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 CENKOS

Cenkos Securities plc  
Annual Report 2016

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## 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 Company'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 2016	31 December 2015
Revenue	-43%	<b>£43.7m</b>	£76.5 m
Profit before tax	-78%	<b>£4.4m</b>	£19.9 m
Cash	-28%	<b>£23.8m</b>	£33.1 m
Basic earnings per share	-83%	<b>4.7p</b>	27.2 p
Full year dividend per share paid and proposed <sup>(1)</sup>	-57%	<b>6.0p</b>	14.0 p

<sup>(1)</sup> Includes a proposed final dividend of 5p (2015: 1p)

Since it was admitted to trading on AIM in 2006, the Company will have returned £105.5 million of cash to shareholders, equivalent to 160.8p 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 2016, its financial position as at 31 December 2016 and the principal risks to which the Group is exposed. This report covers our strategy, business model, how well the business performed in 2016 (including a review of our key performance indicators) and the principal risks we face.

After generating £15.3 million of revenues in the first half of 2016, we are pleased to report that our performance improved in the second half of 2016 leading to full year revenues of £43.7 million. Profit before tax was £4.4 million (2015: £19.9 million) and basic earnings per share fell to 4.7p (2015: 27.2p).

We continue to be rated as one of the leading brokers in London for growth companies. Adviser Rankings Limited's 'AIM Adviser Rankings Guide' for January 2017 shows the Company as the number two Nominated Adviser ("Nomad") on AIM by both client market capitalisation and number of AIM clients.

### Our strategy

The Company was founded in 2004 and over the past 12 years has established a successful platform that has been profitable in every year of its existence and delivered strong returns to shareholders. Our strategy – which has remained effective and constant over the years – 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 raising 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 the UK's 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 Nomad based regulatory framework, 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: as well as providing strategic advice and regulatory guidance to our corporate 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: we provide an effective and dedicated interface between investing institutions and corporates. Our business revolves around building and maintaining relationships with our retained corporate brokerages 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 help them 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 analysts: our analysts provide research on both corporate and non-corporate clients covering over 195 companies across 12 sectors;
- Execution services, including market making and sales trading: 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 / sellers. Our market making capital is used to facilitate market liquidity for investors, not to trade proprietary positions; and
- Support functions 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. We seek to establish and maintain long-term relationships with our corporate and institutional clients. In 2016 we raised over £1.3 billion of funds for our clients. We have raised a total of almost £16 billion for our clients from our first equity placing in 2005 to the end of December 2016. In most of these transactions we acted as the sole or main 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 aim to 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 appetite. 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 2017 and beyond, including EU driven legislation such as MIFID II. 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, for the financial risks, 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 to Pershing and Fidessa respectively. We work closely with these key outsourced suppliers to ensure that they continue to deliver the services needed for the long term health of our business in an efficient, secure and transparent manner. We have paid increasing attention to potential cyber crime vulnerability internally and with our suppliers.

#### *Culture, conduct and people*

Our success is based on putting our corporate and institutional clients at the core of what we do. As an FCA regulated firm, we constantly seek to maintain high standards of business conduct, thereby safeguarding our reputation for the longer term. 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 from 124 in 2015 to 116 as at 31 December 2016. A number of our clients were acquired in the year and some of our smaller clients were potentially better suited to other Nomads;
- Funds raised for clients: in 2016 we raised £1.3 billion (2015: £3.1 billion including £1.1 billion for BCA Marketplace plc) for our clients. We achieved a market share of around 13% of all fundraisings on AIM in 2016 (2015: 17%) and continued to demonstrate 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, profit before tax, earnings per share:
  - Revenue per head: this fell from £0.64 million in 2015 to £0.37 million in 2016. Revenues were materially down when compared to 2015 due to an overall fall in our equity placings for clients. Our average headcount between 2015 and 2016 was broadly flat. Over the previous 5 years, our revenues per head have been ahead of all of our main competitors;
  - Profit before tax: this fell 78% to £4.4 million in 2016 (2015: £19.9 million) on the back of the fall in revenues, partly offset by a fall in performance related pay;
  - Basic earnings per share ("EPS"): this fell 83% to 4.7p (2015: 27.2p) due to lower profit before tax, and the impact of a rise in our effective tax rate.
- Post tax return on average equity, total shareholder returns:
  - Post tax return on average equity: our post tax return on average equity fell from 43% in 2015 to 10% in 2016 due to lower profitability;
  - Total shareholder returns were minus 53% (2015: plus 21%) due primarily to the fall in our share price over the year; and
- Various key risk indicators, including capital resources and cash. As at 31 December 2016 we held £23.8 million of cash (2015: £33.1 million) and had a capital resources surplus of £9.8 million (2015: £11.0 million) in excess of our overall Pillar 1 regulatory capital requirements. We continue to maintain healthy cash reserves, reflecting our positive cash flow cycle.

### Review of the year

#### Financial results

##### *Revenues*

Revenue for the year declined by 43% to £43.7 million (2015: £76.5 million). In 2016 we raised £1.3 billion of equity for our clients (2015: £3.1 billion). Excluding the impact of one large deal in 2015, the 12% fall in revenues reflects quieter equity markets – including AIM – than those experienced in 2015. Against the backdrop of the Brexit vote and wider European macro-economic uncertainty, total funds raised by AIM companies fell by 13% to £4.8 billion in 2016, when compared to 2015 (source: LSE AIM factsheet December 2016). We helped our clients raise around 13% of all of the funds raised on AIM in 2016. During the year we completed 36 transactions – including four IPOs. In addition, we also completed ten M&A corporate finance transactions (2015: nine). Our corporate finance revenue (including fees from equity placings) fell 51% to £29.7 million in 2016 (2015: £60.1 million).

We remain ranked as one of the leading brokers in London for growth companies, as demonstrated by Adviser Rankings Limited's 'AIM Adviser Rankings Guide' for January 2017 where we were ranked as number two Nomad by both client market capitalisation and by number of AIM clients. We are also ranked number one Nomad for Oil and Gas and for Industrials by client market capitalisation and number two Nomad for Consumer Services by client market capitalisation.

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 403 (2015: 415) companies and investment trusts. Importantly, we maintained a top three market share in 73% of our clients' stock and the top market share in 48%. 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 fees and commission revenues fell 15% to £14.0 million in 2016 (2015: £16.4 million). Market making income fell as we saw lower flows on key stocks. Our corporate broking income fell on the back of lower client numbers. Commission income rose slightly, 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 the EU's MiFID II (Markets in Financial Instruments Directive 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 require access to (and be prepared to pay for) insightful research on companies.

#### *Costs, profit and earnings per share*

Administrative expenses fell by £17.3 million (31%) in the year, primarily driven by lower performance-related pay on the back of lower net revenues. In August 2016 we were fined £0.5 million by the FCA for regulatory breaches following an investigation into our role as sponsor to Quindell plc ("Quindell") (now known as Watchstone Group plc) in relation to Quindell's planned move from AIM to the premium segment of the main market of the LSE in June 2014 and our systems and controls concerning the provision of sponsor services. We have expensed this fine and the legal costs incurred in 2016 (and in prior years) to address the issues raised by the FCA and accrued for the insurance recovery associated with these legal costs in these results. The FCA's investigation into us was concluded in August 2016, with the FCA acknowledging the extensive remediation programme the Company undertook in order to enhance and improve its systems and controls in relation to the provision of sponsor services. Our costs during the period also reflect a continued investment in staff, systems and processes to allow ourselves to execute both larger and a greater number of transactions in the future.

Included in administrative expenses are £1.2 million (2015: £2.8 million) of staff costs resulting from the Compensatory Award Phantom Dividend Plan 2009 (the "CAP"). Payments under this scheme are triggered only by the payment of a dividend to ordinary shareholders. A CAP cost was incurred during the year as a result of the second interim and final dividend for 2015 and the interim dividend for 2016 totalling 8p paid in 2016. This compares to a CAP cost incurred in 2015 in respect of 17p of dividends covering 2014's final dividend and 2015's interim dividend.

Profit before tax fell by 78% to £4.4 million (2015: £19.9 million). The tax charge for the year from continuing operations as presented in the income statement was £1.9 million (2015: £4.5 million), which equated to an effective rate of tax of 42% (2015: 23%) reflecting, in part, the non-tax deductibility of the FCA penalty noted above, and deferred tax charges on our CAP share scheme driven by a fall in our share price by the end of the year. Profit after tax fell by 83% to £2.5 million (2015: £15.4 million). Basic earnings per share fell by 83% to 4.7p (2015: 27.2p).

#### *Financial position and cash flow*

As at 31 December 2016 our net trading investments were £11.1 million (2015: £10.2 million). Cash held at 31 December 2016 was £23.8 million (2015: £33.1 million). The year to 31 December 2016 saw a net outflow of cash of £9.3 million (2015 inflow: £0.2 million). This reflects a number of factors including our profitable trading in 2016, offset by factors such as £4.4 million in dividend payments, £2.5m of corporation tax paid and a £6.1m increase in trade and other receivables, including equities trading in the course of settlement. 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.

## Strategic report continued

### Dividend policy and capital levels

A key consideration in our dividend policy is 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 2016 we had a capital resources surplus of £9.8 million (2015: £11.0 million) in excess of our overall Pillar 1 regulatory capital requirements before including second half's retained earnings.

No ordinary shares were bought back by Cenkos for cancellation in the year (2015: 10.18 million). On 28 April 2016 we announced that the trustees of the Cenkos EBT had launched a share purchase plan to buy up to £50,000 of Cenkos shares a month. 419,900 shares were purchased in 2016 under this plan at a cost of £438,441 (2015: none). The increase in the size of the Company's EBTs reflects, in part, the potential future demand for Cenkos' shares to satisfy share awards under the Company's deferred bonus scheme.

Since our flotation on AIM in October 2006, we have paid out 116.5p in dividends (prior to the 5p proposed final dividend for 2016) and bought back 19.5 million shares at a cost of £25.4 million for cancellation, thereby increasing the Group's prospective earnings per share. Following the payment of 5p final dividend for 2016, the Company will have returned £105.5 million of cash to shareholders, equivalent to 160.8p per share since our flotation in 2006.

