

CENKOS

Cenkos Securities plc
Annual Report 2015



Summary information

Cenkos Securities plc (the "Company" or "Cenkos"), together with its subsidiaries (the "Group"), is an independent, specialist institutional securities group, focused on small and mid-cap companies and investment funds. The Group's principal activity is institutional stockbroking.

Cenkos' shares are admitted to trading on the AIM Market of the London Stock Exchange ("LSE"). The Company is authorised and regulated by the Financial Conduct Authority ("FCA") and is a member of the LSE.

Highlights

		31 December 2015	31 December 2014
Revenue	-14%	£76.5m	£88.5m
Profit before tax	-26%	£19.9m	£27.0m
Cash	+1%	£33.1m	£32.9m
Basic earnings per share	-23%	27.2p	35.2p
Full year dividend per share paid and proposed	-18%	14.0p	17.0p
Buy-backs: equivalent dividend per share		30.0p	0.0p

Since it was admitted to trading on AIM in 2006, the Company will have returned £102.2 million of cash to shareholders (equivalent to 154.8p per share) following the payment of dividends declared and proposed.

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Strategic report

Introduction

The Board of Cenkos is pleased to present its Strategic Report on the development and performance of Cenkos during the year ended 31 December 2015, its financial position as at 31 December 2015 and the principal risks to which Cenkos is exposed. This report covers our strategy, business model, how well the business is performing (including a review of our key performance indicators) and the principal risks we face.

Our revenue of £76.5m and profits before tax of £19.9m were at our second highest level after 2014's record year, on the back of over £3 billion of equity fundraisings for clients in the year, including £1 billion for BCA Marketplace plc. We are ranked as one of the leading brokers in London for growth companies. Corporate Advisers Rankings Guide for February 2016 shows the Company as the number one Financial Adviser on AIM by client market capitalisation, and number two by number of AIM clients.

Our strategy

The Company was founded in 2004 and over the past 11 years has established a successful platform that has been profitable in every year of its existence and delivered strong returns to shareholders.

Our prime strategy is to build from these solid foundations to become the pre-eminent UK institutional broker to growth companies and investment funds admitted to trading or listed on a UK market. We aim to achieve this through:

- Understanding the needs of our clients, enabling us to provide successful fund raisings and advice through an innovative and entrepreneurial approach;
- Delivering sustainable, diversified and growing income streams;
- Adding high quality individuals to the teams; and
- Managing costs and risks carefully.

Thereby delivering a high return on equity and shareholder value through earnings growth and attractive cash returns to shareholders.

Our business model

We provide corporate finance, corporate broking, research and execution services to small and mid-cap growth companies and, increasingly, larger companies, across a wide range of industry sectors, as well as investment funds. We focus on companies that seek admission of their shares to trading on AIM or the LSE's main market, or companies that are already quoted on those markets. For growing companies that require access to capital and international exposure, AIM's flexibility, with its Nominated Adviser ("Nomad") arrangements, provides a firm foundation for financing and corporate development. We offer our clients advice and access to equity finance at all stages of their development.

Our resources are allocated as follows:

- Corporate finance (22 staff): as well as providing strategic advice and regulatory guidance to clients, the team provides specialist corporate finance and technical advice on all forms of corporate transactions including IPOs, fundraisings, mergers and acquisitions, disposals, restructurings and tender offers;
- Corporate broking, sales and investor relations (31 staff): we provide an effective and dedicated interface between investing institutions and corporates. Our business revolves around building and maintaining relationships with our retained corporate brokings through which we act as the intermediary between our clients' Boards, shareholders and potential institutional investors. We have a proven track record of raising a significant amount of equity finance for a wide range of companies utilising our network of institutional investors. As corporate broker, our clients' Boards engage us to create and maintain supportive shareholder registers, provide an informed and effective interface with shareholders and potential investors and advise on all pertinent market issues;
- Research (18 staff): our research analysts provide research on both corporate and non-corporate clients covering over 197 companies across 12 sectors;

- Execution services, including market-making and sales trading (13 staff): we actively provide liquidity to the market via our Retail Service Providers and facilitate institutional business in both small and large-cap equities and investment funds. We strive to achieve a leading market share in the trading of all our broking clients and thus have superior visibility of buyers and sellers. Our market-making capital is used to facilitate market liquidity for investors, not to trade proprietary positions; and
- Support functions (37 staff) covering areas such as finance, compliance, operations, HR, IT, risk, internal audit and facilities.

Revenue streams

Cenkos earns fees from primary and secondary equity fundraising, providing access to capital through acting as a key intermediary between growth companies or investment funds and institutional providers of capital. In 2015 we raised over £3 billion of funds for our clients. We have raised a total of almost £15 billion for our clients from our first equity placing in 2005 to the end of December 2015 – predominantly in transactions where we acted as a sole broker.

We aim to provide equity financing and strong and supportive shareholder lists for companies and healthy returns for institutional investors. Corporate finance fees are earned from providing strategic advice and regulatory guidance to clients, as well as advice on all forms of corporate transactions including fundraisings, mergers and acquisitions, disposals, restructurings and tender offers. Fees are also generated from acting as Nomad, Sponsor, broker or financial adviser to our corporate clients. Commission is earned from execution and research services and revenue is also generated from our market-making activities.

Management systems and controls

We operate an efficient and flexible business model in the context of a highly regulated environment. It is therefore critical that we continue to maintain an appropriate and proportionate level of systems and controls, commensurate with our size, complexity, activities and risk exposure. The regulatory environment continues to evolve at a rapid pace with additional regulations coming in to force year on year, including an increased focus on conduct, culture, managing conflicts of interest and heightened regulatory scrutiny. The industry is working on further changes that will come into play in 2016 and beyond, including EU driven legislation such as MIFID II and the Market Abuse Regulations ("MAR"). We are therefore dedicating increasing levels of resources to monitoring, assessing and then implementing these changes, putting our clients' interests at the centre of everything we do and ensuring that we have an appropriate governance and assurance framework to oversee and manage this. Details of our governance arrangements and associated risk management processes are outlined in more detail in the Corporate Governance section and in note 23 of the financial statements.

We manage our cost base carefully. We offer our client-facing staff relatively low basic salaries but reward their performance based on factors that include their revenues and costs, as well as risk factors. This cost flexibility allows us to operate during economic downturns more successfully than many of our competitors who have higher levels of fixed or guaranteed pay. We selectively use outsourcing partners to help us maintain this cost flexibility in areas where volumes can be unpredictable. Our settlement and core trading systems and associated support are outsourced.

Culture and people

Our success is based on putting our corporate and institutional clients at the core of what we do. To achieve this, we seek to maintain experienced and stable teams, whose members build professional relationships and achieve results through a committed and entrepreneurial approach, acting with honesty, fairness, reliability and competency. We endeavour to remunerate our staff to a level which not only retains them but also motivates them to perform in line with the longer-term growth objectives of the Group.

Strategic report continued

Our key objectives and key performance indicators ("KPIs")

Our key objectives are to:

- Grow the business by both retaining existing corporate clients and winning new ones, helping clients achieve their strategies through the provision of advice and fundraising capabilities, ensuring we have the right calibre and number of staff deployed to support this; and
- Reward our shareholders by generating a high return on equity (within acceptable risk limits), leading to an attractive dividend yield – or other returns to shareholders such as share buy-backs where appropriate – and share price growth.

Our KPIs include, but are not limited to, measures such as:

- The size of our corporate client base (Nomad / Sponsor / broker / financial adviser appointments): this decreased slightly from 130 in 2014 to 124 as at 31 December 2015. A number of our clients were acquired in the year and some smaller clients were potentially better suited to other Nomads;
- Funds raised for clients: in 2015 we raised £3,068 million (2014: £2,816 million) for our clients. We achieved a market share of 17% of all fundraisings on AIM in 2015 and demonstrated our ability to raise funds not only on AIM but also for larger companies and listed investment funds on the LSE's main market;
- Revenue per head: although funds raised were slightly ahead of 2014, a combination of lower placing income and market-making revenues, as well as higher staff numbers, meant that revenue per head fell from £0.77 million in 2014 to £0.63 million in 2015. This is still at a level well above our peers;
- Profit before tax: this fell 26% to £19.9 million in 2015 (2014: £27.0 million). Performance related pay fell on the back of lower net revenues and bonus deferrals, but this was partially offset by continued investment in our business to enable us to execute larger and more complex deals. We also opened a new office in Singapore; and
- Basic earnings per share ("EPS"): this fell 23% to 27.2p (2014: 35.2p) due to lower profits being partially offset by the impact of the two share buy-backs we undertook in 2015.
- Post tax return on average equity: our post tax return on average equity fell from 60% in 2014 to 43% in 2015. This level is far above industry averages, reflecting both our profitability and careful management of surplus capital;
- Total shareholder returns: these were 20.7% (2014: 38.9%); and
- Various key risk indicators, including capital resources and cash. As at 31 December 2015 we held £33.1 million (2014: £32.9 million) of cash and a capital resources surplus of £11.0 million (2014: £12.4 million) in excess of our overall regulatory capital requirements after undertaking £18.8 million (2014: nil) of share buy-backs and paying £9.7 million (2014: £9.4 million) of dividends in the year. We continue to maintain healthy cash reserves, reflecting our positive cash flow cycle.

Review of the year

Financial results

Overall performance

Following on from our record year in 2014, we are pleased to report that performance in 2015 was very strong – our second best year ever. As at 31 December 2015 we were Nomad, broker or financial adviser to 124 companies or trusts (2014: 130). Revenues fell 14% despite an increase in funds raised due to a slight change in the mix of fund raisings (with more emphasis on investment funds tap issues and a larger average deal size) and lower market-making activity. Costs fell primarily due to lower performance-related pay on the back of lower net revenues and bonus deferrals, offset partially by increased investment in the business – in staff, systems and processes – to enable us to execute larger and more complex deals in the face of increasingly demanding regulatory requirements. Profit before tax was £19.9 million (2014: £27.0 million). Basic earnings per share fell by 23% to 27.2p (2014: 35.2p).

Revenues

Revenue fell by 14% to £76.5 million. 2014's revenues of £88.5 million reflected our best ever year on the back of the £1,385 million fundraise on the IPO of The AA plc onto the main market of the LSE. Our largest deal in 2015 was the £1,029 million fundraise for BCA Marketplace plc. Both 2014 and 2015 therefore demonstrate our on-going ability to raise in excess of £1bn of equity on a single transaction.

We are pleased to have raised over £3 billion for our clients in 2015, against a backdrop of unpredictable markets and fewer IPO opportunities. The total funds raised by all companies on AIM in 2015 was £5,463 million, a 7% fall on 2014 (source: LSE AIM factsheet December 2015), with IPOs making up £1,158 million of that figure (down 55% on 2014). Despite this, we maintained a strong market position and helped our clients raise around 17% of all of the funds raised on AIM in 2015. During the year we completed 32 transactions – including three IPOs. During the year we also completed nine M&A corporate finance transactions (2014: seven). Our corporate finance revenue (including fees from placings) fell 13% to £60.1 million in 2015 (2014: £69.1 million).

We are ranked as one of the leading brokers in London for growth companies, as demonstrated by AIM Advisers Rankings Guide for January 2016 where we were ranked as number one Nomad by client market capitalisation and by number of AIM 100 clients and second in terms of Nomad for all AIM clients by number of clients. We are also ranked top Nomad for Oil and Gas and Consumer Services and third for both Financial and Industrial companies by number of AIM clients.

We make markets in the securities of all the companies where we have a broking relationship to support the other services we provide. We actively provide liquidity to the market and facilitate institutional business in small, mid and selected large-cap equities. Our trading desks make markets in the shares of 415 (2014: 413) companies and investment trusts. Importantly, we maintained a top three market share in 80% of our clients' stock and the top market share in over half. Despite this, we continue to restrict the amount of capital committed to this activity to limit market risk exposure without adversely affecting our market-making services and the revenue generated.

Our corporate broking, market-making, research and commission revenues fell 15% to £16.4 million in 2014 (2014: £19.4 million) as we experienced tougher trading conditions in line with the general market (average daily values of trades on AIM fell by 28% to £121.6 million in 2015 – source: LSE AIM factsheet December 2015). Our corporate broking income rose marginally and commission income was broadly flat, helped in part by new staff hired in the year. However, the pressure on secondary commissions shows no sign of relenting, including the potential impact of MiFID II in terms of the unbundling of dealing commission and payment for equity research. The potential financial impact on Cenkos as a whole is expected to be relatively modest given that such commission is not a major income stream for us and we believe that institutions will continue to need to access (and be prepared to pay for) insightful research on companies.

Costs, profit and earnings per share

Administrative expenses fell by £5.0 million (8%) in the year, primarily driven by lower performance-related pay on the back of lower profitability and the impact of a newly launched deferred bonus scheme, partly offset by investing for the future, in staff, systems and processes, to enable us to execute larger transactions for our clients more frequently in the future. We have grown our average staff numbers by 5% to 121 including the establishment in Singapore of Cenkos Securities Asia Pte Limited.

Profit before tax fell by 26% to £19.9 million (2014: £27.0 million). The tax charge for the year from continuing operations as presented in the income statement was £4.5 million (2014: £5.6 million), which equates to an effective rate of tax of 23% (2014: 21%). Profit after tax fell by 28% to £15.4 million (2014: £21.3 million). Basic earnings per share fell by less than this – 23% – to 27.2p (2014: 35.2p) reflecting that we bought back and cancelled 9% of our shares in January 2015 at a cost of £10.8 million and a further 7.3% at a cost of £8.0 million in December 2015 (thereby increasing the Company's prospective earnings per share in 2016) and that we received £3.1 million by way of subscription for new shares through the exercise of share options in the year.

Strategic report continued

Financial position and cash flow

As at 31 December 2015 our net trading investments were £10.2 million (2014: £7.3 million). Cash held at 31 December 2015 was £33.1 million (2014: £32.9 million). The year to 31 December 2015 saw a net inflow of cash of £0.2 million (2014 inflow: £2.6 million). This reflects a number of factors including our profitable trading in 2015, offset by the factors such as £18.8 million of share buy-backs, £9.7 million in dividend payments, the payment of corporation tax, a decrease in net trading investments after adjusting for shares and options received in lieu of fees and an increase in trade payables. As part of our Individual Liquidity Adequacy Assessment process, we review our liquidity requirements over the medium term to ensure that we always have adequate liquidity, even after the application of a variety of stress tests.

Dividend and capital levels

We aim to retain sufficient capital and reserves to meet our regulatory capital and cash requirements, after taking into account anticipated future working capital needs and potential growth requirements.

As at 31 December 2015 we had a capital resources surplus of £11.0 million (2014: £12.4 million) in excess of our overall regulatory capital requirements before including H2 2015's retained earnings. This fall reflects, inter alia, our profitable trading in H1 less dividends paid in the year and two tender offers to buy-back and cancel our shares:

- In January 2015 we returned £10.8 million of surplus capital to shareholders through the purchase and subsequent cancellation of 5.73 million ordinary shares in Genkos (equivalent to 16.9p or 9% of the issued share capital at the time); and
- In December 2015 we returned a further £8.0 million of surplus capital to shareholders through the purchase and subsequent cancellation of 4.45 million ordinary shares in Genkos (equivalent to 13.1p or 7.3% of the issued share capital at the time).

Hence in aggregate 10.18 million ordinary shares were bought back by Genkos for cancellation in the year (2014: none). No shares were acquired by Genkos Securities Employee Benefit Trust ("EBT") in the year (2014: none).

We have paid an interim dividend of 7p in November 2015 and a second interim dividend of 6p paid on 24 March 2016. The Board proposes a final dividend of 1p per share (2014: final dividend of 10p per share). This makes a total dividend of 14p for the year (2014: 17p). Since our flotation on AIM in October 2006, we will have paid out 115.5p in dividends (including the 6p in respect of the second interim and 1p proposed final dividend for 2015) and bought back 19.5 million ordinary shares at a cost of £25.4 million for cancellation, thereby increasing the Company's prospective earnings per share. We will have therefore returned £102.2 million of cash to shareholders, equivalent to 154.8p per share (once 2015's second interim dividend of 6p has been paid and providing the final dividend of 1p is approved and paid) since our admission to trading on AIM at 140.5p in 2006.

In setting the level of the second interim and the final dividends, the Board considered, inter alia, H2's performance, the receipt of £3.1 million in capital in respect of share options exercised in the year and the two share buy-backs undertaken in the year as well as regulatory capital and cash requirements, working capital needs and potential growth requirements.

Subject to approval at the Annual General Meeting to be held on 17 May 2016, the final dividend will be paid on 27 May 2016 to all shareholders on the register at 29 April 2016. In line with existing shareholder authorisation, the Board will continue to assess opportunities for share buy-backs, tender offers and the funding of share purchases by the EBT where this is beneficial to shareholders.

People

The commitment of our employees has enabled us to achieve a robust performance for the year. We continue to look to recruit staff attracted by our culture and business model and our average staff numbers grew by 5% in the year. We aim to take advantage of further regional opportunities in the UK and in Asia. We expanded our teams in London, Edinburgh and Liverpool. Genkos Securities Asia Pte Limited, our newly established subsidiary in Singapore, received agreement in principle from the Monetary Authority of Singapore to its Capital Markets Services Licence in February 2016. Our Singapore office will help facilitate flows between Asia and the UK. In particular, we plan to use this office to assist our clients in capital raising in the region, to help Asian corporates raise capital and to help Asian corporates sell or list their UK assets. We also plan to apply to become a Catalyst sponsor on the Singapore Exchange (SGX), a role similar to that of being a Nomad on AIM.

We endeavour to remunerate our staff to a level and in a manner which not only retains but also motivates them to perform in line with the longer-term growth objectives of the Group. Our staff's skill, commitment and determination will continue to provide us with a solid platform on which to continue to build our franchise. In recognition of the contribution our staff made to help build the franchise that Cenkos now enjoys, we implemented a further issue of an HM Revenue & Customs compliant Share Incentive Plan scheme for all UK staff in addition to their annual performance related bonus.

