Companies House
Company number:
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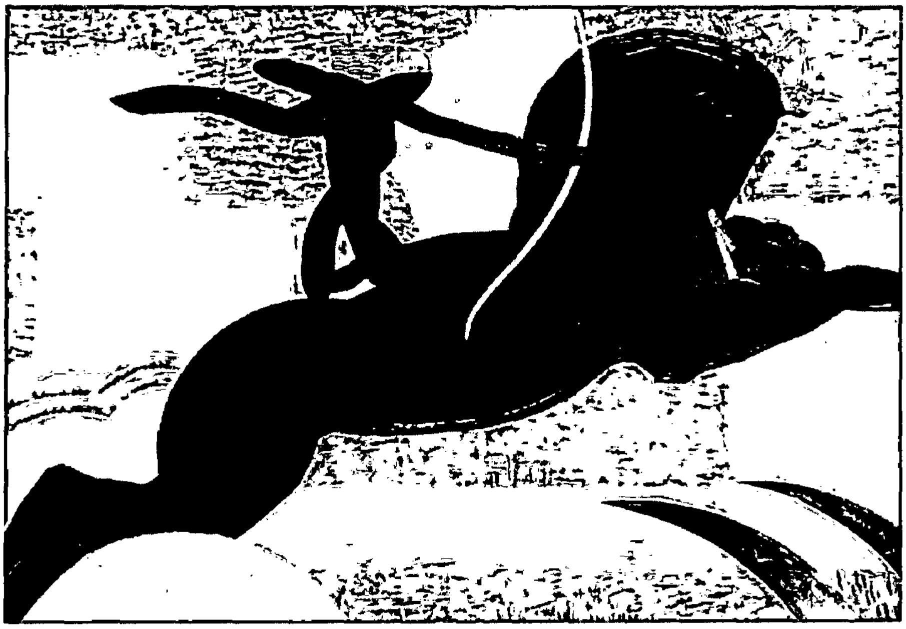

CENKOS

Cenkos Securities plc
Annual Report 2014

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 London Stock Exchange.

Highlights

		31 December 2014	31 December 2013
Revenue	+ 72%	**£88.5m**	£51.4m
Profit before tax	+ 152%	**£27.0m**	£10.7m
Cash	+ 9%	**£32.9m**	£30.3m
Basic earnings per share	+ 148%	**35.2p**	14.2p
Full year dividend per share paid and proposed	+ 42%	**17p**	12p

- includes proposed final dividend of 10p (2013: 8.5p)
- additionally, 9% of the Company's shares were bought back in January 2015. The Company has now returned £76.4 million of cash to shareholders (equivalent to 118p per share) since it was floated in 2006

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Strategic report

Introduction

The Board of Cenkos is pleased to report that revenues and profits were materially ahead of last financial year on the back of increased fundraising for our growing list of clients. This includes the £1,385 million IPO in June 2014 of The AA plc, where Cenkos acted as sole bookrunner. We are rated as one of the leading brokers in London for growth companies. AIM Advisers Rankings Guide for January 2015 ranks the Company as the number one Nominated Adviser ("Nomad") by client market capitalisation, and number two Nomad and Stockbroker by number of AIM clients.

Our strategy

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

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

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

Revenue streams

Cenkos earns fees from primary and secondary equity fundraising, providing access to capital through acting as a key intermediary between growth companies or investment funds and institutional providers of capital. In 2014 we raised £2.8 billion of funds for our clients and from when we first opened for business in August 2004 to the end of December 2014 have raised a total of almost £12 billion for our clients – mainly acting as sole broker.

We aim to provide equity financing and strong and supportive shareholder lists for companies and healthy returns for institutional investors. Corporate finance fees are earned from providing strategic advice and regulatory guidance to clients, as well as advice on all forms of corporate transactions including fundraisings, mergers and acquisitions, disposals, restructurings and tender offers. Fees are also generated from acting as Nomad, broker and/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.

As corporate broker, our clients' Boards engage us to:

- Create and maintain supportive shareholder registers;
- Provide an informed and effective interface with shareholders and potential investors;
- Provide appropriate dealing liquidity in their company's shares; and
- Advise on all pertinent market and regulatory issues.

Management systems and controls

We operate an efficient and flexible business model, well adapted to 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 and complexity. Our risk management processes are outlined in more detail in the Corporate Governance section and in note 23 of the financial statements.

We manage our cost base carefully. We offer our client-facing staff relatively low basic salaries but reward their performance based on factors that include their net income generation. 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. Further details on pay are disclosed in the Directors' Remuneration Report. We selectively use outsourcing partners to help us maintain this cost flexibility in areas where volumes can be unpredictable. Our settlement and core trading systems and associated support are outsourced.

Culture and people

Our success is based on maintaining experienced and stable teams, whose members build professional relationships and achieve results through a committed and entrepreneurial approach. 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 Company.

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 remaining profitable and 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 strong share price growth.

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

- The size of our corporate client base (Nomad/broker/financial adviser appointments): this increased from 125 in 2013 to 130 as at 31 December 2014. We won a number of new clients in the year and grew this measure, even though several of our clients were acquired in the year;
- Funds raised for clients: in 2014 we raised £2,816 million (2013: £1,195 million) for our clients. We achieved a market share of 15% of all fundraisings on AIM in 2014, and demonstrated our ability to float large cap companies on the LSE's main market through The AA plc IPO, generating a 68% post-float return for IPO investors on this transaction for the period to 20 March 2015 (source: LSE);
- Revenue per head, profit before tax, earnings per share: revenue per head grew from £0.48 million in 2013 to £0.77 million in 2014 despite hiring activity in the year across the business, including a new office in Liverpool and a convertible bond desk. We continue to look to attract experienced staff who can help grow our business. Our profit before tax rose 152% to £27.0 million in 2014. Operational leverage within the business model has helped us grow profit before tax faster than revenues, despite continued investment in core infrastructure and in net staff hires. Our basic earnings per share ("EPS") grew 148% to 35.2p due to higher profits;
- Post tax return on average equity, total shareholder returns: our post tax return on average equity improved from 37% in 2013 to 60% in 2014. This level is far above industry averages, reflecting both our profitability and careful management of surplus capital; and
- Various key risk indicators, including capital resources and cash. As at 31 December 2014 we held £32.9 million (2013: £30.3 million) of cash. We continue to maintain healthy cash reserves, reflecting our positive cash flow cycle.

Strategic report *continued*

Review of the year

Financial results

Overall performance

We are pleased to report that performance in 2014 was very strong. As at 31 December 2014 we were Nomad, broker or financial adviser to 130 companies or trusts (2013: 125). Revenues grew on the back of increased fundraising for our growing list of clients. Costs rose primarily due to greater performance-related pay on the back of increased profitability. Profit before tax was £27.0 million (2013: £10.7 million) and, as noted below, this 152% increase reflected both a very material rise in revenues and the benefits of operational gearing in the business. Basic earnings per share rose by 148% to 35.2p (2013: 14.2p).

Revenues

Revenue increased by 72% to £88.5 million (2013: £51.4 million) due largely to a higher level of corporate activity – including fundraising – by our expanding list of corporate clients. The economic recovery the UK is experiencing has clearly benefited equity markets, with the total funds being raised by all companies on AIM in 2014 reaching £5,868 million, a 50% rise on 2013 (source: LSE AIM factsheet December 2014), with IPOs making up £2,599 million of that figure (up 119% on 2013). We have been well positioned to benefit from this tailwind given our strong market position, helping our clients raise around 15% of all of the funds raised on AIM in 2014. During the year we completed 38 transactions – including 12 IPOs – and helped our clients raise a total of £2,816 million (2013: £1,195 million), including £1,385 million on the IPO of The AA plc onto the main market of the LSE. During the year we also completed seven M&A corporate finance transactions (2013: seven). Our corporate finance revenue (including fees from placings) rose 91% to £69.1 million in 2014 (2013: £36.2 million).

We remain ranked as one of the leading brokers in London for growth companies, as demonstrated by AIM Advisers Rankings Guide for January 2015 where we were ranked as number one Nomad by client market capitalisation, second in terms of both Nomad and Stockbroker for all AIM clients by number of clients, as well as being ranked top Nomad for Oil and Gas and Consumer Services, second for both Financials and Industrial clients and third for both Consumer Goods and Technology companies by number of AIM clients.

We make markets in the securities of all the companies where we have a broking relationship to support the other services we provide. We actively provide liquidity to the market and facilitate institutional business in small, mid and selected large cap equities. Our trading desks make markets in the shares of 413 (2013: 341) companies and investment trusts. Importantly, we maintained a top three market share in 85% of our clients' stock. Despite this we continue to restrict actively the amount of capital committed to this activity to limit market risk exposure without adversely affecting our market-making services and the revenue generated.

Our corporate broking, market-making, research and commission revenues rose 28% to £19.4 million in 2014 (2013: £15.2 million) as we experienced more favourable trading conditions and higher commission income, 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 recent FCA initiatives in terms of the unbundling of dealing commission and payment for equity research. We are confident that we can continue to prosper in this environment because of our flexible cost model. Our execution business is primarily focused on client facilitation. We believe that this enhances our overall service offering to our expanding client base.

Costs, profit and earnings per share

Costs of continuing operations rose by £20.8 million (51%) in the year, primarily driven by higher performance-related pay on the back of increased profitability. We have grown our average staff numbers by 7% to 115 and incurred a £1.2 million rise in costs when compared to 2013 due to increased staff bonuses resulting from the Compensatory Award Phantom Dividend Plan 2009 ("CAP"). Payments under this scheme are only triggered by the payment of a dividend to ordinary shareholders. This amounted to an 8.5p final dividend for 2013 paid in H1 2014 and a 7p interim dividend for 2014 paid in November 2014 (4p for 2012's final dividend paid in H1 2013 and 3.5p interim dividend paid in 2013). Profit before tax increased by 152% to £27.0 million (2013: £10.7 million).

The tax charge for the year from continuing operations as presented in the income statement was £5.6 million (2013: £2.1 million), which equates to an effective rate of tax of 21% (2013: 20%). Profit after tax increased by 148% to £21.3 million (2013: £8.6 million). Basic earnings per share rose by 148% to 35.2p (2013: 14.2p).

Financial position and cash flow

As at 31 December 2014, our net trading investments were £7.3 million (2012: £9.4 million). Cash held at 31 December 2014 was £32.9 million (2013: £30.3 million). The year to 31 December 2014 saw an inflow of cash and cash equivalents of £2.6 million (2012 inflow: £8.1 million). The net inflow in 2014 reflects a number of factors including our profitable trading in 2014, offset partly by a reduction in trade payables and the payment of corporation tax and dividends.

Dividend and capital levels

We aim to retain sufficient capital and reserves to meet our regulatory capital and cash requirements, after taking into account anticipated future working capital needs and potential growth requirements. As at 31 December 2014, we had a capital resources surplus of £12.4 million (2013: £6.2 million) in excess of our Pillar 1 and 2 regulatory capital requirements after considering January's 2015 share buy-back (noted below) but before including H2 2014's retained earnings. Surplus capital rose by £6.2 million when compared to 2013 due to profitable trading in 2014, offset by the planned buy-back and dividends paid.

