>	<u>11,038,724</u>
Tax on profit on ordinary activities at the UK corporation tax rate of 30% (2005 30%)	6,225,812	3,311,617
Tax effect of		
Depreciation in excess of capital allowances	(22,990)	(382)
Expenses/(Income) that are not deductible/(taxable) in determining taxable profits	91,161	(43,998)
Different tax rates of subsidiaries operating in other jurisdictions	(31,632)	6,043
Income not subject to corporation tax	(2,327,449)	(1,429,600)
Adjustment in respect of prior period	43,845	-
<b>Tax expense for the period</b>	<u>3,978,747</u>	<u>1,843,680</u>

In addition to the amount charge to the income statement, deferred tax relating to the fair value of the Group's available for sales investments amounting to £329,590 (2005 £996,622 charged to equity) has been credited directly to equity



# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 7. Dividends

Amounts recognised as distributions to equity holders in the period

	2006 £	2005 £
Interim dividend for the period ended 31 December 2006 of £1 00 (2005 £nil) per share	4,822,834	-

There is no final dividend proposed for the period ended 31 December 2006 (2005 £nil)

### 8. Earnings per share

The calculation of the basis and diluted earnings per share is based on the following data

	2006 £	2005 £
<b>Earnings</b>		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	9,011,374	4,281,774
Effect of dilutive potential ordinary shares		
Share options	-	-
Earnings for the purposes of diluted earnings per share	9,011,374	4,281,774
	No.	No.
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	55,503,588	23,270,380
Effect of dilutive potential ordinary shares		
Share options	57,870	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	55,561,458	23,270,380

The denominators for the purpose of calculating both basic and diluted earnings per share have been adjusted to reflect the sub-division of shares on 31 October 2006. The weighted average number of shares considered for the current period also includes the total number of B shares, even though they are partly paid shares, as these shares are entitled to a full dividend payout.

# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 9. Property, plant and equipment Group

2006	Leasehold improvements £	Fixtures and fittings £	IT equipment £	Total £
<b>Cost</b>				
At 1 December 2005	212,224	24,733	178,108	415,065
Additions	323,256	11,502	171,523	506,281
At 31 December 2006	535,480	36,235	349,631	921,346
<b>Accumulated depreciation</b>				
At 1 December 2005	(14,491)	(4,253)	(31,876)	(50,620)
Charge for the period	(38,349)	(11,633)	(83,570)	(133,552)
At 31 December 2006	(52,840)	(15,886)	(115,446)	(184,172)
<b>Net book value</b>				
At 31 December 2006	482,640	20,349	234,185	737,174
At 30 November 2005	197,733	20,480	146,232	364,445
<b>2005</b>				
<b>Cost</b>				
At 20 August 2004	-	-	-	-
Additions	212,224	24,733	178,108	415,065
At 30 November 2005	212,224	24,733	178,108	415,065
<b>Accumulated depreciation</b>				
At 20 August 2004	-	-	-	-
Charge for the period	(14,491)	(4,253)	(31,876)	(50,620)
At 30 November 2005	(14,491)	(4,253)	(31,876)	(50,620)
<b>Net book value</b>				
At 30 November 2005	197,733	20,480	146,232	364,445

# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 9. Property, plant and equipment (continued)

#### Company

2006	Leasehold improvements £	Fixtures and fittings £	IT equipment £	Total £
<b>Cost</b>				
At 1 December 2005	212,224	14,117	148,356	374,697
Additions	323,256	1,939	165,688	490,883
At 31 December 2006	535,480	16,056	314,044	865,580
<b>Accumulated depreciation</b>				
At 1 December 2005	(14,491)	(2,573)	(27,751)	(44,815)
Charge for the period	(38,349)	(5,759)	(72,032)	(116,140)
At 31 December 2006	(52,840)	(8,332)	(99,783)	(160,955)
<b>Net book value</b>				
At 31 December 2006	482,640	7,724	214,261	704,625
At 30 November 2005	197,733	11,544	120,605	329,882
<b>2005</b>				
<b>Cost</b>				
At 20 August 2004	-	-	-	-
Additions	212,224	14,117	148,356	374,697
At 30 November 2005	212,224	14,117	148,356	374,697
<b>Accumulated depreciation</b>				
At 20 August 2004	-	-	-	-
Charge for the period	(14,491)	(2,573)	(27,751)	(44,815)
At 30 November 2005	(14,491)	(2,573)	(27,751)	(44,815)
<b>Net book value</b>				
At 30 November 2005	197,733	11,544	120,605	329,882

## Cenkos Securities plc

### Notes to the financial statements 13 month period ended 31 December 2006

#### 10. Available for sale investments

	Group and Company 2006 £	Group and Company 2005 £
Opening balance (at fair value)	4,327,797	-
Additions at cost	-	1,005,723
Fair value changes	(1,098,633)	3,322,074
Closing balance (at fair value)	<u>3,229,164</u>	<u>4,327,797</u>

This investment represents investments in 17,939,800 ordinary shares in Plus Markets Group plc, which represents 13.3% of the share capital of Plus Markets Group plc. They have no fixed maturity or repayment terms. The fair value of this investment is based on their quoted market price.