The Board proposes a final dividend of 5p per share, making our full year dividend 6p per share (2015: 14.0p). The payment of this final dividend will trigger payments to staff under the CAP of £0.6 million in the first half of 2017 (2015: £1.8 million in the first half of H1 2016). In setting the level of the final dividend, the Board considered, inter alia, the second half's performance and outlook 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 2017, the final dividend will be paid on 26 May 2017 to all shareholders on the register at 28 April 2017. 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 this performance. We continue to look to recruit staff attracted by our culture and business model. We aim to take advantage of further regional opportunities in the UK and in Asia. We are pleased to report that we have now formally opened our Singapore office. The Monetary Authority of Singapore approved Cenkos Securities Asia Pte. Ltd's application for a Capital Markets Services Licence on 27 June 2016.

Jeremy Warner Allen resigned as an executive Director of the Company on 22 November 2016. The Board wishes to thank him for his significant contribution to the Board and to the Company over the 11 years he worked at Cenkos.

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.

### 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. We also 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.

Aside from these risks, 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.

Principal risk	Mitigation	Change in the year
<b>Regulatory risk</b>	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.	<p>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.</p> <p>In August 2016 we were fined £0.5 million by the FCA for regulatory breaches following an investigation into our role as sponsor to Quindell plc. The FCA's investigation into us was concluded in August 2016, with the FCA acknowledging the extensive remediation programme we undertook in order to enhance and improve our systems and controls in relation to the provision of sponsor services.</p> <p>No net change in the year after mitigating actions.</p>
<b>People risk</b>	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.	<p>In addition to performance related bonus payments we also run an HMRC approved all staff share scheme and a bonus deferral scheme for executive Directors, senior managers and high earning employees.</p> <p>No net change in the year after mitigating actions.</p>
<b>Litigation risk</b>	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.	<p>From time to time the Group may become subject to various litigation, regulatory or employment related claims. The Directors have considered any current matters pending against the Group. Based on the evidence available, the facts and circumstances and insurance cover available, the Board have concluded that the outcome of these will be resolved with no material impact on the Group's financial position or results of operations.</p> <p>Increased risk in year.</p>



## Strategic report continued

Principal risk	Mitigation	Change in the year
Market risk	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.	Enhancements were made in the year to our monitoring of market risk. Decreased risk in 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. It is not anticipated that our risk profile will change materially in 2017.

### Outlook

There continues to be good institutional demand to fund high quality companies and ideas. I am pleased that we remain ranked as one of the leading brokers in London for growth companies. Since the start of this year we have been engaged in a number of fund raisings for clients and our current pipeline is encouraging.

### Jim Durkin

Chief Executive Officer

30 March 2017



### 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 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 and 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 Deputy Director of the Centre for Financial History, Darwin College, Cambridge and an associate member of the Faculty of History, University of Oxford.

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

## The Board of Directors of Cenkos Securities plc continued

### 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 in 1988 with PWC, Mike spent several years with them as a management consultant in their financial services practice. Mike is also a Trustee and the Vice Chairman 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.

#### **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 2016.

### 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 the principal risks to which the Group is exposed is provided within the Strategic Report, along with an indication of the outlook for the future. Our risk management processes are outlined in more detail in the Corporate Governance section and in note 23 of this Annual Report. The Directors have considered section 172 of the Companies Act 2006 and are aware of their wider responsibilities to not only the Company and its members but also to a wider group of stakeholders.

### Results and dividends

The consolidated results for the year are set out in the Consolidated income statement on page 29.

An interim dividend of 1.0p per share was paid to shareholders on 7 November 2016 (2015: interim dividends of 13.0p per share). The Directors recommend the payment of a final dividend of 5p per share in respect of the year ended 31 December 2016 (2015: final dividend of 1.0p per share). The total interim and final dividends in respect of the year ended 31 December 2016 are 6.0p (2015: 14.0p). Subject to approval at the Annual General Meeting to be held on 17 May 2017, the final dividend will be paid on 26 May 2017 to shareholders on the register at 28 April 2017.

### Directors

The names of the Directors of the Company appear on pages 9 and 10. These Directors have served throughout the year. Jeremy Warner Allen also served as a Director of the Company until his resignation from the Board on 22 November 2016. At the forthcoming Annual General Meeting the Directors will offer themselves for re-election to the Board.

### Share capital

As at 31 December 2016 the issued share capital of the Company was £566,947 (2015: £566,947). This comprised 56,694,783 ordinary shares of 1p each, which are admitted to trading on AIM (2015: 56,694,783 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.

No shares were issued during the year (2015: 3,160,000).

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 17 May 2016. 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' Report continued

### Directors' interests in ordinary shares

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

Name of Director	31 December 2016	31 December 2015	Percentage interest as at 31 December 2016
Paul Hodges <sup>(2)</sup>	5,092,050	5,024,770	8.98%
Jim Durkin <sup>(2)</sup>	4,984,693	4,908,663	8.79%
Nick Wells <sup>(1)</sup>	2,183,400	2,152,000	3.85%
Joe Nally <sup>(2)</sup>	1,066,633	1,059,429	1.88%
Gerry Aherne	55,000	55,000	0.10%
Jeff Hewitt	48,121	48,121	0.08%
Anthony Hotson	32,860	32,860	0.06%
Mike Chilton <sup>(2)</sup>	21,319	14,115	0.04%

<sup>(1)</sup> As at 31 December 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.

<sup>(2)</sup> As at 31 December 2016 11,819 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 2016 are shown on page 25 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.

### 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 2016:

Holder	Number of shares	Percentage interest as at 31 December 2016
Invesco Limited	8,083,632	14.25%
Hargreave Hale Limited	7,922,292	13.97%
J.P.Morgan Asset Management Limited	4,248,659	7.49%

### Employee benefit trusts

The Company has three Employee Benefit Trusts ("EBTs") to service its share schemes and the deferred bonus scheme. The EBTs are funded by the Company and they have the power to acquire shares from the Company or in the open market to meet the Company's future obligations under these schemes. At 31 December 2016, the number of shares held by these EBTs was 3,470,965 ordinary shares representing 6.12% (2015: 3,123,804 ordinary shares representing 5.51%) 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 2016 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 9 and 10. 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 2017 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 71 to 75.

This report was approved by the Board of Directors on 30 March 2017 and signed on its behalf by:

### **Stephen Doherty**

Company Secretary

30 March 2017

## 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 8 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 30 March 2017 and signed on its behalf by:

**Jim Durkin**

Chief Executive Officer



30 March 2017

## 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") and the Directors have made the decision not to comply with the code. Nevertheless, 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 five 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 9 to 10.

#### *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



## Corporate Governance Report continued

compromised in any manner. However, as detailed in the Directors Remuneration report, 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. This work extended into 2016. 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*

Four executive Directors from within the senior management of the Company served on the Board throughout the year. Jeremy Warner Allen also served during the year until his resignation from the Board on 22 November 2016. 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:

	<b>Board Meeting</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>	<b>Nomination Committee<sup>(2)</sup></b>
<i>Number of meetings held</i>	11	3	5	–
<i>Chairman:</i>				
Gerry Aherne	9	3	5	–
<i>Chief Executive Officer:</i>				
Jim Durkin	11	n/a	n/a	n/a
<i>Non-executive Directors:</i>				
Jeff Hewitt	10	3	5	–
Dr. Anthony Hotson	10	3	5	–
<i>Executive Directors:</i>				
Mike Chilton	11	n/a	n/a	n/a
Paul Hodges	11	n/a	n/a	n/a
Joe Nally	11	n/a	n/a	n/a
Jeremy Warner Allen <sup>(1)</sup>	10	n/a	n/a	n/a
Nick Wells	11	n/a	n/a	n/a

<sup>(1)</sup> Served as a Director until his resignation on 22 November 2016.

<sup>(2)</sup> During the year, the Board undertook a number of duties that would have normally been undertaken by the Nominations Committee.

### **Board effectiveness**

No Board effectiveness review took place in 2016. However, throughout 2016 the Board reviewed issues such 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 other members 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](http://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 19 to 22 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 2016 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 23 to 26.

#### *Nomination Committee*

The Nomination Committee, which comprises the Non-executive Directors, is chaired by the Non-executive Chairman. 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.

### *Supervisory Committee*

The 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](http://www.cenkos.com)).

This report was approved by the Board of Directors on 30 March 2017 and signed on its behalf by:

**Stephen Doherty**

Company Secretary

30 March 2017

## 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 9, 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. Invitations were made for each meeting (save for the private meetings with the external auditors) and were taken up.

### Roles and responsibilities

The Committee has terms of reference approved by the Board. 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 Company's accounting policies, as explained in note 1 of the financial statements. There were no issues with revenue recognition during 2016 or at the year end;
- The appropriateness of valuations of financial instruments, including the valuation of warrants and options held over AIM stocks and unquoted investments held by the Company, 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 – as explained in note 23 of the financial statements;

## Audit Committee Report continued

- The accounting treatment of the FCA fine, legal and regulatory matters including associated professional / legal investigative costs and the treatment of the insurance recovery relating to these third party costs; and
- The Committee considered the deferred bonus scheme and the associated accounting treatment and disclosures which included the deferral of £0.6 million of bonuses in respect of the current year and inclusion of £0.6 million in respect of prior year 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 – as explained in 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 and risk management. The Board has delegated to this committee the responsibility for reviewing and monitoring the effectiveness of the Group's systems of risk management, regulatory compliance and internal control. 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;
- Under the guidance of the Risk and Compliance Committee, Value at Risk metrics were introduced to the trading desks, along with enhanced reporting and monitoring of the associated market and counterparty risks; and
- A separate Board level sub-committee was established to manage the FCA investigation into our provision of sponsor services. Under their supervision, an extensive remediation programme was delivered to enhance and improve systems and controls in relation to sponsor services, including steps taken in consultation with the UKLA. The enhancements and improvements include the appointment of a Head and Deputy Head of Sponsor Services, establishing an additional, proactive committee dedicated to supervision throughout the course of a deal and adopting new policies, procedures, checklists, manuals and templates and training in relation to sponsor services reflecting current best practice.

During the year the Risk, Compliance and Internal Audit teams carried out substantially all of the work agreed by the Committee and the Board which included a detailed review of significant risk areas and the relevant controls, although some work was deferred to 2017. 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. Litigation (actual and potential) and the insurance of risks were also considered within the overall risk framework. The principal risks presented in the Strategic Report on pages 6 to 8 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 the Group's Internal Capital Adequacy Assessment Process (ICAAP), its Recovery and Resolution Plan, its Anti Bribery and Corruption arrangements and its IT processes and controls, including cybersecurity. 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.