Principal risks

We face a range of risks which could affect both our financial performance and the achievement of our strategic objectives. One of our key risks is that our income is dependent on the health of the financial markets and in particular the economic conditions of the UK and how they impact equity fundraising. Our business model has been designed to cushion the impact of lower revenues by ensuring that performance-related pay also falls to help compensate for this. The primary economic environment in which we operate is the UK and the majority of our transactions are in UK-based equities.

Aside from the health of UK equity markets, the remaining risks outlined below are those that we believe have the potential to have a significant detrimental impact on our financial performance and future prospects. These risks should not be regarded as a comprehensive list of all the risks that the Group may potentially face which could adversely impact performance or future prospects. The key risk areas that could impact the Group's future performance – and how they are managed – are noted below, along with comments as to how our risk profile has changed in the year, where relevant.

Principal risk	Mitigation	Change in the year
Reputational risk We believe that one of the greatest risks we face comes from potential damage to our reputation.	On an ongoing basis, the Board regularly reviews reputational issues. Senior management consider the reputational impact of all new initiatives as well as on-going activities on a continuous basis. This includes discussions at governance fora such as the Board, Audit Committee, Remuneration Committee and Risk and Compliance Committee. All new business proposals are subject to a rigorous appraisal process followed by consideration by the Corporate Finance Supervisory Committee and the New Business Committee.	We continued to improve the processes supporting this Committee and the quality of debate and subsequent actions. A Corporate Finance Supervisory Committee was established in the year to enhance the corporate finance review processes around transactions.
Operational risk Operational risk is the risk that we will suffer a loss directly or indirectly from inadequate or failed internal processes, people, systems, or external events.	We continually review our risk framework to ensure that it properly reflects the risks to which we are exposed and that any significant operational risks and their associated controls are reviewed, assessed and, where applicable, enhanced. There is also an on-going process for identifying, evaluating and managing the significant risks we face, including fraud and cybercrime. Our business model relies on key suppliers for our trading and settlement systems. We maintain regular dialogue and meetings with them to ensure there is appropriate oversight of the risks associated with outsourcing. We continuously review our business continuity plans and have disaster recovery facilities in place in order to mitigate any substantial disruption to our operations.	We continued to refresh and refine our risk framework and the associated risk and governance fora. In both February 2015 and February 2016 our business continuity plans were tested. No issues of concern were raised by these tests.

Strategic report continued

Other specific operational risks that are material to our performance are regulatory risk, people risk and litigation risk. These are commented on in more detail below:

Principal risk	Mitigation	Change in the year
Regulatory risk	We continue to monitor and where necessary improve and enhance, the systems and controls, reporting, capital and liquidity requirements to meet the on-going obligations of an FCA regulated (IFPRU Investment) firm. This is focused particularly on our on-going obligations and responsibilities as an AIM Nomad and a UK Listing Authority ("UKLA") Sponsor.	In light of the increasing regulatory obligations being placed on regulated entities within our market sector, together with tighter regulatory scrutiny across the industry, including detailed inspections, thematic reviews and investigations, and the significant increase in regulatory fines and sanctions across the financial services industry, we continue to prioritise the enhancement of our systems, processes and controls. This includes greater focus on compliance monitoring and investment in training, processes and staff to ensure we are well prepared to manage the needs of larger and more complex transactions as well as being well prepared for future changes – such as MiFID II and MAR.
People risk The future success of the Group depends on our ability to attract and retain high quality employees.	We seek to minimise this risk by creating the right culture and working environment and by rewarding employees through an overall remuneration package that is geared towards performance, after consideration of relevant risk factors and aim to align the interests of both employees and shareholders. People risk is also mitigated via a senior management succession planning process overseen by the Nomination Committee and Board.	In addition to performance related bonus payments we also implemented an HMRC approved all staff share scheme and introduced a bonus deferral scheme for executive Directors, senior managers and high earning employees.
Litigation risk	There is always a risk that some form of litigious action may be taken against the Group. Before any decision to enter into litigation is made, the Board, senior management and our legal advisers will review all aspects of the case to assess and consider if it is in the best interests of the Group and ultimately the shareholders to either instigate proceedings or defend ourselves against any potential litigation.	We were not subject to any litigation in the year.

Principal risk	Mitigation	Change in the year
Credit, market and liquidity risk	<p>We are exposed to limited credit risks in the normal course of business as our market-making activities are carried out on a delivery versus payment basis, hence we only face settlement risk or market risk in terms of an underlying exposure to equities.</p> <p>To mitigate market risk we have established individual stock position limits and overall trading book limits. There are daily procedures in place to monitor any position limit excesses. We do, from time to time, take shares in lieu of fees subject to appropriate internal approvals. Some stocks traded on AIM are subject to low levels of underlying liquidity and some shares in private companies may have very limited levels of liquidity.</p> <p>To mitigate liquidity risk we have put in place an appropriate liquidity risk management framework. The Board approves our Individual Liquidity Adequacy Assessment ("ILAA") at least annually.</p>	No material change in the year.

Financial risks are also discussed in more detail in note 23 to the financial statements and include capital, equity price risk, credit risk and liquidity risk. Our internal control and risk management processes are discussed in more detail in the Corporate Governance and Audit Committee Reports.

Outlook

Despite challenging market conditions since the start of 2016, there continues to be good institutional demand to fund high quality companies and ideas. Since January we have been engaged in a number of significant fund raisings for clients and our current pipeline is satisfactory given the current market environment.

Jim Durkin

Chief Executive Officer

24 March 2016

Forward-looking statements

These financial statements contain forward-looking statements with respect to the financial condition, results, operations and businesses of the Group. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Such statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this statement. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The board of directors of Cenkos Securities plc

Non-executive Directors

Gerry Aherne

Non-executive Chairman

Gerry was appointed a Non-executive Director of the Company in April 2012 and was appointed Chairman of the Company in May 2012. Gerry enjoyed a long career as a fund manager and was an executive Director of Schroders Investment Management Limited until 2002, managing both institutional segregated and pooled pension funds and unit trusts. He is currently Non-executive Chairman of Electric & General Investment Fund. He was previously an executive Director of Majedie Investments plc and a Non-executive Director of Henderson Company plc, Mecom Company plc, Iveagh Limited, Linear Investments Limited and Omnis Investments Limited.

Gerry is Chairman of the Nomination Committee and is a member of the Audit and Remuneration Committees.

Jeff Hewitt

Non-executive Director

Jeff was appointed a Non-executive Director of the Company in June 2008. Jeff was the Group Finance Director of Electrocomponents plc from 1996 to 2005 and Deputy Chairman from 2000 to 2005. Prior to 1996 he held various executive Director roles, having started his career with Arthur Andersen, where he qualified as a Chartered Accountant and The Boston Consulting Group. He is a Non-executive Director and Chairman of the Audit Committee of Foreign & Colonial Investment Trust plc and Chairman of Electrocomponents Pension Trustees. He was previously Chairman of the Audit & Risk Committee of The John Lewis Partnership and was the Senior Independent Non-executive Director and Chairman of the Audit Committee of Vesuvius Plc. He has also been the Chairman or Non-executive Director of several other listed and private companies.

Jeff is Chairman of the Audit Committee and a member of the Remuneration and the Nomination Committees.

Dr. Anthony Hotson

Non-executive Director

Anthony was appointed a Non-executive Director of the Company in May 2012. Anthony joined the Bank of England in 1978 and worked in the Economics Division, Governor's Office and Money Markets Division. He subsequently worked for McKinsey & Company and then the corporate finance division of S.G. Warburg & Co. Ltd. He was a Director of S.G. Warburg & Co. Ltd. from 1992 to 1995 and subsequently Managing Director and Head of the Financial Institutions Group, SBC / UBS Warburg until 1998. He was a Non-executive Director of Henderson Group plc and Chairman of its subsidiary companies, London Life and Towry Law, before their sale. Anthony has an MPhil in Economics from Nuffield College, Oxford and a PhD from the Courtauld Institute of Art. He is an associate member of the Faculty of History, University of Oxford and a research associate at the Centre for Financial History, Cambridge.

Anthony is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Executive Directors

Jim Durkin

Chief Executive Officer

Jim was appointed as an executive Director and to the position of Chief Executive Officer of the Company in December 2011. Jim has more than 30 years experience in the securities industry. He is one of the founder shareholders of Cenkos and became the Head of Corporate Broking in March 2005.

Mike Chilton

Finance Director

Mike was appointed to the Board in June 2012. Mike joined the Company in April 2011 from NS&I (National Savings and Investments) where he was Finance and Risk Director. Prior to this, Mike worked for 10 years at Standard Chartered plc in a variety of senior finance and risk roles, including Group Head of Operational Risk and Chief Financial Officer for their Africa Region. After qualifying as a Chartered Accountant with PWC, Mike spent several years with them as a management consultant in their financial services practice. Mike is also a Trustee and the Honorary Treasurer of Sightsavers (The Royal Commonwealth Society for the Blind).

Paul Hodges

Executive Director

Paul was appointed to the Board in June 2012. Paul has over 30 years experience in the UK securities industry having first joined Laurie Milbank as an insurance analyst in 1981. He subsequently worked for a number of financial institutions and was a top ranked composite insurance analyst in the City for several years, specialising in the assessment of insurers' exposure to long-tail liability claims relating to tobacco and lead. Paul is one of the founder shareholders of Cenkos.

Joe Nally

Executive Director

Joe was appointed to the Board in June 2012. Joe has over 35 years experience in the UK securities industry having first joined Williams de Broe in 1976 as an investment analyst. He went on to become an institutional stockbroker covering a wide range of clients in the UK and Europe. In 1992 he was a founder of the institutional corporate finance department at Williams de Broe where he gained extensive experience as a corporate broker across a broad range of sectors in IPO's, secondary fund raisings and takeovers and mergers, particularly in natural resources. Joe is one of the founder shareholders of Cenkos. He is the Head of the Natural Resources team.

Jeremy Warner Allen

Executive Director

Jeremy was appointed to the Board in June 2012. Jeremy has over 25 years experience in small and mid-cap institutional broking. He was a founding member of Beeson Gregory Limited in 1989, becoming head of the UK sales desk. Upon the merger with Evolution Group plc in 2002 he was appointed Head of Sales for Evolution Securities. He joined Cenkos in 2006 prior to the Company's flotation on AIM and is the Head of the Growth Companies team.

Nick Wells

Executive Director

Nick was appointed to the Board in October 2015. Nick has over 35 years experience of investment banking and in particular as a corporate financier. Prior to joining Cenkos, he was, for five years, Global Head of M&A at West LB where he was responsible for transactions in the UK, Germany and Central Eastern Europe, overseeing a number of complex cross-border deals. Previously, Nick had worked at County NatWest, BZW and Lazard, having qualified as a Chartered Accountant in 1979. He has experience in a wide range of sectors including leisure, property and support services. Nick is one of the founder shareholders of Cenkos and was appointed Head of Corporate Finance in July 2015.

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2015.

Principal activities

Cenkos is an independent, specialist institutional securities group, focused on small and mid-cap companies and investment funds. The Group's principal activity is institutional stockbroking.

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 provided within the Strategic Report. Our risk management processes are outlined in more detail in the Corporate Governance section and in note 23 of this Annual Report.

Results and dividends

The consolidated results for the year are set out in the Consolidated income statement on page 31.

An interim dividend of 7.0p per share was paid to shareholders on 5 November 2015. A second dividend of 6.0p was declared by the Company on 16 February 2016 which was paid on 24 March 2016 (2014: interim dividend of 7.0p per share). The Directors recommend the payment of a final dividend of 1p per share in respect of the year ended 31 December 2015 (2014: final dividend of 10.0p per share). The total interim and final dividends in respect of the year ended 31 December 2015 are 14p (2014: 17p). Subject to approval at the Annual General Meeting to be held on 17 May 2016, the final dividend will be paid on 27 May 2016.

Directors

The names of the Directors of the Company appear on pages 10 to 11. The Directors have served throughout the year with the exception of Nick Wells who has served since he was appointed to the Board on 14 October 2015. At the forthcoming Annual General Meeting all the Directors other than Nick Wells will offer themselves for re-election to the Board and Nick Wells will offer himself for election to the Board.

Share capital

As at 31 December 2015 the issued share capital of the Company was £566,947 (2014: £637,121). This comprised 56,694,783 ordinary shares of 1p each, which are admitted to trading on AIM (2014: 63,712,123 ordinary shares of 1p).

All shares have equal voting rights. On a show of hands, each member has the right to one vote at general meetings of the Company. On a poll, each member would be entitled to one vote for every share held. The shares carry no rights to fixed income. No person has any special rights of control over the Company's share capital and all shares are fully paid.

During the year the Company issued 3,160,000 ordinary shares of 1p each in satisfaction of option exercises (2014: 230,000).

On 9 December 2014 the Company announced a tender offer to purchase up to 5,727,340 ordinary shares at a price of £1.88 per ordinary share for cancellation. On 6 January 2015 the shareholders at a General Meeting of the Company approved this tender offer and subsequently, on 9 January 2015, these shares were cancelled by the Company. Following this cancellation the issued share capital of the Company was £579,847. This comprised of 57,984,783 ordinary shares of 1p each, which are admitted to trading on AIM.

On 30 October 2015 the Company announced a tender offer to purchase up to 4,450,000 ordinary shares at a price of £1.80 per ordinary share for cancellation. On 24 November 2015 the shareholders at a General Meeting of the Company approved this tender offer and subsequently, on 27 November 2015, these shares were cancelled by the Company. Following this cancellation the issued share capital of the Company was £566,947. This comprised of 56,694,783 ordinary shares of 1p each, which are admitted to trading on AIM.

Authorisation to purchase up to a further 9.9% of the Company's ordinary issued share capital was given by shareholders at the Annual General Meeting of the Company held on 12 May 2015. The Board considers that it would be appropriate to renew this authority and intends to seek shareholders' approval to purchase up to 9.9% of the Company's ordinary issued share capital at the forthcoming Annual General Meeting.

Directors' interests in ordinary shares

The Directors' interests in the share capital of the Company are shown below:

Name of Director	31 December 2015	31 December 2014	24 March 2016	Percentage interest as at 31 December 2015	Percentage interest as at 24 March 2016
Paul Hodges ⁽¹⁾	5,024,770	5,893,966	5,031,254	8.86	8.87
Jim Durkin ⁽¹⁾	4,908,663	5,726,716	4,915,147	8.66	8.67
Nick Wells ⁽²⁾	2,152,000	2,320,597	2,158,484	3.80	3.81
Jeremy Warner Allen ⁽¹⁾	1,374,779	1,627,916	1,381,263	2.42	2.44
Joe Nally ⁽¹⁾	1,059,429	1,254,216	1,065,913	1.87	1.88
Gerry Aherne	55,000	36,200	55,000	0.10	0.10
Jeff Hewitt	48,121	36,480	48,121	0.08	0.08
Anthony Hotson	32,860	20,864	32,860	0.06	0.06
Mike Chilton ⁽¹⁾	14,115	13,716	20,599	0.02	0.04

⁽¹⁾ As at 31 December 2015 4,615 ordinary shares have been acquired under the terms and conditions of the Company's Share Incentive Plan of which 3,240 ordinary shares are subject to forfeiture conditions. As at 24 March 2016 11,099 ordinary shares have been acquired under the terms and conditions of the Company's Share Incentive Plan of which 8,448 ordinary shares are subject to forfeiture conditions.

⁽²⁾ As at 31 December 2015 4,081 ordinary shares have been acquired under the terms and conditions of the Company's Share Incentive Plan of which 3,240 ordinary shares are subject to forfeiture conditions. As at 24 March 2016 10,565 ordinary shares have been acquired under the terms and conditions of the Company's Share Incentive Plan of which 8,448 ordinary shares are subject to forfeiture conditions.

The Directors have confirmed that none of their ordinary shares have been used for security purposes or had a charge, lien or other encumbrance placed over them.

Directors' interest in options

The Directors' interests in options over ordinary shares in the Company as at 31 December 2015 are shown on pages 27 to 28 within the Directors' Remuneration Report.

Directors' indemnities

Directors' and Officers' liability insurance is maintained by the Group for all Directors and Officers of the Group as permitted by the Companies Act 2006.

To the extent permitted by law and in accordance with its Articles of Association, the Group indemnifies its Directors and Officers against any claim made against them as a consequence of the execution of their duties as a Director or Officer of the Group. The indemnity was in force during the year and up to the date of approval of the financial statements.

Directors' report continued

Substantial shareholders

In addition to the current Directors' interests shown above, the Directors have been notified by the following who have an interest in 3% or more of the Company's share capital as at 31 December 2015 and at 24 March 2016:

Holder	Number of shares	Percentage interest as at 31 December 2015	Number of shares	Percentage interest as at 24 March 2016
Hargreave Hale Limited	9,179,497	16.19%	9,179,497	16.19%
Invesco Limited	8,083,632	14.25%	8,083,632	14.25%
J.P.Morgan Asset Management Limited	4,248,659	7.49%	4,248,659	7.49%
Cenkos Securities EBT	2,785,630	4.41%	2,213,880	3.90%

Employee benefit trust

The Company has an Employee Benefit Trust ("EBT") to service its share schemes. The EBT is funded by the Company and it has the power to acquire shares from the Company or in the open market to meet the Company's future obligations under its share schemes. At 31 December 2015, the EBT held 2,785,630 ordinary shares representing 4.41% (2014: 2,811,030 ordinary shares representing 4.98%) of the Company's issued share capital.

Employment policies, including diversity

The Group aims to maintain the highest possible standards of ethical and moral behaviour in the pursuit of its business objectives. Equal opportunity is accorded to all applicants for employment and employees alike without regard to sex, age, marital status (including civil partnerships), race, religion, colour, disability, sexual orientation, ethnic or national origin. The Group is committed to maintaining a workforce of the highest quality through recruitment and advancement of the most qualified applicants without regard to any personal characteristics other than honesty, ability and commitment to success. It is our policy to ensure that subsequent progression within the organisation is determined solely by individual performance and merit.

The Group provides employees with information on matters of concern to them so that their views can be taken into account when making decisions that are likely to affect their interests. Employees participate in the success of the Group through performance-based incentive schemes incorporating formula-based profit sharing arrangements, share option arrangements and two HM Revenue & Customs compliant all staff share schemes: a Share Incentive Plan and a Save As You Earn Sharesave Scheme.