#### 11. Investments in subsidiaries

Company	Shares in subsidiary undertakings £
Cost	
At 30 November 2005	20,004
Additions	
Further capital subscribed in Cenkos Channel Islands Limited	74,998
Capital subscribed in Cenkos Trustee UK Limited	2
Equity-settled share-based payments charge in respect of employees in Cenkos Channel Islands Limited	19,609
At 31 December 2006	<u>114,613</u>

The parent company has investments in the following principal subsidiary undertakings, consisting solely of ordinary shares, of

##### Direct holdings:

Principal subsidiary undertakings	Country of registration and operation	Principal activity	Proportion of ordinary shares and voting rights held
Cenkos LLP	England and Wales	Provision of investment services	95.23%
Cenkos Channel Islands Limited	Guernsey	Provision of investment services	75%
Cenkos Nominee UK Limited	England and Wales	Nominee company	100%
Cenkos (Trustees) UK Limited	England and Wales	Nominee company	100%

##### Indirect holdings:

Cenkos Channel Islands Nominee Limited	Guernsey	Nominee company	100%
Supreme Huntress Limited	England and Wales	Dormant Company	100%

In the opinion of the Directors the value of the investments is not less than the amount at which they are stated in the balance sheet.

# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 12. Trading investments

#### Long positions

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Fair value	13,123,643	977,363	12,773,643	977,363

#### Short positions

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Fair value	5,127,238	954,823	5,127,238	954,823

The investments included above represent investments in listed equity securities that present the group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices.

### 13. Trade and other receivables

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Market and client debtors	19,954,083	7,250,390	19,139,692	7,018,679
Amounts owed by group undertakings	-	-	6,547,268	2,271,510
Unpaid share capital and premium due from staff	17,719,730	-	17,719,730	-
Other debtors	269,850	189,249	268,850	189,808
Prepayments and accrued income	1,676,382	262,220	1,590,441	146,088
	39,620,045	7,701,859	45,265,981	9,626,085

The average credit period taken is 5 days (2005 7 days). An allowance has been made for estimated irrecoverable amounts of £46,000 (2005 £nil).

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

#### Credit risk

The Group's principal financial assets are bank balances and cash (note 14), trade and other receivables and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

## Cenkos Securities plc

### Notes to the financial statements 13 month period ended 31 December 2006

#### 14. Cash and cash equivalents

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Cash and cash equivalents	9,780,584	12,261,523	9,461,457	12,206,198

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carry amount of these assets approximates their fair value.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

#### 15. Trade and other payables

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade creditors	12,835,607	3,665,503	11,946,205	3,422,946
Amounts owed by group undertakings	-	-	9,169,098	5,511,046
Corporation tax payable	3,087,573	1,843,680	3,026,675	1,842,753
Accruals and deferred income	7,872,977	3,318,854	7,656,275	3,268,420
Other creditors	3,171,934	3,437,444	487,829	62,677
	26,968,091	12,265,481	32,286,082	14,107,842

The Directors consider that the carrying amount of trade payables approximates to their value.

# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 16. Deferred tax

Deferred tax arises in respect of unrealised gains on available-for sale investments and other short term timing differences. The following are the major deferred tax liabilities and assets recognised by the Group and the parent Company and movement thereon during the current and prior reporting period

	Group			Company		
	Short term timing difference £	Unrealised gains on investments £	Total £	Short term timing difference £	Unrealised gains on investments £	Total
At date of incorporation	-	-	-	-	-	-
Reclassification from current tax on adoption of IFRSs	-	(996,622)	(996,622)	-	(996,622)	(996,622)
At 30 November 2005	-	(996,622)	(996,622)	-	(996,622)	(996,622)
Credit/(charge) to income (refer note 6)	158,356	(2,000)	156,356	158,356	-	158,356
Credit to equity	-	329,590	329,590	-	329,590	329,590
At 31 December 2006	<u>158,356</u>	<u>(669,032)</u>	<u>(510,676)</u>	<u>158,356</u>	<u>(667,032)</u>	<u>508,676</u>

### 17. Preference shares

	Group and Company 2006 £	Group and Company 2005 £
Redeemable preference shares of £1 each - fully paid	<u>-</u>	<u>400,000</u>

The preference shares were not entitled to dividends, had no voting rights and were redeemable at the discretion of the board of directors. The preference shares were redeemed on 1 March 2006.

# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 18 Share capital

	Group and Company 2006 £	Group and Company 2005 £
<b>Authorised.</b>		
179,185,700 (2005 – 10,000,000 ) ordinary shares of 1p each (2005 of 10p each)	1,791,857	1,000,000
20,814,300 (2005 – nil) B shares of 1p each	208,143	-
Nil (2005 - 400,000) redeemable preference shares of £1 each	-	400,000
<b>Allotted:</b>		
50,691,000 (2005 - 43,778,340) ordinary shares of 1p each (2005 of 10 p each), fully paid	506,910	437,783
19,777,100 (2005 nil) ordinary B class shares of 1 p each, fully paid	197,771	-
1,088,370 (2005 - 25,000) ordinary A class shares of 1p each (2005 of 10 p each), unpaid	10,883	2,500
1,037,200 (2005 nil) ordinary B class shares of 1 p each, unpaid	10,372	-
Nil (2005 - 400,000) redeemable preference shares of £1 each - fully paid	-	400,000
	725,936	840,283
Transfer of the preference shares to non-current liabilities	-	(400,000)
	725,936	440,283

### 1 December 2005 to 31 December 2006

On 9 February 2006, 20,000 ordinary shares of 10p each were issued at a premium of 90p each for cash

On 1 March 2006, a further 400,000 ordinary shares of 10p each were issued at a premium of 90p each in exchange for the redemption of 400,000 preference shares

On 5 June 2006, the authorised share capital of the Company was increased by £400,000 to £1,800,000 pursuant to the creation of an additional 4,000,000 ordinary shares of 10p each

On 5 June 2006, 2,000,000 authorised but unissued existing ordinary shares were redesignated as B shares

On 5 June 2006, the authorised share capital of the company was increased by £100,000 to £1,900,000 pursuant to the creation of an additional 1,000,000 B shares

On 20 June 2006, 108,833 ordinary shares of 10p each were issued at a premium of £2 40 each under five interest free loans, repayable in equal annual amounts on the anniversary of date of purchase

On 19 July 2006, 715,000 B shares of 10p each were issued at a premium of £8 65 each

On 17 August 2006, 935,555 B shares of 10p each were issued at a premium of £10 53 each

On 22 August 2006, 75,000 B shares of 10p each were issued at a premium of £10 53 each

On 13 September 2006, 10,000 ordinary shares of 10p each were issued at a premium of £0 90 each

On 20 September 2006, 142,875 B shares of 10p each were issued at a premium of £14 07 each

On 4 October 2006, 58,334 ordinary shares of 10p each were issued at a premium of £9 05 each

On 19 October 2006, the authorised share capital of the company was reduced by £400,000 to £1,500,000 pursuant to the cancellation of 400,000 authorised but unissued preference shares



## Cenkos Securities plc

### Notes to the financial statements 13 month period ended 31 December 2006

#### 18. Share capital (continued)

On 19 October 2006, 213,000 B shares of 1p each were issued at a premium of £1 395 each

On 19 October 2006 a written resolution was passed, it was resolved conditional upon admission to the AIM, to subdivide each ordinary share into ten ordinary shares of 1p each and each B 10p share into ten B shares of 1p each, to cancel the authorised but unissued existing B shares, and to increase the resultant authorised share capital from £1,408,143 to £2,000,000 by the creation of 59,185,700 ordinary shares

On 31 October 2006, 17,793,600 ordinary shares of 1p each were issued at a premium of £1 395 each

25,000 ordinary shares of 10p each, unpaid at 30 November 2005, were paid up during the period

#### 19. Operating lease arrangement

##### The Group as lessee

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in relation to land and buildings, which fall due as follows

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Within one year	474,630	139,863	446,655	111,888
In the second to fifth years inclusive	2,074,754	559,452	2,004,816	447,552
After five years	1,545,379	368,300	1,545,379	368,300

Operating lease payments represent rentals payable by the Group for certain of its office properties and leases are negotiated for an average term of 10 years and rentals are fixed for an average of 10 years

#### 20. Share-based payments

##### Equity-settled share option scheme

The Group has a share option scheme for all employees of the Group. Options are exercisable at a price agreed upon in the share option agreement on the date of grant. The vesting period is 18 months for 50% of the options and 30 months for the remaining 50%. If the options remain unexercised after a period of 5 years from the date of grant, the options expire. If the option holder ceases to be an employee or office holder within the Group before the options vest, the options will lapse on the date of such cessation.