### **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, ethical 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. There are areas that the Committee has prohibited work by the auditor, including where:

- The provision of the services would contravene any relevant regulation or ethical standard;
- The auditors are not considered to be expert providers of the non-audit service; and
- The provision of such services by the auditor creates a conflict of interest for the Board; the services are considered to be likely to inhibit the auditor's independence or objectivity of auditors.

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 and any such service should be agreed by the Committee prior to commencement of the services and be accompanied by terms regarding liability, cost and responsibilities. Additionally, it has agreed to an overall cap on non-audit work of 70% of the audit fee cumulatively over three years and no more than 30% in anyone year. As shown in note 7 of the financial statements, in 2016 there were no payments to the auditor for non-audit services in addition to the £52,000 fee paid for audit related services. 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 level of audit and non-audit fees charged by the Group's auditor is set out in note 7 to the financial statements.

### **External auditor performance and re-appointment**

The Committee evaluates the performance of the auditor annually taking into account the objectivity and effectiveness of the audit, the quality of formal and informal communications with the Committee and the views of management. 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 was also considered. In the current year the Committee again evaluated the auditor's performance as good and the relationship with management to be sound. The new 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 the materiality applied. The execution of the audit changed to reflect a decreased level of materiality (due to the lower revenues) 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 private discussions with the auditor during the year on the conduct of the audit and the relationship with management.

## **Audit Committee Report** continued

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 notes that the lead audit partner rotated after the 2015 year end. The performance of the new audit partner has met the Committee's expectations.

This report was approved by the Audit Committee on 30 March 2017 and signed on its behalf by:

**Jeff Hewitt**

Chairman of the Audit Committee

30 March 2017

## 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 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. 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 for 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 participated in the scheme until March 2016 when he opted out of the Scheme. Jim Durkin, Paul Hodges, Joe Nally 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 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 2016, 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 2016 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 <sup>(4)</sup> £ 000's	Taxable benefit in kind £ 000's	Cash bonus in respect of options held £ 000's	Total 2016 £ 000's	Total 2015 £ 000's
<i>Non-executive Directors</i>						
Gerry Aherne	300	–	–	–	300	260
Jeff Hewitt	61	–	–	–	61	58
Dr. Anthony Hotson	111	–	–	–	111	108
<i>Executive Directors</i>						
Jim Durkin	150	190	3	–	343	597
Mike Chilton <sup>(2)</sup>	125	189	2	–	316	405
Paul Hodges	90	1,509	3	–	1,602	4,049
Joe Nally	75	776	4	–	855	559
Jeremy Warner Allen <sup>(1)</sup>	67	672	3	18	760	731
Nick Wells <sup>(3)</sup>	140	190	3	–	333	164
	<b>1,119</b>	<b>3,526</b>	<b>18</b>	<b>18</b>	<b>4,681</b>	<b>6,931</b>

<sup>(1)</sup> 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. Jeremy Warner Allen resigned as a Director of the Company on 22 November 2016.

<sup>(2)</sup> Mike Chilton also received a pension contribution of £91 in 2016 (2015: £366). No other Director received a Group pension contribution.

<sup>(3)</sup> Nick Wells remuneration as a Director for 2015 is disclosed from his date of appointment to the Board on 14 October 2015.

<sup>(4)</sup> Amounts shown for executive Directors are net of bonus deferrals. 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.

Non-executive Directors are also reimbursed all reasonable expenses incurred solely in relation to their duties as Non-executive Directors. The base fees 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 level of fees 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.

The base fee for the Non-executive Directors is set at £55,000 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 2015 the executives 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 continued into 2016, the executive Directors agreed that Dr. Anthony Hotson should be awarded an additional £50,000 (2015: £50,000) and that Gerry Aherne, the Non-executive Chairman, be paid an additional fee of £180,000 (2015: £140,000) to reflect the amount of extra work that had been undertaken.

### Executive Directors' service contracts

The executive Directors are employed on rolling service contracts, which for Jim Durkin and Mike Chilton are subject to six months' notice and for Paul Hodges, Joe Nally and Nick Wells are subject to three months' notice. Copies of Directors' service contracts will be available for review at the Annual General Meeting on 17 May 2017.

### Long-term incentives

During the year the Long-Term Incentive Plan and the Company Share Option Plan expired. No options had been granted under the Schemes during the year or were outstanding prior to the expiry of these Schemes. The Company has a Compensatory Award Plan 2009 ("the Scheme"). During the year no options were granted under this Scheme (2015: none). The Company currently has no intention to grant any further options under this Scheme. The Board has delegated to the Remuneration Committee the responsibility to supervise this Scheme.

The Company also operates two HM Revenue & Customs compliant all staff share schemes: a Share Incentive Plan and a Save As You Earn Sharesave Scheme. During the year no grants or awards were made under the Save As You Earn Sharesave Scheme. For details of awards made under the Share Incentive Plan see note 22.

### Directors' interests in share options

The executive Directors have interests in options over ordinary shares in the Company as at 31 December 2016 as shown below:

Name of Director	No. held at 31 December 2016	No. held at 31 December 2015	Exercise price	Grant date	Earliest exercise date	Latest exercise date
<i>Save As You Earn Scheme</i>						
<i>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

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

The executive Directors' interests in the shares held under the SIP as 31 December 2016 is shown below.

Name of Director	No. held at 31 December 2016	No. of shares subject to forfeiture conditions 31 December 2016	No. held at 31 December 2015	No. of shares subject to forfeiture conditions 31 December 2015
Jim Durkin	11,819	8,448	4,615	3,240
Mike Chilton	11,819	8,448	4,615	3,240
Paul Hodges	11,819	8,448	4,615	3,240
Joe Nally	11,819	8,448	4,615	3,240
Nick Wells	10,565	8,448	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' Remuneration Report** continued

### **Directors' interests in ordinary shares**

The Directors' interests in the ordinary shares in the Company as at 31 December 2016 are shown on page 12 within the Directors' Report.

At 31 December 2016 the mid-market price of the Company's ordinary shares was 72.0p. The highest daily closing price during the year was 170.0p and the lowest was 69.0p.

### **Remuneration policy in 2017**

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 2015, the Committee introduced a bonus deferral scheme for executive Directors, senior managers and high earning employees.

The Committee proposes no changes to the current basic salaries of the executive Directors in 2017.

This report was approved by the Remuneration Committee on 30 March 2017 and signed on its behalf by:

### **Dr. Anthony Hotson**

Chairman of the Remuneration Committee

30 March 2017

## 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 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 27. 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 14, 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 2016 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 based on the work undertaken in the course of the audit:

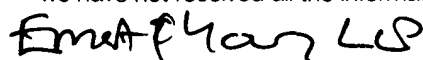
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.



**Simon Michaelson (Senior statutory auditor)**

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

3 April 2017

#### Notes:

1. The maintenance and integrity of the Cenkos Securities Plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Consolidated income statement** for the year ended 31 December 2016

	Notes	2016 £ 000's	2015 £ 000's
<b>Continuing operations</b>			
Revenue	3	43,745	76,513
Administrative expenses		(39,426)	(56,751)
<b>Operating profit</b>		4,319	19,762
Investment income – interest receivable	4	83	138
Interest expense	5	–	(4)
<b>Profit before tax from continuing operations for the year</b>		4,402	19,896
Tax	8	(1,858)	(4,525)
<b>Profit after tax</b>		2,544	15,371
Attributable to:			
Equity holders of Cenkos Securities plc		2,544	15,371
<b>Basic earnings per share</b>	10	4.7p	27.2p
<b>Diluted earnings per share</b>	10	n/a	26.8p

The profit attributable to the Company in the year ended 31 December 2016 was £3.2 million (31 December 2015: £15.7 million).

The notes on pages 37 to 70 form an integral part of these financial statements.

## Consolidated statement of comprehensive income for the year ended 31 December 2016

	2016 £ 000's	2015 £ 000's
<b>Profit for the year</b>	2,544	15,371
<b>Amounts that will be recycled to income statement in future periods</b>		
Gain / (loss) on available-for-sale financial assets	79	(2)
Tax on available-for-sale financial assets	(16)	–
Exchange differences on translation of foreign operations	105	–
<b>Other comprehensive income for the year</b>	168	(2)
<b>Total comprehensive income for the year</b>	2,712	15,369
Attributable to:		
Equity holders of Cenkos Securities plc	2,712	15,369

The notes on pages 37 to 70 form an integral part of these financial statements.

**Consolidated statement of financial position** as at 31 December 2016

	Notes	2016 £ 000's	2015 £ 000's
<b>Non-current assets</b>			
Property, plant and equipment	11	389	296
Deferred tax asset	18	236	1,330
		<u>625</u>	<u>1,626</u>
<b>Current assets</b>			
Trade and other receivables	13	24,526	18,354
Available-for-sale financial assets	14	560	559
Other current financial assets	15	13,811	12,706
Cash and cash equivalents	16	23,795	33,106
		<u>62,692</u>	<u>64,725</u>
<b>Total assets</b>		<u>63,317</u>	<u>66,351</u>
<b>Current liabilities</b>			
Trade and other payables	17	(32,560)	(34,881)
Other current financial liabilities	15	(2,694)	(2,551)
		<u>(35,254)</u>	<u>(37,432)</u>
<b>Net current assets</b>		27,438	27,293
<b>Non-current liabilities</b>			
Trade and other payables	17	(880)	(351)
<b>Total liabilities</b>		<u>(36,134)</u>	<u>(37,783)</u>
<b>Net assets</b>		<u>27,183</u>	<u>28,568</u>
<b>Equity</b>			
Share capital	19	567	567
Share premium		3,331	3,321
Capital redemption reserve	19	195	195
Own shares	20	(3,556)	(3,193)
Available-for-sale reserve		165	102
Foreign currency translation reserve		105	-
Retained earnings		26,376	27,576
<b>Total equity</b>		<u>27,183</u>	<u>28,568</u>

The notes on pages 37 to 70 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2017. They were signed on its behalf by:

**Jim Durkin**

Chief Executive Officer

30 March 2017

Registered Number: 05210733



**Mike Chilton**

Finance Director

30 March 2017





**Company statement of financial position** as at 31 December 2016

	Notes	2016 £ 000's	Restated 2015 £ 000's
<b>Non-current assets</b>			
Property, plant and equipment	11	375	279
Deferred tax asset	18	236	1,330
Investments in subsidiary undertakings	12	1,730	120
		<u>2,341</u>	<u>1,729</u>
<b>Current assets</b>			
Trade and other receivables	13	28,841	22,098
Available-for-sale financial assets	14	560	559
Other current financial assets	15	13,811	12,706
Cash and cash equivalents	16	22,364	32,861
		<u>65,576</u>	<u>68,224</u>
<b>Total assets</b>		<u>67,917</u>	<u>69,953</u>
<b>Current liabilities</b>			
Trade and other payables	17	(32,474)	(34,715)
Other current financial liabilities	15	(2,694)	(2,551)
		<u>(35,168)</u>	<u>(37,266)</u>
<b>Net current assets</b>		30,408	30,958
<b>Non-current liabilities</b>			
Trade and other payables	17	(880)	(351)
<b>Total liabilities</b>		<u>(36,048)</u>	<u>(37,617)</u>
<b>Net assets</b>		<u>31,869</u>	<u>32,336</u>
<b>Equity</b>			
Share capital	19	567	567
Share premium		3,331	3,321
Capital redemption reserve	19	195	195
Available-for-sale reserve		165	102
Retained earnings		27,611	28,151
<b>Total equity</b>		<u>31,869</u>	<u>32,336</u>

The profit attributable to the Company in the year ended 31 December 2016 was £3.2 million (31 December 2015: £15.7 million).