Going concern

After making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements presented in this Annual Report. This is detailed further in note 1 to the financial statements.

Events after the reporting period

There were no material events to report on that occurred between 31 December 2015 and the date at which the Directors signed this Annual Report.

Directors' statement as to disclosure of information to the auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 10 and 11. Having made enquiries of fellow Directors and of the Group's auditor, the Directors confirm that:

- To the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditor in connection with preparing their report) of which the Group's auditor is unaware; and
- Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

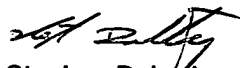
Auditor

Ernst & Young LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint Ernst & Young LLP as auditor of the Group 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 17 May 2016 at 9.30 am. A copy of the Notice of Annual General Meeting together with an explanation of the resolutions to be proposed is set out on pages 74 to 78.

This report was approved by the Board of Directors on 24 March 2016 and signed on its behalf by:



Stephen Doherty

Company Secretary

24 March 2016

Statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Group's ability to continue as a going concern.

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

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report on pages 2 to 9 includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks that they face.

This statement was approved by the Board of Directors on 24 March 2016 and signed on its behalf by:

Jim Durkin

Chief Executive Officer

24 March 2016

Corporate governance report

Introduction

The Company, whose shares are admitted to trading on AIM, is not required to comply with the UK Corporate Governance Code ("the Code"). The Directors fully support high standards of corporate governance and have chosen to make the following disclosures which are deemed to be the most relevant, given the nature, size and scope of the Group's activities.

The information in this Corporate Governance Report is not subject to audit.

The role of the Board

The Directors collectively bring a broad range of business experience to the Board which is considered essential for the effective management of the Group. The Board is responsible for strategic and major operational issues affecting the Group. It reviews financial performance, regulatory compliance, monitors key performance indicators and will consider any matters of significance to the Group, including corporate activity. Certain matters can only be decided by the Board and these are contained in the schedule of matters reserved to the Board. The Board also delegates certain responsibilities to committees of the Board and reviews the decisions of those committees at each of its meetings. The day-to-day management of the Group's business is delegated to the Chief Executive Officer and executive Directors of the Group.

The composition of the Board and division of responsibilities

The Board currently consists of six executive and three Non-executive Directors. The composition of the Board ensures that no single individual or group of individuals is able to dominate the decision-making process.

Details of the individual Directors and their biographies are set out on pages 10 to 11.

Roles of Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separated, ensuring a clear division of authority and responsibility at the most senior level within the Group.

Chairman

Gerry Aherne served as the Chairman throughout the year. The Chairman is responsible for the leadership of the Board and ensuring the effective running and management of the Board. He is also responsible for the Board's oversight of the Group's affairs, which includes ensuring that the Directors receive accurate, timely and clear information, ensuring the effective contribution of the Non-executive Directors.

Chief Executive Officer

Jim Durkin served as the Chief Executive Officer throughout the year. He is responsible for the day-to-day management and the executive leadership of the business. His other responsibilities include the progress and development of objectives for the Group, managing the Group's risk exposure, implementing the decisions of the Board and ensuring effective communication with shareholders and regulatory bodies.

Non-executive Directors and Independence

As well as the Chairman, the Board also has two other Non-executive Directors. The Non-executive Directors bring independent judgement, knowledge and experience to the Board. The Non-executive Directors have confirmed that they are able to allocate sufficient time to the Group to discharge their responsibilities effectively.

The Board is of the opinion that each Non-executive Director acts in an independent and objective manner. This opinion was reached by considering for each Non-executive Director whether he is independent in character and judgement, his conduct at Board and committee meetings, whether he has any interests that may give rise to an actual conflict of interest and whether he acts in the best interests of the Group and its shareholders at all times. Although Non-executive Directors receive a base fee, the executive Directors have recommended that if any additional work is undertaken by the Non-executive Directors (at the request of the Company) then a further fee may be paid to them covering the additional work and time required. Any such work is usually undertaken providing the Board is fully satisfied that the Non-executive Directors' independence and objectivity is not compromised in any manner. However, as detailed in the Directors' Remuneration report,

Corporate governance report continued

in 2015 the executive Directors requested that the Chairman and the chair of the Remuneration Committee undertake a specific project to look at aspects of the Group's governance, structure and processes including the impact of changing regulations. Given the nature of the work and the time commitment required, they are deemed to be non-independent in this respect. The chair of the Audit Committee remained independent on these matters throughout the year.

Executive Directors

Five executive Directors from within the senior management of the Company served on the Board throughout the year, with the exception of Nick Wells who served since his appointment to the Board on 14 October 2015. This executive representation on the Board enhances the Board's effective oversight of the running of the business and allows it to have a greater insight into the operational and strategic issues that the business faces.

Senior independent Director

The Board has agreed not to appoint a senior independent Director. Given the size of the Group, the shareholdings held by Board members and the policy of active dialogue being maintained with institutional shareholders by senior management, including the Directors, the Board is of the opinion that the appointment of a senior independent Director would not assist further in communication with shareholders.

Annual re-election of Directors

In accordance with the Company's Articles of Association all serving Directors are subject to an annual re-election.

Board meetings and information to the Board

Before each Board meeting the Directors receive, on a timely basis, comprehensive papers and reports on the issues to be discussed at the meeting. In addition to Board papers, Directors are provided with relevant information between meetings. Any Director wishing to do so may take independent professional advice at the expense of the Company. All Directors are able to consult with the Company Secretary who is responsible for ensuring that Board procedures are followed.

The Board has regular scheduled meetings. During the year there were seven scheduled Board meetings and seven additional meetings were held to deal with specific time critical business matters.

Attendance at meetings

The attendance in the year of the Directors at Board and the principal committee meetings that took place are shown below:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
<i>Number of meetings held</i>	14	3	9	1
<i>Chairman:</i>				
Gerry Aherne	14	3	9	1
<i>Chief Executive Officer:</i>				
Jim Durkin	13	n/a	n/a	n/a
<i>Non-executive Directors:</i>				
Jeff Hewitt	13	3	9	1
Dr. Anthony Hotson	14	3	9	1
<i>Executive Directors:</i>				
Mike Chilton	14	n/a	n/a	n/a
Paul Hodges	13	n/a	n/a	n/a
Joe Nally	14	n/a	n/a	n/a
Jeremy Warner Allen	13	n/a	n/a	n/a
Nick Wells (appointed 14 October 2015)	3	n/a	n/a	n/a

Board effectiveness

Although no Board effectiveness review took place in 2015, a number of improvements to Board processes were introduced in both 2014 and 2015 (following a Board effectiveness review in 2013). Throughout 2015 the Chairman and certain executive Directors have been reviewing such issues as Board composition, meeting structures, strategic oversight and risk management.

The performance of the Chief Executive Officer is appraised annually by the Chairman and the Chairman of the Remuneration Committee. The performance of the remaining executive Directors is appraised annually by the Chief Executive Officer.

Professional development

During the year specific training sessions were held covering compliance, regulation and corporate governance issues. Board members are encouraged to attend relevant training programmes as part of their continuing professional development programmes and additional business, compliance and regulatory updates are also arranged as appropriate.

Board committees

The Board has three committees, namely: the Audit Committee, the Remuneration Committee and the Nomination Committee, as described below. A summary of the terms of reference of these committees can be viewed on the Group's website, www.cenkos.com.

Audit Committee

Full details of the composition and work of the Audit Committee is provided in the Audit Committee Report on pages 21 to 24 which provide details of the role, composition, responsibilities of the Committee and its relationship with internal and external auditors. The Board, through the Audit Committee, reviewed the effectiveness of the system of internal control throughout the year. The Audit Committee assessed the status of the Group's risk management framework and associated internal controls. It also considered how risks are identified, monitored, mitigated and reported throughout the Group. Following this review, the Audit Committee agreed that the internal control framework continued to provide reasonable assurance that appropriate internal controls are in place. Accordingly the Board confirms that throughout the year ended 31 December 2015 and up to the approval date of this Annual Report, there had been an on-going process of identifying, evaluating and managing the significant risks faced by the Group.

Remuneration Committee

Full details of the composition and work of the Remuneration Committee is provided in the Directors' Remuneration Report on pages 25 to 28.

Nomination Committee

The Nomination Committee, which comprises the Non-executive Directors, is chaired by Gerry Aherne. The Nomination Committee's principal responsibility is to evaluate the Board's requirements and ensure that appropriate procedures are in place for nomination, selection and succession of Directors and senior executives to meet these requirements. During the year the Board undertook a number of duties that would have normally been undertaken by the Nomination Committee.

Management committees

To assist the Chief Executive Officer and senior management in the discharge of their duties, the Group has a number of management committees.

Management Committee

The Management Committee, which is chaired by the Chief Executive Officer, meets weekly and deals with communicating the strategic and operational issues to the senior management of the business as well as reviewing current business activities. The members of the Committee are the executive Directors and the heads of each fee-earning business team and certain support functions. Issues arising from the Management Committee are reported to the Board by the Chief Executive Officer and the minutes of this committee are circulated to the Board.

Corporate governance report continued

New Business Committee

The New Business Committee, which is chaired by the Head of Corporate Finance, generally meets weekly and is responsible for exercising senior management oversight in relation to the Group taking on new corporate client relationships and considering new transactions for existing corporate clients. The Committee has responsibility for assessing the impact on the Group of all such matters and in doing so gives due consideration to the reputational, regulatory, execution and commercial risks attached. Issues arising from the New Business Committee are reported to the Board by the Chief Executive Officer.

Corporate Finance Supervisory Committee

The Corporate Finance Supervisory Committee, which is chaired by the Head of Corporate Finance, generally meets weekly. The purpose of this Committee is to provide oversight over corporate finance transactions. In particular, the Committee is responsible for ensuring that transactions are managed and led by deal teams that have suitable and requisite corporate finance experience to be able to exercise the appropriate level of care and skill required in order for relevant advice to be provided. The deal team will also identify any potential conflicts of interest in relation to the transaction being considered. Issues arising from the Supervisory Committee are reported to the New Business Committee by the Head of Corporate Finance. Deals that involve Corporate Finance work can only be approved by the New Business Committee once this committee has reviewed and approved them. Issues arising from the Supervisory Committee are also reported to the Board by the Head of Corporate Finance.

Risk and Compliance Committee

The Risk and Compliance Committee is chaired by the Chief Executive Officer, with the Finance Director in attendance and meets approximately six times a year to monitor, review and manage the key risks within the business including market, credit, operational and regulatory risks and provides an oversight of the risk management and compliance framework of the Group. Issues arising from the Risk and Compliance Committee are reported to the Audit Committee by the Chief Executive Officer and the minutes of this committee are circulated to the Board. The chair of the Audit Committee attended a number of meetings of this Committee in the year.

Investor relations

The Board believes that it is important to maintain open and constructive relationships with shareholders. The Chief Executive Officer is in regular contact with the Company's major institutional shareholders throughout the year and is responsible for ensuring that shareholders' views are communicated to the Board as a whole.

All shareholders also have the opportunity to raise questions with the Board at the Annual General Meeting and are encouraged to attend. All members of the Board are normally available to answer questions at that meeting.

All results announcements, annual reports, regulatory news announcements and items detailing recent transactions concerning clients are made available on the Group's website (www.cenkos.com).

This report was approved by the Board of Directors on 24 March 2016 and signed on its behalf by:

Stephen Doherty

Company Secretary

24 March 2016

Audit committee report

Introduction

Much of the Audit Committee's (the "Committee") time was spent on considering regulatory changes as well as the regular activities set out in this report. As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditor.

Members

The Committee comprises all Non-executive Directors and is chaired by Jeff Hewitt. As shown by his biography on page 10, as well as being a qualified accountant, he is also an experienced Audit Committee chair and has recent and relevant financial experience. The other members of the Committee have extensive experience of corporate financial matters in the financial services industry.

Meetings

The Committee met three times during the year. The Chief Executive Officer, Finance Director, other executive Directors, Heads of Internal Audit and Compliance, senior management and the external auditor are invited to attend these meetings, as appropriate.

Roles and responsibilities

The Committee has terms of reference approved by the Board which are reviewed annually. A summary of the terms of reference are available on the Group's website. In summary, this Committee is responsible for:

- Reviewing and monitoring the effectiveness of the Group's systems of risk management, regulatory compliance and internal controls, including the consideration of regulatory changes;
- Assessing the Group's financial risks and plans for mitigating these risks;
Reviewing the Group's financial reporting process, including the financial statements, reports and announcements and the accounting policies and judgments that underline them and making recommendations to the Board before release;
- Agreeing the internal audit plan and monitoring progress against it;
- Monitoring the statutory audit of the annual accounts;
- Recommending to the Board any proposed changes to the appointment and remuneration of the external auditor; and
- Monitoring of the independence of the external auditor and the establishment of a policy for their use for non-audit work.

The Committee reported to the Board on how it discharged its responsibilities during the year, including reporting on any matters in respect of which it considered that action or improvement was needed and made recommendations as to the steps to be taken.

Significant issues and material judgements

In discharging its duties during the year, the Committee considered the following significant issues in relation to the financial statements of the year:

- Ensuring correct revenue recognition for any corporate transactions that straddled reporting periods to ensure compliance with the Group's accounting policies, as noted in note 1 of the financial statements;
- The appropriateness of valuations of financial instruments, including the valuation of warrants and options held over AIM stocks and unquoted investments held by the Group, classified as Level 3 in the fair value hierarchy. Valuation factors considered for any instruments classified as level 3 include an external option pricing model and associated inputs from external valuation specialists and, for unquoted holdings, IPEV guidelines – see note 23 of the financial statements;
- Given the very large transaction completed during the year, the Committee carefully reviewed the recognition of revenue and bonus and other costs associated with this transaction;

Audit committee report continued

- Where any transaction or client has attracted particular publicity or controversy, then the Committee also considered the appropriateness of the approach being taken by management; and
- The Committee considered the deferred bonus scheme introduced in the year and the associated accounting treatment and disclosures which included the deferral of £1.68 million of bonuses and an assessment of the vesting conditionality of the deferrals. Additionally the Committee also considered the appropriateness of the valuation techniques applied to share-based payments and their associated accounting treatment – see note 22 of the financial statements.

Risk management, compliance and internal controls

The Board is responsible for the overall adequacy of the Group's system of internal controls. The Board has delegated oversight over the process for managing risks, compliance and internal controls to the Audit Committee. Its role includes agreeing the risk management framework (including financial, operational and compliance controls and associated risk management systems), reviewing the effectiveness of this framework in the context of the risk appetite set by the Board. It monitors on behalf of the Board the identification, evaluation and management of the main risks faced by the Group. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. As such it can provide only reasonable and not absolute assurance against material misstatement or loss. The risk management and internal control framework in place during the year was as follows:

- Significant risks were identified and evaluated by senior management in the areas of business for which they held responsibility and these formed the basis for the risk dashboard compiled centrally and regularly reviewed by the Board. The Board inputted a top down view of risks into this review. Actions to mitigate risks were a major focus of the Board with delegated accountabilities to relevant management;
- The risk register and risk and compliance reviews of regulatory and internal control requirements formed the basis for risk and compliance testing and internal audit planning. Oversight and challenge was provided through the regular reviews by the Risk and Compliance Committee and active reviews by the Audit Committee and Board at each of their meetings with the Head of Compliance and Head of Internal Audit in attendance; and
- New client or new business risks, given their importance, were specifically addressed by the Corporate Finance Supervisory Committee and New Business Committee, with particular oversight of agreed processes by the relevant executive Director, Chief Executive Officer and the Board.

During the year the Risk, Compliance and Internal Audit teams carried out a programme of work agreed by the Committee and the Board which included a detailed review of significant risk areas and the relevant controls. The identification and evaluation of the risks also fed directly into the Internal Capital Adequacy Assessment Process, Individual Liquidity Adequacy Assessment and Recovery and Resolution Plan and the relevant documents were updated during the year for approval by the Committee and Board.

Transaction reporting, adequacy of resourcing and administration – including corporate finance transaction documentation – were a continuing specific focus for Compliance and the business as a whole. The Compliance Manual was updated, a Sponsor Services manual was finalised and, given the importance of developing and managing people appropriately, corporate finance reporting lines were clarified and the internal staff appraisal process was again given increased emphasis. The Committee continued to support a proactive regulatory training programme and reviewed in detail enhancements made in all of these areas. The Committee monitored the changes in regulatory systems and controls, including remuneration policies, introduced during the year and considered that the changes progressively improved the control framework particularly in corporate finance, new business take-on and transaction disciplines.

Litigation or potential litigation and the insurance of risks were also considered within the overall risk framework. The principal risks presented in the Strategic Report on pages 7 to 9 of this Annual Report appropriately reflect the outcome of the Board's consideration of risks.

Internal audit

The internal audit function provided independent assurance over the adequacy and effectiveness of the systems of internal control throughout the business and assurance on the extent to which the Group's approach to continuous improvement is maintained. The function is comprised of a Head of Internal Audit, supplemented by external expertise as appropriate. BDO LLP provided specialist technical expertise and independent reviews as agreed by the Committee. The Committee oversees the internal audit function, approving its plans and scope, its resources and considers the reports produced.

Reviews were undertaken during the year on a number of Corporate Finance transactions, the Group's internal capital adequacy assessment process (ICAAP), individual liquidity adequacy assessment (ILAA) and Recovery and Resolution Plan, its regulatory returns to the FCA under the Capital Requirements Directive IV and its IT arrangements, including cyber-security. Management actions to remediate identified risks were tracked and followed up to validate that the actions were completed.

As part of the internal audit process, the Head of Internal Audit reports directly to the Chairman of the Audit Committee and also liaises directly with the Chief Executive Officer and Finance Director as appropriate. Internal audit also attends and reports on progress and issues at each Audit Committee meeting.

Given the current size and complexity of Cenkos, the Head of Internal Audit also assists the Finance Director in managing the risk framework. Such 'second line of defence' work is not deemed to be appropriately independent by the Committee and therefore independent assurance is required in these areas, as and when needed, from independent sources.

External auditor independence

The Committee and the external auditor, Ernst & Young LLP, have longstanding safeguards to avoid the possibility that the auditor's objectivity and independence could be compromised. These safeguards include the auditor's report to the Committee on the actions they take to comply with professional and regulatory requirements and best practice, designed to ensure their independence.