In December 2014 a Tender Offer was launched to purchase up to 5.7 million ordinary shares in Cenkos (9% of the issued share capital). The Tender Offer subsequently returned £10.8 million of surplus capital to shareholders when the offer closed in January 2015.

Since our flotation on AIM in October 2006, we have paid out 91.5p in dividends (prior to the 10p proposed final dividend for 2014 noted below) and bought back 15 million shares at a cost of £17.2 million for cancellation (including the £10.8 million Tender Offer completed in January 2015), thereby increasing the Company's prospective earnings per share. We have therefore returned £76.4 million of cash to shareholders equivalent to 118p per share (before 2014's final dividend of 10p) since our flotation in 2006.

No shares were bought back by Cenkos for cancellation in the year (2013: 0.4 million shares were cancelled at a cost of £0.3 million) and no shares were acquired by Cenkos Securities Employee Benefit Trust ("EBT") in the year (2013: 0.3 million shares were purchased by EBT at a cost of £0.3 million). In July 2014 we launched two HM Revenue & Customs approved all staff share schemes – a Share Incentive Plan ("SIP") and a Save As You Earn Sharesave ("SAYE") Scheme. During 2014 347,447 shares were transferred from the EBT into the Cenkos Securities plc SIP to satisfy Matching, Free and Dividend share awards made under that scheme.

The Board proposes a final dividend of 10p per share (2013: 8.5p per share). This makes a total dividend of 17p for the year (2013: 12p). The payment of this final dividend will trigger payments to staff under the CAP of £1.4 million in the first half of 2015 (2013: final dividend of 8.5p led to a further £2.0 million of staff costs in the first half of 2014). In setting the level of the final dividend, the Board considered, inter alia, the £10.8 million Tender Offer paid in January 2015 to participating shareholders 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 12 May 2015, the final dividend will be paid on 28 May 2015 to all shareholders on the register at 1 May 2015. 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.

Strategic report continued

People

The continued professionalism of our employees has enabled us to achieve a robust performance for the year. We continue to look to recruit staff attracted by our culture and business model, and a further net 12 staff joined us in the year. We aim to take advantage of further regional opportunities in the UK and in Asia. We opened an office in Liverpool in December 2014 and plan to open an office in Singapore in 2015.

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 Company. Our staff's skill, commitment and determination will continue to provide us with a solid platform on which to continue to build our franchise. In recognition of the contribution our staff made to help build the franchise that Cenkos now enjoys, "one-off" discretionary bonuses were paid to staff in the year in addition to their annual performance related bonus and we also launched two share schemes for all staff – a SIP and SAYE Scheme.

Principal risks

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

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

Principal risk	Mitigation	Change in the year
Reputational risk We believe that one of the greatest risks we face comes from potential damage to our reputation.	All new business proposals are subject to a rigorous appraisal process followed by consideration by the New Business Committee.	We continued to enhance the processes supporting this Committee and the quality of debate and subsequent actions.
Operational risk Operational risk is the risk that we will suffer a loss directly or indirectly from inadequate or failed internal processes, people, systems, or external events. Other specific operational risks that are material to our performance are regulatory risk, people risk and litigation risk. These are commented on in more detail overleaf.	We continually review our risk framework to ensure that it properly reflects the risks to which we are exposed and that any significant operational risks and their associated controls are reviewed, assessed and, where applicable, enhanced. There is also an on-going process for identifying, evaluating and managing the significant risks we face, including fraud and cybercrime. Our business model relies on key suppliers for our trading and settlement systems. We maintain regular dialogue and meetings with them to ensure there is appropriate oversight of the risks associated with outsourcing. We continuously review our business continuity plans, and have disaster recovery facilities in place in order to mitigate any substantial disruption to our operations.	We continued to refresh and refine our risk framework and the associated risk and governance fora. We have taken our internal audit resources in house, supplementing this with external expertise as and when required. In both February 2014 and February 2015 our business continuity plans were tested. No issues of concern were raised by these tests.

Principal risk	Mitigation	Change in the year
Regulatory risk	We continue to ensure that the appropriate systems and controls, reporting, capital and liquidity requirements are in place to meet the on-going obligations of an FCA regulated (IFPRU Investment) firm. This is focused particularly on our on-going obligations and responsibilities as an AIM Nomad and a UK Listing Authority ("UKLA") Sponsor.	In light of the increasing regulatory burden being placed on regulated entities such as ourselves, we continued to enhance our systems, processes and controls. This includes enhanced compliance monitoring, a focus on Conduct Risk and the implementation of new regulatory processes associated with Basel III/Capital Requirements Directive ("CRD") IV.
People risk Our employees are our greatest asset and the future success of the Company depends on our ability to attract and retain high quality employees.	We seek to minimise this risk by creating the right culture and working environment and by rewarding employees through an overall remuneration package that is geared towards performance, after consideration of relevant risk factors, and aim to align the interests of both employees and shareholders. People risk is also mitigated via a senior management succession planning process overseen by the Nomination Committee and Board.	In addition to increased bonus payments – reflecting our strong financial performance in the year – we also launched two HM Revenue & Customs approved all staff share schemes, both of which were well received by staff.
Litigation risk	There is always a risk that some form of litigious action may be taken against the Company. 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 Company and ultimately the shareholders to either instigate proceedings or defend ourselves against any potential litigation.	We were not subject to any litigation in the year.
Credit, market and liquidity risk	We are exposed to limited credit risks in the normal course of business as our market making activities are carried out on a delivery versus payment basis, hence face settlement risk or market risk in terms of an underlying exposure to equities. To mitigate market risk we have established individual stock position limits and overall trading book limits. There are daily procedures in place to monitor any position limit excesses. We do, from time to time, take shares in lieu of fees subject to appropriate internal signoffs. Some stocks traded on AIM are subject to low levels of underlying liquidity. To mitigate liquidity risk we have put in place an appropriate liquidity risk management framework. The Board approves our Individual Liquidity Adequacy Assessment ("ILAA") at least annually.	No material change in the year.

Strategic report *continued*

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 report in this Annual Report. It is not anticipated that our risk profile will change materially in 2015.

Outlook

We are pleased with our performance since the start of 2015. There continues to be good institutional demand to fund high quality companies and ideas. Since January we have been engaged in a number of significant fund raisings and our current pipeline is encouraging.

Jim Durkin
Chief Executive Officer
27 March 2015

Forward-looking statements

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

The board of directors of Cenkos Securities plc

Non-executive Directors

Gerry Aherne

Non-executive Chairman

Gerry was appointed a Non-executive Director of the Company in April 2012, and was appointed Chairman of the Company in May 2012. Gerry enjoyed a long career as a fund manager and was an executive Director of Schroders Investment Management Limited until 2002, managing both institutional segregated and pooled pension funds and unit trusts. He is currently Non-executive Chairman of Electric & General Investment Fund and Omnis Investments Limited. He was previously an executive Director of Majedie Investments plc and a Non-executive Director of Henderson Company plc, Mecom Company plc, Iveagh Limited and Linear 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 Committees of Foreign & Colonial Investment Trust plc, Senior Independent Non-executive Director and Chairman of the Audit Committees of Vesuvius plc and Chairman of Electrocomponents Pension Trustees. He was previously Chairman of the Audit & Risk Committee of The John Lewis Partnership, and has been 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 a member of Wolfson College, Oxford and a Research Associate at the Centre for Financial History, Cambridge.

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

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 with PWC, Mike spent several years with them as a management consultant in their financial services practice. Mike is also a Trustee and the Honorary Treasurer of Sightsavers (The Royal Commonwealth Society for the Blind).

Paul Hodges
Executive Director

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

Joe Nally
Executive Director

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

Jeremy Warner Allen
Executive Director

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

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2014.

Principal activities

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

Business review and future developments

A review of the Company's operations and performance during the financial year, setting out the position at the year end, significant changes during the year and providing an indication of the outlook for the future, is provided within the Strategic Report. Our risk management processes are outlined in more detail in the Corporate Governance section and in note 23 of the financial statements.

Results and dividends

The consolidated results for the year are set out in the Consolidated income statement on page 30.

An interim dividend of 7p per share was paid to shareholders on 6 November 2014 (2013: interim dividend of 3.5p per share). The Directors recommend the payment of a final dividend of 10p per share in respect of the year ended 31 December 2014 (2013: final dividend of 8.5p per share). The total interim and final dividend in respect of the year ended 31 December 2014 is 17p (2013: 12p). Subject to approval at the Annual General Meeting to be held on 12 May 2015, the final dividend will be paid on 28 May 2015.

Directors

The names of the Directors of the Company appear on pages 9 to 10. The Directors have served throughout the year and at the forthcoming Annual General Meeting all the Directors will offer themselves for re-election.

Share capital

As at 31 December 2014 the issued share capital of the Company was £637,121 (2013: £634,821). This comprised 63,712,123 ordinary shares of 1p each, which are admitted to trading on AIM (2013: 63,482,123 ordinary shares of 1p).

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

During the year the Company issued 230,000 ordinary shares of 1p each in satisfaction of option exercises (2013: nil).

No ordinary shares in the Company were purchased during the year for cancellation by the Company (2013: 355,837).

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

Authorisation to purchase up to a further 9.9% of the Company's ordinary issued share capital was given by shareholders at the Annual General Meeting of the Company held on 16 May 2014. 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 2014	31 December 2013	27 March 2015	Percentage interest as at 31 December 2014	Percentage interest as at 27 March 2015
Paul Hodges*	5,893,966	5,860,750	5,364,486	9.25%	9.25%
Jim Durkin*	5,726,716	5,722,500	5,212,299	8.99%	8.99%
Jeremy Warner Allen*	1,627,916	1,558,700	1,481,957	2.56%	2.56%
Joe Nally*	1,254,216	1,250,000	1,141,849	1.96%	1.96%
Jeff Hewitt	36,480	36,480	36,480	0.06%	0.06%
Gerry Aherne	36,200	28,500	36,200	0.06%	0.06%
Anthony Hotson	20,864	20,864	20,864	0.03%	0.04%
Mike Chilton*	13,716	9,500	13,716	0.02%	0.02%

* 4,216 ordinary shares have been acquired under the terms and conditions of the Company's Share Incentive Plan of which 3,240 ordinary shares are subject to forfeiture conditions.

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 2014 are shown on page 26 within the Directors' Remuneration Report.

Directors' indemnities

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

To the extent permitted by law, and in accordance with its Articles of Association, the Company indemnifies its Directors and Officers against any claim made against them as a consequence of the execution of their duties as a Director or Officer of the Company. 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 2014 and at 27 March 2015:

Holder	Number of shares	Percentage interest as at 31 December 2014	Number of shares	Percentage interest as at 27 March 2015
Invesco Limited	9,611,768	15.09%	8,747,689	15.09%
Hargreave Hale Limited	8,454,784	13.27%	7,696,920	13.27%
J.P.Morgan Asset Management Limited	4,668,326	7.33%	4,248,659	7.33%
Cenkos Securities EBT	2,811,030	4.41%	2,811,030	4.85%
Nicholas Wells	2,554,081	4.00%	2,320,597	4.00%

Employee benefit trust

The Company has an Employee Benefit Trust ("EBT") to service its share schemes. The EBT is funded by the Company and it has the power to acquire shares from the Company or in the open market to meet the Company's future obligations under its share schemes. At 31 December 2014, the EBT held 2,811,030 ordinary shares representing 4.41% (2013: 3,158,477 ordinary shares representing 4.98%) of the Company's issued share capital.