The notes on pages 37 to 70 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2017. They were signed on its behalf by:

**Jim Durkin**  
Chief Executive Officer

30 March 2017

Registered Number: 05210733

**Mike Chilton**  
Finance Director

30 March 2017

**Consolidated cash flow statement** for the year ended 31 December 2016

	Notes	2016 £ 000's	2015 £ 000's
<b>Profit for the year</b>		2,544	15,371
Adjustments for:			
Net finance income		(82)	(134)
Tax expense	8	1,858	4,525
Depreciation of property, plant and equipment	11	182	241
Shares and options received in lieu of fees		(5,770)	(4,967)
Transfer of shares from SIP to employees		27	–
Share-based payment expense		776	502
<b>Operating cash flows before movements in working capital</b>		(465)	15,538
Decrease in net trading investments and available-for-sale financial assets		4,886	2,283
(Increase) / decrease in trade and other receivables		(6,055)	1,367
(Decrease) / increase in trade and other payables		(218)	12,538
<b>Net cash flow from operating activities before interest and tax paid</b>		(1,852)	31,726
Interest paid		–	(4)
Tax paid		(2,533)	(5,049)
<b>Net cash flow from operating activities</b>		(4,385)	26,673
<b>Investing activities</b>			
Interest received		93	133
Purchase of property, plant and equipment	11	(272)	(174)
Reclassification of stamp duty	11	–	58
<b>Net cash (outflow) / inflow from investing activities</b>		(179)	17
<b>Financing activities</b>			
Dividends paid	9	(4,367)	(9,740)
Proceeds from issue of own shares		–	3,099
Proceeds from sale of own shares to employee share plans	22	58	47
Acquisition of own shares by EBT		(438)	–
Acquisition of own shares for cancellation	19	–	(18,777)
Acquisition of CAP options cancelled as part of tender offer buy-back		–	(1,145)
<b>Net cash used in financing activities</b>		(4,747)	(26,516)
<b>Net (decrease) / increase in cash and cash equivalents</b>		(9,311)	174
<b>Cash and cash equivalents at beginning of year</b>		33,106	32,932
<b>Cash and cash equivalents at end of year</b>		23,795	33,106

The notes on pages 37 to 70 form an integral part of these financial statements.

**Company cash flow statement** for the year ended 31 December 2016

	Notes	2016 £ 000's	Restated 2015 £ 000's
<b>Profit for the year</b>		3,204	15,947
Adjustments for:			
Net finance income		(82)	(134)
Tax expense	8	1,858	4,525
Depreciation of property, plant and equipment	11	175	238
Shares and options received in lieu of fees		(5,770)	(4,967)
Share-based payment expense		776	502
<b>Operating cash flows before movements in working capital</b>		161	16,111
Decrease in net trading investments and available-for-sale financial assets		4,886	2,283
(Increase) / decrease in trade and other receivables		(6,628)	729
(Decrease) / increase in trade and other payables		(112)	12,371
<b>Net cash flow from operating activities before interest and tax paid</b>		(1,693)	31,494
Interest paid		–	(4)
Tax paid		(2,533)	(5,049)
<b>Net cash flow from operating activities</b>		(4,226)	26,441
<b>Investing activities</b>			
Interest received		86	133
Purchase of property, plant and equipment	11	(271)	(154)
Reclassification of stamp duty	11	–	58
Increase in investment in subsidiary		(1,729)	–
<b>Net cash (outflow) / inflow from investing activities</b>		(1,914)	37
<b>Financing activities</b>			
Dividends paid	9	(4,367)	(9,740)
Proceeds from issue of own shares		–	3,099
Transfer of shares by EBT to employee share plans	22	10	47
Acquisition of own shares for cancellation	19	–	(18,777)
Acquisition of CAP options cancelled as part of tender offer buy-back		–	(1,145)
<b>Net cash used in financing activities</b>		(4,357)	(26,516)
<b>Net (decrease) in cash and cash equivalents</b>		(10,497)	(38)
<b>Cash and cash equivalents at beginning of year</b>		32,861	32,899
<b>Cash and cash equivalents at end of year</b>		22,364	32,861

The notes on pages 37 to 70 form an integral part of these financial statements.

**Consolidated statement of changes in equity** for the year ended 31 December 2016

	Equity attributable to equity holders of the parent							Total £ 000's
	Share capital £ 000's	Share premium £ 000's	Capital redemption reserve £ 000's	Own Shares £ 000's	Available- for-sale reserve £ 000's	Foreign currency translation reserve £ 000's	Retained earnings £ 000's	
<b>At 1 January 2015</b>	637	232	93	(3,218)	104	–	41,713	39,561
Profit for the year	–	–	–	–	–	–	15,371	15,371
Loss on available-for-sale financial assets net of tax	–	–	–	–	(2)	–	–	(2)
<b>Total comprehensive income for the year</b>	–	–	–	–	(2)	–	15,371	15,369
Shares issued in the year (note 19)	32	3,067	–	–	–	–	–	3,099
Transfer of shares to employee share plans (note 20)	–	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 (note 18)	–	–	–	–	–	–	(903)	(903)
Current tax on share-based payments (note 8)	–	–	–	–	–	–	555	555
Dividends paid (note 9)	–	–	–	–	–	–	(9,740)	(9,740)
<b>At 31 December 2015</b>	567	3,321	195	(3,193)	102	–	27,576	28,568
Profit for the year	–	–	–	–	–	–	2,544	2,544
Gain on available-for-sale financial assets net of tax	–	–	–	–	63	–	–	63
Exchange differences on translation of foreign operations	–	–	–	–	–	105	–	105
<b>Total comprehensive income for the year</b>	–	–	–	–	63	105	2,544	2,712
Transfer of shares to employee share plans (note 20)	–	10	–	48	–	–	–	58
Transfer of shares from SIP to employees (note 20)	–	–	–	27	–	–	–	27
Acquisition of own shares by EBT (note 20)	–	–	–	(438)	–	–	–	(438)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	776	776
Deferred tax on share-based payments (note 18)	–	–	–	–	–	–	(153)	(153)
Dividends paid (note 9)	–	–	–	–	–	–	(4,367)	(4,367)
<b>At 31 December 2016</b>	567	3,331	195	(3,556)	165	105	26,376	27,183

The notes on pages 37 to 70 form an integral part of these financial statements.

**Company statement of changes in equity** for the year ended 31 December 2016

	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
<b>At 1 January 2015</b>	637	232	93	104	41,713	42,779
Profit for the year	–	–	–	–	15,731	15,731
Loss on available-for-sale financial assets net of tax	–	–	–	(2)	–	(2)
<b>Total comprehensive income for the year</b>	–	–	–	(2)	15,731	15,729
Shares issued in the year (note 19)	32	3,067	–	–	–	3,099
Transfer of shares to employee share plans (note 20)	–	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)
Charge to equity for equity-settled share- based payments	–	–	–	–	502	502
Deferred tax on share-based payments (note 18)	–	–	–	–	(903)	(903)
Current tax on share-based payments (note 8)	–	–	–	–	555	555
Dividends paid (note 9)	–	–	–	–	(9,740)	(9,740)
<b>At 31 December 2015</b>	567	3,321	195	102	27,936	32,121
2015 Bonus accrual transferred to subsidiary	–	–	–	–	215	215
<b>At 31 December 2015 restated</b>	567	3,321	195	102	28,151	32,336
Profit for the year	–	–	–	–	3,204	3,204
Gain on available-for-sale financial assets net of tax	–	–	–	63	–	63
<b>Total comprehensive income for the year</b>	–	–	–	63	3,204	3,267
Transfer of shares to employee share plans (note 20)	–	10	–	–	–	10
Credit to equity for equity-settled share- based payments	–	–	–	–	776	776
Deferred tax on share-based payments (note 18)	–	–	–	–	(153)	(153)
Dividends paid (note 9)	–	–	–	–	(4,367)	(4,367)
<b>At 31 December 2016</b>	567	3,331	195	165	27,611	31,869

The notes on pages 37 to 70 form an integral part of these financial statements.

## Notes to the financial statements

### 1. Accounting policies

#### General information

Cenkos Securities plc is a public company limited by shares incorporated in England, 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 Company operates. The Company 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 restated as at the end of 2015 to conform with current year presentation and in respect of discretionary annual performance awards due to staff employed by Cenkos Securities Asia Pte Ltd. which were expensed in the books of Cenkos Securities plc. Although this had no impact on the consolidated financial statements, the Company administrative costs were overstated by £215,000 in relation to discretionary annual performance awards paid and accrued. The comparative figures have been amended for this meaning a restatement of trade and other receivables, trade and other payables and retained earnings within the Company statement of financial position; profit for the year, decrease in trade and other receivables and increase in trade and other payables in the Company cash flow statement; and profit for the year in the Company statement of changes in equity. The relevant notes have also been amended. In addition, the prior year comparative for investments in subsidiary undertakings has been restated to reflect the ordinary shares in Cenkos Securities Asia Pte. Ltd. issued to Cenkos Securities plc in 2015, but paid for in 2016.