The annual appointment of the auditor by shareholders in the Annual General Meeting is a fundamental safeguard to auditor independence, but beyond this, the Committee considers critically what additional work is provided by the auditor including assessment of commercial and practical aspects, including confidentiality. Examples of work that would fall into this category include regulatory advice, taxation services and financial due diligence work. There are areas that the Committee has prohibited work by the auditor, including where the auditor:

- May be required to audit its own work;
- Would participate in activities that would normally be undertaken by management;
- Is remunerated through a "success fee" structure; or
- Acts in an advocacy role for the Group.

The Committee has stipulated that the fees paid to the auditor for any individual item of non-audit work should not exceed £20,000 without approval by the Committee. As shown in note 7 of these financial statements, £5,000 was paid in 2015 to the auditor for advisory work in addition to the £37,000 fee paid for their interim review. The Committee also gives due consideration to appointing other firms where it is felt that the impact of an assignment may compromise the independence of the auditor. The recent European Union regulations and the new Governance Code under consultation by the FRC will further restrict or prohibit certain specified non-audit services by the auditor. The level of audit and non-audit fees charged by the Group's auditor is set out in note 7 to the financial statements.

Audit committee report continued

External auditor performance and re-appointment

The Committee evaluates the performance of the auditor annually taking into account the quality of formal and informal communications with the Committee, the views of management, cost effectiveness, objectivity and a review of the principal findings arising from the inspection of Ernst & Young LLP's audit work as a firm carried out by the Audit Quality Review team of the Financial Reporting Council. In the current year the Committee again evaluated the auditor's performance as good and the relationship with management to be sound. The lead partner and senior team are well qualified and have expertise in the Group's business areas and associated regulatory framework.

The Committee discussed and approved the planning of the external audit, including risk evaluation, scope and materiality applied. The execution of the audit did not change from the plan and the audit gave rise to no material financial adjustments, but did highlight some areas where management should consider improvements in processes. The Committee regarded the quality of reporting by the auditor to be good. Importantly, the auditor considered the prudence applied to areas of judgment and considered the balance to be appropriate and consistent with previous years where the issues were continuing. The Committee had several private discussions with the auditor during the year on the conduct of the audit and the relationship with management.

The Group last tendered its external audit in May 2011 and appointed Ernst & Young LLP as its auditor. Based on the performance since appointment, the Committee has recommended to the Board that Ernst & Young LLP be re-appointed as auditor for the coming year. The Board has agreed and the re-appointment will be proposed to shareholders at the AGM. The Committee is aware of the regulations on audit tendering and firm rotation arising from the European Commission, Competition and Markets Authority and Financial Reporting Council. These regulations do not apply to companies whose shares are admitted to trading on AIM, but the Committee is mindful of the principles. The Committee sees no immediate need to conduct a tender, but as there will be a lead audit partner rotation after this 2015 year end, the Committee will keep the audit provision under particularly close review.

This report was approved by the Audit Committee on 24 March 2016 and signed on its behalf by:

Jeff Hewitt

Chairman of the Audit Committee

24 March 2016

Directors' remuneration report

Introduction

The Remuneration Committee ("the Committee") has delegated responsibility from the Board for developing the remuneration policy of the Group and for setting the remuneration of its executive Directors and senior managers. Membership of the Committee is limited to Non-executive Directors and currently comprises Dr. Anthony Hotson (Chairman), Jeff Hewitt and Gerry Aherne. Where appropriate, the Committee consults external advisers on remuneration and regulatory issues.

Remuneration policy

The success of the Group depends on its employees. Its remuneration policy is therefore designed to attract and retain individuals of the highest calibre and probity and reward them so that they are motivated to grow the long-term value of the business and maximise shareholder returns. Remuneration consists primarily of two components, namely a moderate fixed basic salary and a variable performance-related award. The performance-related aspect reflects the success or failure of the Group in meeting its targets and objectives and is therefore substantially reflective of the Group's overall financial performance. Variable remuneration, which can form a substantial part of the overall remuneration, is only paid to revenue generating staff when it is demonstrated that a team or an individual's performance has contributed to the profitability of the business, after considering risk factors. The Group's profit sharing model is based on a percentage of revenues made by business units, after relevant direct and associated costs have been deducted and risk factors have been taken into account. The distribution to individuals of each business team's profit share is based on performance. The profit sharing arrangement compensates for relatively low base salaries.

Employees who are not in revenue-generating teams or directly involved in revenue generation are considered for a discretionary variable performance award depending on their performance and the Group's overall financial results, once risk factors have been taken into account.

During the year a bonus deferral scheme for executive Directors, senior managers and high earning employees was introduced. Although Cenkos, as a Tier 3 firm, is not mandated by the FCA's Remuneration Codes to defer bonuses, the Committee noted the changes to regulatory guidance in this respect. The deferrals also reflect a more prudent approach to risk management, including a recognition of any tail risk inherent in the business. See note 22 of the financial statements for details.

Remuneration for the year

Fixed remuneration

Fixed remuneration comprises basic salaries, which are set at a relatively moderate level and benefits including healthcare and life assurance cover. These are provided on the same basis to all employees. The Company has a workplace pension scheme with Aviva with a Company contribution rate based on 1% of qualifying earnings of up to £36,093. Mike Chilton participates in the scheme. Jim Durkin, Paul Hodges, Joe Nally, Jeremy Warner Allen and Nick Wells have opted out of the scheme. Other than this scheme the Group does not operate or contribute to any other pension scheme on behalf of its employees or Directors.

Variable remuneration

The annual performance award is a significant variable component of the overall remuneration and is at the discretion of the Remuneration Committee. In determining the level of award paid to the Chief Executive Officer, Finance Director and Nick Wells, who is the Head of Corporate Finance, consideration was given not only to the financial performance of the Group (including returns to shareholders and the Group's profitability) in 2015, but also to their individual performance based on a number of personal objectives. In respect of the Chief Executive Officer these included the strategic development of the Group, leadership and culture, operational performance, risk management and regulatory compliance. The Remuneration Committee, in determining both the general level of the bonus pool and the awards to the executive Directors, also reviewed risk factors.

Paul Hodges, Joe Nally and Jeremy Warner Allen received discretionary performance-related awards, based on the profit sharing arrangements for the teams they manage, after risk factors had been considered. Each team's profit sharing model is based on a percentage of revenues generated by the team, after relevant direct and associated costs have been deducted. This variable component of these executive Directors' remuneration directly reflects the financial success of their respective teams in 2015 and rewards and motivates them so that they can continue to develop the value of the business and thereby maximise shareholder returns.

Directors' remuneration report continued

Table of Directors' remuneration

A summary of the total remuneration paid to Directors is set out below:

	Salary / fees £ 000's	Annual performance award ⁽⁴⁾ £ 000's	Taxable benefit in kind £ 000's	Cash bonus in respect of options held £ 000's	Total 2015 £ 000's	Total 2014 £ 000's
<i>Non-executive Directors</i>						
Gerry Aherne	260	–	–	–	260	285
Jeff Hewitt	58	–	–	–	58	98
Dr. Anthony Hotson	108	–	–	–	108	98
<i>Executive Directors</i>						
Jim Durkin	150	444	3	–	597	1,986
Mike Chilton ⁽²⁾	125	277	3	–	405	423
Paul Hodges	90	3,956	3	–	4,049	3,607
Joe Nally	75	479	5	–	559	594
Jeremy Warner Allen ⁽¹⁾	75	612	4	40	731	1,291
Nick Wells ⁽³⁾	31	132	1	–	164	–
	972	5,900	19	40	6,931	8,382

⁽¹⁾ In accordance with the terms and conditions of the grant of options that had previously been made to Jeremy Warner Allen, he had the right to receive a cash bonus equal to the amount of any dividend per share declared by the Company multiplied by the number of options held.

⁽²⁾ Mike Chilton also received a pension contribution of £366 in 2015 (2014: £90). No other Director received a Group pension contribution.

⁽³⁾ From date of appointment as a Director 14 October 2015.

⁽⁴⁾ Amounts shown for executive Directors are net of bonus deferrals in 2015. See note 22 for details of the deferral scheme in operation in the year.

Non-executive Directors

Non-executive Directors are engaged under letters of appointment. Non-executive Directors are subject to annual re-election and do not serve for a fixed term. The Non-executive Chairman is subject to three months' notice. Non-executive Directors do not participate in decisions concerning their own fees. These are set by the Board on the recommendation of the executive Directors, taking into account comparisons with peer group companies, their overall experience and knowledge and the time commitment required for them to undertake their duties and if the Non-executive Director has undertaken any additional duties during the year.

The base fee for the Non-executive Directors is set at £52,000 with an additional fee of £6,000 being awarded for acting as the Chairman of the Audit or Remuneration Committees respectively. The base fee for the Non-executive Chairman is £120,000. As noted in the Corporate Governance report, during the year, the executive Directors commissioned a specific project to review, inter alia, certain aspects of the firm's structure, governance, processes including the impact of changing regulations. The nature of the work was such that substantial input was required from both Dr. Anthony Hotson and Gerry Aherne, the Non-executive Chairman. As such, the nature of the work could be seen to compromise their independence in this respect. Given these additional duties, which are likely to continue into 2016, the executive Directors agreed that Dr. Anthony Hotson should be awarded an additional £50,000 (2014: £40,000) and that Gerry Aherne, the Non-executive Chairman, be paid an additional fee of £140,000 (2014: £165,000) to reflect the amount of extra work that had been undertaken. Non-executive Directors are also reimbursed all reasonable expenses incurred solely in relation to their duties as Non-executive Directors. The base fee payable to Jeff Hewitt and Dr. Anthony Hotson increased to £55,000 from £52,000 with effect from 1 January 2016. This was the first increase in the base fee for over two years. Non-executive Directors fees are reviewed by the executive Directors on an annual basis and any recommendations made are considered by the full Board.

Executive Directors' service contracts

The executive Directors are employed on rolling service contracts, which are subject to six months' notice. Copies of Directors' service contracts will be available for review at the Annual General Meeting on 17 May 2016.

Long-term incentives

The Company has a Long-Term Incentive Plan, a Company Share Option Plan and a Compensatory Award Plan 2009 ("the Schemes"). During the year no options were granted under these Schemes (2014: none). The Board has delegated to the Remuneration Committee the responsibility to supervise the Schemes and grant options under the terms of the Schemes. The Group's policy is to use the Schemes to attract and retain key senior employees (including executive Directors). Any grant of options is at the discretion of the Committee and takes into account individual performance and responsibilities. Where appropriate, a grant of options will incorporate a performance condition.

The Company also operates two HM Revenue & Customs approved all staff share schemes: a Share Incentive Plan and a Save As You Earn Sharesave Scheme.

Directors' interests in share options

The executive Directors have interests in options over ordinary shares in the Company as at 31 December 2015 as shown below:

Name of Director	No. held at 31 December 2015	No. held at 31 December 2014	Exercise price	Grant date	Earliest exercise date	Latest exercise date
<i>Long-Term Incentive Plan</i>						
Joe Nally	–	1,000,000	£1.00	02.04.2012	02.04.2015	02.10.2015
<i>2009 Compensatory Award Plan*</i>						
Jeremy Warner Allen	178,710	178,710	£1.69	01.10.2009	01.10.2009	30.09.2019
<i>Save As You Earn Sharesave Scheme</i>						
Jim Durkin	10,416	10,416	£1.728	15.07.2014	01.08.2017	28.02.2018
Mike Chilton	10,416	10,416	£1.728	15.07.2014	01.08.2017	28.02.2018
Paul Hodges	10,416	10,416	£1.728	15.07.2014	01.08.2017	28.02.2018
Joe Nally	10,416	10,416	£1.728	15.07.2014	01.08.2017	28.02.2018
Jeremy Warner Allen	10,416	10,416	£1.728	15.07.2014	01.08.2017	28.02.2018
Nick Wells	10,416	10,416	£1.728	15.07.2014	01.08.2017	28.02.2018

* In accordance with the terms of the grant of the above options, the option holder had the right to receive a cash bonus equal to the amount of any dividend per share declared by the Company, multiplied by the number of options held. The amount received by Jeremy Warner Allen during the year is shown in the Directors' remuneration table.

Under the Save As You Earn Sharesave scheme participants have entered into a three year savings contract with an option to purchase a fixed number of shares at the maturity date. If a participant stops saving at any time before the end of the savings term the option may lapse.

Directors' remuneration report continued

Directors' interests under the Share Incentive Plan ("SIP")

The executive Directors' interests in the shares held under the SIP as 31 December 2015 is shown below.

Name of Director	No. of shares subject to forfeiture conditions		No. of shares subject to forfeiture conditions	
	No. held 31 December 2015	No. held 31 December 2014	No. held 31 December 2015	No. held 31 December 2014
Jim Durkin	4,615	3,240	4,216	3,240
Mike Chilton	4,615	3,240	4,216	3,240
Paul Hodges	4,615	3,240	4,216	3,240
Joe Nally	4,615	3,240	4,216	3,240
Jeremy Warner Allen	4,615	3,240	4,216	3,240
Nick Wells	4,081	3,240	4,081	3,240

The SIP consists of Free shares, Partnership shares, Matching shares and Dividend shares. Under the terms and conditions of the SIP, the Free and Matching shares are subject to certain forfeiture conditions if they are not held for three years from the award date.

Directors' interests in ordinary shares

The Directors' interests in the ordinary shares in the Company as at 31 December 2015 are shown on page 13 within the Directors' Report.

At 31 December 2015 the mid-market price of the Company's ordinary shares was 167.50p. The highest daily closing price during the year was 230.0p and the lowest was 142.50p.

Remuneration policy in 2015

The Group's remuneration policy is designed to be consistent with the prudent management of risk and the sustained, long-term performance of the Group. The Committee reviews its remuneration policy to ensure compliance with the principles of the FCA Remuneration Code which are applicable to the Group. During the year the Committee introduced a bonus deferral scheme for executive Directors, senior managers and high earning employees.

The Committee is considering the implications of the European Banking Authority Guidance on sound remuneration policies issued in December 2015 and the Group's remuneration policy in so far as it relates to the Group; and what, if any, changes may be required to the remuneration policy in 2016.

The Committee proposes no changes to the current basic salaries of the executive Directors in 2016.

This report was approved by the Remuneration Committee on 24 March 2016 and signed on its behalf by:

Dr. Anthony Hotson

Chairman of the Remuneration Committee

24 March 2016

Independent auditor's report to the members of Cenkos Securities plc

We have audited the financial statements of Cenkos Securities plc for the year ended 31 December 2015 which comprise the Group Income Statement, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Cenkos Securities plc

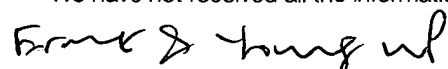
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.



Paul Sater (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

24 March 2016

Consolidated income statement for the year ended 31 December 2015

	Notes	2015 £ 000's	Represented 2014 £ 000's
Continuing operations			
Revenue	3	76,513	88,516
Administrative expenses		(56,751)	(61,704)
Operating profit		19,762	26,812
Investment income – interest receivable	4	138	161
Interest expense	5	(4)	(1)
Profit before tax from continuing operations for the year	7	19,896	26,972
Tax	8	(4,525)	(5,644)
Profit after tax		15,371	21,328
Attributable to:			
Equity holders of Cenkos Securities plc		15,371	21,328
Basic earnings per share	10	27.2p	35.2p
Diluted earnings per share	10	26.8p	33.5p

The profit attributable to the Company in the year ended 31 December 2015 was £15.7 million (31 December 2014: £21.3 million).

The notes on pages 39 to 73 form an integral part of these financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2015

	2015 £ 000's	2014 £ 000's
Profit for the year	15,371	21,328
Amounts that will be recycled to income statement in future periods		
Gain on available-for-sale financial assets	(2)	132
Tax on available-for-sale financial assets	–	(28)
	(2)	104
Total comprehensive income for the year	15,369	21,432
Attributable to:		
Equity holders of Cenkos Securities plc	15,369	21,432

The notes on pages 39 to 73 form an integral part of these financial statements.