Employment policies, including diversity

The Company 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 Company 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 Company 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 Company through performance-based incentive schemes incorporating formula-based profit sharing arrangements, share option arrangements and two HM Revenue & Customs approved all staff share schemes – a Share Incentive Plan and a Save As You Earn Sharesave Scheme.

Events after the reporting date

The Board announced on 17 September 2014 that as a result of the Company's recent financial performance, it was, in addition to the payment of an interim dividend in respect of the first half of 2014, evaluating means of returning further value to Shareholders during the remainder of 2014. In December 2014 a Tender Offer was launched to purchase 9% of the Company's issued share capital. As a result of this, the Company's broker, Smith & Williamson, purchased 5,727,340 ordinary shares in the Company as principal in January 2015 and these were subsequently cancelled by the Company. There were no other material post-balance sheet events after the reporting date.

Going concern

After making enquiries the Directors have a reasonable expectation that the Company 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.

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 Company'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 Company's auditor in connection with preparing their report) of which the Company's auditor are 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 Company's auditor are 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.

Directors' report continued

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 Company 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 12 May 2015 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 70 to 74.

This report was approved by the Board of Directors on 27 March 2015 and signed on its behalf by:

Stephen Doherty

Company Secretary

27 March 2015

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 Company and of the profit or loss of the Company 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 Company'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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and 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 Company'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 27 March 2015 and signed on its behalf by:

Jim Durkin
Chief Executive Officer
27 March 2015

Corporate governance report

Introduction

The Company, whose shares are admitted to trading on AIM, is not required to comply with the UK Corporate Governance Code ("the Code"). The Directors fully support high standards of corporate governance and have chosen to make the following disclosures which are deemed to be the most relevant, given the nature, size and scope of the Company'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 Company. The Board is responsible for strategic and major operational issues affecting the Company. It reviews financial performance, regulatory compliance, monitors key performance indicators and will consider any matters of significance to the Company, 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 Company's business is delegated to the Chief Executive Officer and executive Directors of the Company.

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 Company.

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 Company's affairs, which includes ensuring that the Directors receive accurate, timely and clear information, ensuring the effective contribution of the Non-executive Directors and implementing effective communication with shareholders.

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 Company, managing the Company'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 Non-executive 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 Company 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 Company 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 only undertaken providing the Board is fully satisfied that the Non-executive Directors' independence and objectivity is not compromised in any manner. See the Directors Remuneration Report for further details of payments made for 2014.

Executive Directors

Four executive Directors from within the senior management of the Company served on the Board throughout the year. 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 Company, 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.

Attendance at meetings

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

	Board Meeting	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Number of meetings held	7	3	7	1
Chairman:				
Gerry Aherne	6	3	5	1
Chief Executive Officer:				
Jim Durkin	7	n/a	n/a	n/a
Non-executive Directors:				
Jeff Hewitt	7	3	7	1
Dr. Anthony Hotson	7	3	7	1
Executive Directors:				
Mike Chilton	7	n/a	n/a	n/a
Paul Hodges	7	n/a	n/a	n/a
Joe Nally	6	n/a	n/a	n/a
Jeremy Warner Allen	7	n/a	n/a	n/a

Corporate governance report continued

Board effectiveness

Although no review of Board effectiveness took place in 2014, in December 2013 the Chairman conducted an assessment of the effectiveness of the Board and its Committees through an internal questionnaire completed by each Director followed up by one-to-one discussions. The questionnaire covered a number of areas including Board composition, meeting structure, strategic oversight, risk management, succession planning, information content and format and, finally, performance of the Board Committees. The outcomes and principal findings were reported to the Board for consideration. Issues raised by the evaluation exercise have been used to introduce improvements to the Board processes which have been developed further throughout 2014.

The performance of the Chief Executive Officer is appraised annually by the Chairman. 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 Company's website, www.cenkos.com.

Audit Committee

Full details of the composition and work of the Audit Committee is provided in the Audit Committee Report on pages 20 to 23 which provide details of the role, composition, responsibilities of the Committee and its relationship with internal and external auditor. The Board, through the Audit Committee, reviewed the effectiveness of the system of internal control throughout the year. The Audit Committee considered the progress that had been made during the year ended 31 December 2014 and assessed the status of the Company's risk management framework and associated internal controls. It also considered how risks are identified, monitored, mitigated and reported throughout the Company. 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 2014, 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 Company.

Remuneration Committee

Full details of the composition and work of the Remuneration Committee is provided in the Directors' Remuneration Report on pages 24 to 27.

Nomination Committee

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

Management committees

To assist the Chief Executive Officer and senior management in the discharge of their duties, the Company 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.

New Business Committee

The New Business Committee, which is chaired by the Chief Executive Officer, generally meets weekly and is responsible for exercising senior management oversight in relation to the Company taking on new corporate client relationships and considering new transactions for existing corporate clients. The Committee has responsibility for assessing the impact on the Company 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.

Risk and Compliance Committee

The Risk and Compliance Committee is chaired by the Chief Executive Officer 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 Company. Issues arising from the Risk and Compliance Committee are reported to the Audit Committee by the Chief Executive Officer.

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 Company's website (www.cenkos.com)

This report was approved by the Board of Directors on 27 March 2015 and signed on its behalf by:

Stephen Doherty

Company Secretary

27 March 2015

Audit committee report

Introduction
Much of the Audit Committee's (the "Committee") time was spent on regular activities as 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.

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

- Reviewing and monitoring the effectiveness of the Company's systems of risk management, regulatory compliance and internal controls;
- Assessing the Company's financial risks and plans for mitigating these risks;
- Reviewing the Company'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 noted in note 1 of the financial statements;
- The appropriateness of valuations of financial instruments, including the valuation of warrants and options held over AIM stocks and unquoted investments held by the 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 – see note 23 of the financial statements; and

- Given the very large transaction completed during the year, the Committee carefully reviewed the recognition of revenue and bonus and other costs associated with this transaction. Where any transaction has attracted particular publicity or controversy then the Committee also considered the appropriateness of the approach being taken by management.

Risk management, compliance and internal controls

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

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

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

Transaction reporting, adequacy of resourcing and administration – including corporate finance transaction documentation – were a continuing specific focus for Compliance and the business as a whole. The Compliance Manual was updated and, given the importance of developing and managing people appropriately, the internal staff appraisal process was again given increased emphasis. The Committee continued to support a proactive regulatory training programme and reviewed in detail enhancements made in all of these areas.

Litigation or potential litigation and the insurance of risks were also considered within the overall risk framework. The principal risks presented in the Strategic Report on pages 2 to 8 of this Annual Report appropriately reflect the outcome of the Board's consideration of risks.

The Board has considered whether a separate Board level Risk Committee is necessary and decided that one is not required given the existing structure and the size and limited complexity of the business.

Audit committee report continued

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 Company's approach to continuous improvement is maintained. The Committee oversees the internal audit function, approving its plans and scope, its resources and examines the reports produced.

Reviews were undertaken during the year on a number of Corporate Finance transactions, the Company's internal capital adequacy assessment process (ICAAP) and individual liquidity adequacy assessment (ILAA), its Anti-Bribery and Corruption policy and procedures and its IT arrangements, including cyber security. Management actions to remediate identified risks were tracked and followed up to validate that the actions were completed.

As part of the internal audit process, the Head of Internal Audit reports directly to the Chairman of the Audit Committee and also liaises directly with the Chief Executive Officer and Finance Director. Internal audit also attends and reports on progress and issues at each Audit Committee meeting. These reviews demonstrated that procedures were strong or good with areas for improvement being noted and followed up to an agreed timetable.

External auditor independence

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

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

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

The Committee has stipulated that that the fees paid to the auditor for any individual item of non-audit work should not exceed £20,000 without prior Committee approval. As shown in note 7 of these financial statements, £3,900 was paid in 2014 to the auditor for advisory work in addition to the fee paid for their interim review. The Committee also gives due consideration to appointing other firms where it is felt that the impact of an assignment may compromise the independence of the auditor. The European Commission proposals relating to non-audit services provided by the auditor will restrict further the work permitted to be done by the auditor.

The level of audit and non-audit fees charged by the Company'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 quality of formal and informal communications with the Committee, the views of management, cost effectiveness, objectivity and a review of the principal findings arising from the inspection of the auditor's work carried out by the Audit Quality Review team of the Financial Reporting Council. In the current year the Committee again evaluated the auditor's performance as good and the relationship with management to be sound. The lead partner and senior team are well qualified and have expertise in the Company's business areas and associated regulatory framework.

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

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

This report was approved by the Audit Committee on 27 March 2015 and signed on its behalf by:

Jeff Hewitt

Chairman of the Audit Committee

27 March 2015

Directors' remuneration report

Introduction

The Remuneration Committee (the "Committee") has delegated responsibility from the Board for developing the remuneration policy of the Company 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 Company 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 Company in meeting its targets and objectives, and is therefore substantially reflective of the Company'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 Company'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 Company's overall financial results, once risk factors have been taken into account.

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. During the year the Company introduced a workplace pension scheme with Aviva with a Company contribution rate based on 1% of qualifying earnings of up to £36,093 and auto-enrolled all of its eligible employees within the scheme. Jim Durkin, Paul Hodges, Joe Nally and Jeremy Warner Allen opted out of the Scheme. Other than this Scheme the Company 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 and Finance Director, consideration was given not only to the financial performance of the Company (including returns to shareholders and the Company's profitability) in 2014, 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 Company, 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 2014 and rewards and motivates them so that they can continue to develop the value of the business, and thereby maximise shareholder returns.

Table of Directors' remuneration

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

	Salary/ fees £ 000's	Annual performance award £ 000's	Taxable benefit in kind £ 000's	Cash bonus in respect of options held £ 000's	Total 2014 £ 000's	Total 2013 £ 000's
Non-executive Directors						
Gerry Aherne	285	–	–	–	285	225*
Jeff Hewitt	98	–	–	–	98	54
Dr. Anthony Hotson	98	–	–	–	98	56
Executive Directors						
Jim Durkin	150	1,832	4	–	1,986	906
Mike Chilton***	125	295	3	–	423	440
Paul Hodges	90	3,513	4	–	3,607	1,840
Joe Nally**	75	428	6	85	594	864
Jeremy Warner Allen**	75	1,176	4	36	1,291	1,036
	996	**7,244**	**21**	**121**	**8,382**	**5,421**

* This figure has been restated to reflect £125,000 that was subsequently paid to the Chairman in respect of additional work that he undertook in 2013 that was previously disclosed in the Company's 2014 Interim Report.