## Cenkos Securities plc

### Notes to the financial statements 13 month period ended 31 December 2006

#### 20. Share-based payments (continued)

Details of the share options outstanding during the year are as follows

	2006	Weighted average exercise price (in £)	2005	Weighted average exercise price (in £)
	Number of shares options		Number of shares options	
Outstanding at beginning of period	-	-	-	-
Granted during the period	1,233,350	£ 0.91	-	-
Exercised during the period	-	-	-	-
Outstanding and exercisable at the end of the period	<u>1,233,350</u>		<u>-</u>	
Options exercisable at 1p per share	142,250		-	
Options exercisable at £0.709 per share	600,000		-	
Options exercisable at £1.405 per share	<u>491,100</u>		<u>-</u>	
Options exercisable at the end of the period	<u>1,233,350</u>		<u>-</u>	

The options outstanding at 31 December 2006 has a weighted average exercise price of £ 0.91, and a weighted average remaining contractual life of 5 years. During the current period, options were granted on 23 October 2006. The aggregate of the estimated fair values of the options granted on those dates is £875,260.

The inputs into the Monte-Carlo simulation model are as follows:

	2006 £	2005 £
Weighted average share price	1.405	-
Expected volatility	35%	-
Expected share price growth	5%	-
Discount rate	<u>25%</u>	<u>-</u>

Expected volatility was determined by calculating the 20 days moving average of the share prices of other similar companies operating in the same industry over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

During the period, the Group recognised expenses of £97,172 (2005: £ nil) related to equity-settled share-based payment transactions with regard to issue of share options and other share-based payment expenses of £275,660 (2005: £ nil) with regard to the interest component on loans given to staff for subscribing to the Group's issue of B class shares during the period.

# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 21. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in this note

#### Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*

	1 December 2005 to 31 December 2006 £	20 August 2004 to 30 November 2005 £
Emoluments	2,398,000	2,001,000

The above emoluments do not include an amount of £2,394,950 paid to Jim Durkin during the period prior to his joining the Board, towards his profit share in his capacity as a partner of Cenkos LLP. He joined the Board on 31 October 2006.

There were no Directors who were members of a defined benefit pension scheme as at the period end (2005 nil).

#### Remuneration of the highest paid Director

	£	£
Emoluments	2,176,000	2,001,040

#### Directors' Interests in Ordinary Shares of Cenkos Securities plc

The Directors in office at the year-end had interests in the ordinary share capital of the Company (all of which were beneficial) as shown below

	Note	At 1 December 2005 £	At 31 December 2006 £	Percentage interest as at 31 December 2006
Andrew Stewart	a)	16,666,670	16,666,670	22.96%
Jim Durkin	b)	3,750,000	5,625,000	7.46%
Paul Roy	c)	16,666,670	-	-

- Subsequent to the period end Andrew Stewart transferred 500,000 of his shares to The Andrew Stewart Charitable Trust
- 1,875,000 of these Ordinary Shares are currently held by NewSmith Capital Partners LLP but are subject to an option granted to Jim Durkin
- All Ordinary Shares are held by NewSmith Capital Partners LLP, of which Paul Roy is a limited partner. Of the original shares owned by them, 11,250,000 Ordinary Shares were sold at the time of the Group's admission to AIM and the remaining 5,416,670 are subject to options granted to management personnel including Jim Durkin

## Cenkos Securities plc

### Notes to the financial statements 13 month period ended 31 December 2006

#### 21. Related party transactions (continued)

##### Directors' Interests in Share Options

	2006	Weighted average exercise price (in £)	2005	Weighted average exercise price (in £)
	Number of shares options		Number of shares options	
Outstanding at beginning of period	-	-	-	-
Granted during the period	1,055,515	100 93p	-	-
Exercised during the period	-	-	-	-
	<u>1,055,515</u>	<u>100 93p</u>	<u>-</u>	<u>-</u>
Outstanding at the end of the period	1,055,515	100 93p	-	-
Exercisable at the end of the period	<u>1,055,515</u>	<u>100 93p</u>	<u>-</u>	<u>-</u>

All the above options were granted on 23 October 2006. None of the Directors exercised options over the shares during the period (2005 nil)

#### 22 Explanation of transition to IFRSs

##### Restatement of Group financial statements on adoption of IFRS

This is the first period for which the Group has presented its financial statements under IFRS, as adopted for use in the European Union. The following disclosures are required in the period of transition. The last financial statements under UK GAAP were for the period from the date of incorporation on 20 August 2004 to 30 November 2005 and the date of transition to IFRSs was therefore 20 August 2004.

##### Reconciliation of equity at 20 August 2004

The Company was incorporated on 20 August 2004. At that date, there were no differences between its balance sheet under UK GAAP and IFRS.

# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 22. Explanation of transition to IFRSs (continued)

Reconciliation of profit or loss for the period to 30 November 2005 (date of last UK GAAP financial statements)

	Note	UK GAAP £	Effect of transition to IFRSs £	IFRSs £
<b>Continuing Operations</b>				
Revenue	1	18,893,801	(3,322,074)	15,571,727
Administrative expenses		(4,743,275)	-	(4,743,275)
<b>Operating profit</b>		<u>14,150,526</u>	<u>(3,322,074)</u>	<u>10,828,452</u>
Investment revenues – Interest receivable		215,770	-	215,770
Finance costs - Interest payable		(5,498)	-	(5,498)
<b>Profit before tax</b>		<u>14,360,798</u>	<u>(3,322,074)</u>	<u>11,038,724</u>
Tax	1	(2,840,302)	996,622	(1,843,680)
<b>Profit for the period</b>		<u>11,520,496</u>	<u>(2,325,452)</u>	<u>9,195,044</u>
Attributable to				
Equity holders of the parent		6,607,226	(2,325,452)	4,281,774
Minority interests		4,913,270	-	4,913,270
		<u>11,520,496</u>	<u>(2,325,452)</u>	<u>9,195,044</u>

### Notes

- 1 Reclassification of investment in Plus Markets Group plc as an available-for-sale investment
- 2 Reclassification of preference shares from equity to non-current liabilities

# Cenkos Securities plc

## Notes to the financial statements 13 month period ended 31 December 2006

### 22. Explanation of transition to IFRSs (continued)

#### Reconciliation of equity at 30 November 2005 (date of last UK GAAP financial statements)

	Note	UK GAAP £	Effect of transition to IFRSs £	IFRSs £
<b>Non-current assets</b>				
Property, plant and equipment		364,445	-	364,445
Available for sale investments	1	-	4,327,797	4,327,797
		<u>364,445</u>	<u>4,327,797</u>	<u>4,692,242</u>
<b>Current assets</b>				
Trading investments - long positions	1	5,305,160	(4,327,797)	977,363
Trade and other receivables		7,701,859	-	7,701,859
Cash and cash equivalents		12,261,523	-	12,261,523
		<u>25,268,542</u>	<u>(4,327,797)</u>	<u>20,940,745</u>
<b>Total assets</b>		<u>25,632,987</u>	<u>-</u>	<u>25,632,987</u>
<b>Current liabilities</b>				
Trading investments - short positions		(954,823)	-	(954,823)
Trade and other payables	1	(13,262,103)	996,622	(12,265,481)
		<u>(14,216,926)</u>	<u>996,622</u>	<u>(13,220,304)</u>
<b>Net current assets</b>		<u>11,051,616</u>	<u>(3,331,175)</u>	<u>7,720,441</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	1	-	(996,622)	(996,622)
Preference shares	2	-	(400,000)	(400,000)
<b>Total liabilities</b>		<u>(14,216,926)</u>	<u>(400,000)</u>	<u>(14,616,926)</u>
<b>Net assets</b>		<u>11,416,061</u>	<u>(400,000)</u>	<u>11,016,061</u>
<b>Capital and reserves</b>				
Share capital	2	840,283	(400,000)	440,283
Share premium account		3,962,551	-	3,962,551
Available for sale reserve	1	-	2,325,452	2,325,452
Retained earnings	1	6,607,226	(2,325,452)	4,281,774
<b>Equity attributable to equity holders of the parent</b>		<u>11,410,060</u>	<u>(400,000)</u>	<u>11,010,060</u>
<b>Minority interests</b>		<u>6,001</u>	<u>-</u>	<u>6,001</u>
<b>Total equity</b>		<u>11,416,061</u>	<u>(400,000)</u>	<u>11,016,061</u>

## **Cenkos Securities plc**

### **Notes to the financial statements 13 month period ended 31 December 2006**

#### **22 Explanation of transition to IFRSs (continued)**

##### **Restatement of Consolidated Cash Flow Statement on adoption of IFRS**

The presentation of the cash flow statement as specified by IAS 7 differs from UK GAAP requirements. A number of items have been reclassified, but there is no impact on cash flows. There is no change to the level of cash and cash equivalents at either the start or end of the year.

##### **Restatement of Parent Company financial statements on adoption of IFRS**

The effects of the transition to IFRS on the financial statements of the parent company are identical to those identified above as effects of the transition to IFRS on the financial statement of the Group.

## Cenkos Securities plc

### Appendix – Unaudited Pro-Forma Financial Information 13 month period ended 31 December 2006

The following unaudited pro-forma financial information set out below has been prepared to illustrate the effect on the profits of the Group if all individual members and employees of Cenkos LLP had been employed by the Company during the thirteen month period to 31 December 2006 and during the period from 20 August 2004 to 30 November 2005. This statement has been prepared for illustrative purposes only and may not, because of its nature, give a true picture of the financial results of the Group.