Consolidated statement of financial position as at 31 December 2015

	Notes	2015 £ 000's	2014 £ 000's
Non-current assets			
Property, plant and equipment	11	296	421
Deferred tax asset	18	1,330	2,042
		<u>1,626</u>	<u>2,463</u>
Current assets			
Trade and other receivables	13	18,354	19,717
Available-for-sale financial assets	14	559	729
Other current financial assets	15	12,706	10,014
Cash and cash equivalents	16	33,106	32,932
		<u>64,725</u>	<u>63,392</u>
Total assets		<u>66,351</u>	<u>65,855</u>
Current liabilities			
Trade and other payables	17	(34,881)	(23,583)
Other current financial liabilities	15	(2,551)	(2,711)
		<u>(37,432)</u>	<u>(26,294)</u>
Net current assets		27,293	37,098
Non-current liabilities			
Trade and other payables	17	(351)	–
Total liabilities		<u>(37,783)</u>	<u>(26,294)</u>
Net assets		<u>28,568</u>	<u>39,561</u>
Equity			
Share capital	19	567	637
Share premium		3,321	232
Capital redemption reserve	19	195	93
Own shares	20	(3,193)	(3,218)
Available-for-sale reserve		102	104
Retained earnings		27,576	41,713
Total equity		<u>28,568</u>	<u>39,561</u>

The notes on pages 39 to 73 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 24 March 2016. They were signed on its behalf by:

Jim Durkin

Chief Executive Officer

24 March 2016

Mike Chilton

Finance Director

24 March 2016

Registered Number: 05210733

Company statement of financial position as at 31 December 2015

	Notes	2015 £ 000's	2014 £ 000's
Non-current assets			
Property, plant and equipment	11	279	421
Deferred tax asset	18	1,330	2,042
Investments in subsidiary undertakings	12	1	1
		<u>1,610</u>	<u>2,464</u>
Current assets			
Trade and other receivables	13	22,160	22,967
Available-for-sale financial assets	14	559	729
Other current financial assets	15	12,706	10,014
Cash and cash equivalents	16	32,861	32,899
		<u>68,286</u>	<u>66,609</u>
Total assets		<u>69,896</u>	<u>69,073</u>
Current liabilities			
Trade and other payables	17	(34,873)	(23,583)
Other current financial liabilities	15	(2,551)	(2,711)
		<u>(37,424)</u>	<u>(26,294)</u>
Net current assets		30,862	40,315
Non-current liabilities			
Trade and other payables	17	(351)	–
Total liabilities		<u>(37,775)</u>	<u>(26,294)</u>
Net assets		<u>32,121</u>	<u>42,779</u>
Equity			
Share capital	19	567	637
Share premium		3,321	232
Capital redemption reserve	19	195	93
Available-for-sale reserve		102	104
Retained earnings		27,936	41,713
Total equity		<u>32,121</u>	<u>42,779</u>

The notes on pages 39 to 73 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 24 March 2016. They were signed on its behalf by:

Jim Durkin

Chief Executive Officer

24 March 2016

Registered Number: 05210733

Mike Chilton

Finance Director

24 March 2016

Consolidated cash flow statement for the year ended 31 December 2015

	Notes	2015 £ 000's	Represented 2014 £ 000's
Profit for the year		15,371	21,328
Adjustments for:			
Net finance income		(134)	(160)
Tax expense	8	4,525	5,644
Tax expense arising on available-for-sale asset		–	28
Depreciation of property, plant and equipment	11	241	386
(Loss)/gain on available-for-sale financial assets		(2)	104
Shares and options received in lieu of fees		(4,967)	(3,443)
Share-based payment expense		502	250
Operating cash flows before movements in working capital		15,536	24,137
Decrease in net trading investments		2,285	5,976
Decrease/(increase) in trade and other receivables		1,367	(379)
Increase/(decrease) in trade and other payables		12,538	(12,940)
Net cash flow from operating activities		31,726	16,794
Interest paid		(4)	(1)
Tax paid		(5,049)	(4,815)
Net cash flow from operating activities		26,673	11,978
Investing activities			
Interest received		133	173
Purchase of property, plant and equipment	11	(174)	(420)
Reclassification of stamp duty	11	58	–
Net cash inflow/(outflow) from investing activities		17	(247)
Financing activities			
Dividends paid	9	(9,740)	(9,386)
Proceeds from issue of own shares		3,099	234
Transfer of shares by EBT to employee share plans	22	47	10
Acquisition of own shares for cancellation	19	(18,777)	–
Acquisition of CAP options cancelled as part of tender offer buy-back		(1,145)	–
Net cash used in financing activities		(26,516)	(9,142)
Net increase in cash and cash equivalents		174	2,589
Cash and cash equivalents at beginning of year		32,932	30,343
Cash and cash equivalents at end of year		33,106	32,932

The notes on pages 39 to 73 form an integral part of these financial statements.

Company cash flow statement for the year ended 31 December 2015

	Notes	2015 £ 000's	Represented 2014 £ 000's
Profit for the year		15,732	21,328
Adjustments for:			
Net finance income		(134)	(160)
Tax expense	8	4,525	5,644
Tax expense arising on available-for-sale asset		–	28
Depreciation of property, plant and equipment	11	238	386
(Loss)/gain on available-for-sale financial assets		(2)	104
Shares in lieu of fees and options received in kind		(4,967)	(3,443)
Share-based payment expense		502	250
Operating cash flows before movements in working capital		15,894	24,137
Decrease in net trading investments		2,285	5,976
Decrease/(increase) in trade and other receivables		786	(293)
Increase/(decrease) in trade and other payables		12,529	(12,940)
Net cash flow from operating activities		31,494	16,880
Interest paid		(4)	(1)
Tax paid		(5,049)	(4,815)
Net cash flow from operating activities		26,441	12,064
Investing activities			
Interest received		133	173
Purchase of property, plant and equipment	11	(154)	(420)
Reclassification of stamp duty	11	58	–
Net cash inflow/(outflow) from investing activities		37	(247)
Financing activities			
Dividends paid	9	(9,740)	(9,386)
Proceeds from issue of own shares		3,099	234
Transfer of shares by EBT to employee share plans	22	47	10
Acquisition of own shares for cancellation	19	(18,777)	–
Acquisition of CAP options cancelled as part of tender offer buy-back		(1,145)	–
Net cash used in financing activities		(26,516)	(9,142)
Net (decrease)/increase in cash and cash equivalents		(38)	2,675
Cash and cash equivalents at beginning of year		32,899	30,224
Cash and cash equivalents at end of year		32,861	32,899

The notes on pages 39 to 73 form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2015

	Share capital £ 000's	Share premium £ 000's	Capital redemption reserve £ 000's	Own shares £ 000's	Available- for-sale reserve £ 000's	Retained earnings £ 000's	Total £ 000's
At 1 January 2014	635	–	93	(3,228)	–	28,592	26,092
Profit for the year	–	–	–	–	–	21,328	21,328
Gain on available-for-sale financial assets net of tax	–	–	–	–	104	–	104
Total comprehensive income for the year	–	–	–	–	104	21,328	21,432
Shares issued in the year	2	232	–	–	–	–	234
Transfer of shares to employee share plans	–	–	–	10	–	–	10
Credit to equity for equity-settled share-based payments	–	–	–	–	–	250	250
Credit to equity for day 1 valuation of acquired share options	–	–	–	–	–	68	68
Deferred tax on share-based payments	–	–	–	–	–	818	818
Current tax on share-based payments	–	–	–	–	–	43	43
Dividends paid	–	–	–	–	–	(9,386)	(9,386)
At 31 December 2014	637	232	93	(3,218)	104	41,713	39,561
Profit for the year	–	–	–	–	–	15,371	15,371
Gain on available-for-sale financial assets net of tax	–	–	–	–	(2)	–	(2)
Total comprehensive income for the year	–	–	–	–	(2)	15,371	15,369
Shares issued in the year	32	3,067	–	–	–	–	3,099
Transfer of shares to employee share plans	–	22	–	25	–	–	47
Acquisition of own shares for cancellation	(102)	–	102	–	–	(18,777)	(18,777)
Charge to equity for cancelled CAP options	–	–	–	–	–	(1,145)	(1,145)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	502	502
Deferred tax on share-based payments	–	–	–	–	–	(903)	(903)
Current tax on share-based payments	–	–	–	–	–	555	555
Dividends paid	–	–	–	–	–	(9,740)	(9,740)
At 31 December 2015	567	3,321	195	(3,193)	102	27,576	28,568

The notes on pages 39 to 73 form an integral part of these financial statements.

Company statement of changes in equity for the year ended 31 December 2015

	Share capital £ 000's	Share premium £ 000's	Capital redemption reserve £ 000's	Available- for-sale reserve £ 000's	Retained earnings £ 000's	Total £ 000's
At 1 January 2014	635	–	93	–	28,593	29,321
Profit for the year	–	–	–	–	21,328	21,328
Gain on available-for-sale financial assets net of tax	–	–	–	104	–	104
Total comprehensive income for the year	–	–	–	104	21,328	21,432
Shares issued in the year	2	232	–	–	–	234
Charge to equity for equity-settled share-based payments	–	–	–	–	250	250
Credit to equity for day 1 valuation of acquired share options	–	–	–	–	67	67
Deferred tax on share-based payments	–	–	–	–	818	818
Current tax on share-based payments	–	–	–	–	43	43
Dividends paid	–	–	–	–	(9,386)	(9,386)
At 31 December 2014	637	232	93	104	41,713	42,779
Profit for the year	–	–	–	–	15,731	15,731
Gain on available-for-sale financial assets	–	–	–	(2)	–	(2)
Total comprehensive income for the year	–	–	–	(2)	15,731	15,729
Shares issued in the year	32	3,067	–	–	–	3,099
Transfer of shares to employee share plans	–	22	–	–	–	22
Acquisition of own shares for cancellation	(102)	–	102	–	(18,777)	(18,777)
Charge to equity for cancelled CAP options	–	–	–	–	(1,145)	(1,145)
Credit to equity for equity-settled share-based payments	–	–	–	–	502	502
Deferred tax on share-based payments	–	–	–	–	(903)	(903)
Current tax on share-based payments	–	–	–	–	555	555
Dividends paid	–	–	–	–	(9,740)	(9,740)
At 31 December 2015	567	3,321	195	102	27,936	32,121

The notes on pages 39 to 73 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

General information

Cenkos Securities plc is a company incorporated in the United Kingdom under the Companies Act 2006 (Company Registration No. 05210733). These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. The Group has taken advantage of the exemption under section 408 of the Companies Act 2006 and therefore has not produced a Company income statement or accompanying notes.

Prior year comparatives have been amended:

- In the Company cash flow statement to reflect the transfer of shares by the Cenkos Securities Employee Benefit Trust ("EBT") to employee share plans;
- In note 10 to conform to the disclosure requirements of IAS 33 Earnings per share;
- In note 21 to conform to the disclosure requirements of IFRS 17 Leases; and
- In note 24 to conform to current year presentation.

Basis of accounting

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, with the prior period being presented on the same basis.

Adoption of new and revised standards

During the year, a number of amendments to IFRS became effective and were adopted by the Group, none of which had a material impact on the Group's net cash flows, financial position, statement of comprehensive income or earnings per share. Note 25 details the accounting standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 December each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Specifically, the Group controls an investee if and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.
- Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

Notes to the financial statements continued

1. Accounting policies (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, the financial position of the Group, its cash flows and liquidity position are set out in the Strategic Report on pages 2 to 9. In addition, note 23 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements and having taken into consideration the strength of the Group's statement of financial position and cash balances, the Group has adequate resources to continue in operational existence for at least the next 12 months from the signing of these financial statements.

Financial instrument

Financial assets and financial liabilities are recognised in the Group's statement of financial position when it becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are recognised and derecognised on trade date when the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned and are initially measured at fair value, net of transaction costs.

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss" ("FVTPL"), "available-for-sale" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. However, reclassification is possible when the criteria in IAS 39.50 are met. There were no reclassifications during the year.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Financial assets are classified as financial assets at FVTPL where the Group acquires the financial asset principally for the purpose of selling it in the near term, the financial asset is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking, as well as all derivatives that are not designated as FVTPL and hedging instruments. Financial assets at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised in the income statement. The net gain or loss recognised in the income statement incorporates any dividend or interest earned on the financial asset.

Available-for-sale investments

Unlisted shares held by the Group are classified as available-for-sale investments and are initially measured at fair value, 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 other comprehensive income, 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

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 fair value excluding 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 which have been received as consideration for corporate finance and other services rendered.

Derivative financial assets

Derivative financial assets include equity options and warrants over listed securities earned by the Group as part of fee arrangements. The Directors consider that the initial valuation reflects fair consideration for the services provided. All gains and losses on subsequent valuations are recorded within revenue in the income statement.

Trade and other receivables

Market and client receivables are measured at fair value. All other debtors are measured at amortised cost using the effective interest method, less any impairment. Appropriate allowance for estimated irrecoverable amounts is recognised in the income statement 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. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held for trading purposes or designated at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Notes to the financial statements continued

1. Accounting policies (continued)

Cash and cash equivalents

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

De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is held for trading.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of disposal in the near future; or
- It is part of an identified portfolio of financial instruments that the Group manages together and has a recent pattern of short-term profit taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest which is recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Trade and other payables

Trade payables are initially measured at fair value. At each reporting date, these trade payables are measured at amortised cost using the effective interest rate method.

De-recognition of financial liabilities

The Group derecognises financial liabilities when and only when, the Group's obligations are discharged, cancelled or they expire.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised as the proceeds are received, net of direct issue costs.

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised as a liability at fair value. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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 reporting date are reported at the rates of exchange prevailing at that date. Gains and losses arising during the year on transactions denominated in foreign currencies are translated at the prevailing rate and included in the income statement.

Investments in subsidiaries

Investments in subsidiaries held by the Company as fixed assets are stated at cost, less any provision for impairment in value.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Where a rent free period or discount is negotiated it is amortised over the period of the lease.

Property, plant and equipment

Property, plant and equipment is 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: Remaining term of the lease
- 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.

Notes to the financial statements continued

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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting 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 Company 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 reporting 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 at the point in time when, under the terms of the contract, the conditions have been met such that Cenkos is entitled to the fees specified. Revenue also comprises profits on dealing operations, being gains less losses, both realised and unrealised, on financial assets and financial liabilities, 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 shareholder's right to receive payment has been established.

Revenue includes the fair value of options over securities which have been received as consideration for corporate finance services rendered.

Segment reporting

IFRS 8 requires that an entity discloses financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments. Cenkos is managed as an integrated institutional stockbroking business and although it has different revenue streams it has one consolidated reportable segment. It considers its activities to be subject to similar economic characteristics. The internal reports used by the Chief Executive Officer for the purpose of monitoring performance and allocating resources reflect that Cenkos is managed as a single business unit.

Share-based payments

The Group has applied the requirements of IFRS 2: Share-based payments. The Company 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 cost of these awards is measured by reference to the fair value determined at the grant date of the equity-settled share-based payments and the expected number of employees likely to become fully entitled to the award. This cost is expensed on a straight-line basis over the vesting period. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity. During the year as part of the tender offer process share options were bought back. The amount paid to the holders of these options for their cancellation has been charged to equity.

Deferred bonus scheme

The Group introduced a Deferred Bonus Scheme (the "Scheme") in 2015. Depending on the level of equity interest already held by staff, deferral is either into Cenkos ordinary shares (equity-settled) or cash-settled. The deferral amounts are released to employees (should they remain members of the Scheme) in equal tranches on each of the three anniversaries of the deferral into the Scheme. Claw back provisions apply to the Scheme. The Group has applied the requirements of IFRS 2: Share-based payments for the full year in 2015 to this deferral scheme as described below:

Equity-settled deferred bonus payments

The cost is recognised in employee benefits expense, together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled bonus payments at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the income statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. No expense is recognised for awards that do not ultimately vest because service conditions have not been met.

Cash-settled deferred bonus payments

A liability is recognised for the fair value of cash-settled deferred bonus payments. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value at the date of grant approximates the expected fair value at the date of vesting.

Related party disclosures

The compensation of the key management personnel of the Group and their interests in the shares and options over the shares of Cenkos Securities plc are set out in note 24. Key management personnel comprise Directors of the Company as they are able to exert significant influence over the financial and operating policies of the Group.

Notes to the financial statements continued

2. Critical accounting judgement and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are set out below:

a) Equity-settled share-based payments

The fair value of share-based payments is calculated using a Monte Carlo simulation model. Inputs into the model are based on management's best estimates of expected volatility and risk free rate of return, which are referred to in note 23. As a measure of implied volatility of the share-based payment is not available, a measure of the historic volatility of Cenkos' share price has been used as a proxy. This expected volatility reflects the assumption that the historical volatility over a period similar to the life of the share-based payment is indicative of future trends, which may not necessarily be the actual outcome.

b) Bad debt policy

The Group regularly reviews all outstanding balances and provides for amounts where there is significant doubt over the recoverability of the balance. The provision 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.

c) Provisions and contingent liabilities

Provisions are measured at the Directors' best estimate of the expenditure required to settle obligations.

d) Revenue recognition

As stated in the accounting policies in note 1, corporate finance advisory fees are taken to the income statement at the point in time when, under the terms of the contract, the conditions have been met such that Cenkos is entitled to the fees specified. Where transactions straddle reporting periods consideration is given to ensure revenue is recognised in the correct accounting period.

e) Valuation of financial instruments

The appropriateness of valuations of financial instruments, including the valuation of warrants and options held over AIM stocks and unquoted investments held by the Group, is classified as Level 3 in the fair value hierarchy. Valuation factors considered for any instruments classified as level 3 include an external option pricing model and associated inputs from external valuation specialists and for unquoted holdings, IPEV guidelines – see note 23 of the financial statements.

3. Business and geographical segments

Cenkos is managed as an integrated institutional stockbroking business and although it has different revenue streams, the nature of its activities is considered to be subject to similar economic characteristics. The internal reports used by the Chief Executive Officer for the purpose of monitoring performance and allocating resources reflect that Cenkos is managed as a single business unit.

Revenue is wholly attributable to the principal activity of the Group and arises solely within the UK.

Major clients

In the year to 31 December 2015, one of Cenkos' clients contributed more than 10% of Cenkos' total revenue. The amount was £26.75 million. (2014: £33.29 million).

Revenue streams

	2015 £ 000's	2014 £ 000's
Corporate finance and placing fees	60,069	69,110
Corporate broking, market-making, research and commission revenue	16,444	19,406
	<hr/> 76,513	<hr/> 88,516

4. Investment income – interest receivable

	2015 £ 000's	2014 £ 000's
Interest income generated from:		
Cash and cash equivalents	138	161
	<hr/> 138	<hr/> 161

Interest income generated from cash and cash equivalents comprises the interest generated from instant access deposits held with banks.

5. Interest expense

	2015 £ 000's	2014 £ 000's
Interest on bank overdrafts and loans	(4)	(1)
	<hr/> (4)	<hr/> (1)

Notes to the financial statements continued

6. Staff costs

	2015 £ 000's	2014 £ 000's
Staff costs comprise:		
Wages and salaries	38,780	45,538
Social security costs	5,832	6,188
Defined contribution pension	95	100
IFRS 2 share-based payments	502	250
Cash-settled deferred bonus payments relating to the current year	351	–
	<hr/> 45,560	<hr/> 52,076

During 2014, in order to comply with the Pensions Act, Cenkos was required to enrol all qualifying employees in a defined contribution pension scheme. Under the scheme, qualifying employees are required to contribute a percentage of their relevant earnings. The Company also contributes 1% of relevant earnings.

In April 2015 Cenkos introduced a Deferred Bonus Scheme for executive Directors, senior managers and high earning employees. As a result £1.13 million of staff costs has been removed from the current income statement and deferred to future years. See notes 17 and 22 for further details.

The average number of employees (including executive Directors) was:

	2015	2014
Corporate finance	22	22
Corporate broking	62	62
Administration	37	31
	<hr/> 121	<hr/> 115

	2015 £ 000's	2014 £ 000's
The total emoluments of the highest paid Director serving during the year were:	4,049	3,607

Details of the remuneration of key management personnel are set out in note 24. Details of the Directors' remuneration is set out in the Directors' Remuneration Report on pages 25 to 28.