** In accordance with the terms and conditions of the grant of options that had previously been made to Joe Nally and Jeremy Warner Allen, they 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.

*** Mike Chilton also received a pension contribution of £90 in 2014. No other Director received a company pension contribution.

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.

The base fee for the Non-executive Directors is set at £52,000 with an additional fee of £6,000 being awarded for acting as the Chairman of the Audit or Remuneration Committees respectively. The base fee for the Non-executive Chairman is £120,000. During the year the Non-executive Directors performed additional duties and the executive Directors agreed that Jeff Hewitt and Dr. Anthony Hotson should each be paid an additional £40,000 (2013: nil) and that Gerry Aherne, the Non-executive Chairman, be paid an additional fee of £165,000 (2013: £125,000) to reflect the extra work undertaken. The Non-executive Directors intend, in respect of their additional fees, that the net amount from £40,000 of these fees will be used by them to make market purchases of shares in the Company during 2015. The executive Directors have concluded and are satisfied that these additional fees paid for extra duties undertaken did not affect the Non-executive Directors' independence. Non-executive Directors are also reimbursed all reasonable expenses incurred solely in relation to their duties as Non-executive Directors. There are no plans to increase the base or committee fees payable to the Non-executive Directors in 2015.

Directors' remuneration report continued

Executive Directors' service contracts

The executive Directors are employed on rolling service contracts, which are subject to six months' notice. Copies of Directors' service contracts will be available for review at the Annual General Meeting on 12 May 2015.

Long-term incentives

The Company has a Long-Term Incentive Plan, a Company Share Option Plan, and a Compensatory Award Plan 2009 ("the Schemes"). During the year no options were granted under these Schemes (2013: none). The Board has delegated to the Remuneration Committee the responsibility to supervise the Schemes and grant options under the terms of the Schemes. The Company's policy is to use the Schemes to attract and retain key senior employees (including executive Directors). Any grant of options is at the discretion of the Committee and takes into account individual performance and responsibilities. Where appropriate, a grant of options will incorporate a performance condition.

In addition, in July 2014 the Company launched two HM Revenue & Customs approved all staff share schemes: a Share Incentive Plan and a Save As You Earn Sharesave Scheme.

Directors' interests in share options

The executive Directors have interests in options over ordinary shares in the Company as at 31 December 2014 as shown below:

Name of Director	No. held at 1 January 2014	No. held at 31 December 2014	Exercise price	Grant date	Earliest exercise date	Latest exercise date
*Long-Term Incentive Plan**						
Joe Nally	1,000,000	1,000,000	£1.00	02.04.2012	02.04.2015	01.10.2015
*2009 Compensatory Award Plan**						
Jeremy Warner Allen	178,710	178,710	£1.69	01.10.2009	01.10.2009	30.09.2019
Save As You Earn Sharesave Scheme						
Jim Durkin	–	10,416	£1.728	15.07.2014	01.08.2017	28.02.2018
Mike Chilton	–	10,416	£1.728	15.07.2014	01.08.2017	28.02.2018
Paul Hodges	–	10,416	£1.728	15.07.2014	01.08.2017	28.02.2018
Joe Nally	–	10,416	£1.728	15.07.2014	01.08.2017	28.02.2018
Jeremy Warner Allen	–	10,416	£1.728	15.07.2014	01.08.2017	28.02.2018

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

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

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

The executive Directors' interests in the shares held under the SIP as 31 December 2014 is shown below.

Name of Director	No. held 1 January 2014	No. held 31 December 2014	No. subject to forfeiture conditions 31 December 2014
Jim Durkin	–	4,216	3,240
Mike Chilton	–	4,216	3,240
Paul Hodges	–	4,216	3,240
Joe Nally	–	4,216	3,240
Jeremy Warner Allen	–	4,216	3,240

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

Directors' interests in ordinary shares

The Directors' interests in the ordinary shares in the Company as at 31 December 2014 are shown on page 12 within the Directors' Report.

At 31 December 2014 the mid-market price of the Company's ordinary shares was 174.5p. The highest daily closing price during the year was 244.0p and the lowest was 140.0p.

Remuneration policy in 2015

The Company's remuneration policy is designed to be consistent with the prudent management of risk and the sustained, long-term performance of the Company. The Committee reviews its remuneration policy to ensure compliance with the principles of the FCA Remuneration Code which are applicable to the Company. Following a review in 2014 the Committee has decided to introduce a bonus deferral scheme for executive Directors, senior managers and high earning employees with effect from the 2015 performance year.

The Committee proposes no changes to the current basic salaries of the executive Directors in 2015.

This report was approved by the Remuneration Committee on 27 March 2015 and signed on its behalf by:

Dr. Anthony Hotson

Chairman of the Remuneration Committee

27 March 2015

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 2014 which comprise the Group Income Statement, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 15, 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 2014 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Paul Sater (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Ernst & Young LLP

27 March 2015

Consolidated income statement for the year ended 31 December 2014

	Notes	2014 £ 000's	2013 £ 000's
Continuing operations			
Revenue	3	88,516	51,433
Administrative expenses		(61,704)	(40,856)
Operating profit		26,812	10,577
Investment income – interest receivable	4	161	135
Interest expense	5	(1)	(1)
Profit before tax from continuing operations for the year	7	26,972	10,711
Tax	8	(5,644)	(2,122)
Profit after tax		21,328	8,589
Attributable to:			
Equity holders of Cenkos Securities plc		21,328	8,589
Basic earnings per share	10	35.2p	14.2p
Diluted earnings per share	10	32.0p	14.2p

The profit attributable to the Company in the year ended 31 December 2014 was £21.33 million (31 December 2013: £9.54 million).

The notes on pages 38 to 69 form an integral part of these financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2014

	2014 £ 000's	2013 £ 000's
Profit for the year	21,328	8,589
Amounts that will be recycled to income statement in future periods		
Gain on available-for-sale financial assets	132	-
Tax on available-for-sale financial assets	(28)	-
	104	-
Total comprehensive income for the year	21,432	8,589
Attributable to:		
Equity holders of Cenkos Securities plc	21,432	8,589

The notes on pages 38 to 69 form an integral part of these financial statements.

Consolidated statement of financial position as at 31 December 2014

	Notes	2014 £ 000's	2013 £ 000's
Non-current assets			
Property, plant and equipment	11	421	387
Deferred tax asset	18	2,042	1,024
		2,463	1,411
Current assets			
Trade and other receivables	15	19,717	19,349
Available-for-sale financial assets	12	729	1,080
Other current financial assets	14	10,014	13,706
Cash and cash equivalents	16	32,932	30,343
		63,392	64,478
Total assets		65,855	65,889
Current liabilities			
Trade and other payables	17	(23,583)	(35,508)
Other current financial liabilities	14	(2,711)	(4,289)
		(26,294)	(39,797)
Net current assets		37,098	24,681
Total liabilities		(26,294)	(39,797)
Net assets		39,561	26,092
Equity			
Share capital	19	637	635
Share premium		232	–
Capital redemption reserve	19	93	93
Own shares	20	(3,218)	(3,228)
Available-for-sale reserve		104	–
Retained earnings		41,713	28,592
Total equity		39,561	26,092

The notes on pages 38 to 69 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 27 March 2015. They were signed on its behalf by:

Jim Durkin
Chief Executive Officer
27 March 2015

Mike Chilton
Finance Director
27 March 2015

Registered Number: 05210733

Company statement of financial position as at 31 December 2014

	Notes	2014 £ 000's	2013 £ 000's
Non-current assets			
Property, plant and equipment	11	421	387
Deferred tax asset	18	2,042	1,024
Investments in subsidiary undertakings	13	1	1
		2,464	1,412
Current assets			
Trade and other receivables	15	22,967	22,696
Available-for-sale financial assets	12	729	1,080
Other current financial assets	14	10,014	13,706
Cash and cash equivalents	16	32,899	30,224
		66,609	67,706
Total assets		69,073	69,118
Current liabilities			
Trade and other payables	17	(23,583)	(35,508)
Other current financial liabilities	14	(2,711)	(4,289)
		(26,294)	(39,797)
Net current assets		40,315	27,909
Total liabilities		(26,294)	(39,797)
Net assets		42,779	29,321
Equity			
Share capital	19	637	635
Share premium		232	–
Capital redemption reserve	19	93	93
Available-for-sale reserve		104	–
Retained earnings		41,713	28,593
Total equity		42,779	29,321

The notes on pages 38 to 69 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 27 March 2015. They were signed on its behalf by:

Jim Durkin
Chief Executive Officer
27 March 2015

Mike Chilton
Finance Director
27 March 2015

Registered Number: 05210733

Consolidated cash flow statement for the year ended 31 December 2014

	Notes	2014 £ 000's	2013 £ 000's
Profit for the year		21,328	8,589
Gain on available-for-sale financial assets		104	-
Adjustments for:			
Net finance income		(160)	(134)
Tax expense	8	5,644	2,122
Tax expense arising on available-for-sale asset		28	-
Depreciation of property, plant and equipment	11	386	311
Shares and options received in lieu of fees		(3,443)	(1,335)
Share-based payment expense		250	138
Operating cash flows before movements in working capital		24,137	9,691
Decrease/(increase) in net trading investments	14	5,976	(1,212)
Increase in trade and other receivables		(379)	(3,742)
(Decrease)/increase in trade and other payables		(12,940)	10,406
Net cash flow from operating activities		16,794	15,143
Interest paid		(1)	(1)
Tax paid		(4,815)	(1,871)
Net cash flow from operating activities		11,978	13,271
Investing activities			
Interest received		173	62
Purchase of property, plant and equipment	11	(420)	(148)
Net cash outflow from investing activities		(247)	(86)
Financing activities			
Dividends paid	9	(9,386)	(4,541)
Proceeds from issue of own shares		234	-
Acquisition of own shares by Cenkos Securities Employee Benefit Trust ("EBT")	20	-	(283)
Transfer of shares by EBT to employee share plans	20	10	-
Acquisition of own shares for cancellation	19	-	(289)
Net cash used in financing activities		(9,142)	(5,113)
Net increase in cash and cash equivalents		2,589	8,072
Cash and cash equivalents at beginning of year		30,343	22,271
Cash and cash equivalents at end of year		32,932	30,343

The notes on pages 38 to 69 form an integral part of these financial statements.

