Company Number:
05210733

CENKOS

2017 Cenkos Securities plc Annual Report

About Cenkos

Cenkos Securities plc* is an independent, specialist institutional stockbroking company.

We act as a nominated advisor, sponsor, broker and financial advisor to a range of companies and investment funds, at all stages of their growth and across all sectors. We concentrate on companies that seek admission of their shares to trading on AIM or the Main Market of the London Stock Exchange ("LSE") and companies that are already quoted on those markets. We seek long-term relationships with our clients throughout the various stages of their development. Our ethos is to focus on understanding our clients' financing needs to deliver good outcomes for them.

Cenkos' shares were admitted to trading on AIM in 2006. The Company is authorised and regulated by the Financial Conduct Authority ("FCA") and is a member of the LSE. It has offices in London, Edinburgh and Liverpool.

* The "Company" or "Cenkos" together with its subsidiaries (the "Group" or the "Firm")

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Our services

Corporate finance

The Firm has four strategic business units focusing upon investment funds, growth companies, large cap corporate transactions and traditional mineral and advanced technology companies. The teams provide specialist technical advice on all forms of corporate transactions including IPOs, fundraisings, M&A, disposals, restructuring and tender offers. Our track record in raising substantial equity for our clients is underpinned by our wide and deep network of institutional investors. There has been a strong performance across the Firm from corporate finance and placing fees, with several large deals demonstrating the Firm's capability in this area.

Revenue (CF Revenue)

2017	2016	Change
£44.0m	£29.7m	**+48%**

Funds raised

2017	2016	Change
£2.53bn	£1.32bn	**+91%**

Number of transactions

2017	2016	Change
41	36	**+5**

Number of transactions of which are IPO

2017	2016	Change
6	4	**+2**

Nominated Advisor ("Nomad") and Broking

At the heart of our business is the depth of our relationship with our retained corporate and investment fund clients where we aim to become the dedicated interface between them and investing institutions. In addition to transactional advice, Cenkos provides strategic advice, regulatory guidance, help with investor relations and research.

Revenue (Retainer fees)

2017	2016	Change
£5.3m	£5.5m	**-4%**

Number of clients

2017	2016	Change
117	116	**+1**

Number of clients of which AIM listed

2017	2016	Change
77	72	**+5**

Number of clients of which Main Market listed

2017	2016	Change
36	41	**-5**

Research

Our analysts provide research to institutional clients on 170 companies across eight sectors, which drives a flow of equity transactions. There has been uncertainty in this part of the market following the roll out of Markets in Financial Instruments Directive II (MiFID II) in January 2018 where "buy-side" institutions are now expected to unbundle commissions paid to brokers and pay directly for research undertaken. The Board believes this is likely to concentrate the market around high quality specialist research from 2018.

Revenue (Commission & Research fees)

2017	2016	Change
£2.9m	£5.0m	**-41%**

Number of companies on which research is produced

2017	2016	Change
170	195	**-25**

Number of sectors research covers

2017	2016	Change
8	12	**-4**

Execution services

A key part of our service to clients is to provide liquidity and facilitate institutional business, making markets in both small and large cap equities and investment funds. The large uplift in 2017 arose partly from the realised gain on sale of shares from the exercise of warrants received as part of a fee.

Revenue (Market making)

2017	2016	Change
£7.3m	£3.5m	**+107%**

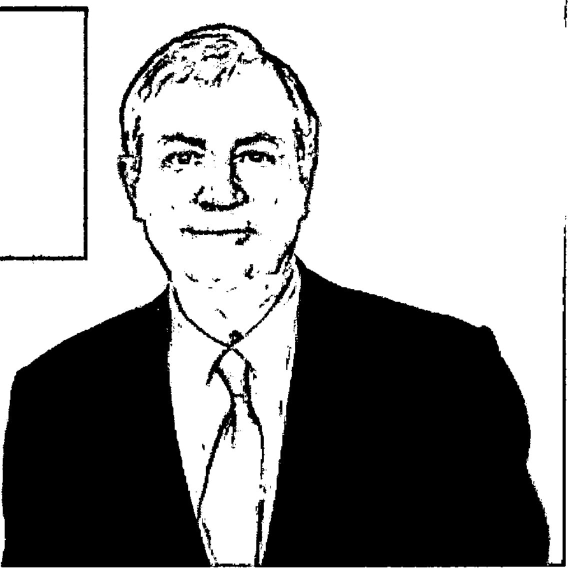
Number of stocks we make markets in

2017	2016	Change
301	403	**-102**

Chief Executive's statement

"Building long-term relationships, borne out of good client outcomes, lies at the heart of the Firm's ethos."