7. Profit for the year

Profit for the year has been arrived at after charging / (crediting):

	2015 £ 000's	2014 £ 000's
Operating lease rentals	589	524
Auditor's remuneration (refer to analysis below)	199	169
Depreciation of property, plant and equipment	241	386
Staff costs (see note 6)	45,560	51,976
Net gains from financial assets at FVTPL	(5,248)	(8,303)
(Credit) / charge in respect of fair value of share options and warrants at FVTPL	(75)	196

The analysis of auditor's remuneration is as follows:

	2015 £ 000's	2014 £ 000's
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts and consolidation	157	130
Total audit fees	157	130
Fees payable to the Group's auditor for other services to the Group:		
– Half year review of the Group's interim statement	37	35
– Other advisory services – including taxation	5	4
Total non-audit fees	42	39
	199	169

A description of the work of the Audit Committee is set out on pages 21 to 24 of this Annual Report and includes an explanation of how auditor objectivity and independence are safeguarded when non-audit services are provided by the auditors.

8. Tax

	2015 £ 000's	2014 £ 000's
Current tax		
United Kingdom corporation tax at 20.25% (2014: 21.5%) based on the profit for the year	4,639	5,813
Adjustment in respect of prior period		
United Kingdom corporation tax at 20.25% (2014: 21.5%)	76	31
Total current tax	4,715	5,844
Deferred tax		
Credit on account of temporary differences	(112)	(173)
Deferred tax prior year adjustment	(78)	(27)
Total deferred tax (refer to note 18)	(190)	(200)
Total tax on profit on ordinary activities from continuing operations	4,525	5,644

Notes to the financial statements continued

8. Tax (continued)

A reconciliation of the tax expense for 2015 and 2014 and the accounting profit multiplied by the standard rate of UK corporation tax of 20.25% (2014: 21.5%) is set out below:

	2015 £ 000's	2014 £ 000's
Profit before tax from continuing operations	19,896	26,972
Tax on profit on ordinary activities at the UK corporation tax rate of 20.25% (2014: 21.5%)	4,029	5,799
Tax effect of:		
Non-deductible expenses for tax purposes	139	152
Current year losses of overseas subsidiary for which no deferred tax asset has been recognised	73	–
Share-based payments	166	(336)
Deferred tax rate change adjustment	120	25
Adjustment in respect of prior period deferred tax	(78)	(27)
Adjustment in respect of prior period current tax	76	31
Tax expense for the year	4,525	5,644

The effective tax rate for the Group during the year is 22.7% (2014: 20.9%).

In addition to the tax expense presented in the income statement, the following amounts have been recognised directly in equity:

	2015 £ 000's	2014 £ 000's
Other Comprehensive Income (OCI)		
Current tax expense arising on available-for-sale financial asset	–	28
Statement of Changes in Equity (SOCIE)		
Current tax credit arising on share-based payments	(555)	(43)
Deferred tax charge/(credit) arising on share-based payments	903	(818)
Total income tax recognised directly in equity	348	(833)

9. Dividends

	2015 £ 000's	2014 £ 000's
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2014 of 10.0p (December 2013: 8.5p) per share	5,656	5,128
Interim dividend for the period to 30 June 2015 of 7.0p (June 2014: 7.0p) per share	4,084	4,258
	9,740	9,386

A second interim dividend of 6p per share has been declared and a final dividend of 1p per share has been proposed for the year ended 31 December 2015 (2014: 10.0p). The payment of a dividend to ordinary shareholders will trigger a cash payment to holders of options under the CAP. The payment of this second interim dividend and the final dividend will increase staff costs by £0.82 million in the first half of 2016 (10.0p 2014 final dividend increased staff costs by £1.44 million in the first half of 2015). See note 22 for details of the CAP scheme.

10. Earnings per share

	2015	Represented 2014
Basic earnings per share	27.2p	35.2p
Diluted earnings per share	26.8p	33.5p

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

	2015 £ 000's	Represented 2014 £ 000's
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	15,371	21,328
Effect of dilutive potential ordinary shares:		
Share options	498	978
	<u>15,869</u>	<u>22,306</u>

The prior year figures have been represented to conform to the disclosure requirements of IAS 33 Earnings per share.

Number of shares	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	56,512,222	60,530,876
Effect of dilutive potential ordinary shares:		
Share options	2,804,098	6,132,434
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>59,316,320</u>	<u>66,663,310</u>

The Board has agreed to continue to fund the Group's Employee Benefit Trust (EBT) so that it can make market purchases in Cenkos Securities plc shares as and when market conditions allow. During the year, no further ordinary shares were purchased (2014: none), however 25,400 (2014: 347,447) shares were transferred out at average cost to the Cenkos Securities plc Share Incentive Plan Trust to satisfy awards under that scheme. See note 20 for details. As at 31 December 2015 the EBT held a total of 2,785,630 (2014: 2,811,030) ordinary shares at an aggregate consideration of £2.85 million (2014: £2.87 million). These shares are held by the trust in treasury and have been excluded from the weighted average number of ordinary shares calculation. The table below shows the number of shares held by the Group's EBT.

Number of shares held by the Group's EBT	2015 Number	2014 Number
At 1 January	2,811,030	3,158,477
Acquired during the year	–	–
Transferred to Cenkos Securities plc Share Incentive Plan Trust	(25,400)	(347,447)
	<u>2,785,630</u>	<u>2,811,030</u>

Notes to the financial statements continued**11. Property, plant and equipment Group**

	Leasehold improvements £ 000's	Fixtures and fittings £ 000's	IT equipment £ 000's	Total £ 000's
Cost				
At 31 December 2013	1,339	171	981	2,491
Additions	146	18	256	420
At 31 December 2014	1,485	189	1,237	2,911
Additions	16	–	158	174
Reclassification of stamp duty	(58)	–	–	(58)
At 31 December 2015	1,443	189	1,395	3,027
Accumulated depreciation				
At 31 December 2013	(1,108)	(159)	(837)	(2,104)
Charge for the year	(235)	(12)	(139)	(386)
At 31 December 2014	(1,343)	(171)	(976)	(2,490)
Charge for the year	(27)	(8)	(206)	(241)
At 31 December 2015	(1,370)	(179)	(1,182)	(2,731)
Net book value				
At 31 December 2015	73	10	213	296
At 31 December 2014	142	18	261	421

The cost of fully depreciated property, plant and equipment still in use amounts to £297,218 (2014: £295,848).

Company	Leasehold improvements £ 000's	Fixtures and fittings £ 000's	IT equipment £ 000's	Total £ 000's
Cost				
At 31 December 2013	1,339	171	981	2,491
Additions	146	18	256	420
At 31 December 2014	1,485	189	1,237	2,911
Additions	8	–	146	154
Reclassification of stamp duty	(58)	–	–	(58)
At 31 December 2015	1,435	189	1,383	3,007
Accumulated depreciation				
At 31 December 2013	(1,108)	(159)	(837)	(2,104)
Charge for the year	(235)	(12)	(139)	(386)
At 31 December 2014	(1,343)	(171)	(976)	(2,490)
Charge for the year	(26)	(8)	(204)	(238)
At 31 December 2015	(1,369)	(179)	(1,180)	(2,728)
Net book value				
At 31 December 2015	66	10	203	279
At 31 December 2014	142	18	261	421

12. Investments in subsidiaries

Company	Shares in subsidiary undertakings	
	2015 £ 000's	2014 £ 000's
Cost		
At 1 January	1	1
At 31 December	1	1

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

Direct holdings	Principal activity	Proportion of ordinary shares and voting rights held
Cenkos Nominee UK Limited	Nominee company	100%
Cenkos Securities (Trustees) Limited	Nominee company	100%
Cenkos Fund Management Limited	Dormant company	98%
Tokenhouse Limited	Dormant company	100%
Tokenhouse Stockbrokers Limited	Dormant company	100%
Tokenhouse Yard Securities Limited	Dormant company	100%
Tokenhouse Partners Limited	Dormant company	100%
THY Securities Limited	Dormant company	100%
Cenkos Securities Asia Pte Limited	Institutional Stockbrokers	100%

All of these subsidiary undertakings operate and are registered in England and Wales, apart from Cenkos Securities Asia Pte Limited, which is registered in Singapore.

In the opinion of the Directors the value of the investments is not less than the amount at which they are stated in the Company's statement of financial position.

The assets and liabilities of the Cenkos Securities Employee Benefit Trust ("CSEBT") and the Cenkos Securities plc Share Incentive Plan Trust ("SIP") excluding the Partnership and Dividend shares (see note 22) are included in the Group's statement of financial position.

13. Trade and other receivables

	Group		Company	
	2015 £ 000's	2014 £ 000's	2015 £ 000's	2014 £ 000's
Current assets				
Financial assets				
Market and client receivables	15,458	17,512	15,853	17,512
Amounts owed by group undertakings	–	–	3,434	3,251
Loans due from staff	6	1	6	1
Accrued income	1,435	597	1,435	597
Other receivables	707	653	684	652
	17,606	18,763	21,412	22,013
Non-financial assets				
Prepayments	748	954	748	954
	18,354	19,717	22,160	22,967

Notes to the financial statements continued

13. Trade and other receivables (continued)

As at 31 December the ageing analysis of trade receivables is as follows:

	Total £ 000's	Neither past due nor impaired £ 000's	Past due but not impaired			
			< 30 days £ 000's	30-60 days £ 000's	61-90 days £ 000's	> 90 days £ 000's
2015	18,354	15,628	2,657	61	6	2
2014	19,717	15,407	4,135	103	–	72

The average credit period taken was 24 days (2014: 14 days). A specific provision of £204,043 (2014: £146,304) has been made against the full amount of specific market and client receivables deemed to be doubtful. The amount charged to the income statement for bad or doubtful debts was £161,886 (2014: £91,100).

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

Credit risk

The Company's principal financial assets are bank balances and cash (see note 16), trade and other receivables and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position 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 Company has no significant concentration of credit risk, other than those covered in note 23. In addition, the risk associated with these financial assets is further discussed in note 23.

14. Available-for-sale investments

	Group and Company	
	2015 £ 000's	2014 £ 000's
Current assets		
Opening balance (at fair value)	729	1,080
Acquired during the year	82	97
Unlisted securities redeemed	–	(80)
Impairment of available-for-sale investments	(250)	(500)
Re-measurement recognised in Comprehensive Income	(2)	132
Closing balance (at fair value)	559	729

Available-for-sale financial assets include unlisted equity shares received in lieu of fees. These are classified as Level 3 within the fair value hierarchy. A number of valuation techniques have been used to provide a range of possible values for this shareholding in accordance with the International Private Equity and Venture Capital ("IPEV") valuation guidelines. The carrying values have been adjusted to values within these ranges. There have been no other factors brought to the Board's attention which would suggest that there has been an impairment, which has not been recognised in these financial statements.

15. Other current financial assets and liabilities

	Group and Company	
	2015 £ 000's	2014 £ 000's
Financial assets at FVTPL		
Trading investments carried at fair value	12,604	9,122
Derivative financial assets – share options and warrants	102	892
	12,706	10,014
Financial liabilities at FVTPL		
Contractual obligation to acquire securities	(2,551)	(2,711)

The trading investments carried at fair value included above under financial assets at FVTPL and financial liabilities at FVTPL include long positions and short positions (contractual obligations to acquire securities), respectively, in listed equity securities that present the Company with opportunity for return through dividend income and trading gains. The fair values of these securities are based on quoted market prices. The management of risk resulting from these positions is described in note 23. The Company's trading investments carried at fair value, under financial assets at FVTPL, have been used as security with respect to the undrawn borrowing facility of £5 million. For more details see note 16.

* Derivative financial assets include options over the shares of client companies taken in lieu of fees. See notes 1 and 2 (e) for an explanation of how they have been treated in these financial statements.

	Group and Company	
	2015 £ 000's	2014 £ 000's
Movements in net trading investments		
Financial assets at FVTPL	(2,692)	3,692
Financial liabilities at FVTPL	(160)	(1,578)
Available-for-sale investments	170	351
Shares and options received in lieu of fees	4,967	3,443
Options value posted to equity	–	68
	2,285	5,976

16. Cash and cash equivalents

	Group		Company	
	2015 £ 000's	2014 £ 000's	2015 £ 000's	2014 £ 000's
Cash and cash equivalents	33,106	32,932	32,861	32,899

Cash and cash equivalents comprise cash held by the Group and instant access bank deposits. The carrying 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 (see note 23).

Notes to the financial statements continued

16. Cash and cash equivalents (continued)

Undrawn borrowing facilities

At 31 December 2015 the Group had an undrawn borrowing facility of up to £5 million (2014: £5 million). The facility is secured against the Group's trading investments carried at fair value, under financial assets at FVTPL. The actual amount available is the lower of £5 million, the pre-tax profit derived from the last audited accounts or the value of the Group's trading investments carried at fair value, under financial assets at FVTPL (see note 15) after applying various haircuts. This facility is due to be renewed at the end of April 2016.

Other guarantees and charges

On 9 February 2007 Cenkos Securities plc and Cenkos Nominee UK Limited gave HSBC Bank plc an unlimited and multilateral guarantee to secure all liabilities of each other. In addition, HSBC holds a debenture dated 8 March 2007, including a fixed charge over all present freehold and leasehold property; a first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and a first floating charge over all assets and undertakings both present and future, dated 8 March 2007.

At 31 December 2015 the Group had no outstanding financial liabilities to HSBC which were covered by the terms of this guarantee.

17. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	£ 000's	£ 000's	£ 000's	£ 000's
Current liabilities				
Financial liabilities				
Trade creditors	9,727	7,909	9,727	7,909
Other creditors	867	309	867	309
	10,594	8,218	10,594	8,218
Non-financial liabilities				
Accruals and deferred income	22,345	12,533	22,337	12,533
Corporation tax payable	1,942	2,832	1,942	2,832
	24,287	15,365	24,279	15,365
	34,881	23,583	34,873	23,583
Non-current liabilities				
Non-financial liabilities				
Cash-settled deferred bonus scheme	351	–	351	–
	351	–	351	–

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

Cash-settled deferred bonus scheme

In 2015 Cenkos introduced a Deferred Bonus Scheme (the "Scheme") as detailed in note 22. For any cash-settled deferred bonuses, the fair value of any cash deferral is recognised as a staff cost over the vesting period with the recognition of a corresponding liability.

18. Deferred tax

Deferred tax arises on all taxable and deductible temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The following are the deferred tax assets and liabilities recognised by the Group and the Company and the movement thereon during the current and prior reporting year.

Deferred tax assets	Group and Company temporary differences			
	Bonus payments £ 000's	Property, plant & equipment £ 000's	Share-based payments £ 000's	Total £ 000's
At 31 December 2013	230	27	767	1,024
Origination and reversal of temporary differences (expense) / credit	(15)	(21)	209	173
Deferred tax prior year adjustment credit	27	–	–	27
Deferred tax credit to equity	–	–	818	818
At 31 December 2014	242	6	1,794	2,042
Origination and reversal of temporary differences credit/(expense)	341	2	(230)	113
Deferred tax prior year adjustment credit	78	–	–	78
Deferred tax charge to equity	–	–	(903)	(903)
At 31 December 2015	661	8	661	1,330

A 21% corporation tax rate came into effect from 1 April 2014 and fell to 20% with effect from 1 April 2015. In the Summer Budget 2015 the Government announced a further reduction in the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. These changes were substantially enacted on 18 November 2015.

This will reduce the Company's future current tax charge accordingly.

The deferred tax balances at 31 December 2015 have been stated at 19% as this is the expected prevailing rate when the individual temporary differences are expected to reverse.

The Group has unutilised capital losses on which a deferred tax asset has not been recognised as future utilisation of the losses is dependent on future chargeable gains. The unrecognised deferred tax asset in respect of capital losses carried forward is gross £302,261 (net £57,430 at 19%).

In addition, during the year, Cenkos Securities Asia Pte Limited incurred costs of £362,133 but has not yet started to trade. A deferred tax asset has not been recognised as future utilisation of the losses is dependent on future taxable profits which are uncertain. The unrecognised deferred tax asset in respect of the overseas subsidiary's trading losses carried forward is gross £362,133 (net £61,563 at 17%).

Notes to the financial statements continued

19. Share capital and capital redemption reserve

Authorised:

179,185,700 (2014 – 179,185,700) ordinary shares of 1p each

20,814,300 (2014 – 20,814,300) B shares of 1p each

Allotted:

56,694,783 (2014: 63,712,123) ordinary shares of 1p each fully paid

Group and Company	
2015 £ 000's	2014 £ 000's
1,792	1,792
208	208
2,000	2,000
567	637

1 January 2014 to 31 December 2014

Date	Ordinary shares of 1p each	Event
23 April 2014	10,000 were issued	exercise of 10,000 LTIP options
03 July 2014	25,000 were issued	exercise of 25,000 LTIP options
15 September 2014	100,000 were issued	exercise of 100,000 LTIP options
02 October 2014	20,000 were issued	exercise of 20,000 LTIP options
10 December 2014	75,000 were issued	exercise of 75,000 LTIP options

1 January 2015 to 31 December 2015

Date	Ordinary shares of 1p each	Event
09 January 2015	5,727,340 were cancelled	tender offer to buy-back shares
16 April 2015	35,000 were issued	exercise of 35,000 LTIP options
21 April 2015	200,000 were issued	exercise of 200,000 LTIP options
22 April 2015	750,000 were issued	exercise of 750,000 LTIP options
24 April 2015	190,000 were issued	exercise of 190,000 LTIP options
27 April 2015	100,000 were issued	exercise of 100,000 LTIP options
28 April 2015	100,000 were issued	exercise of 100,000 LTIP options
29 April 2015	10,000 were issued	exercise of 10,000 LTIP options
11 May 2015	150,000 were issued	exercise of 150,000 LTIP options
27 May 2015	85,000 were issued	exercise of 85,000 LTIP options
01 June 2015	10,000 were issued	exercise of 10,000 LTIP options
08 June 2015	25,000 were issued	exercise of 25,000 LTIP options
11 June 2015	140,000 were issued	exercise of 140,000 LTIP options
16 June 2015	97,000 were issued	exercise of 97,000 LTIP options
02 July 2015	95,000 were issued	exercise of 95,000 LTIP options
16 July 2015	25,000 were issued	exercise of 25,000 LTIP options
17 August 2015	25,000 were issued	exercise of 25,000 LTIP options
21 September 2015	100,000 were issued	exercise of 100,000 LTIP options
22 September 2015	515,000 were issued	exercise of 515,000 LTIP options
24 September 2015	25,000 were issued	exercise of 25,000 LTIP options
29 September 2015	450,000 were issued	exercise of 450,000 LTIP options
30 September 2015	33,000 were issued	exercise of 33,000 LTIP options
29 November 2015	4,450,000 were cancelled	tender offer to buy-back shares

	Group and Company		Group and Company	
	2015 Number	2014 Number	2015 £ 000's	2014 £ 000's
Capital redemption reserve				
At 1 January	9,289,048	9,289,048	93	93
Own shares acquired in the year for cancellation	10,177,340	–	102	–
At 31 December	19,466,388	9,289,048	195	93

On 06 January 2015, as part of a tender offer process, a general meeting of the company approved the acquisition and cancellation of 5,727,340 ordinary shares for total consideration of £10,767,399. On 25 November 2015, a further tender offer process was conducted and a general meeting of the company approved the acquisition and cancellation of 4,450,000 shares for total consideration of £8,010,000.