Company cash flow statement for the year ended 31 December 2014

	Notes	2014 £ 000's	2013 £ 000's
Profit for the year		21,328	9,543
Gain on available-for-sale financial assets		104	–
Adjustments for:			
Net finance income		(160)	(176)
Tax expense	8	5,644	2,122
Tax expense arising on available-for-sale asset		28	–
Depreciation of property, plant and equipment	11	386	311
Shares and options received in lieu of fees		(3,443)	(1,335)
Share-based payment expense		250	138
Operating cash flows before movements in working capital		24,137	10,603
Decrease/(increase) in net trading investments	14	5,976	(1,212)
Increase in trade and other receivables		(283)	(5,056)
(Decrease)/increase in trade and other payables		(12,940)	10,406
Net cash flow from operating activities		16,890	14,741
Interest paid		(1)	(1)
Tax paid		(4,815)	(1,871)
Net cash flow from operating activities		12,074	12,869
Investing activities			
Interest received		173	62
Purchase of property, plant and equipment	11	(420)	(148)
Net cash outflow from investing activities		(247)	(86)
Financing activities			
Dividends paid	9	(9,386)	(4,541)
Proceeds from issue of own shares		234	–
Acquisition of own shares for cancellation	19	–	(289)
Net cash used in financing activities		(9,152)	(4,830)
Net increase in cash and cash equivalents		2,675	7,953
Cash and cash equivalents at beginning of year		30,224	22,271
Cash and cash equivalents at end of year		32,899	30,224

The notes on pages 38 to 69 form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2014

	Share capital £ 000's	Share premium £ 000's	Capital redemption reserve £ 000's	Own shares £ 000's	Available-for-sale reserve £ 000's	Retained earnings £ 000's	Total £ 000's
At 1 January 2013	638	–	90	(2,945)	–	24,446	22,229
Profit for the year	–	–	–	–	–	8,589	8,589
Total comprehensive income for the year	–	–	–	–	–	8,589	8,589
Own shares acquired in the year	–	–	–	(283)	–	–	(283)
Own shares acquired in the year for cancellation	(3)	–	3	–		(289)	(289)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	138	138
Credit to equity for day 1 valuation of acquired share options	–	–	–	–	–	12	12
Deferred tax on share-based payments	–	–	–	–	–	237	237
Dividends paid	–	–	–	–	–	(4,541)	(4,541)
At 31 December 2013	635	–	93	(3,228)	–	28,592	26,092
Profit for the year	–	–	–	–	–	21,328	21,328
Gain on available-for-sale financial assets net of tax	–	–	–	–	104	–	104
Total comprehensive income for the year	–	–	–	–	104	21,328	21,432
Shares issued in the year	2	232	–	–	–	–	234
Transfer of shares to employee share plans	–	–	–	10	–	–	10
Credit to equity for equity-settled share-based payments	–	–	–	–	–	250	250
Credit to equity for day 1 valuation of acquired share options	–	–	–	–	–	68	68
Deferred tax on share-based payments	–	–	–	–	–	818	818
Current tax on share-based payments	–	–	–	–	–	43	43
Dividends paid	–	–	–	–	–	(9,386)	(9,386)
At 31 December 2014	637	232	93	(3,218)	104	41,713	39,561

The notes on pages 38 to 69 form an integral part of these financial statements.

Company statement of changes in equity for the year ended 31 December 2014

	Share capital £ 000's	Share premium £ 000's	Capital redemption reserve £ 000's	Available-for-sale reserve £ 000's	Retained earnings £ 000's	Total £ 000's
At 1 January 2013	638	–	90	–	23,493	24,221
Profit for the year	–	–	–	–	9,543	9,543
Total comprehensive income for the year	–	–	–	–	9,543	9,543
Own shares acquired in the year for cancellation	(3)	–	3	–	(289)	(289)
Credit to equity for equity-settled share-based payments	–	–	–	–	138	138
Credit to equity for day 1 valuation of acquired share options	–	–	–	–	12	12
Deferred tax on share-based payments	–	–	–	–	237	237
Dividends paid	–	–	–	–	(4,541)	(4,541)
At 31 December 2013	635	–	93	–	28,593	29,321
Profit for the year	–	–	–	–	21,328	21,328
Gain on available-for-sale financial assets net of tax	–	–	–	104	–	104
Total comprehensive income for the year	–	–	–	104	21,328	21,432
Shares issued in the year	2	232	–	–	–	234
Charge to equity for equity-settled share-based payments	–	–	–	–	250	250
Credit to equity for day 1 valuation of acquired share options	–	–	–	–	67	67
Deferred tax on share-based payments	–	–	–	–	818	818
Current tax on share-based payments	–	–	–	–	43	43
Dividends paid	–	–	–	–	(9,386)	(9,386)
At 31 December 2014	637	232	93	104	41,713	42,779

The notes on pages 38 to 69 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

General information

Cenkos Securities plc is a company incorporated in the United Kingdom under the Companies Act 2006 (Company Registration No. 05210733). These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the 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.

Basis of accounting

The Company'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 Company 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.

Going concern

The Company's business activities, together with the factors likely to affect its future development and performance, the financial position of the Company, its cash flows and liquidity position are set out in the Strategic Report on pages 2 to 8. In addition, note 23 includes the Company'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 Company 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 Company's statement of financial position and cash balances, the Company 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, net of transaction costs.

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss" ("FVTPL"), "held-to-maturity", "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.

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.

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.

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.

Notes to the financial statements continued

1. Accounting policies (continued)

Trade and other receivables

Market debtors are measured at fair value. All other debtors are measured at amortised cost using the effective interest method, less any impairment. Appropriate allowance for estimated irrecoverable amounts is recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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.

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.

Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company 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 either held for trading or it is designated as at FVTPL upon initial recognition.

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 Company 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.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Company is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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.

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.

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

Equity instruments

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

Derivative financial instruments

The Company has no significant exposure to derivative financial instruments but will occasionally enter into futures to manage its exposure to market risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately.

Notes to the financial statements continued

1. Accounting policies (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Company 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 Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Foreign currencies

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

Investments in subsidiary undertakings

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

Operating leases

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

Property, plant and equipment

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

- Leasehold improvements: Remaining term of the lease
- Fixtures and fittings: Three years
- IT equipment: Three years

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

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 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.

Notes to the financial statements continued

1. Accounting policies (continued)

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.

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. The principal risks that the Company faces are noted in the Strategic Report. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are set out below:

a) Equity-settled share-based payments

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

b) 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 grant, 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 security's 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) Bad debt policy

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

d) Provisions and contingent liabilities

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

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 2014, one of Cenkos' clients contributed more than 10% of Cenkos' total revenue. The amount was £33.29 million (2013: no one particular client's revenues accounted for more than 10% of the Company's total revenue).

4. Investment income – interest receivable

	2014 £ 000's	2013 £ 000's
Interest income generated from:		
Cash and cash equivalents	161	64
Trade and other receivables	–	71
	161	135

Interest income generated from trade and other receivables includes the recognition of the unwinding of the discount factor applied to loans due from staff related to the issue of the partly paid B shares, which amounted to £ nil (2013: £71,221). These loans were fair valued when granted and the discount factor unwound over the period until settlement. By 30 June 2013 all outstanding amounts in respect of the B shares had been received by the Company.

5. Interest expense

	2014 £ 000's	2013 £ 000's
Interest on bank overdrafts and loans	1	1

Notes to the financial statements continued

6. Staff costs

	2014 £ 000's	2013 £ 000's
Staff costs comprise:		
Wages and salaries	45,538	29,231
Social security costs	6,188	3,949
IFRS 2 share-based payments	250	138
	51,976	33,318

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.

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

	2014	2013
Corporate finance	22	20
Corporate broking	62	56
Administration	31	31
	115	107

	2014 £ 000's	2013 £ 000's
The total emoluments of the highest paid Director serving during the year were:	3,607	1,840

Details of the remuneration of key management personnel are set out in note 24. Details of the Directors' remuneration are set out in the Directors' Remuneration Report on pages 24 to 27.

7. Profit for the year

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

	2014 £ 000's	2013 £ 000's
Operating lease rentals	524	532
Auditor's remuneration (refer to analysis below)	169	160
Depreciation of property, plant and equipment	386	310
Staff costs (see note 6)	51,976	33,318
Change in fair value of share options and warrants at FVTPL	196	(401)

The analysis of the auditor's remuneration is as follows:

	2014 £ 000's	2013 £ 000's
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts and consolidation	130	120
Total audit fees	130	120
Fees payable to the Company's auditor for other services to the Group:		
– Half year review of the Company's interim report	35	30
– Other advisory services – including taxation	4	10
Total non-audit fees	39	40
	169	160

A description of the work of the Audit Committee is set out on pages 20 to 23 of this Annual Report and includes an explanation of how auditor objectivity and independence are safeguarded when non-audit services are provided by the auditor.

8. Tax

The tax charge comprises:

	2014 £ 000's	2013 £ 000's
Current tax		
United Kingdom corporation tax at 21.5% (2013: 23.25%) based on the profit for the year	5,813	2,612
Adjustment in respect of prior period		
United Kingdom corporation tax at 21.5% (2013: 23.25%)	31	25
Total current tax	5,844	2,637
Deferred tax		
Credit on account of temporary differences	(173)	(495)
Deferred tax prior year adjustment	(27)	(20)
Total deferred tax (refer note 18)	(200)	(515)
Total tax on profit on ordinary activities from continuing operations	5,644	2,122

Notes to the financial statements *continued*

8. Tax (continued)

A reconciliation of the tax expense for 2013 and 2014 and the accounting profit multiplied by the standard rate of UK corporation tax of 21.5% (2013: 23.25%) is set out below:

	2014 £ 000's	2013 £ 000's
Profit before tax from continuing operations	26,972	10,711
Tax on profit on ordinary activities at the UK corporation tax rate of 21.5% (2013: 23.25%)	5,799	2,491
Tax effect of:		
Non-deductible expenses for tax purposes	152	104
Income not subject to corporation tax	–	(15)
Recognition of deferred tax previously unrecognised	(336)	(621)
Deferred tax rate change adjustment	25	148
Adjustment for loss relief not claimed	–	10
Adjustment in respect of prior period deferred tax	(27)	(20)
Adjustment in respect of prior period current tax	31	25
Tax expense for the year	5,644	2,122

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

	2014 £ 000's	2013 £ 000's
Other Comprehensive Income (OCI)		
Current tax expense arising on available-for-sale financial asset	28	–
Statement of Changes in Equity (SOCIE)		
Current tax credit arising on share-based payments	(43)	–
Deferred tax credit arising on share-based payments	(818)	(237)
Total income tax recognised directly in equity	(833)	(237)

9. Dividends

Amounts recognised as distributions to equity holders in the year:

	2014 £ 000's	2013 £ 000's
Final dividend for the year ended 31 December 2013 of 8.5p (December 2012: 4p) per share	5,128	2,430
Interim dividend for the period to 30 June 2014 of 7p (June 2013: 3.5p) per share	4,258	2,111
	9,386	4,541

A final dividend of 10 pence per share has been proposed for the year ended 31 December 2014 (2013: 8.5p). The payment of a dividend to ordinary shareholders triggers a cash payment to holders of options under the 2009 Compensatory Award Plan ("CAP"). The payment of this final dividend will lead to a further £1.44 million of staff costs in the first half of 2015 (8.5p final dividend in respect of 2013 led to a further £2.04 million of staff costs in the first half of 2014). See note 22 for details of the CAP scheme.