Anthony Hotson Chief Executive



This year's Annual Report is my first as Chief Executive following my appointment in August 2017, having served as a Non-executive Director of the Company since 2012. I look forward to building on Cenkos' strengths and delivering further growth for all our stakeholders.

Dividend

We propose a final dividend of 4.5p per share (2016: 5.0p per share) which brings the total dividend for the year to 9.0p per share (2016: 6.0p per share). Since we have been admitted to trading on AIM in 2006 we have returned £108.0 million of cash to shareholders, equivalent to 165.3p per share, before the payment of the proposed 2017 final dividend of 4.5p per share.

Performance

Cenkos has had a good year delivering revenues, profit and dividends well ahead of 2016. Corporate finance and placing fees generated across the Firm underpinned by several large deals demonstrate its capability in this area. For more details please see our Review of performance on page 12.

We helped our clients raise £2.5bn (2016: £1.3bn) of equity finance. Our corporate client base remains solid reflecting our ethos of building and maintaining long-term relationships. Delivering good client outcomes lies at the heart of the Firm's ethos.

The key performance indicators we use to assess our performance are set out on pages 10 and 11. These include both financial and non-financial indicators and signpost the Executive team's ("ExCo") strategy which is set out on pages 4 and 5.

Brexit, the economy and regulatory environment

The UK's decision to leave the European Union creates uncertainty for both the UK's financial industry and the wider markets.

Macro-economic factors including inflationary pressures and the possibility of further interest rate rises, compounded by geopolitical events further afield, create a higher risk of disruption in 2018. These ever-present risks are at the forefront of the Board's thinking and have been reflected in the Firm's principal risks on pages 14 and 15.

Regulatory obligations within the financial services sector are significant and the pace of change is set to increase in 2018. Along with other firms, we continue to invest in people as well as systems and controls to meet the requirements of new regulation and legislation.

In 2017, the implementation of MiFID II was a key focus. I am pleased to note that, whilst early days, the implementation has gone well.

In our 2016 Annual Report we reported that, following an investigation by the FCA into our role as sponsor to Quindell plc, we undertook an extensive remediation program. We have worked through 2017 to embed the recommendations and will continue to do so in 2018.

To provide regulatory support to the Firm we are introducing a new operating model for the compliance team. This was initiated in the latter part of 2017 and will be completed in 2018.

We believe that all regulation must be accompanied by a strong internal culture underpinned by the highest ethical and professional standards. An overarching governance framework is critical with the highest standards being set by the Board as a role model. Details of our governance framework are set out on page 18.

The Board

Several important changes were made to the Board in 2017. On 31 July 2017, Jim Durkin retired as Chief Executive after seven years in the position, having been with the Firm since its formation

Continuing operations

	2017	2016	Change
Revenue	£59.5m	£43.7m	+36%
Profit before tax	£10.0m	£5.1m	+97%
Profit after tax	£8.2m	£3.2m	+155%
Cash	£36.8m	£23.8m	+55%
Net assets	£29.7m	£27.2m	+9%
Basic earnings per share	15.0p	5.9p	+154%
Total dividend per share	9.0p	6.0p	+50%

Continuing and discontinued operations

	2017	2016	Change
Profit after tax	£7.2m	£2.5m	+183%
Basic earnings per share	13.2p	4.7p	+181%

in 2004. I was named as his successor and I would like to echo the Board's thanks to Jim Durkin for his contribution to Cenkos.

Four further changes took place in the year. Nick Wells (Executive Director) stepped down from the Board with effect from 17 May 2017 to focus on leading the Corporate Finance team and Mike Chilton (Finance Director) resigned with effect from 4 August 2017. Mike Chilton left the Company on 30 September 2017 after more than six years of service. On 17 November 2017, Andrew Boorman was appointed as a Non-executive Director of the Company. Philip Anderson was appointed as Finance Director and Head of Compliance on 31 January 2018 following regulatory approval being received.

The Board has gone through a number of changes over the past twelve months and having reviewed its composition and structure, we are satisfied with the balance between Executive and Non-executive Directors and that no individual or group of individuals dominate. This is explained in more detail in the Governance report on page 17.