20. Own shares

Own shares represent the cost of shares purchased by the Group's Employee Benefit Trust ("EBT") and those transferred to the Cenkos Securities plc Share Incentive Plan ("SIP").

The EBT was established by the Group in 2009. It is funded by the Group and has the authority to acquire Cenkos shares. During the year, no further ordinary shares were purchased (2014: no further shares were purchased), however 25,400 shares were transferred out of the EBT at average cost to the SIP to satisfy awards under that scheme. As at 31 December 2015 the EBT held a total of 2,785,630 (31 December 2014: 2,811,030) ordinary shares at an aggregate consideration of £2.85 million (31 December 2014: £2.87 million).

As at 31 December 2015 the SIP held a total of 338,174 (31 December 2014: 338,174) Free and Matching ordinary shares at an aggregate consideration of £0.35 million (31 December 2014: £0.35 million).

These shares are held by the trusts and have been excluded from the weighted average number of shares calculation up to the reporting date.

	2015		2014	
	Number of shares	Cost £ 000's	Number of shares	Cost £ 000's
Shares held by the EBT				
At 1 January: Shares in the EBT	2,811,030	2,872	3,158,477	3,228
Acquired during the year	–	–	–	–
Transferred to the SIP				
Free shares	–	–	(166,706)	(171)
Matching shares	–	–	(171,468)	(175)
Dividend re-investment	(25,400)	(25)	(9,273)	(10)
At 31 December: Shares in the EBT	2,785,630	2,847	2,811,030	2,872
Free and matching shares held by the SIP				
At 1 January: Shares in the SIP	338,174	346	–	–
Transferred from the EBT				
Free shares	–	–	166,706	171
Matching shares	–	–	171,468	175
At 31 December: Shares in the SIP	338,174	346	338,174	346
At 31 December: Own shares	3,123,804	3,193	3,149,204	3,218

Notes to the financial statements continued

21. Operating lease arrangements

The Group as lessee

At the date of the statement of financial position, the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases in relation to its offices, which fall due as follows:

	Group		Company	
	2015	Represented 2014	2015	Represented 2014
	£ 000's	£ 000's	£ 000's	£ 000's
Within one year	715	183	661	183
In the second to fifth years inclusive	2,293	2,769	2,198	2,769
After five years	41	131	41	131

Operating lease payments represent rentals payable by the Group and Company for office properties and leases. They are negotiated for an average term of 9 and 8 years respectively and rentals are fixed for an average of 3 years.

The prior year figures have been represented to conform to the disclosure requirements of IFRS 17 'Leases'.

22. Share-based payments

Equity-settled share option scheme

The Company has a share option scheme ("CSOP"), a Long-Term Incentive Plan ("LTIP"), a Compensatory Award Plan 2009, a Save-As-You-Earn ("SAYE") scheme and a Share Incentive Plan ("SIP") for all qualifying employees of the Company.

CSOP

The Company Share Option Plan ("CSOP") is a HMRC approved share option plan. It allows participants to take part in an option scheme with that allows the participant to acquire options with a favourable tax treatment. No options have been issued under the CSOP.

LTIP

The Company has established a Long Term Incentive Plan ("LTIP"). The measurement period in respect of a performance condition is 36 months after the grant date and the vesting period is a further 6 months after this date. If a call has not been made in respect of the vested options within this period or where the holder ceases to hold office or employment within the Company (whether or not vested), the option will lapse. As at 31 December 2015, there were no LTIPs outstanding as they had either been exercised or had lapsed during the year.

Compensatory Award Plan 2009 ("CAP")

CAP options are exercisable at a price agreed in accordance with the rules of the scheme on the date of grant and vest immediately. If the option remains unexercised after a period of 10 years from the date of grant, the options will expire. If the option holder ceases to be an employee or office holder within the Company before the options vest, the options will lapse on the date of such cessation.

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

	2015		2014	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of year	15,458,042	1.15	17,373,042	1.13
Cancelled during the year	(1,643,840)	1.15	–	–
Exercised during the year	(3,160,000)	0.98	(230,000)	1.02
Lapsed during the year	(1,894,600)	1.05	(1,685,000)	1.00
Outstanding and exercisable at the end of the year	<u>8,759,602</u>	<u>1.23</u>	<u>15,458,042</u>	<u>1.15</u>

	Date of grant	Vesting date	Date of expiry	Remaining contractual life, months	2015 Number of shares options	2014 Number of shares options
Options exercisable at £1.15 per share	Jul-09	Jul-09	Jul-19	43	7,475,452	9,119,292
Options exercisable at £1.69 per share	Oct-09	Oct-09	Oct-19	46	1,284,150	1,428,750
Options exercisable at £0.95 per share	Mar-12	Mar-15	Sep-15	–	–	1,410,000
Options exercisable at £1.00 per share	Mar-12	Mar-15	Sep-15	–	–	3,500,000
Options in issue at the end of 31 December					<u>8,759,602</u>	<u>15,458,042</u>

The options outstanding at 31 December 2015 have exercise prices ranging from £1.15 to £1.69, a weighted average exercise price of £1.23 (2014: £1.15) and a weighted average remaining contractual life of 3.6 years (2014: 3.4 years). At the date of grant, they had an aggregate estimated fair value of £3,605,592 (2014: £4,714,892).

No share options were granted under the CSOP, LTIP or CAP during 2015 (2014: nil). As part of the January 2015 and December 2015 tender offer processes to buy-back shares, an offer was made to the holders of CAP options. This resulted in the cancellation of 1.64 million CAP options with an exercise price of £1.15.

Save-As-You-Earn (SAYE) scheme

In June 2014 Cenkos introduced a SAYE scheme. Under the scheme employees may elect to save up to £500 per month from their net salary over three years. At the end of this period they have the option to acquire Cenkos shares at an exercise price of £1.728. This price equated to a 20% discount to the share price at the date of the launch of the scheme.

Notes to the financial statements continued

22. Share-based payments (continued)

The table below gives details of the savings held within the scheme and the number of shares which could be purchased if the option was exercised.

	2015		2014	
	Savings £ 000's	Number of shares	Savings £ 000's	Number of shares
At 1 January	116	66,927	–	–
Contributions during the year	211	122,367	116	66,927
At 31 December	327	189,294	116	66,927

	Date of grant	Vesting date	Date of expiry	Remaining contractual life, months	2015 Number of shares options	2014 Number of shares options
Options exercisable at £1.728 per share	Jul-14	Jul-17	Jul-17	18	189,294	66,927
Options in issue at the end of 31 December					189,294	66,927

At 31 December 2015, the contributions to the SAYE were sufficient to enable the purchase 189,294 shares (2014: 66,927) under the scheme at an exercise price of £1.728 (2014: £1.728). These options had a remaining contractual life of 18 months (2014: 30 months) and at the date of grant had an aggregate estimated fair value of £117,362 (2014: £41,495).

The option under the SAYE scheme has been fair valued using a Monte Carlo simulation on the date of issue. The key inputs to the model were as follows:

Expected volatility	36.0%
Risk free rate of return	1.4%
Dividend yield	5.2%

Share Incentive Plan (SIP)

In June 2014 Cenkos introduced a SIP scheme, whereby employees were invited to sacrifice up to £1,800 of earnings in order to acquire Cenkos shares ("Partnership shares") to be held in trust. Shares acquired under this scheme were matched by Cenkos on the basis of two "Matching shares" for every one Partnership share held. In addition, employees were also offered the chance to apply for "Free shares" to be held in trust.

The table below gives details of the cost and number of shares held within the scheme and the cost of those shares based on the market price on the day the shares were transferred to the trust. No other features, for example dividends, were incorporated into the calculation of the fair value as it was based on observable market price.

		2015		2014	
		£ 000's	Number of shares	£ 000's	Number of shares
At 1 January		955	433,181	–	–
Contributions during the year	Partnership shares	–	–	183	85,734
	Matching shares	–	–	367	171,468
	Free shares	–	–	385	166,706
	Dividend shares	47	25,400	20	9,273
At 31 December		1,002	458,581	955	433,181

Deferred bonus scheme

In April 2015 Cenkos introduced a Deferred Bonus Scheme (the "Scheme"), whereby 10% of all staff bonus awards over £100,000 are deferred over a three year period. The deferred element of any bonus award is to be held in Cenkos Ordinary shares in an EBT and released to the employee evenly split on each of the three anniversaries of deferral into the Scheme. At the date of grant, where an employee already holds over £250,000 in Cenkos Ordinary Shares, or £250,000 in intrinsic value in Cenkos options, the deferral will be held in cash on the Group's statement of financial position and released in the same manner. The fair value of the cash deferral is recognised as a staff cost over a similar period with the recognition of a corresponding liability.

Under the Scheme, £1.68 million of 2015 bonus was deferred, of which £1.13 million will be charged to the P&L in future years over the life of the scheme.

2015			2014		
Gross bonus deferred	Charge to income statement	Amount to be charged in future years	Gross bonus deferred	Charge to income statement	Amount to be charged in future years
£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
2015 Cash-settled deferred bonus	1,078	351	727	–	–
2015 Equity-settled deferred bonus	599	198	401	–	–
	1,677	549	1,128	–	–

During the year the Company recognised expenses of £502,356 (2014: £249,545) related to equity-settled share-based payment transactions. These consist of expenses in respect of share options of £28,119 (2014: £113,760), the SAYE of £67,790 (2014: £36,468), SIP schemes of £208,033 (2014: £99,317) and the deferred bonus scheme of £198,414 (2014: nil).

In addition the Company recognised expenses of £350,854 (2014: £nil) related to cash-settled payment transactions in respect of the deferred bonus scheme.

Notes to the financial statements continued

23. Financial Instruments

Capital risk management

The Group manages capital to ensure that the Company and its subsidiaries will be able to continue as a going concern while aiming to maximise the return to stakeholders. The capital structure of the Group consists of equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. At present the Group has no gearing and it is the responsibility of the Board to review the Company's gearing levels on an ongoing basis. As at 31 December 2015, Cenkos Securities plc had a solvency ratio of 208% (2014: 234%).

Externally imposed capital requirement

The Group and Company have to retain sufficient capital to satisfy the UK Financial Conduct Authority's ("FCA") capital requirements. These requirements vary from time to time depending on the business conducted by the Group. The Group and Company always retain a buffer above the FCA minimum requirements and have complied with these requirements during and subsequent to the period under review.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Financial risk management objectives

The Chief Executive Officer and the Finance Director monitor and manage the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including price risk), credit risk and liquidity risk. Summaries of these reports are reviewed by the Board.

Compliance with policies and exposure limits is reviewed by the Chief Executive Officer and senior management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Interest rate risk management

The Group is exposed to interest rate risk because it has financial instruments on its statement of financial position which are at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate instruments.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity and interest rate risk table section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate assets, the analysis is prepared based on the average rate due on the asset or liability through the year. A 25 basis points increase or decrease is used when reporting interest rate risk internally to senior management and represents management's assessment of reasonably possible change in interest rates.

If interest rates had been 25 basis points higher / lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would increase / decrease by £0.10 million (2014: increase / decrease by £0.10 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate instruments.

Equity price risks

The Group is exposed to equity price risks arising from equity investments. The financial instruments represent investments in listed equity securities that present the Group with opportunity for return through dividend income and trading gains. There are limits set for each financial instrument to limit the concentration of risks.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date and, in the opinion of senior management, a material movement in equity prices. This is based on the largest fall in the All Share AIM index in one day and over a two week period. These parameters are also considered in the Group's Individual Liquidity Adequacy Assessment (ILAA).

If equity prices had been 10% higher / lower: net profit for the year ended 31 December 2015 would have been £1.07 million higher / lower (2014: £0.80 million higher / lower) due to change in the value of FVTPL held for trading investments.

The Group's exposure to equity price risk is closely managed. The Group has built a framework of overall and individual stock limits and these are actively monitored by the Chief Executive Officer and senior management on a daily basis. This framework also limits the concentration of risks. The Group's overall exposure to equity price risk is set by the Board.

Foreign currency risk

The Group does not have any material dealings in foreign currency, as the majority of transactions are in UK based equities and hence denominated in sterling.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. These parties may default on their obligations due to the bankruptcy, lack of liquidity, operational failure and other reasons. The exposure of the Group to its counterparties is closely monitored and the limits set to minimise the concentration of risks.

The vast majority of the Group's credit risk arises from the settlement of security transactions. However, the settlement model primarily used by the Group does not expose the Group to counterparty risk as a principal to a trade. Rather, the Group's exposure lies solely with Pershing Securities Limited ("Pershing"), a wholly owned subsidiary of the Bank of New York Mellon Corporation, a AA- (2014: AA-) rated bank. In addition, in circumstances in which the Group does act as principal when acting as a market-maker, the counterparty will normally be an FCA regulated market counterparty rather than a corporate or individual trader. The Group does not have any significant credit risk exposure to any single counterparty with the exception of Pershing.

Cash resources also give rise to potential credit risk. The Group's cash balances are held with HSBC Bank plc ("HSBC", an AA- rated bank), Royal Bank of Scotland plc (an BBB+ rated bank) and Barclays Bank plc (an A rated bank). The banks with which the Group deposits money are reviewed at least annually by the Board and are required to have at least an investment grade credit rating. To limit the concentration risk in relation to cash deposits, the maximum amount which may be deposited with any one financial institution is set at no more than 100% of the Group's regulatory capital.

Trade receivables not related to the settlement of market transactions consist almost entirely of outstanding corporate finance fees and retainers and are spread across a wide range of industries. All new corporate finance clients are subject to a review by the New Business Committee. This Committee considers, amongst other issues, the financial soundness of any client taken on.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

Notes to the financial statements continued

23. Financial Instruments (continued)

The table below summarises the Group and Company's exposure to credit risk by asset class according to whether the exposure is collateralised or not.

Exposure to credit risk

		Group		Company	
		2015 £ 000's	2014 £ 000's	2015 £ 000's	2014 £ 000's
Derivative financial assets – share options and warrants	Uncollateralised	102	892	102	892
Market and client receivables	Uncollateralised	15,458	17,512	15,853	17,512
Amounts owed by group undertakings	Uncollateralised	–	–	3,434	3,251
Unpaid share capital and loans due from staff	Uncollateralised	6	1	6	1
Accrued income	Uncollateralised	1,435	597	1,435	597
Other receivables	Uncollateralised	707	653	684	652
Cash and cash equivalents	Uncollateralised	33,106	32,932	32,861	32,899
		50,814	52,587	54,375	55,804

The table below summarises the Group and Company's exposure to credit risk by asset class according to credit rating.

Exposure to credit risk

		Group		Company	
		2015 £ 000's	2014 £ 000's	2015 £ 000's	2014 £ 000's
Derivative financial assets – share options and warrants	Unrated	102	892	102	892
Market and client receivables	Unrated	9,738	5,830	10,133	5,830
Market and client receivables	AA-	5,147	6,235	5,147	6,235
Market and client receivables	A	573	4,858	573	4,858
Market and client receivables	BBB	–	589	–	589
Amounts owed by Group undertakings	Unrated	–	–	3,434	3,251
Unpaid share capital and loans due from staff	Unrated	6	1	6	1
Accrued income	Unrated	1,435	597	1,435	597
Other receivables	Unrated	707	653	684	652
Cash and cash equivalents	AA-	12,302	22,438	12,058	22,405
Cash and cash equivalents	A	20,493	10,494	20,493	10,494
Cash and cash equivalents	BBB+	311	–	311	–
		50,814	52,587	54,376	55,804

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board. It has, however, delegated day-to-day management to the Chief Executive Officer and the Finance Director. The Group has in place an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 16 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. Given the nature of the Group's business, the Group does not run any material liquidity mismatches, financial liabilities are on the whole short-term and the Group has sufficient liquid assets to cover all of these liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows. The tables also detail the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. No maturity date has been listed where there is no contractual maturity for the financial assets.