10. Earnings per share

	2014	2013
Basic earnings per share	35.2p	14.2p
Diluted earnings per share	32.0p	14.2p

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

	2014 £ 000's	2013 £ 000's
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	21,328	8,589

	2014 No.	2013 No.
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	60,530,876	60,525,904
Effect of dilutive potential ordinary shares:		
Share options	6,132,434	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	66,663,310	60,525,904

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's shares as and when market conditions allow. During the year, no further ordinary shares were purchased (2013: 314,753 shares were purchased for an aggregate consideration of £282,356), however 347,447 shares were transferred out at average cost to the Cenkos Securities plc Share Incentive Plan to satisfy awards under that scheme. See note 22 for details. As at 31 December 2014 the EBT held a total of 2,811,030 (2013: 3,158,477) ordinary shares at an aggregate consideration of £2.87 million (2013: £3.23 million). These shares are held by the trust and have been excluded from the weighted average number of shares calculation. The table below shows the number of shares held by the Company's EBT.

	2014 No.	2013 No.
Number of shares held by the Company's EBT		
At 1 January	3,158,477	2,843,724
Acquired during the year	–	314,753
Transferred to Cenkos Securities plc Share Incentive Plan	(347,447)	–
	2,811,030	3,158,477

Notes to the financial statements continued

11. Property, plant and equipment

Group

	Leasehold improvements £ 000's	Fixtures and fittings £ 000's	IT equipment £ 000's	Total £ 000's
Cost				
At 31 December 2012	1,324	165	854	2,343
Additions	15	6	127	148
At 31 December 2013	1,339	171	981	2,491
Additions	146	18	256	420
At 31 December 2014	1,485	189	1,237	2,911
Accumulated depreciation				
At 31 December 2012	(922)	(150)	(721)	(1,793)
Charge for the year	(186)	(9)	(116)	(311)
At 31 December 2013	(1,108)	(159)	(837)	(2,104)
Charge for the year	(235)	(12)	(139)	(386)
At 31 December 2014	(1,343)	(171)	(976)	(2,490)
Net book value				
At 31 December 2014	142	18	261	421
At 31 December 2013	231	12	144	387

The cost of fully depreciated property, plant and equipment still in use amounts to £295,848 (2013: £279,140).

Company

	Leasehold improvements £ 000's	Fixtures and fittings £ 000's	IT equipment £ 000's	Total £ 000's
Cost				
At 31 December 2012	1,324	165	853	2,342
Additions	15	6	127	148
At 31 December 2013	1,339	171	980	2,490
Additions	146	18	256	420
At 31 December 2014	1,485	189	1,236	2,910
Accumulated depreciation				
At 31 December 2012	(922)	(150)	(720)	(1,792)
Charge for the year	(186)	(9)	(116)	(311)
At 31 December 2013	(1,108)	(159)	(836)	(2,103)
Charge for the year	(235)	(12)	(139)	(386)
At 31 December 2014	(1,343)	(171)	(975)	(2,489)
Net book value				
At 31 December 2014	142	18	261	421
At 31 December 2013	231	12	144	387

12. Available-for-sale investments

	Group and Company	
	2014 £ 000's	2013 £ 000's
Current assets		
Opening balance (at fair value)	1,080	1,000
Acquired during the year	97	80
Unlisted securities redeemed	(80)	–
Impairment of available-for-sale investments	(500)	–
Remeasurement recognised in Comprehensive Income	132	–
Closing balance (at fair value)	729	1,080

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

13. Investment in subsidiaries

	Shares in subsidiary undertakings	
	2014 £ 000's	2013 £ 000's
Company		
Cost		
At 1 January	1	1
At 31 December	1	1

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

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

All of these subsidiary undertakings operate and are registered in England and Wales.

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

The assets and liabilities of the Cenkos Securities Employee Benefit Trust ("EBT") and the Cenkos Securities plc Share Incentive Plan 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

14. Financial assets and liabilities

	Group and Company	
	2014 £ 000's	2013 £ 000's
Financial assets at FVTPL		
Trading investments carried at fair value	9,122	12,567
Derivative financial assets	892	1,139
	10,014	13,706
Financial liabilities at FVTPL		
Contractual obligation to acquire securities	(2,711)	(4,289)

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

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

	Group and Company	
	2014 £ 000's	2013 £ 000's
Movement in net trading investments		
Financial assets at FVTPL	3,692	(3,920)
Financial liabilities at FVTPL	(1,578)	1,441
Available-for-sale investments	351	(80)
Shares and options received in lieu of fees	3,443	1,335
Options value posted to equity	68	12
	5,976	(1,212)

15. Trade and other receivables

	Group		Company	
	2014 £ 000's	2013 £ 000's	2014 £ 000's	2013 £ 000's
Current assets				
Market and client receivables	17,512	17,396	17,512	17,396
Amounts owed by Group undertakings	–	–	3,251	3,347
Unpaid share capital and loans due from staff	1	2	1	2
Prepayments and accrued income	1,551	1,244	1,551	1,244
Other receivables	653	707	652	707
	19,717	19,349	22,967	22,696

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

	Total £ 000's	Neither past due nor impaired £ 000's	Past due but not impaired < 30 days £ 000's	30-60 days £ 000's	61-90 days £ 000's	> 90 days £ 000's
2014	19,717	15,406	4,135	103	–	72
2013	19,349	14,965	3,891	238	27	228

The average credit period taken is 14 days (2013: 27 days). A specific provision of £146,304 (2013: £176,093) 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 £91,100 (2013: £130,854).

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

Credit risk

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

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Company has no significant concentration of credit risk, other than that covered in note 23. In addition, the risk associated with these financial assets is further discussed in note 23.

16. Cash and cash equivalents

	Group 2014 £ 000's	Group 2013 £ 000's	Company 2014 £ 000's	Company 2013 £ 000's
Cash and cash equivalents	32,932	30,343	32,899	30,224

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 2014, the Company had an undrawn borrowing facility of up to £5 million (2013: £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 14) after applying various haircuts. This facility is due to be renewed at the end of April 2015.

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 2014, the Company had no outstanding financial liabilities to HSBC Bank plc which were covered by the terms of this guarantee.

Notes to the financial statements continued

17. Trade and other payables

	Group and Company	
	2014 £ 000's	2013 £ 000's
Trade creditors	7,909	14,401
Corporation tax payable	2,832	1,816
Accruals and deferred income	12,533	18,724
Other creditors	309	567
	23,583	35,508

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

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:

	Group and Company temporary differences			
	Bonus payments £ 000's	Fixed assets £ 000's	Share-based payments £ 000's	Total £ 000's
At 31 December 2012	243	29	–	272
Origination and reversal of temporary differences (expense)/credit	(33)	(2)	530	495
Deferred tax prior year adjustment credit	20	–	–	20
Deferred tax credit to equity	–	–	237	237
At 31 December 2013	230	27	767	1,024
Origination and reversal of temporary differences (expense)/credit	(15)	(21)	209	173
Deferred tax prior year adjustment credit	27	–	–	27
Deferred tax credit to equity	–	–	818	818
At 31 December 2014	242	6	1,794	2,042

The £1.79 million (2013: £0.77 million) deferred tax asset arising from share options reflects the increase in the Company's share price, with the share price at 31 December 2014 being above the options' exercise price.

The Finance Bill 2013 was substantively enacted on 2 July 2013. The reduction to the standard rate of corporation tax from 21% to 20% will be effective from 1 April 2015. Accordingly, the deferred tax balances at 31 December 2014 have been stated at 20% based on 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 £60,452 at 20%).

19. Share capital and capital redemption reserve

	Group and Company	
	2014 £ 000's	2013 £ 000's
Authorised:		
179,185,700 (2013 – 179,185,700) ordinary shares of 1p each	1,792	1,792
20,814,300 (2013 – 20,814,300) B shares of 1p each	208	208
	2,000	2,000
Allotted:		
63,712,123 (2013: 63,482,123) ordinary shares of 1p each fully paid	637	635

1 January 2013 to 31 December 2013

On 29 January 2013, 50,000 B shares of 1p each were converted into 50,000 ordinary shares of 1p each.

On 14 May 2013, 20,338 B shares of 1p each were converted into 20,338 ordinary shares of 1p each.

On 21 May 2013, 91,183 B shares of 1p each were converted into 91,183 ordinary shares of 1p each.

On 24 May 2013, 257,357 B shares of 1p each were converted into 257,357 ordinary shares of 1p each.

On 28 May 2013, 525,368 B shares of 1p each were converted into 525,368 ordinary shares of 1p each.

On 17 June 2013, 1,200,000 B shares of 1p each were converted into 1,200,000 ordinary shares of 1p each.

On 19 June 2013, 540,000 B shares of 1p each were converted into 540,000 ordinary shares of 1p each.

On 29 January 2013, the Company purchased in the market 215,837 ordinary shares of 1p at 75p each. These shares were cancelled by the Company and an amount equivalent to the nominal value of the shares was transferred to the capital redemption reserve.

On 24 May 2013, the Company purchased in the market 140,000 ordinary shares of 1p at 90p each. These shares were cancelled by the Company and an amount equivalent to the nominal value of the shares was transferred to the capital redemption reserve.

1 January 2014 to 31 December 2014

On 23 April 2014, 10,000 ordinary shares of 1p each were issued following the exercise of 10,000 options in accordance with the Company's Long-Term Incentive Plan.

On 3 July 2014, 25,000 ordinary shares of 1p each were issued following the exercise of 25,000 options in accordance with the Company's Long-Term Incentive Plan.

On 15 September 2014, 100,000 ordinary shares of 1p each were issued following the exercise of 100,000 options in accordance with the Company's Long-Term Incentive Plan.

On 2 October 2014, 20,000 ordinary shares of 1p each were issued following the exercise of 20,000 options in accordance with the Company's Long-Term Incentive Plan.

On 10 December 2014, 75,000 ordinary shares of 1p each were issued following the exercise of 75,000 awards options in accordance with the 2009 Compensatory Award Plan.

Notes to the financial statements continued

19. Share capital and capital redemption reserve (continued)

	Group and Company		Group and Company	
	2014 Number	2013 Number	2014 £ 000's	2013 £ 000's
Capital redemption reserve				
At 1 January	9,289,048	8,933,211	93	90
Own shares acquired in the year for cancellation	–	355,837	–	3
At 31 December	9,289,048	9,289,048	93	93

20. Own shares

Own shares represent the cost of shares purchased by the EBT and those transferred to the Cenkos Securities plc Share Incentive Plan. 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, no further ordinary shares were purchased (2013: 314,753 shares for an aggregate consideration of £282,356), however 347,447 shares were transferred out of the EBT at average cost to the Cenkos Securities plc Share Incentive Plan Trust to satisfy awards under that scheme (see note 22). As at 31 December 2014 the EBT held a total of 2,811,030 (2013: 3,158,477) ordinary shares at an aggregate consideration of £2.87 million (2013: £3.23 million). These shares are held by the trust and have been excluded from the weighted average number of shares calculation up to this date. The table below shows the number of shares held by the Company's EBT:

	2014		2013	
	Number of shares	Cost £ 000's	Number of shares	Cost £ 000's
At 1 January: Shares in EBT	3,158,477	3,228	2,843,724	2,945
Acquired during the year	–	–	314,753	283
Transferred to Cenkos Securities plc Share Incentive Plan				
Free shares	(166,706)	(171)	–	–
Matching shares	(171,468)	(175)	–	–
Dividend reinvestment	(9,273)	(10)	–	–
At 31 December: Shares in EBT	2,811,030	2,872	3,158,477	3,228
Cenkos Securities plc Share Incentive Plan				
Free shares	166,706	171	–	–
Matching shares	171,468	175	–	–
At 31 December: Own shares	3,149,204	3,218	3,158,477	3,228

21. Operating lease arrangements

The Company as lessee

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

	Group and Company	
	2014 **£ 000's**	**2013** **£ 000's**
Within one year	647	507
In the second to fifth years inclusive	2,642	157
After five years	118	93

Operating lease payments represent rentals payable by the Company for office properties and leases. They are negotiated for an average term of ten years and rentals are fixed for an average of 4.4 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 and during the year launched a Save as You Earn Sharesave ("SAYE") scheme and a Share Incentive Plan ("SIP") for all qualifying employees of the Company.