	Note	1 December 2005 to 31 December 2006 £	20 August 2004 to 30 November 2005 £
<b>Continuing Operations</b>			
Revenue		32,670,329	15,571,727
Administrative expenses	a	(20,477,994)	(9,656,545)
<b>Operating profit</b>		<u>12,192,335</u>	<u>5,915,182</u>
Investment revenues - interest receivable		811,526	215,770
Finance costs - interest payable		(13,740)	(5,498)
<b>Profit before tax</b>		<u>12,990,121</u>	<u>6,125,454</u>
Tax		(3,978,747)	(1,843,680)
<b>Profit for the period</b>		<u>9,011,374</u>	<u>4,281,774</u>
Attributable to			
Equity holders of the parent		9,011,374	4,281,774
Minority interests	a	-	-
		<u>9,011,374</u>	<u>4,281,774</u>
<b>Earnings per share</b>			
Basic		<u>16 2p</u>	<u>18 4p</u>
Diluted		<u>16 2p</u>	<u>18 4p</u>

#### Notes

- a In the statements for each period the administrative expenses have been increased by the amount of the minority interest of £7,762,584 (2005 - £4,913,270) as this would be the estimated increase in the Group's costs if all members of the Cenkos LLP were to be employed by the Company. As a result the minority interest has been eliminated.



# **Cenkos Securities plc**

## **Notice of Annual General Meeting**

**NOTICE** is hereby given that the Annual General Meeting of Cenkos Securities plc (the “Company”) will be held at 6 7 8 Tokenhouse Yard, London, EC2R 7AS on 27 April 2007 at 12 00 noon for the transaction of the following business

### **ORDINARY BUSINESS**

As ordinary business to consider and, if thought fit, to pass the following resolutions each of which will be proposed as an ordinary resolution, save for resolution 11, which will be proposed as a special resolution

1. **THAT** the Company's annual accounts for the year ended 31 December 2006 together with the Directors' report and the auditors' report on those accounts be received
2. **THAT** Paul Roy be re-elected as Director
3. **THAT** Andrew Stewart be re-elected as Director
4. **THAT** James Durkin, who has been appointed as a Director since the last Annual General Meeting of the Company, be elected as Director
5. **THAT** Anthony Hobson, who has been appointed as a Director since the last Annual General Meeting of the Company, be elected as Director
6. **THAT** John Hodson, who has been appointed as a Director since the last Annual General Meeting of the Company, be elected as Director
7. **THAT** Simon Melling, who has been appointed as a Director since the last Annual General Meeting of the Company, be elected as Director
8. **THAT** Deloitte & Touche LLP be re-appointed as auditors to the Company until the conclusion of the next Annual General Meeting of the Company
9. **THAT** the Directors be authorised to fix the auditors' remuneration
10. **THAT** for the purposes of section 80 of the Companies Act 1985 (the “Act”) (and so that expressions used in this resolution shall bear the same meanings as in the said section 80)
- 10 1 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities up to a maximum nominal amount of £239,559 11 to such persons and at such times and on such terms as they think proper during the period expiring at the conclusion of the Annual General Meeting of the Company to be held in 2008 (unless previously revoked or varied by the Company in general meeting), and
- 10 2 the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution,

so that all previous authorities of the Directors pursuant to the said section 80 be and are hereby revoked

## Cenkos Securities plc

### Notice of Annual General Meeting (continued)

- 11 **THAT** subject to the passing of resolution 10 set out in the Notice convening this Meeting, the Directors be and are empowered in accordance with section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash, pursuant to the authority conferred on them to allot relevant securities (as defined in section 80 of the Act) by that resolution as if section 89(1) and sub-sections (1) – (6) of section 90 of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to
- 11 1 the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory, and
- 11 2 the allotment (otherwise than pursuant to sub-paragraph 11 1 above) of equity securities up to an aggregate nominal value not exceeding £36,296 84,
- and this power shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the Annual General Meeting of the Company to be held in 2008, but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred had not expired

#### SPECIAL BUSINESS

As special business to consider and, if thought fit, to pass the following resolutions, each of which will be proposed as a special resolution

- 12 **THAT** the Company adopt new Articles of Association in the form to be produced to the meeting and initialled by its Chairman for identification purposes
- 13 **THAT** the Company be and is hereby generally and unconditionally authorised for the purpose of the Act to make market purchases (as defined in section 163 of the Act) of ordinary shares of 1p each in the capital of the Company ("ordinary shares") provided that
- 13 1 the maximum number of ordinary shares hereby authorised to be purchased is 5,126,157 (representing approximately 9.9 per cent of the Company's issued ordinary shares at the date of this resolution),
- 13 2 the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 1p per share, being the nominal amount thereof,
- 13 3 the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be, for so long as the ordinary shares of the Company are dealt in on AIM, 5 per cent above the average price at which deals are done in the ordinary shares taken from the AIM appendix to The London Stock Exchange Daily Official List for the five business days before the purchase is made and, if at any time the ordinary shares become listed on the Official List of the Financial Services Authority and traded on the London Stock Exchange's market for listed securities, an amount equal to 5 per cent above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made,