#### 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 Company, none of which had a material impact on the Company'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 Company's financial statements. The Company 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 8. 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 Company'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 plus, in the case of a financial asset or financial liability not at fair value through profit or loss, any transaction costs that are directly attributable to their acquisition or issue.

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 Company 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 Company 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 Company 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. Reversals of impairment losses recognised in the income statement for an investment in an equity instrument classified as available-for-sale investments shall be taken to equity.

#### *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 investment*

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 Company 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. 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 plus any transaction costs that are directly attributable to the acquisition or issue of the financial liability.

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

### *Equity instruments*

costs.

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 re-issued, is recognised in the share premium account.

### *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. On consolidation, the assets and liabilities of foreign operations are translated into pounds sterling at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

### **Investments in subsidiary undertakings**

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.

## Notes to the financial statements continued

### 1. Accounting policies (continued)

#### 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.

#### 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 Company 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 broking and 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 UK 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 Company 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.

### Deferred bonus scheme

In April 2015, the Company 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 these awards is held in Cenkos ordinary shares in the Deferred Bonus Scheme EBT and released to the employee in thirds on each of the three anniversaries of deferral into the scheme. Where an employee already holds over £250,000 in Cenkos ordinary shares, the deferral is held in cash and released over a similar period. The Company has applied the requirements of IFRS 2: Share-based payments. The cost of these equity-settled and cash awards is fair valued at the date of grant and expensed on a straight-line basis over the vesting period.

### Related party disclosures

The compensation of the key management personnel of the Company 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 Company.

## 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.

## Notes to the financial statements continued

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

The key sources of estimation uncertainty and areas of critical accounting judgement that could 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. 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 22. 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. The treatment of deferred bonus is also an area of accounting judgment.

#### b) Valuation of derivative financial assets

Derivative financial assets comprise equity options and warrants over listed securities which include those received as non-cash consideration for advisory and other services. On the grant date, these instruments are fair valued. Thereafter, at each period end they are revalued using a Monte Carlo simulation. Inputs to the model include share price, risk free rate of return and implied volatility. Although the underlying securities are listed, the equity options and warrants themselves are not. As a measure of implied volatility of the instrument is therefore not available either the historic volatility of the underlying securities share price or that of a comparable company has been used as a proxy. The Directors consider that the initial valuation reflects fair consideration for the services provided.

#### c) Provisions and contingent liabilities including insurance recovery / receivable

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

The Company has reviewed its insurance policies and related correspondence to confirm that the Directors were virtually certain of an insurance recovery as at 31 December 2016. All the cash related to the insurance recovery was received prior to the signing of these financial statements.

#### 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.

### 3. Business and geographical segments

Cenkos is managed as an integrated UK 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 Company and arises solely within the UK.

#### Major clients

In the year to 31 December 2016, one of Cenkos' clients contributed more than 10% of Cenkos' total revenue. The amount was £5.11 million. (2015: £26.75 million).

#### Revenue streams

	2016 £ 000's	2015 £ 000's
Corporate finance and placing fees	29,720	60,069
Corporate broking, research and commission revenue	10,505	11,195
Market making	3,520	5,248
	<hr/> 43,745	<hr/> 76,513

**4. Investment income – interest receivable**

	2016 £ 000's	2015 £ 000's
Interest income generated from:		
Cash and cash equivalents	36	138
Trade and other receivables	47	–
	<u>83</u>	<u>138</u>

**5. Interest expense**

	2016 £ 000's	2015 £ 000's
Interest on bank overdrafts and loans	–	(4)

**6. Staff costs**

	<b>Group</b>		<b>Company</b>	
	2016 £ 000's	2015 £ 000's	2016 £ 000's	restated 2015 £ 000's
Staff costs comprise:				
Wages and salaries	25,064	39,216	24,640	38,802
Social security costs	3,789	5,847	3,769	5,818
Defined contribution pension	78	95	78	95
IFRS 2 share-based payments	803	502	797	499
Cash-settled deferred bonus payments relating to the current year	529	351	529	351
	<u>30,263</u>	<u>46,011</u>	<u>29,813</u>	<u>45,565</u>

In order to comply with the Pensions Act, Cenkos has enrolled 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.

During 2015, Cenkos introduced a Deferred Bonus Scheme for executive Directors, senior managers and high earning employees. As a result £0.62 million (2015: £1.13 million) of staff costs have been removed from the current income statement and deferred to future years. See notes 17 and 22 for further details.

As described in note 1, prior year comparatives have been restated as at the end of 2015, to reflect discretionary annual performance awards due to staff employed by Cenkos Securities Asia Pte. Ltd. which were accrued in the books of Cenkos Securities plc.

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

	<b>Group</b>		<b>Company</b>	
	2016	2015	2016	2015
Corporate finance	22	22	22	22
Corporate broking	61	62	58	61
Administration	36	37	35	36
	<u>119</u>	<u>121</u>	<u>115</u>	<u>119</u>

## Notes to the financial statements continued

### 6. Staff costs (continued)

	2016 £ 000's	2015 £ 000's
The total emoluments of the highest paid Director serving during the year were:	1,602	4,049

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 23 to 26.

### 7. Profit for the year

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

	2016 £ 000's	2015 £ 000's
Operating lease rentals	653	589
Auditor's remuneration (refer to analysis below)	223	199
Depreciation of property, plant and equipment	182	241
Staff costs (see note 6)	30,263	46,011
Net gains from financial assets at FVTPL	(3,520)	(5,248)
Exchange differences recognised in profit or loss	157	42
Change in fair value of share options and warrants at FVTPL	(17)	(75)
Provision for bad debts	58	162

Included within administrative expenses is the financial penalty of £0.5 million paid to FCA in full and final settlement of their investigation into the Company's role as sponsor to Quindell plc (now known as Watchstone Group plc). There has also been a significant amount of associated remediation and investigation costs which have been expensed as incurred in the current and prior years. An insurance recovery in respect of insurable costs arising from this investigation has been credited to administrative expenses.

The analysis of auditor's remuneration is as follows:

	2016 £ 000's	2015 £ 000's
Audit of parent and consolidated financial statements	159	150
Audit of subsidiary companies	12	5
Fees payable to the Group's auditor and their associates for the audit of the Group's annual accounts and consolidation	171	155
Audit related services	52	44
Other non-audit services		
– Other advisory services, including taxation	–	5
Total fees payable to the Group's auditor and their associates	223	204

A description of the work of the Audit Committee is set out on pages 19 to 22 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

The tax charge is based on the profit for the year and comprises:

	2016 £ 000's	2015 £ 000's
<b>Current tax</b>		
United Kingdom corporation tax at 20% (2015: 20.25%) based on the profit for the year	871	4,639
<b>Adjustment in respect of prior period</b>		
United Kingdom corporation tax at 20% (2015: 20.25%)	47	76
<b>Total current tax</b>	918	4,715
<b>Deferred tax</b>		
Charge / (credit) on account of temporary differences	945	(112)
Deferred tax prior year adjustment	(5)	(78)
<b>Total deferred tax</b> (refer to note 18)	940	(190)
<b>Total tax on profit on ordinary activities from continuing operations</b>	1,858	4,525

A reconciliation of the tax expense for 2016 and 2015 and the accounting profit multiplied by the standard rate of UK corporation tax of 20% (2015: 20.25%) is set out below:

	2016 £ 000's	2015 £ 000's
Profit before tax from continuing operations	4,402	19,896
Tax on profit on ordinary activities at the UK corporation tax rate of 20% (2015: 20.25%)	880	4,029
Tax effect of:		
Non-deductible expenses for tax purposes	189	139
Current year losses of overseas subsidiary for which no deferred tax asset has been recognised	132	73
Fair value movements in relation to the DTA on share-based payments	669	166
Deferred tax rate change adjustment	(54)	120
Adjustment in respect of prior year deferred tax	(5)	(78)
Adjustment in respect of prior year current tax	47	76
<b>Tax expense for the year</b>	1,858	4,525

The effective tax rate for the Group during the year is 42.2% (2015: 22.7%).



## Notes to the financial statements continued

### 8. Tax (continued)

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

	2016 £ 000's	2015 £ 000's
<b>Other Comprehensive Income (OCI)</b>		
Current tax expense arising on available-for-sale financial assets	16	–
<b>Statement of Changes in Equity (SOCIE)</b>		
Current tax credit arising on share-based payments	–	(555)
Deferred tax charge arising on share-based payments	153	903
Total income tax recognised directly in equity	169	348

### 9. Dividends

	2016 £ 000's	2015 £ 000's
<b>Amounts recognised as distributions to equity holders in the year:</b>		
Second interim dividend for the year ended 31 December 2015 of 6p (2014: nil) per share	3,269	–
Final dividend for the year ended 31 December 2015 of 1.0p (2014: 10p) per share	550	5,656
Interim dividend for the period to 30 June 2016 of 1.0p (June 2015: 7.0p) per share	548	4,084
	4,367	9,740

A final dividend of 5p per share has been proposed for the year ended 31 December 2016 (2015: 1.0p). The proposed final dividend is subject to approval at the Annual General Meeting and is not recognised as a liability as at 31 December 2016. Under the CAP, the payment of a dividend to ordinary shareholders will trigger a cash payment to holders of options under the CAP. The payment of the final dividend will increase staff costs by £0.58 million in the first half of 2017 (6p 2015 second interim and 1.0p 2015 final dividend increased staff costs by £0.82 million in the first half of 2016). See note 22 for details of the CAP scheme.

### 10. Earnings per share

	2016	2015
Basic earnings per share	4.7p	27.2p
Diluted earnings per share	n/a	26.8p

For the year ended 31 December 2016, the share options were antidilutive due to the interaction of the dividends paid in the year and the share price.

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

	2016 £ 000's	2015 £ 000's
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	2,544	15,371
Effect of dilutive potential ordinary shares:		
Share options	33	498
	<u>2,577</u>	<u>15,869</u>
<b>Number of shares</b>	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	54,724,986	56,512,222
Effect of dilutive potential ordinary shares:		
Share options	400,984	2,804,098
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>55,125,970</u>	<u>59,316,320</u>

The Board has agreed to continue to fund the Company'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, 419,900 shares were purchased at an aggregate consideration of £0.44 million (2015: no further shares were purchased). In addition, 1,125,020 shares (2015: 25,400 shares) were transferred out of the EBT at average cost to the Cenkos Securities plc Share Incentive Plan to satisfy awards under that scheme and dividends earned which were reinvested by employees in further shares and to the Deferred Bonus Scheme EBT to satisfy awards under that scheme. As at 31 December 2016 the EBT held a total of 2,080,510 (2015: 2,785,630) ordinary shares at an aggregate consideration of £2.14 million (2015: £2.85 million). These shares held by the EBT have been excluded from the weighted average number of shares calculation up to this date.