CSOP

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

LTIP

The Company has established a Long-Term Incentive Plan ("LTIP").The measurement period in respect of a performance condition is 36 months after the grant date and the vesting period is a further 6 months after this date. If a call has not been made in respect of the vested options within this period or where the holder ceases to hold office or employment within the Company (whether or not vested) then the options will lapse.

Notes to the financial statements continued

22. Share-based payments (continued)

Compensatory Award Plan 2009

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

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

	2014 Number of share options	2014 Weighted average exercise price (in £)	2013 Number of share options	2013 Weighted average exercise price (in £)
Outstanding at beginning of year	17,373,042	1.13	18,623,042	1.21
Exercised during the year	(230,000)	1.02	–	–
Lapsed during the year	(1,685,000)	1.00	(1,250,000)	
Outstanding and exercisable at the end of the year	15,458,042	1.15	17,373,042	1.13

	Date of grant	Vesting date	Date of expiry	Remaining contractual life, months	2014 Number of shares options	2013 Number of shares options
Options exercisable at £1.15 per share	Jul-09	Jul-09	Jul-19	55	9,119,292	9,194,292
Options exercisable at £1.69 per share	Oct-09	Oct-09	Oct-19	58	1,428,750	1,428,750
Options exercisable at £1.03 per share	Nov-10	Nov-13	May-14	–	–	175,000
Options exercisable at £0.95 per share	Mar-11	Mar-14	Sep-14	–	–	150,000
Options exercisable at £1.00 per share	Mar-12	Mar-12	Mar-22	–	–	1,500,000
Options exercisable at £0.95 per share	Mar-12	Mar-15	Sep-15	9	1,410,000	1,425,000
Options exercisable at £1.00 per share	Mar-12	Mar-15	Sep-15	9	3,500,000	3,500,000
Options in issue at the end of 31 December					15,458,042	17,373,042

The options outstanding at 31 December 2014 have exercise prices ranging from £0.95 to £1.69, a weighted average exercise price of £1.15 (2013: £1.13) and a weighted average remaining contractual life of 3 years (2013: 5 years). At the date of grant, they had an aggregate estimated fair value of £4,714,892 (2013: £4,888,333).

No share options were granted under the CSOP, LTIP or CAP during 2014 (2013: nil).

Save As You Earn Sharesave ("SAYE") scheme

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

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

	2014		2013	
	Savings £ 000's	**Number of shares**	**Savings £ 000's**	**Number of shares**
At 1 January	–	–	–	–
Contributions during the year	116	66,927	–	–
At 31 December	116	66,927	–	–

	Date of grant	**Vesting date**	**Date of expiry**	**Remaining *contractual* life, months**	**2014 Number of *share* options**	**2013 Number of *share* options**
Options exercisable at £1.728 per share	Jul-14	Jul-17	Jul-17	30	66,927	–

At 31 December 2014, the contributions to the SAYE were sufficient to enable the purchase of 66,927 shares (2013: nil) under the scheme at an exercise price of £1.728 (2013: nil). These options had a remaining contractual life of 30 months (2013: nil) and at the date of grant had an aggregate estimated fair value of £394,620 (2013: £nil).

The option under the SAYE scheme has been fair valued using a Monte Carlo simulation. The key inputs to the model are as follows:

	2014	**2013**
Expected volatility	36.0%	–
Risk free rate of return	1.4%	–
Dividend yield	5.2%	–

Notes to the financial statements continued

22. Share-based payments (continued)

Share Incentive Plan ("SIP")

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

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

		2014		2013	
		£ 000's	Number of shares	£ 000's	Number of shares
At 1 January		–	–	–	–
Contributions during the year	Partnership shares	183	85,734	–	–
	Matching shares	367	171,468	–	–
	Free shares	385	166,706	–	–
At 31 December		935	423,908	–	–

During the year the Company recognised expenses of £249,545 (2013: £138,032) related to equity-settled share-based payment transactions with regard to issue of share options and the SAYE and SIP schemes.

23. Financial instruments

Capital risk management

The Company 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 Company 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 Company has no gearing and it is the responsibility of the Board to review the Company's gearing levels on an ongoing basis. As at 31 December 2014, Cenkos Securities plc had a solvency ratio of 234% (2013: 196%).

Externally imposed capital requirement

The Company has 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 Company. The Company always retains a buffer above the FCA minimum requirements and has 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.

Categories of financial instruments

	Carrying value	
	2014	**2013**
	£ 000's	**£ 000's**
Available-for-sale investments	729	1,080
Financial assets at fair value through profit or loss (FVTPL)		
Trading investments carried at fair value	9,122	12,567
Derivative financial assets	892	1,139
Financial liabilities at fair value through profit or loss (FVTPL)		
Trading investments carried at fair value	2,711	4,289
Financial liabilities held at amortised cost		
Amortised cost	23,583	35,508

Financial risk management objectives

The Chief Executive Officer monitors and manages the financial risks relating to the operations of the Company 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 Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Interest rate risk management

The Company 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 Company by maintaining an appropriate mix between fixed and floating rate instruments.

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

Interest rate sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's:

- Profit for the year ended 31 December 2014 would increase/decrease by £0.10 million (2013: increase/decrease by £0.01 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate instruments; and
- Other comprehensive income would increase/decrease by £0.10 million (2013: increase/decrease by £0.01 million).

Notes to the financial statements continued

23. Financial instruments (continued)

Equity price risks

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

Equity price sensitivity analysis

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

If equity prices had been 10% higher/lower:

- Net profit for the year ended 31 December 2014 would have been £0.80 million higher/lower (2013: £1.05 million higher/lower) due to change in the value of FVTPL held for trading investments.

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

Foreign currency risk

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

Credit risk management

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

The vast majority of the Company's credit risk arises from the settlement of security transactions. However, the settlement model primarily used by the Company does not expose the Company to counterparty risk as a principal to a trade. Rather, the Company's exposure lies solely with Pershing Securities Limited ("Pershing"), a wholly owned subsidiary of the Bank of New York Mellon Corporation, a AA- (2013: AA-) rated bank. In addition, in circumstances in which the Company 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 Company 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 Company's cash balances are held with HSBC Bank plc ("HSBC", an AA- rated bank), Royal Bank of Scotland plc (an A rated bank) and Barclays Bank plc (an A rated bank). The banks with which the Company 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 Company'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 Company'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 Company's exposure to credit risk by asset class according to whether the exposure is collateralised.

Exposure to credit risk

		Group		Company	
		2014 £ 000's	2013 £ 000's	2014 £ 000's	2013 £ 000's
Derivative financial assets	Uncollateralised	892	1,139	892	1,139
Market and client receivables	Uncollateralised	17,512	17,396	17,512	17,396
Amounts owed by group undertakings	Uncollateralised	–	–	2,905	3,347
Unpaid share capital and loans due from staff	Uncollateralised	1	2	1	2
Prepayments and accrued income	Uncollateralised	1,551	1,244	1,551	1,244
Other receivables	Uncollateralised	653	707	652	707
Cash and cash equivalents	Uncollateralised	32,932	30,343	32,899	30,224
		53,541	50,831	56,412	54,059

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

Exposure to credit risk

		Group		Company	
		2014 £ 000's	2013 £ 000's	2014 £ 000's	2013 £ 000's
Derivative financial assets	Unrated	892	1,139	892	1,139
Market and client receivables	Unrated	5,830	11,404	5,830	11,404
Market and client receivables	AA-	6,235	5,102	6,235	5,102
Market and client receivables	A	4,858	556	4,858	556
Market and client receivables	BBB	589	334	589	334
Amounts owed by Group undertakings	Unrated	–	–	2,905	3,347
Unpaid share capital and loans due from staff	Unrated	1	2	1	2
Prepayments and accrued income	Unrated	1,551	1,244	1,551	1,244
Other receivables	Unrated	653	707	652	707
Cash and cash equivalents	AA-	22,438	15,290	22,405	15,171
Cash and cash equivalents	A	10,494	15,053	10,494	15,053
		53,541	50,831	56,412	54,059

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. The Company has in place an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company 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 Company has at its disposal to further reduce liquidity risk. Given the nature of the Company's business, the Company does not run any material liquidity mismatches, financial liabilities are on the whole short-term and the Company has sufficient liquid assets to cover all of these liabilities.

Notes to the financial statements continued

23. Financial instruments (continued)

Liquidity and interest risk tables

The following tables detail the Company'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 Company is required to pay. The tables include both interest and principal cash flows. The tables also detail the Company'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.

Liquidity and interest risk tables

31 December 2014		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
Available-for-sale financial assets	Non-interest bearing		729	–	–	729
Financial assets at FVTPL	Non-interest bearing		9,122	–	892	10,014
Trade and other receivables	Non-interest bearing		–	19,717	–	19,717
Financial liabilities at FVTPL	Non-interest bearing		–	(2,711)	–	(2,711)
Trade and other payables	Non-interest bearing		–	(23,583)	–	(23,583)
Cash and cash equivalents	Variable interest rate instruments	0.50%	–	7,394	–	7,394
Cash and cash equivalents	Variable interest rate instruments	0.30%	–	3,099	–	3,099
Cash and cash equivalents	Variable interest rate instruments	0.13%	–	11,671	–	11,671
Cash and cash equivalents	Variable interest rate instruments	0.25%	–	10,768	–	10,768
			9,122	26,355	892	36,369

31 December 2013		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
Available-for-sale financial assets	Non-interest bearing		1,080	–	–	1,080
Financial assets at FVTPL	Non-interest bearing		12,567	–	1,139	13,706
Trade and other receivables	Non-interest bearing		–	19,349	–	19,349
Financial liabilities at FVTPL	Non-interest bearing		–	(4,289)	–	(4,289)
Trade and other payables	Non-interest bearing		–	(35,508)	–	(35,508)
Cash and cash equivalents	Fixed interest rate instruments	1.00%	–	3,284	–	3,284
Cash and cash equivalents	Variable interest rate instruments	0.30%	–	11,768	–	11,768
Cash and cash equivalents	Variable interest rate instruments	0.25%	–	15,290	–	15,290
			12,567	9,894	1,139	23,600

The carrying amounts of financial assets 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)

As at 31 December 2013 and 2014, the Company held the following financial instruments measured at fair value:

				2014
	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
Available-for-sale financial assets	–	–	729	729
Financial assets at FVTPL:				
Derivative financial assets	–	–	892	892
Non-derivative financial assets held for trading	9,122	–	–	9,122
	9,122	–	892	10,014
Financial liabilities at FVTPL:				
Non-derivative financial liabilities held for trading	2,711	–	–	2,711

				2013
	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
Available-for-sale financial assets	–	–	1,080	1,080
Financial assets at FVTPL:				
Derivative financial assets	–	–	1,139	1,139
Non-derivative financial assets held for trading	12,567	–	–	12,567
	12,567	–	1,139	13,706
Financial liabilities at FVTPL:				
Non-derivative financial liabilities held for trading	4,289	–	–	4,289

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company 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 each reporting period. There were no transfers between Level 1, 2 and 3 during the year.