## Cenkos Securities plc

### Notice of Annual General Meeting (continued)

- 13.4 the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the next Annual General Meeting of the Company and the date which is 18 months after the date on which this resolution is passed, and
- 13.5 the Company may make a contract to purchase its own ordinary shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own ordinary shares in pursuance of any such contract

Registered office  
678 Tokenhouse Yard  
London  
EC2R 7AS

By order of the Board  
Simon Melling  
Company Secretary  
2 April 2007

#### Notes.

- (i) *A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company*
- (ii) *To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 12 00 noon on 25 April 2007 at the offices of Capita IRG Plc, Proxy Processing Centre, Telford Road, Bicester OX26 4LD. Completion of the Form of Proxy will not prevent you from attending and voting in person*
- (iii) *CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting services provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf*
- (iv) *In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this Notice of Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from*

**Notice of Annual General Meeting (continued)**

*which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting services provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.*

- (v) *Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company as at 6.00 p.m. on 25 April 2007 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 6.00 p.m. on the day preceding the date fixed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.*
- (vi) *In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.*
- (vii) *The following documents are available for inspection at the registered office of the Company, 678 Tokenhouse Yard, London, EC2R 7AS, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Meeting:*

  - (a) *the register of interests of the Directors and their families in the share capital of the Company,*
  - (b) *copies of service contracts between the Directors and the Company or its subsidiary undertakings, and*
  - (c) *the proposed new Articles of Association of the Company referred to in resolution 12 above (together with a copy of such proposed new Articles of Association marked to show the proposed changes to the existing Articles of Association)*

## **Cenkos Securities plc**

### **Explanatory Notes to the Notice of Annual General Meeting**

#### **Resolution 1 – Company's Annual Report and Accounts 2006 (Ordinary resolution)**

Company law requires the Directors to present to the Annual General Meeting the audited accounts, together with the Directors' Report and the auditors' report on those accounts

#### **Resolutions 2-7 – Re-election and election of Directors (Ordinary resolutions)**

The existing articles of association of the Company (the "Existing Articles") require certain of the Directors to retire by rotation at each Annual General Meeting. At the Annual General Meeting, Paul Roy and Andrew Stewart will retire. Each of such Directors is offering himself for re-election and resolutions 2 and 3 propose their respective re-elections.

The Existing Articles also require each of James Durkin, Anthony Hobson, John Hodson and Simon Melling to retire at the conclusion of the Annual General Meeting because each of them has been appointed as a Director by the Board of Directors since the conclusion of the previous Annual General Meeting of the Company. Resolutions 4, 5, 6 and 7 propose their respective elections as Directors.

#### **Resolutions 8 and 9 – Reappointment of auditors and determination of their remuneration (Ordinary resolutions)**

The Company is required to appoint auditors at each Annual General Meeting at which accounts are presented to hold office until the conclusion of the next such meeting. The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditors, Deloitte & Touche LLP, on behalf of the Board, who now propose their reappointment as auditors of the Company. Deloitte & Touche LLP has advised of its willingness to stand for reappointment as the auditor of the Company. Resolution 9 authorises the Directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors. In practice, the Audit Committee will consider the audit fees for recommendation to the Board.

#### **Resolution 10 – authority to allot shares (Ordinary Resolution)**

Resolution 10 asks shareholders to grant the Directors authority under section 80 of the Companies Act 1985 (the "1985 Act") to allot shares up to a maximum aggregate nominal value of £239,559.11 (being approximately  $\frac{1}{3}$  of the nominal value of the issued share capital of the Company as at 2 April 2007 (being the latest practicable date prior to the publication of the document)), including the 20,814,300 B ordinary shares of 1p each in the capital of the Company (the "B Shares") which were then in issue. This is the maximum permitted amount under best practice corporate governance guidelines. The authority will expire at the end of the Annual General Meeting of the Company in 2008. The Directors have no present intention of exercising such authority.

#### **Resolution 11 – disapplication of pre-emption rights (Special Resolution)**

Resolution 11, which will be proposed as a special resolution, seeks authority to issue equity securities of the Company for cash without application of the pre-emption rights provided by section 89 of the 1985 Act up to an aggregate nominal value of £36,296.84 (being approximately 5 per cent of the Company's issued share capital as at 2 April 2007 (being the latest practicable date prior to the publication of this document)) including the B Shares which were then in issue. The resolution also disapplies the statutory pre-emption provisions in connection with pre-emptive offerings, for example, rights issues and allows the Directors, in the case of a rights issue, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems which might arise. This authority will expire at the end of the Annual General Meeting of the Company in 2008.