Liquidity and interest risk tables

		Weighted average effective interest rate	No maturity date £ 000's	Less than 1 month £ 000's	More than 1 month £ 000's	Total £ 000's
31 December 2015						
Available-for-sale financial assets	Non-interest bearing		559	–	–	559
Financial assets at FVTPL	Non-interest bearing		12,604	–	102	12,706
Trade and other receivables	Non-interest bearing		–	17,606	–	17,605
Investments – short positions	Non-interest bearing		–	(2,551)	–	(2,551)
Trade and other payables	Non-interest bearing		–	(10,594)	–	(10,594)
Cash and cash equivalents	Variable interest rate instruments	0.50%	–	311	–	311
Cash and cash equivalents	Variable interest rate instruments	0.30%	–	20,493	–	20,493
Cash and cash equivalents	Variable interest rate instruments	0.13%	–	12,302	–	12,302
			12,604	37,567	102	50,273
31 December 2014						
Available-for-sale financial assets	Non-interest bearing		729	–	–	729
Financial assets at FVTPL	Non-interest bearing		9,122	–	892	10,014
Trade and other receivables	Non-interest bearing		–	18,763	–	18,763
Financial liabilities at FVTPL	Non-interest bearing		–	(2,711)	–	(2,711)
Trade and other payables	Non-interest bearing		–	(8,218)	–	(8,218)
Cash and cash equivalents	Variable interest rate instruments	0.50%	–	7,394	–	7,394
Cash and cash equivalents	Variable interest rate instruments	0.30%	–	3,099	–	3,099
Cash and cash equivalents	Variable interest rate instruments	0.13%	–	11,671	–	11,671
Cash and cash equivalents	Variable interest rate instruments	0.25%	–	10,768	–	10,768
			9,122	40,766	892	50,780

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Notes to the financial statements continued

23. Financial Instruments (continued)

Fair value hierarchy

All financial instruments carried at fair value are categorised in three categories, defined as follows:

Level 1 – Quoted market prices

Level 2 – Valuation techniques (market observable)

Level 3 – Valuation techniques (non-marked observable)

The Group held the following financial instruments measured at fair value:

				2015
	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
Available-for-sale financial assets	–	–	559	559
Financial assets at FVTPL:				
Derivative financial assets – share options and warrants	–	–	102	102
Non-derivative financial assets held for trading	12,604	–	–	12,604
	12,604	–	102	12,706
Financial liabilities at FVTPL:				
Contractual obligation to acquire securities	2,551	–	–	2,551
				2014
	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
Available-for-sale financial assets	–	–	729	729
Financial assets at FVTPL:				
Derivative financial assets – share options and warrants	–	–	892	892
Non-derivative financial assets held for trading	9,122	–	–	9,122
	9,122	–	892	10,014
Financial liabilities at FVTPL:				
Non-derivative financial liabilities held for trading	2,711	–	–	2,711

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lower level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

There were no transfers between Level 1, 2 and 3 during the year.

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy

	Unlisted securities £ 000's	Share options and warrants £ 000's	Total £ 000's
Opening balance 1 January 2015	729	892	1,621
Share options and warrants exercised	–	(768)	(768)
Unlisted securities, share options and warrants awarded	82	53	135
Net unrealised loss recognised in equity	(2)	–	(2)
Change in fair value recognised in income statement	–	(75)	(75)
Impairment recognised in income statement	(250)	–	(250)
Closing balance 31 December 2015	559	102	661

Level 3 financial instruments consist of derivative financial assets and unlisted shares received in lieu of fees.

The unlisted equity shares are carried as available-for-sale financial assets, classified as Level 3 within the fair value hierarchy. A number of valuation techniques have been used to provide a range of possible values for these shareholdings in accordance with the International Private Equity and Venture Capital ("IPEV") valuation guidelines. The carrying values have been adjusted to values within these ranges. There have been no other factors brought to the Board's attention which would suggest that there has been a further impairment.

The derivative financial assets are carried as financial assets at FVTPL classified as Level 3 within the fair value hierarchy and comprise equity options and warrants over listed securities.

Impact of reasonably possible alternative assumptions

The significant unobservable input used in the fair value measurement of Cenkos holdings of share options and warrants is the volatility measure. Significant increases / decreases in the volatility measure would result in a significantly higher / lower fair value measurement.

A sensitivity analysis based on a 10% increase / decrease in the volatility measure used as an input in the valuation of the share options and warrants shows the impact of such a movement would be an increase of £47,329 / decrease of £38,466 respectively the profit in the income statement.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments measured at fair value on an on-going basis include trading assets and liabilities and financial investments classified as available-for-sale.

Fair values are determined according to the following hierarchy:

(a) Level 1 – Quoted market price

Financial instruments with quoted prices for identical instruments in active markets.

(b) Level 2 – Valuation technique using observable inputs

Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Notes to the financial statements continued

23. Financial Instruments (continued)

(c) Level 3 – Valuation technique with significant non-observable inputs.

Financial instruments valued using models where one or more significant inputs are not observable. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are "Not observable". For these instruments, the fair value derived is more judgemental. 'Not observable' in this context means that there are few or no current market data available from which to determine the level at which an arm's length transaction would be likely to occur. It generally does not mean that there is absolutely no market data available upon which to base a determination of fair value (historical data may, for example, be used). Furthermore, the assessment of hierarchy level is based on the lowest level of input that is significant to the fair value of the financial instrument.

The valuation models used where quoted market prices are not available incorporate certain assumptions that the Company anticipates would be used by a third party market participant to establish fair value.

	Fair value as at 31 December 2015 £ 000's	Valuation technique	Unobservable input	Range
Share options and warrants	102	Monte Carlo simulation	Volatility	45-158%
Unlisted securities	559	IPEV valuation guidelines	n/a	n/a
	<u>661</u>			

24. Related party transactions

Amounts owed by related parties	2015 £ 000's	2014 £ 000's
Cenkos Securities Employee Benefit Trust ("CSEBT")	3,192	3,218
Cenkos Securities Asia Pte Limited	395	–
Cenkos Nominees Limited	<u>242</u>	<u>33</u>

The compensation of the key management personnel of the Group (including the Directors) and their interests in the shares and options over the shares of Cenkos Securities plc was as follows:

	2015 £ 000's	2014 £ 000's
Aggregate emoluments	<u>6,931</u>	<u>8,382</u>

During 2014, in order to comply with the Pensions Act, Cenkos was required to enrol all qualifying employees in a pension scheme. Under the scheme, qualifying employees are required to contribute a percentage of their relevant earnings. The Company also contributes 1% of relevant earnings. During 2015, Cenkos made payments totalling £366 (31 December 2014: £90) in respect of one Director who is a member of this scheme.

Related party interests in ordinary shares of Cenkos Securities plc

	2015 Number	2014 Number
Number of shares	14,669,737	14,610,074
Percentage interest	26%	23%

Related party interests in share options

	Exercise price	Grant date	Earliest exercise date	Latest exercise date	2015 Number	Represented 2014 Number
LTIP	£1.00	02/04/2012	02/04/2015	02/10/2015	–	1,000,000
CAP	£1.69	01/10/2009	01/10/2009	30/09/2019	178,710	178,710
SAYE Scheme	£1.73	15/07/2014	01/08/2017	28/02/2018	62,496	62,496

	No. of shares held subject to forfeiture conditions		No. of shares held	
	2015 Number	2014 Number	2015 Number	2014 Number
Related party interests in SIP	19,440	19,440	27,156	25,161

25. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2015, the Group performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment was based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

The equity shares in non-listed companies, currently held as available-for-sale, are intended to be held for the foreseeable future. The Group expects to apply the option to present fair value changes in OCI and, therefore, believes the application of IFRS 9 would not have a significant impact. If the Group were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Notes to the financial statements continued

25. Standards issued but not yet effective (continued)

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect a significant impact on its equity as it does not believe there will be a material difference in the timing of recognition and amount of the impairment recognised immediately against the provision currently made against outstanding balances where there is significant doubt over the recoverability of the balance.

(c) Hedge accounting

The Group does not undertake hedge accounting, so this element of the standard will have no impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. During 2015, the Group performed a preliminary assessment of IFRS 15 and so far does not expect it to have a significant impact as Cenkos currently recognises revenue at the point in time when under the terms of the contract, the conditions have been met such that it is entitled to the fees specified. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 'Leases'. This new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied (subject to EU endorsement).

Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

Overall, the Group expects assets and liabilities in the statement of financial position to increase by an amount equivalent to the right-to-use its leasehold premises and no significant impact on its income statement.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g. in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

26. Events after the reporting period

There were no material events to report on that occurred between 31 December 2015 and the date at which the Directors signed this Annual Report.

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 17 May 2016 at 9.30 am (the "Meeting") for the transaction of the following business:

To consider and, if thought fit, to pass the following Resolutions, each of which will be proposed as an ordinary resolution, save for Resolutions 14, 15 and 16 which will be proposed as special resolutions:

1. **That** the Group's Annual Accounts for the year ended 31 December 2015, together with the Directors' Report and the Auditor's Report on those accounts, be received.
2. **That** the final dividend recommended by the Directors of 1 pence per ordinary share for the year ended 31 December 2015 be declared payable on 27 May 2016 to the holders of ordinary shares registered at the close of business on 29 April 2016.
3. **That** Nick Wells be elected as a Director of the Company.
4. **That** Gerry Aherne be re-elected as a Director of the Company.
5. **That** Mike Chilton be re-elected as a Director of the Company.
6. **That** Jim Durkin be re-elected as a Director of the Company.
7. **That** Jeff Hewitt be re-elected as a Director of the Company.
8. **That** Paul Hodges be re-elected as a Director of the Company.
9. **That** Dr. Anthony Hotson be re-elected as a Director of the Company.
10. **That** Joe Nally be re-elected as a Director of the Company.
11. **That** Jeremy Warner Allen be re-elected as a Director of the Company.
12. **That** Ernst & Young LLP be re-appointed as auditor to the Company until the conclusion of the next Annual General Meeting of the Company.
13. **That** the Directors be authorised to fix the auditor's remuneration.
14. **That** for the purposes of section 551 of the Companies Act 2006 (the "Act") (and so that expressions used in this Resolution shall bear the same meanings as in the said section 551):
 - 14.1 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £188,982.00 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 2017 (unless previously revoked or varied by the Company in general meeting); and further
 - 14.2 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue 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 them up to a maximum aggregate nominal amount of £188,982.00 during the period expiring at the conclusion of the Annual General Meeting of the Company to be held in 2017 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
 - 14.3 the Company be and is hereby authorised to make, prior to the expiry of such period, any offer or agreement that would or might require such shares or rights to be allotted or granted after the expiry of the said period and the Directors may allot such shares or grant such rights 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 551 be and are hereby revoked.

- 15. That**, subject to the passing of Resolution 14 set out in the Notice convening the Meeting, the Directors be and are empowered in accordance with section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in Section 560 of the Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by that Resolution, as if Section 561 (1) and sub-sections (1) – (6) of section 562 of the Act did not apply to any such allotment, provided that the power conferred by this Resolution shall be limited to:
- 15.1** the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of the authority granted under Resolution 14.2 by way of a rights issue only) 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
 - 15.2** the allotment (otherwise than pursuant to sub-paragraph 15.1 above) of equity securities up to an aggregate nominal value not exceeding £28,347,
- and this power shall, unless 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 2017, but shall extend to the making, before such expiry of an offer or agreement that 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 hereby had not expired.
- 16. That** the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Companies Act 2006 (the "Act") to make market purchases (as defined in section 693 of the Act) of ordinary shares of 1 penny each in the capital of the Company ('ordinary shares') provided that:
- 16.1** the maximum number of ordinary shares hereby authorised to be purchased is 5,612,783;
 - 16.2** the minimum price (exclusive of expenses) that may be paid for such ordinary shares is 1 penny per ordinary share, being the nominal amount thereof;
 - 16.3** the maximum price (exclusive of expenses) that may be paid for such ordinary shares shall be an amount equal to the higher of (i) 5% above the average of the middle market quotations for such shares taken from the AIM appendix to The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the trading venue where the purchase is carried out;
 - 16.4** 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
 - 16.5** 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.

By order of the Board

Stephen Doherty
Company Secretary

24 March 2016

Registered office:
6.7.8 Tokenhouse Yard London
EC2R 7AS

Notice of Annual General Meeting continued

Notes

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his/her place. A proxy need not be a member of the Company.
2. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
3. To appoint a proxy you may use the Form of Proxy enclosed with this Notice. 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 9.30 am on 13 May 2016 (being not less than 48 hours before the Meeting, excluding non-Business Days) at the offices of the Company's registrars, Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. Completion of the Form of Proxy will not prevent you from attending and voting in person.
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual. CREST personal members or other CREST-sponsored members and those CREST members who have appointed a voting service 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.
5. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10), by the latest time for receipt of proxy appointments specified in this Notice. 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 which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland 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 service 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) of the Uncertificated Securities Regulations 2001 (as amended).

Appointment of a proxy through CREST will not prevent a member from attending and voting in person.

6. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 5:30 pm on 13 May 2016 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned Meeting, excluding non-Business Days). 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.
7. 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.
8. A copy of the Articles of Association of the Company are available for inspection at the registered office of the Company, 6.7.8 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 Meeting and a copy of each shall be available for inspection at the Meeting.
9. As at 24 March 2016 (being the last business day prior to publication of the Notice), the Company's issued share capital consists of 56,694,783 ordinary shares of one penny each, carrying one vote each. Therefore, the total voting rights in the Company as at 24 March 2016 are 56,694,783.

Explanatory notes to the notice of Annual General Meeting

Resolution 1

Group's Annual Report and Accounts 2015 (ordinary resolution)

Company law requires the Directors to present to the Annual General Meeting the Annual Accounts, the Directors' Report and the Auditor's Report on those accounts.

Resolution 2

Final dividend (ordinary resolution)

The payment of a final dividend of 1 pence per ordinary share in respect of the year ended 31 December 2015, which is recommended by the Board, requires the approval of the shareholders at the Annual General Meeting.

Resolution 3

Election of Director (ordinary resolution)

In accordance with the Company's Articles of Association Nick Wells having been appointed by the Board during the year will submit himself for election to the Board.

Resolutions 4 to 11

Re-election of Directors (ordinary resolutions)

In accordance with recommended best practice the Company has agreed that all serving Directors should submit themselves for re-election each year. At the Annual General Meeting, Gerry Aherne, Mike Chilton, Jim Durkin, Jeff Hewitt, Paul Hodges, Dr. Anthony Hotson, Joe Nally and Jeremy Warner Allen will retire and submit themselves for re-election. Resolutions 4 to 11 propose their respective re-elections.

Resolutions 12 and 13

Re-appointment of auditor and determination of their remuneration (ordinary resolutions)

The Company is required to appoint an auditor 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 auditor, Ernst & Young LLP, on behalf of the Board, who now propose their re-appointment as the auditor of the Company. Resolution 13 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 14

Authority to allot shares (ordinary resolution)

Resolution 14 asks shareholders to grant the Directors authority under section 551 of the Companies Act 2006 (the "Act") to allot shares or grant subscription or conversion rights as are contemplated by section 551 (a) and (b) of the Act respectively up to a maximum aggregate nominal value of £377,964, being approximately 66% of the nominal value of the issued share capital of the Company as at 24 March 2016 (being the latest practicable date prior to the publication of the Notice), £188,982 of this authority is reserved for a fully pre-emptive rights 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 2017. The Directors have no present intention of exercising such authority. The Resolution replaces a similar resolution passed at the Annual General Meeting held in 2015.

Explanatory notes to the notice of Annual General Meeting continued

Resolution 15

Disapplication of pre-emption rights (special resolution)

If the Directors wish to allot new shares or other equity securities for cash or sell any shares which the Company holds in treasury following a purchase of its own shares pursuant to the authority in Resolution 16 below (or otherwise), the Act requires that such shares or other equity securities are offered first to existing shareholders in proportion to their existing holding. Resolution 16 asks shareholders to grant the Directors authority to allot equity securities for cash up to an aggregate nominal value of £28,347 (being approximately 5% of the Company's issued share capital as at 24 March 2016) without first offering the securities to existing shareholders. The Resolution also disapplies the statutory pre-emption provisions in connection with a rights issue, but only in relation to the amount permitted under Resolutions 15.1 and/or 15.2, 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. The authority will expire at end of the Annual General Meeting of the Company in 2017. The Resolution replaces a similar resolution passed at the Annual General Meeting of the Company held in 2015.

Resolution 16

Authority to purchase the Company's own ordinary shares (special resolution)

Resolution 16 to be proposed at the Annual General Meeting seeks authority from shareholders for the Company to make market purchases of its own ordinary shares, such authority being limited to the purchase of 9.9% of the ordinary shares of 1 penny each in issue as at 24 March 2016. The maximum price payable for the purchase by the Company of its own ordinary shares will be limited to the higher of 5% above the average of the middle market quotations of the Company's ordinary shares, as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange, for the five business days prior to the purchase and the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the trading venue where the purchase is carried out. The minimum price payable by the Company for the purchase of its own ordinary shares will be 1 penny per ordinary share (being 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 there is likely to be a beneficial impact on the earnings per ordinary share and that it is in the best interests of the Company at the time. This Resolution renews a similar resolution passed at the Annual General Meeting held in 2015. The Company is allowed to hold in treasury any shares purchased by it using its distributable profits. Such shares will remain in issue and capable of being re-sold by the Company or used in connection with certain of its share schemes. The Company would consider, at the relevant time, whether it was appropriate to take advantage of this ability to hold the purchased shares in treasury.

Options to subscribe for 9,161,134 ordinary shares have been granted and are outstanding as at 24 March 2016 (being the latest practicable date prior to publication of this document) representing 16.16% 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 16, the options outstanding as at 24 March 2016 would represent 17.95% of the ordinary share capital in issue following such exercise.

Information for shareholders

Directors

Gerry Aherne (Non-executive Chairman)
 Mike Chilton (Finance Director)
 Jim Durkin (Chief Executive Officer)
 Jeff Hewitt (Non-executive Director)
 Paul Hodges (Executive Director)
 Dr. Anthony Hotson (Non-executive Director)
 Joe Nally (Executive Director)
 Jeremy Warner Allen (Executive Director)
 Nick Wells (Executive Director)

Company Secretary

Stephen Doherty

Company Registration Number and Country of Incorporation

05210733, England & Wales

Registered Office

6.7.8 Tokenhouse Yard
 London
 EC2R 7AS

Banker

HSBC
 Corporate Banking
 60 Queen Victoria Street
 London
 EC4N 4TR

Financial Calendar

March	Year end results announced
May	Annual General Meeting and final dividend paid
September	Half year results announced
November	Interim dividend paid

Nominated Adviser & Broker

Smith & Williamson Corporate Finance Ltd
 25 Moorgate
 London
 EC2R 6AY

Solicitors

Ashurst LLP
 Broadwalk House
 5 Appold Street
 London
 EC2A 2HA

Travers Smith LLP
 10 Snow Hill
 London
 EC1A 2AL

Auditor

Ernst & Young LLP
 25 Churchill Place
 London
 E14 5EY

Registrar

Capita Asset Services
 The Registry
 34 Beckenham Road
 Kent
 BR3 4TU

Website

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