People

The reputation of our business is reliant on the quality, expertise and conduct of every person at Cenkos. Our teams always set out to deliver outstanding client outcomes. The Board is fully committed to our people and is focused on developing and retaining a pool of diversified talent with a shared set of values and strategic goals.

On behalf of the Board, I would like to thank our people and the management team for their contribution in 2017.

Outlook

We live in an uncertain geopolitical environment that makes it very difficult to predict either the direction of the markets or health of investor sentiment. There has been significant market volatility leading to a correction in all main global indices.

This market volatility does appear to have had an impact on investor sentiment with a pause in the momentum the Firm experienced in the second half of 2017. Despite this, we remain ranked as one of the leading brokers in London for growth companies, institutional investor appetite to fund high quality companies is likely to return and our business model is resilient. Consequently, we look forward to the future with cautious optimism.

Anthony Hotson
Chief Executive
22 March 2018

Strategic report

About this report

In accordance with Section 414A of the Companies Act 2006 the Directors are pleased to present their Strategic report on the development and performance of the Group during the year ended 31 December 2017, the financial position of the Group as at 31 December 2017 and the principal risks to which the Group is exposed.

This report is a key part of the Annual Report and Accounts and provides an opportunity for the Directors to communicate our objectives and strategy (Strategic objectives), the measures we used to determine how well the Firm is performing (Key performance indicators) and the key enterprise-wide risks (Principal risks) faced by the Firm which could prevent these goals from being achieved.

We also provide an overview of how the Firm is structured (Our Business Model) and a review of the Group's performance for the year ended 31 December 2017 (Review of performance) in order to add context to the results presented in the financial statements.

Finally, we summarise the Firm's financial position (Financial Position) and comment on the future prospects for the Firm (Chief Executive's statement).

Strategic objectives

Our goal is to help our clients to **realise the funding strategies that will help their businesses develop** and therefore meet their shareholder expectations.

	FY 2017 progress	FY 2018 outlook
Strategic objective 1 Grow revenues by retaining existing clients and winning new ones	**Number of clients** 117 at 31 December 2017, compared to 116 in 2016 up 1% **Funds raised** £2.53bn at 31 December 2017, compared to £1.32bn in 2016 up 91%	▪ "Client first" culture to ensure good client outcomes. ▪ Systems and controls throughout the Firm designed to deliver "client first" proposition. ▪ Developing a strong base in 2018 will depend upon prevailing market conditions.
Strategic objective 2 Strong team culture aimed at attracting and developing talent	**Average number of staff** 123 in 31 December 2017, compared to 119 in 2016 up 4% **Revenue per head** £0.5m at 31 December 2017, compared to £0.4m in 2016 up 25%	▪ Selective recruitment will depend upon market conditions. ▪ Strengthening support services is a firm commitment.
Strategic objective 3 Disciplined approach to operational efficiency	**Administrative expenses to revenue** 83% in 31 December 2017, compared to 89% in 2016 down 6% ▪ Initiate change to compliance operating model to enhance second line of defence. ▪ Development of risk reporting to evaluate enterprise-wide risks.	▪ Further development of risk reporting to help make operational improvements. ▪ Maintain a prudent risk managed culture. ▪ Complete re-development of compliance operating model. ▪ Adopt "Reg Tech" solutions to enhance regulatory monitoring efficiency and effectiveness.

	FY 2017 progress	FY 2018 outlook
Strategic objective 4 Use our strong balance sheet and capital position to grow the business	**Cash** £36.8m at 31 December 2017, compared to £23.8m in 2016 up 55% **Solvency ratio** 164% at 31 December 2017, compared to 164% in 2016	■ With strong liquidity and capital position consider selective investment opportunities if market conditions permit.
Strategic objective 5 Increase shareholder distributions	**Total dividend per share** 9.0p at 31 December 2017, compared to 6.0p in 2016 up 50% **Basic earnings per share** 15.0p at 31 December 2017, compared to 5.9p in 2016 up 155% **Total shareholder return** 63% at 31 December 2017, compared to -53% in 2016	■ Dividends payable in FY 2018 will be subject to the level of trading and balance sheet strength.