#### **Resolution 12 – Adoption of new Articles of Association (Special Resolution)**

On 8 November 2006, the Companies Act 2006 (the "2006 Act") received Royal Assent. All of the provisions of the 2006 Act, which overhauls the 1985 Act, are expected to be in force by October 2008. Certain provisions of the 2006 Act have already come into force and, consequently, a number of changes

## Cenkos Securities plc

### Explanatory Notes to the Notice of Annual General Meeting

are required to the Existing Articles to reflect these developments. Resolution 12 proposes the adoption of new articles of association (the "New Articles") in substitution for the Existing Articles which will incorporate the following changes:

**Electronic communications** – at present, companies may provide certain information via their websites to shareholders who specifically agree to website publication. The 2006 Act enables companies to deem that agreement to have been given if a shareholder does not respond to a request for agreement to receive information via the company's website within twenty-eight days from the date of the request. The New Articles include provisions which will allow the Company to take advantage of the new regime for electronic communications and provide that, in accordance with the 2006 Act, shareholders may be deemed to have agreed to receive information electronically.

If resolution 12 is approved by shareholders of the Company at the AGM, the Company will, in due course, instruct its registrars to write to you explaining the process for electronic communications. If you wish to continue receiving hard copies of information by post, you will be required to respond to the letter from the Company's registrars. If you fail to respond, you will be deemed to have agreed to receive information electronically, however, you will still be able to request such information from the Company in hard copy at no cost to you.

**Investigations into interests in shares** – with effect from 20 January 2007, sections 212 and 216 of the 1985 Act, which allowed public companies to investigate who holds interests in its shares, were repealed and replaced by new (but similar) provisions contained in sections 793 and 794 of the 2006 Act. References to sections 212 and 216 of the 1985 Act in the Existing Articles are now out of date. The New Articles refer to the new section numbers in the 2006 Act.

**Maximum age of directors** – sections 293 and 294 of the 1985 Act, which prevented a person from being appointed a director of a company if he had reached the age of 70 (subject to certain exceptions) and which imposed a duty on a director to disclose his age, if over 70, have been repealed by the 2006 Act. The New Articles accordingly remove references to section 293 of the 1985 Act and the requirement for the Board to give notice of the age of a Director who is 70 or more in any document accompanying a notice of an Annual General Meeting.

**Notice period for general meetings** – the Existing Articles reflect the provisions of the 1985 Act relating to the notice period for a general meeting at which a special resolution is to be proposed (i.e. 21 clear days' notice). Section 307 of the 2006 Act, which is expected to come into force in October 2007, permits public companies to shorten this notice period to 14 clear days' notice. The New Articles enable the Company to take advantage of any such shorter period, from the time at which section 307 of the 2006 Act comes into force.

Copies of the proposed New Articles, together with a copy of the Existing Articles marked to show the differences between the Existing Articles and the New Articles, will be available for inspection at the Company's registered office from the date of this notice up to and including the date of the Annual General Meeting, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded). These documents will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting. The Board expects that the New Articles will also need to be updated at the 2008 Annual General Meeting as additional provisions of the 2006 Act come into force.

#### **Resolution 13 - Authority to purchase Company's own ordinary shares (Special Resolution)**

Resolution 13 to be proposed at the Annual General Meeting seeks authority from holders of ordinary shares of 1p each in the capital of the Company ("ordinary shares") for the Company to make market purchases of its own ordinary shares, such authority being limited to the purchase of 9.9 per cent of the ordinary shares in issue as at 2 April 2007. The maximum price payable for the purchase by the Company

## **Cenkos Securities plc**

### **Explanatory Notes to the Notice of Annual General Meeting**

of its own ordinary shares will be limited to 5 per cent above the average of the middle market quotations of the Company's ordinary shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days prior to the purchase. The minimum price payable by the Company for the purchase of its own ordinary shares will be 1p per share (being the amount equal to the nominal value of an ordinary share). The authority to purchase the Company's own ordinary shares will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per ordinary share and that it is in the best interests of the Company at the time.

Options to subscribe for up to 1,268,604 ordinary shares have been granted and are outstanding as at 2 April 2007 (being the latest practicable date prior to publication of this document) representing 2.45 per cent of the issued ordinary share capital at that date. If the Directors were to exercise in full the power for which they are seeking authority under resolution 13, the options outstanding as at 2 April 2007 would represent 2.72 per cent of the ordinary share capital in issue following such exercise.