Notes to the financial statements *continued*

23. Financial instruments (continued)

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 2013	1,080	1,139	2,219
Unlisted securities redeemed	(80)	–	(80)
Share options and warrants exercised	–	(521)	(521)
Unlisted securities, share options and warrants granted or acquired	97	10	107
Net unrealised gain recognised in equity	132	68	200
Net unrealised (loss)/gain recognised in income statement	(500)	196	(304)
	729	892	1,621

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

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

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

Impact of reasonably possible alternative assumptions

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

A sensitivity analysis based on a 10% increase/decrease in the volatility measure used as an input in the valuation of the share options and warrants shows that the impact of such a movement would be an increase of £61,971/decrease of £55,887 respectively to the profit in the income statement.

Determination of fair value

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

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

Fair values are determined according to the following hierarchy:

(a) Level 1 – Quoted market price
Financial instruments with quoted prices for identical instruments in active markets.

(b) Level 2 – Valuation technique using observable inputs
Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

(c) Level 3 – Valuation technique with significant non-observable inputs
Financial instruments valued using models where one or more significant inputs are not observable. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are not observable. For these instruments, the fair value derived is more judgemental. "Not observable" in this context means that there are few or no current market data available from which to determine the level at which an arm's length transaction would be likely to occur. It generally does not mean that there is absolutely no market data available upon which to base a determination of fair value (historical data may, for example, be used). Furthermore, the assessment of hierarchy level is based on the lowest level of input that is significant to the fair value of the financial instrument.

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

	Fair value as at 31 December 2014 £ 000's	**Valuation technique**	**Unobservable input**	**Range**
Share options and warrants	892	Monte Carlo simulation	Volatility	31-67%
Unlisted securities	729	IPEV valuation guidelines	n/a	n/a
	1,621			

24. Related party transactions

Transactions with related parties are made at arm's length. Transactions or balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The Board includes all employees considered to be key management personnel.

	2014 £ 000's	**2013 £ 000's**
Amounts owed by related parties		
Cenkos Nominees Limited	33	119

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

	2014 £ 000's	**2013 £ 000's**
Aggregate emoluments	8,382	5,296

Notes to the financial statements continued

24. Related party transactions (continued)

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 the year to 31 December 2014, Cenkos made payments totalling £90 (2013: nil) in respect of the Directors who were members of this scheme.

Related party interests in ordinary shares of Cenkos Securities plc

	2014 No.	2013 No.
Number of shares	14,610,074	14,487,294
Percentage interest	23%	23%

Related party interests in share options and Save As You Earn Sharesave ("SAYE") scheme

	2014		2013	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the year	1,178,710	1.11	1,178,710	1.11
Granted during the year	8,681	1.73	–	–
Outstanding at the end of the year	1,187,391	1.11	1,178,710	1.11

25. Accounting standards issued but not yet effective

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

IFRS 9: Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial instruments: recognition and measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

The improvements to standards and interpretations which are effective from 1 July 2014 and are not expected to have a material impact on the Company include:

IFRS 2 Share-based payments

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; and
- A performance condition may be a market or non-market condition.

If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to 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 principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation

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

26. Events after the reporting period

The Board announced on 17 September 2014 that as a result of the Company's recent financial performance it was, in addition to the payment of an interim dividend in respect of the first half of 2014, evaluating means of returning further value to shareholders during the remainder of 2014. The Board therefore launched a Tender Offer in December 2014 to purchase up to 9% of the Company's issued share capital for subsequent cancellation. As a result of this, the Company's broker, Smith & Williamson, purchased 5,727,340 ordinary shares in the Company in January 2015 at a cost of £10.8m and these were subsequently cancelled by the Company. There were no other material post-balance sheet events after the reporting period.

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 12 May 2015 at 9.30 am (the "Meeting") for the transaction of the following business:

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

1. **That** the Company's Annual Accounts for the year ended 31 December 2014, 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 10 pence per ordinary share for the year ended 31 December 2014 be declared payable on 28 May 2015 to the holders of ordinary shares registered at the close of business on 1 May 2015.

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** Jeremy Warner Allen be re-elected as a Director of the Company.

11. **That** Ernst & Young LLP be re-appointed as auditor to the Company until the conclusion of the next Annual General Meeting of the Company.

12. **That** the Directors be authorised to fix the auditor's remuneration.

13. **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):

13.1 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 £193,282.00 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 2016 (unless previously revoked or varied by the Company in general meeting); and further

13.2 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 an aggregate nominal amount of £193,282.00 during the period expiring at the conclusion of the Annual General Meeting of the Company to be held in 2016 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

13.3 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.

14. **That**, subject to the passing of Resolution 13 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:

14.1 the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of any authority granted under Resolution 13.2 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

14.2 the allotment (otherwise than pursuant to sub-paragraph 14.1 above) of equity securities up to an aggregate nominal value not exceeding £28,992.00,

and this power shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the Annual General Meeting of the Company to be held in 2016, 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 had not expired.

15. **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:

15.1 the maximum number of ordinary shares hereby authorised to be purchased is 5,740,490;

15.2 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;

15.3 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;

15.4 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

15.5 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.

16. **That** the Articles of Association produced to the Meeting and initialled by the chairman of the Meeting for the purpose of identification only be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the end of the Meeting.

By order of the Board

Stephen Doherty
Company Secretary

27 March 2015

Registered office:
6.7.8 Tokenhouse Yard London
EC2R 7AS

Notice of Annual General Meeting continued

Notes

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his/her place. A proxy need not be a member of the Company.
2. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
3. To appoint a proxy you may use the Form of Proxy enclosed with this Notice. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 9.30 am on 8 May 2015 (being not less than 48 hours before the Meeting, excluding non-Business Days) at the offices of the Company's registrars, Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. Completion of the Form of Proxy will not prevent you from attending and voting in person.
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual. CREST personal members or other CREST-sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
5. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10), by the latest time for receipt of proxy appointments specified in this Notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001 (as amended).

   Appointment of a proxy through CREST will not prevent a member from attending and voting in person.
6. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 5:30 pm on 8 May 2015 (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. Copies of the existing Articles of Association of the Company and the new Articles of Association proposed to be adopted at the Meeting by Resolution 16 in the above Notice, together with a comparison of the two sets of Articles of Association, 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 27 March 2015 (being the last business day prior to publication of the Notice), the Company's issued share capital consists of 57,984,783 ordinary shares of one penny each, carrying one vote each. Therefore, the total voting rights in the Company as at 27 March 2015 are 57,984,783.

Explanatory notes to the notice of Annual General Meeting

Resolution 1

Company's Annual Report and Accounts 2014 (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 10 pence per ordinary share in respect of the year ended 31 December 2014, which is recommended by the Board, requires the approval of the shareholders at the Annual General Meeting.

Resolutions 3 to 10

Re-election of Directors (ordinary resolutions)
In accordance with recommended best practice the Company has agreed that all serving Directors should submit themselves for re-election each year. At the Annual General Meeting, Gerry Aherne, Mike Chilton, Jim Durkin, Jeff Hewitt, Paul Hodges, Dr. Anthony Hotson, Joe Nally and Jeremy Warner Allen will retire and submit themselves for re-election. Resolutions 3 to 10 propose their respective re-elections.

Resolutions 11 and 12

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 12 authorises the Directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditor. In practice, the Audit Committee will consider the audit fees for recommendation to the Board.

Resolution 13

Authority to allot shares (ordinary resolution)
Resolution 13 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 £386,564, being approximately 66% of the nominal value of the issued share capital of the Company as at 27 March 2015 (being the latest practicable date prior to the publication of the Notice), £193,282 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 2016. The Directors have no present intention of exercising such authority. The Resolution replaces a similar resolution passed at the Annual General Meeting held in 2014.

Resolution 14

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 15 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 14 asks shareholders to grant the Directors authority to allot equity securities for cash up to an aggregate nominal value of £28,992 (being approximately 5% of the Company's issued share capital as at 27 March 2015) without first offering the securities to existing shareholders. The Resolution also disapplies the statutory pre-emption provisions in connection with a rights issue, but only in relation to the amount permitted under Resolutions 14.1 and/or 14.2, 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 2016. The Resolution replaces a similar resolution passed at the Annual General Meeting of the Company held in 2014.

Explanatory notes to the notice of Annual General Meeting continued

Resolution 15

Authority to purchase the Company's own ordinary shares (special resolution)
Resolution 15 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 27 March 2015. 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 2014. The Company is allowed to hold in treasury any shares purchased by it using its distributable profits. Such shares will remain in issue and capable of being re-sold by the Company or used in connection with certain of its share schemes. The Company would consider, at the relevant time, whether it was appropriate to take advantage of this ability to hold the purchased shares in treasury.

Options to subscribe for up to 14,357,369 ordinary shares have been granted and are outstanding as at 27 March 2015 (being the latest practicable date prior to publication of this document) representing 24.76% 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 15, the options outstanding as at 27 March 2015 would represent 27.48% of the ordinary share capital in issue following such exercise.

Resolution 16

Authority to adopt new Articles of Association (special resolution)
Resolution 16 to be proposed at the Annual General Meeting seeks authority from the shareholders for the Company to adopt new Articles of Association in substitution for, and to the exclusion of, the existing Articles of Association with effect from the end of the Annual General Meeting.

The principal proposed amendments to the Articles of Association concern the deletion of Articles that relate to B shares in the capital of the Company which no longer exist. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Act, have not been noted but are shown in the comparison of the two Articles of Association 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 at the Annual General Meeting.

Information for shareholders

Directors

Gerry Aherne (Non-executive Chairman)

Mike Chilton (Finance Director)

Jim Durkin (Chief Executive Officer)

Jeff Hewitt (Non-executive Director)

Paul Hodges (Executive Director)

Dr. Anthony Hotson (Non-executive Director)

Joe Nally (Executive Director)

Jeremy Warner Allen (Executive Director)

Company Secretary
Stephen Doherty

Company Registration Number and Country of Incorporation
05210733, England & Wales

Registered Office
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Banker
HSBC
Corporate Banking
60 Queen Victoria Street
London
EC4N 4TR

Financial Calendar

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

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

Solicitors
Ashurst LLP
Broadwalk House
5 Appold Street
London
EC2A 2HA

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Auditor
Ernst & Young LLP
1 More London Place
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Registrar
Capita Asset Services
The Registry
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