As at 31 December 2016 the Cenkos Securities plc Share Incentive Plan Trust held a total of 883,718 (2015: 338,174) free and matching ordinary shares at an aggregate consideration of £0.90 million (2015: £0.35 million). As at 31 December 2016 the Cenkos Securities plc Deferred Bonus Scheme EBT held a total of 506,737 (2015: nil) ordinary shares at an aggregate consideration of £0.52 million (2015: £nil).

As at 31 December 2016, in total these trusts held 3,470,965 (2015: 3,123,804 shares) at an aggregate consideration of £3.56 million (2015: £3.20 million) as shown in note 20.

## 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
<b>Cost</b>				
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
Additions	1	41	230	272
Exchange differences	1	–	2	3
At 31 December 2016	1,445	230	1,627	3,302
<b>Accumulated depreciation</b>				
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)
Charge for the year	(14)	(9)	(159)	(182)
At 31 December 2016	(1,384)	(188)	(1,341)	(2,913)
<b>Net book value</b>				
At 31 December 2016	61	42	286	389
At 31 December 2015	73	10	213	296

The cost of fully depreciated property plant and equipment still in use amounts to £427,793 (2015: £297,218).

<b>Company</b>	Leasehold improvements £ 000's	Fixtures and fittings £ 000's	IT equipment £ 000's	Total £ 000's
<b>Cost</b>				
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
Additions	1	41	229	271
At 31 December 2016	1,436	230	1,612	3,278
<b>Accumulated depreciation</b>				
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)
Charge for the year	(11)	(9)	(155)	(175)
At 31 December 2016	(1,380)	(188)	(1,335)	(2,903)
<b>Net book value</b>				
At 31 December 2016	56	42	277	375
At 31 December 2015	66	10	203	279

## 12. Investments in subsidiaries

Company	Shares in subsidiary undertakings	
	2016 £ 000's	restated 2015 £ 000's
<b>Cost</b>		
At 1 January	120	1
Additions	1,610	119
At 31 December	1,730	120

During the year, Cenkos subscribed for a further 3.02 million (2015: 250,000) SG\$1 ordinary shares in Cenkos Securities Asia Pte. Ltd. at a cost of SG\$3.02 million (2015: SG\$0.25 million).

The prior year comparatives have been restated to reflect ordinary shares in Cenkos Securities Asia Pte. Ltd. issued to Cenkos Securities plc in 2015, but paid for in 2016.

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. Ltd.	Institutional stockbrokers	100%

All of these subsidiary undertakings operate and are registered in England, apart from Cenkos Securities Asia Pte Ltd., 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 ("EBT"), the Deferred Bonus Scheme EBT and the Cenkos Securities plc Share Incentive Plan Trust ("SIP") excluding the partnership and dividend shares (see note 22) are included in the Company's statement of financial position.

## Notes to the financial statements continued

### 13. Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>
<b>Current assets</b>				
<b>Financial assets</b>				
Market and client receivables	19,263	15,458	19,261	15,458
Amounts owed by group undertakings	–	–	4,395	3,767
Unpaid share capital and loans due from staff	87	6	87	6
Accrued income	3,240	1,435	3,240	1,435
Other receivables	867	707	791	684
	<b>23,457</b>	<b>17,606</b>	<b>27,774</b>	<b>21,350</b>
<b>Non-financial assets</b>				
Prepayments	1,069	748	1,067	748
	<b>24,526</b>	<b>18,354</b>	<b>28,841</b>	<b>22,098</b>

Included within accrued income in 2016 is an amount receivable from the Company's insurers in full and final settlement for the insurable costs arising from the FCA's investigation disclosed in note 7.

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

	<b>Total</b>	<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>			
	<b>£ 000's</b>	<b>£ 000's</b>	<b>&lt; 30 days</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>&gt; 90 days</b>
	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>
<b>2016</b>	24,526	21,411	2,935	89	9	82
<b>2015</b>	18,354	15,627	2,657	61	6	3

The average credit period taken is 28 days (2015: 24 days). A specific provision of £162,592 (2015: £204,043) 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 is £57,539 (2015: £161,886).

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 market and client receivables within trade and other receivables. These include amounts due from market counterparties related to the settlement of equity share trades. The counterparties to these equity share trades are market members and regulated entities. They also include amount due from Cenkos' corporate and investment trust clients for corporate finance advisory services. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for doubtful receivables 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 disclosed in note 23. In addition, the risk associated with these financial assets is further discussed in note 23.

**14. Available-for-sale investments**

	<b>Group and Company</b>	
	<b>2016</b> <b>£ 000's</b>	<b>2015</b> <b>£ 000's</b>
<b>Current assets</b>		
Opening balance (at fair value)	559	729
Acquired during the year	–	82
Disposal of unlisted securities	(50)	–
Impairment of available-for-sale investments recognised in administrative expenses	(28)	(250)
Re-measurement recognised in Comprehensive Income	79	(2)
Closing balance (at fair value)	560	559

Available-for-sale ("AFS") financial assets include unlisted equity shares received in lieu of fees. These are classified as Level 3 within the fair value hierarchy. During the year, 50% of one of the AFS investments was disposed of. The remaining 50% was disposed of just after the year end and consequently, an impairment was recognised bringing the carrying value at the year end down to the post year end sale price. A number of valuation techniques have been used to provide a range of possible values for the other AFS investments 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**

	<b>Group and Company</b>	
	<b>2016</b> <b>£ 000's</b>	<b>2015</b> <b>£ 000's</b>
<b>Financial assets at FVTPL</b>		
Trading investments carried at fair value	13,726	12,604
Derivative financial assets – share options and warrants	85	102
	13,811	12,706
<b>Financial liabilities at FVTPL</b>		
Contractual obligation to acquire securities	(2,694)	(2,551)

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 the opportunity for return through dividend income and trading gains. The fair values of these securities are based on quoted market prices. Gains / losses from the financial assets and liabilities at FVTPL are included under market making revenue stream in the Consolidated Income Statement. 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.

## Notes to the financial statements continued

### 15. Other current financial assets and liabilities (continued)

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

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>£ 000's</b>	<b>£ 000's</b>
<b>Movements in net trading investments and available-for-sale financial assets in Consolidated Cash Flow Statement</b>		
Financial assets at FVTPL	(1,105)	(2,692)
Financial liabilities at FVTPL	143	(160)
Available-for-sale investments net of tax	78	170
Shares and options received in lieu of fees	5,770	4,967
	<b>4,886</b>	<b>2,285</b>

### 16. Cash and cash equivalents

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>
Cash and cash equivalents	23,795	33,106	22,364	32,861

Cash and cash equivalents comprise cash held by the Company 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).

#### Undrawn borrowing facilities

At 31 December 2016, the Company had an undrawn borrowing facility of up to £5 million (2015: £5 million). The facility is secured against the Company'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 Company'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 2017.

#### 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 2016, the Company had no outstanding financial liabilities to HSBC which were covered by the terms of this guarantee.

**17. Trade and other payables**

	<b>Group</b>		<b>Company</b>
	<b>2016</b>	<b>2015</b>	<b>restated</b>
	<b>£ 000's</b>	<b>£ 000's</b>	<b>2015</b>
			<b>£ 000's</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Trade creditors	12,305	9,727	12,288
Other creditors	551	867	551
	12,856	10,594	12,839
<b>Non-financial liabilities</b>			
Accruals and deferred income	19,361	22,345	19,292
Corporation tax payable	343	1,942	343
	19,704	24,287	19,635
	32,560	34,881	32,474
<b>Non-current liabilities</b>			
<b>Non-financial liabilities</b>			
Cash-settled deferred bonus scheme	880	351	880
	880	351	880

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.



## Notes to the financial statements continued

### 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
<b>At 31 December 2014</b>	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)
<b>At 31 December 2015</b>	661	8	661	1,330
Origination and reversal of temporary differences expense	(268)	(13)	(664)	(945)
Deferred tax prior year adjustment credit	4	–	–	4
Deferred tax charge to equity	–	–	(153)	(153)
<b>At 31 December 2016</b>	397	(5)	(156)	236

A 21% corporate 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.

Finance Bill 2016 reduced the main rate of corporation tax to 17% from 1 April 2020. These changes were substantially enacted on 6 September 2016.

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

The deferred tax balances at 31 December 2016 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. Ltd. incurred losses of £661,209 (2015: losses of £575,567). 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 £1,236,777 (net £210,252 at 17%) (2015: trading losses of £575,567 (net £97,846 at 17%)).

**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 (2015: 56,694,783) ordinary shares of 1p each fully paid

<b>Group and Company</b>	
<b>2016</b>	<b>2015</b>
<b>£ 000's</b>	<b>£ 000's</b>
1,792	1,792
208	208
<b>2,000</b>	<b>2,000</b>
567	567

**1 January 2015 to 31 December 2015**

<b>Date</b>	<b>Ordinary shares of 1p each</b>	<b>Event</b>
09 January 2015	5,727,340 were cancelled	tender offer to buy-back shares (see below)
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 the shares

## Notes to the financial statements continued

### 19. Share capital and capital redemption reserve (continued)

#### 1 January 2016 to 31 December 2016

There were no shares issued or cancelled during the year.

	Group and Company		Group and Company	
	2016 Number	2015 Number	2016 £ 000's	2015 £ 000's
<b>Capital redemption reserve</b>				
At 1 January	19,466,388	9,289,048	195	93
Own shares acquired in the year for cancellation	–	10,177,340	–	102
At 31 December	19,466,388	19,466,388	195	195

### 20. Own shares

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

The EBT was established by the Company in 2009. It is funded by the Company and has the authority to acquire Cenkos Securities plc shares. During the year, 419,900 shares were purchased at an aggregate consideration of £0.44 million (2015: no further shares were purchased). In addition, 1,125,020 shares (2015: 25,400 shares) were transferred out of the EBT at average cost to the SIP to satisfy awards under that scheme and dividends earned which were reinvested by employees in further shares and to the Deferred Bonus Scheme to satisfy awards under that scheme. As at 31 December 2016 the EBT held a total of 2,080,510 (2015: 2,785,630) ordinary shares at an aggregate consideration of £2.14 million (2015: £2.85 million). These shares held by the EBT have been excluded from the weighted average number of shares calculation up to this date.

As at 31 December 2016 the SIP held a total of 883,718 (2015: 338,174) free and matching ordinary shares at an aggregate consideration of £0.90 million (2015: £0.35 million). As at 31 December 2016 the Deferred Bonus Scheme held a total of 506,737 (2015: nil) ordinary shares at an aggregate consideration of £0.52 million (2015: £nil).

As at 31 December 2016, in total these trusts held 3,470,965 (2015: 3,123,804 shares) at an aggregate consideration of £3.56 million (2015: £3.20 million).

	2016		2015	
	Number of shares	Cost £ 000's	Number of shares	Cost £ 000's
<b>Shares held by the EBT</b>				
At 1 January: Shares in the EBT	2,785,630	2,847	2,811,030	2,872
Acquired during the year	419,900	438	–	–
Transferred to the SIP				
Free shares	(292,160)	(298)	–	–
Matching shares	(279,590)	(285)	–	–
Dividend re-investment	(46,533)	(48)	(25,400)	(25)
Transferred to the deferred bonus scheme EBT	(506,737)	(518)	–	–
At 31 December: Shares in the EBT	2,080,510	2,136	2,785,630	2,847
	2016		2015	
	Number of shares	Cost £ 000's	Number of shares	Cost £ 000's
<b>Shares held in the deferred bonus scheme EBT</b>				
Transferred in from the EBT	506,737	518	–	–

<b>Free and matching shares held by the SIP</b>	<b>Number of shares</b>	<b>Cost £ 000's</b>	<b>Number of shares</b>	<b>Cost £ 000's</b>
At 1 January: Shares in the SIP	338,174	346	338,174	346
Transferred in from the EBT				
Free shares	292,160	298	–	–
Matching shares	279,590	285	–	–
Shares transferred to employees	(26,206)	(27)	–	–
At 31 December: Shares in the SIP	883,718	902	338,174	346
At 31 December: Own shares	3,470,965	3,556	3,123,804	3,193

## 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:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>
Within one year	751	715	697	661
In the second to fifth years inclusive	1,576	2,293	1,535	2,198
After five years	7	41	7	41

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 2 years.

## 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 and LTIP

The Company Share Option Plan ("CSOP") and Long Term Incentive Plan ("LTIP") expired during the year. No options had been granted under the schemes during the year or were outstanding prior to the expiry of these schemes.

### 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.

## Notes to the financial statements continued

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

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

	2016		2015	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of year	8,759,602	1.23	15,458,042	1.15
Cancelled during the year	–	–	(1,643,840)	1.15
Exercised during the year	–	–	(3,160,000)	0.98
Lapsed during the year	–	–	(1,894,600)	1.05
Outstanding and exercisable at the end of the year	8,759,602	1.23	8,759,602	1.23

	Date of grant	Vesting date	Date of expiry	Remaining contractual life, months	2016 Number of shares options	2015 Number of shares options
Options exercisable at £1.15 per share	Jul-09	Jul-09	Jul-19	31	7,475,452	7,475,452
Options exercisable at £1.69 per share	Oct-09	Oct-09	Oct-19	34	1,284,150	1,284,150
Options in issue at the end of 31 December					8,759,602	8,759,602

The options outstanding at 31 December 2016 have exercise prices ranging from £1.15 to £1.69, a weighted average exercise price of £1.23 (2015: £1.23) and a weighted average remaining contractual life of 2.6 years (2015: 3.6 years). At the date of grant, they had an aggregate estimated fair value of £3,605,592 (2015: £3,605,592).

No share options were granted under the CSOP, LTIP or CAP during 2016 (2015: nil).

#### 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 SIP Scheme was launched again for staff in December 2015 and completed on January 2016 on the same basis as the scheme run in 2014.

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.

		2016		2015	
		£ 000's	Number of shares	£ 000's	Number of shares
At 1 January		1,002	458,581	955	433,181
Contributions during the year	Partnership shares	197	139,795	–	–
	Matching shares	394	279,590	–	–
	Free shares	396	292,160	–	–
	Dividend shares	58	46,533	47	25,400
Free and matching shares transferred to employees		(54)	(26,206)	–	–
Partnership and dividend shares transferred to employees		(39)	(21,145)	–	–
At 31 December		1,954	1,169,308	1,002	458,581

#### 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, £0.93 million of 2016 bonus was deferred (2015: £1.68 million), in aggregate £1.12 million (2015: £1.13 million) will be charged to the Income Statement in future years over the life of the scheme.

				2016
	Amount brought forward from prior years £ 000's	Gross bonus deferred £ 000's	Charge to income statement £ 000's	Amount to be charged in future years £ 000's
2015 bonus deferral into cash	727	–	366	361
2015 bonus deferral into shares	401	–	217	184
2016 bonus deferral into cash	–	496	163	333
2016 bonus deferral into shares	–	432	142	290
	1,128	928	888	1,168

## Notes to the financial statements continued

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

	2015			
	Amount brought forward from prior years £ 000's	Gross bonus deferred £ 000's	Charge to income statement £ 000's	Amount to be charged in future years £ 000's
2015 bonus deferral into cash	–	1,078	351	727
2015 bonus deferral into shares	–	599	198	401
	–	1,677	549	1,128

During the year the Company recognised expenses of £797,311 (2015: £502,356) related to equity-settled share-based payment transactions.

These consist of expenses in respect of share options of £ nil (2015: £28,119), the SAYE scheme of £29,302 (2015: £67,790), the SIP schemes of £409,288 (2015: £208,033) and the deferred bonus of scheme of £358,721 (2015: £198,414).

In addition the Company recognised expenses of £529,410 (2015: £350,854) related to cash-settled payment transactions in respect of the deferred bonus scheme.

### 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 Group's and Company's gearing levels on an ongoing basis. As at 31 December 2016, Cenkos Securities plc had a solvency ratio of 164% (2015: 208%).

#### *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 considered reasonable by senior management and represents their 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 2016 would increase by £0.02 million / decrease by £nil (2015: increase / decrease by £0.10 million). This is attributable to the Group's exposure to interest rates on its variable rate instruments.

*Market risk (including equity price risks)*

The Group is exposed to market risk arising from short-term positions in market making stocks in predominantly AIM quoted companies. The Group has a low market risk appetite and manages this risk by establishing individual stock position limits and overall trading book limits. It is exposed to equity price risk arising from these equity investments, which present the Group with opportunity for return through dividend income and trading gains.

*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 2016 would have been £1.17 million higher / lower (2015: £1.07 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 along with Value at Risk metrics are actively monitored by the Finance Director 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. It does, however, have a wholly-owned subsidiary based in Singapore, the results of which are translated at the period end and any exchange difference posted to Other Comprehensive Income.

*Foreign currency sensitivity analysis*

The sensitivity analyses below have been determined based on the Group's exposure to the Singapore dollar ("SGD") over the reporting period and, in the opinion of senior management, a material movement in the exchange rate. This is based on the loss for the year ended 31 December 2016 generated by Cenkos Securities Asia Pte Limited and the average exchange rate between GBP and SGD.

If the GBP: SGD exchange rate had been 10% higher / lower over the period and at the period end then other comprehensive income for the period to 31 December 2016 would have been £0.01 million higher / lower (31 December 2015: £nil) due to the difference on translation.



## Notes to the financial statements continued

### 23. Financial instruments (continued)

#### *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- (2015: 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 (a 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.

The table below summarises the Group and Company's exposure to credit risk by asset class according to credit rating. All assets within each class are uncollateralised.

		<b>Group</b>		<b>Company</b>	
		<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
		<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>
Derivative financial assets – share options and warrants	Unrated	85	102	85	102
Market and client receivables	Unrated	11,636	9,738	11,634	9,738
Market and client receivables	AA-	6,890	5,147	6,890	5,147
Market and client receivables	A	737	573	737	573
Market and client receivables	BBB	–	–	–	–
Amounts owed by Group undertakings	Unrated	–	–	4,395	3,767
Unpaid share capital and loans due from staff	Unrated	87	6	87	6
Accrued income	Unrated	3,240	1,435	3,240	1,435
Other receivables	Unrated	867	707	791	684
Cash and cash equivalents	AA-	20,466	12,302	19,035	12,057
Cash and cash equivalents	A	3,018	20,493	3,018	20,493
Cash and cash equivalents	BBB+	311	311	311	311
		<b>47,337</b>	<b>50,814</b>	<b>50,223</b>	<b>54,313</b>

### 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.

		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
<b>31 December 2016</b>						
Available-for-sale financial assets	NIB		560	–	–	560
Financial assets at FVTPL	NIB		13,726	–	85	13,811
Trade and other receivables	NIB, FIRI		–	23,457	–	23,457
Investments – short positions	NIB		–	(2,694)	–	(2,694)
Trade and other payables	NIB		–	(12,856)	–	(12,856)
Cash and cash equivalents	VIRI	0.05%	–	3,018	–	3,018
Cash and cash equivalents	VIRI	0.00%	–	20,777	–	20,777
			13,726	31,702	85	45,513

NIB – Non-interest bearing

VIRI – Variable interest rate instruments

FIRI – Fixed interest rate instruments

## Notes to the financial statements continued

### 23. Financial instruments (continued)

		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
<b>31 December 2015</b>						
Available-for-sale financial assets	NIB		559	–	–	559
Financial assets at FVTPL	NIB		12,604	–	102	12,706
Trade and other receivables	NIB, FIRI		–	17,606	–	17,606
Financial liabilities at FVTPL	NIB		–	(2,551)	–	(2,551)
Trade and other payables	NIB		–	(10,594)	–	(10,594)
Cash and cash equivalents	VIRI	0.50%	–	311	–	311
Cash and cash equivalents	VIRI	0.30%	–	20,493	–	20,493
Cash and cash equivalents	VIRI	0.13%	–	12,302	–	12,302
			12,604	37,567	102	50,273

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

#### 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:

	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	2016 Total £ 000's
<b>Available-for-sale financial assets</b>	–	–	560	560
<b>Financial assets at FVTPL:</b>				
Derivative financial assets – share options and warrants	–	–	85	85
Non-derivative financial assets held for trading	13,726	–	–	13,726
	13,726	–	85	13,811
<b>Financial liabilities at FVTPL:</b>				
Contractual obligation to acquire securities	2,694	–	–	2,694

				2015
	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
<b>Available-for-sale financial assets</b>	–	–	559	559
<b>Financial assets at FVTPL:</b>				
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
<b>Financial liabilities at FVTPL:</b>				
Non-derivative financial liabilities held for trading	2,551	–	–	2,551

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 2016	559	102	661
Disposal of unlisted securities	(50)	–	(50)
Change in fair value recognised in Comprehensive income	79	(17)	62
Impairment recognised in administrative expenses in income statement	(28)	–	(28)
Closing balance 31 December 2016	560	85	645

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. During the year, 50% of one of the AFS investments was disposed of. The remaining 50% was disposed of just after the year end and consequently, an impairment recognised bringing the carrying value down to the post year-end sale price. A number of valuation techniques have been used to provide a range of possible values for the other AFS investments 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.

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.

## Notes to the financial statements continued

### 23. Financial instruments (continued)

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 £9,460 / decrease of £7,052 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.

Financial instruments are 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 2016 £ 000's	Valuation technique	Unobservable input	Range
Share options and warrants	85	Monte Carlo simulation	Volatility	46-126%
Unlisted securities	560	IPEV valuation guidelines	Price of recent transactions	*
	<u>645</u>			

\* A meaningful range cannot be provided as there are a number of unlisted securities included within available-for-sale financial assets.

### 24. Related party transactions

Transactions with related parties are made at arm's length. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: £nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. Transactions or balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and, in accordance with IAS 24, are not disclosed in this note. The Board includes all employees considered to be key management personnel.

	2016 £ 000's	2015 £ 000's
<b>Amounts owed by related parties</b>		
Cenkos Securities Employee Benefit Trusts ("EBT")	3,556	3,192
Cenkos Securities Asia Pte. Ltd.	447	395
Cenkos Nominees UK Limited	392	242

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:

	2016 £ 000's	2015 £ 000's
Aggregate emoluments	4,681	6,931

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 2016, Cenkos made payments totalling £91 (31 December 2015: £366) in respect of one Director who was a member of this scheme.

#### Related party interests in ordinary shares of Cenkos Securities plc

	2016 No.	2015 No.
Number of shares	13,484,076	14,669,737
Percentage interest	24%	23%

The related party interests in ordinary shares of Cenkos Securities plc include the following interests held in the SIP scheme:

	No. of shares held subject to forfeiture conditions		No. of shares held	
	2016 No.	2015 No.	2016 No.	2015 No.
Related party interests in SIP	42,240	19,440	57,841	27,156

#### Related party interests in share options

	Exercise price	Grant date	Earliest exercise date	Latest exercise date	2016 No.	2015 No.
CAP	£1.69	01/10/2009	01/10/2009	30/09/2019	–	178,710
SAYE Scheme	£1.73	15/07/2014	01/08/2017	28/02/2018	41,664	52,080

## Notes to the financial statements continued

### 25. Standards issued but not yet effective

The following standards and interpretations were issued by the IASB and IFRIC, but have not been adopted either because they were not endorsed by the EU at 31 December 2016 or they are not yet mandatory and the Group has not chosen to early adopt. The impact on the Group's financial statements of the above future standards, amendments and interpretations is still under review, and where appropriate, a description of the impact of certain standards and amendments is provided below:

International accounting standards and interpretations	Effective date
IFRS 14 'Regulatory deferral accounts'	1 January 2016
Amendment to IAS 7 'Statement of cash flows' on changes in liabilities arising from financing activities	1 January 2017
Amendment to IAS 12 'Income taxes' on recognition of deferred tax assets for unrealised losses	1 January 2017
Amendment to IFRS 2 'Share-based payment' on classification and measurement of share-based payment transactions	1 January 2018
Amendment to IFRS 4 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'	1 January 2018
IFRS 9 'Financial instruments' on classification and measurement and amendments regarding general hedge accounting	1 January 2018
IFRS 15 'Revenue from contracts with customers'	1 January 2018
IFRS 16 'Leases'	1 January 2019

**IFRS 9 'Financial instruments'** is effective for the year ended 31 December 2018 and will simplify the classification of financial assets for measurement purposes. The implementation of IFRS 9 is not currently expected to have a significant impact on the financial statements; however, the Group will finalise its assessment of the new standard in 2017.

**IFRS 16 'Leases'** is effective for the year ended 31 December 2019 (not yet endorsed by the EU) and will require all leases to be recognised on the statement of financial position. Currently, IAS 17 'Leases' only requires leases categorised as finance leases to be recognised on the statement of financial position, with leases categorised as operating leases not recognised. In broad terms, the impact will be to recognise a lease liability and corresponding asset for the operating lease commitments set out in note 21: Operating lease arrangements.

**IFRS 15 'Revenue from contracts with customers'** 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 is required for annual periods beginning on or after 1 January 2018. However, Cenkos does not expect it to have a significant impact as it 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. The Group will continue to monitor any further developments.

### 26. Events after the reporting period

There were no material events to report on that occurred between 31 December 2016 and the date at which the Directors signed the Annual Report.

### 27. Contingent liabilities

From time to time the Group may become subject to various litigation, regulatory or employment related claims. The Directors have considered any current matters pending against the Group. Based on the evidence available, the facts and circumstances and insurance cover available, the Board have concluded that the outcome of these will be resolved with no material impact on the Group's financial position or results of operations.

## 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 2017 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 13 and 14 which will be proposed as special resolutions:

1. **That** the Group's Annual Accounts for the year ended 31 December 2016, 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 5p per ordinary share for the year ended 31 December 2016 be declared payable on 26 May 2017 to the holders of ordinary shares registered at the close of business on 28 April 2017.
3. **That** Gerry Aherne be re-elected as a Director of the Company.
4. **That** Mike Chilton be re-elected as a Director of the Company.
5. **That** Jim Durkin be re-elected as a Director of the Company.
6. **That** Jeff Hewitt be re-elected as a Director of the Company.
7. **That** Paul Hodges be re-elected as a Director of the Company.
8. **That** Dr. Anthony Hotson be re-elected as a Director of the Company.
9. **That** Joe Nally be re-elected as a Director of the Company.
10. **That** Ernst & Young LLP be re-appointed as auditor to the Company until the conclusion of the next Annual General Meeting of the Company.
11. **That** the Directors be authorised to fix the auditor's remuneration.
12. **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):
  - 12.1 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 2018 (unless previously revoked or varied by the Company in general meeting); and further
  - 12.2 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 2018 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
  - 12.3 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.



## Notice of Annual General Meeting continued

13. That, subject to the passing of Resolution 12 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:
- 13.1 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 12.2 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
- 13.2 the allotment (otherwise than pursuant to sub-paragraph 13.1 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 2018, 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.
14. 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:
- 14.1 the maximum number of ordinary shares hereby authorised to be purchased is 5,612,783;
- 14.2 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;
- 14.3 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;
- 14.4 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
- 14.5 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

4 April 2017

Registered office:  
6.7.8 Tokenhouse Yard London  
EC2R 7AS

## 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 15 May 2017 (being not less than 48 hours before the Meeting), or in the event of any adjournment not less than 48 hours (excluding any part of a day that is not a business day) before the time appointed for holding the adjourned meeting, 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 by close of business on 15 May 2017 (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 30 March 2017 (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 30 March 2017 are 56,694,783.

## **Explanatory notes to the notice of Annual General Meeting**

### **Resolution 1**

#### **Group's Annual Report and Accounts 2016 (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 5p per ordinary share in respect of the year ended 31 December 2016, which is recommended by the Board, requires the approval of the shareholders at the Annual General Meeting.

### **Resolutions 3 to 9**

#### **Re-election of Directors (ordinary resolutions)**

In accordance with recommended best practice the Company has agreed that 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 and Joe Nally will retire and submit themselves for re-election. Resolutions 3 to 9 propose their respective re-elections.

### **Resolutions 10 and 11**

#### **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 11 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 12**

#### **Authority to allot shares (ordinary resolution)**

Resolution 12 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 30 March 2017 (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 2018. The Directors have no present intention of exercising such authority. The Resolution replaces a similar resolution passed at the Annual General Meeting held in 2016.

### **Resolution 13**

#### **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 14 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 13 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 30 March 2017) 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 Resolution 12.2, 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 2018. The Resolution replaces a similar resolution passed at the Annual General Meeting of the Company held in 2016.

**Resolution 14****Authority to purchase the Company's own ordinary shares (special resolution)**

Resolution 14 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 30 March 2017. 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 2016. The Company is allowed to hold in treasury any shares purchased by it using its distributable profits. Such shares will remain in issue and will be 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 9,053,850 ordinary shares have been granted and are outstanding as at 30 March 2017 (being the latest practicable date prior to publication of this document) representing 15.97% 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 14, the options outstanding as at 30 March 2017 would represent 17.72% 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)  
Nick Wells (Executive Director)

### Company Secretary

Stephen Doherty

### Registered office for all UK Group companies

6.7.8 Tokenhouse Yard  
London  
EC2R 7AS

### Registered office for Cenkos Securities Asia Pte Ltd.

1 Robinson Road, 17-00  
AIA Tower  
Singapore  
048542

### Website

[www.cenkos.com](http://www.cenkos.com)

### Cenkos Securities plc company registration number and Country of Incorporation

05210733, England

### Financial Calendar

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

### Banker

HSBC  
Corporate Banking  
60 Queen Victoria Street  
London  
EC4N 4TR

### Nominated Adviser & Broker

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

### Auditor

Ernst & Young LLP  
25 Churchill Place  
London  
E14 5EY

### Solicitors

Ashurst LLP  
Broadwalk House  
5 Appold Street  
London  
EC2A 2HA

### Travers Smith LLP

10 Snow Hill  
London  
EC1A 2AL

### Registrar

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

**Cenkos Securities Plc**

London  
6.7.8 Tokenhouse Yard  
London  
EC2R 7AS  
Telephone: +44 (0)20 7397 8900  
Fax: +44 (0)20 7397 8901

Edinburgh  
3rd Floor  
66 Hanover Street  
Edinburgh  
EH2 1EL  
Telephone: +44 (0)131 220 6939  
Fax: +44 (0)131 220 2051

Liverpool  
Mezzanine Level  
Exchange Station  
Tithebarn Street  
Liverpool  
L2 2QP  
Telephone: +44 (0)151 640 0510

**Cenkos Securities Asia Pte Ltd.**

Singapore  
137 Market Street #13-02  
Singapore 048943  
Telephone: +65 6816 1928