Our business model

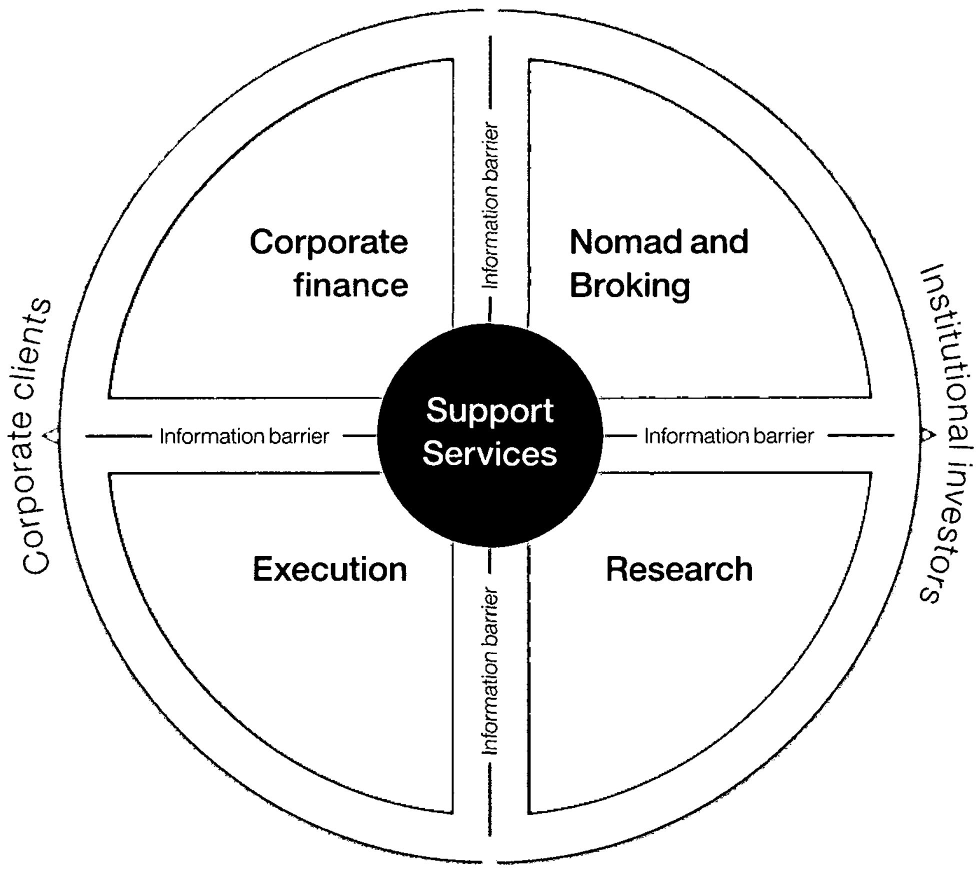
We have an **integrated business model** that, subject to regulatory and legal provisions, allows the combined expertise from within the Firm to work together for the benefit of our clients.

Our business is about providing an integrated service and advice to clients rather than selling products. We offer advice and access to equity finance at all stages of our clients' development.

We provide **corporate finance, nomad and broking, research** and **execution** services to small and mid-cap growth companies and investment funds across a wide range of sectors, investment funds and increasingly larger companies.

We focus on companies that seek admission of their shares to trading on the UK's LSE's AIM or Main Market or companies that are already quoted on those markets.

For growing companies that require access to capital and international exposure, AIM's flexibility, with its Nomad-based regulatory framework, provides a strong foundation for corporate development.



Corporate finance

Our corporate finance teams provide a broad range of services to our clients to enable them to put in place the most suitable financial arrangements to achieve their corporate goals.

In addition to strategic advice and regulatory guidance, the teams provide technical advice on all forms of corporate transactions including IPOs, fundraisings, M&A, disposals, restructurings and tender offers.

Nomad and Broking

Our business revolves around building and maintaining relationships with our retained corporate and investment fund clients. We act as the intermediary between our clients, existing shareholders and potential investors, with teams that have proven track records of raising equity finance and other funding solutions.

The teams will devise a range of bespoke investor relations plans as well as provide market intelligence and advice.

Execution

Our trading teams are committed to provide liquidity and facilitate institutional business by making markets in both small and large cap equities and investment funds.

The teams have been fully engaged in preparations for MiFID II with investment in technology to ensure clients receive the most effective trade execution across all venues.

Research

Our research analysts provide exceptional corporate and industry insight covering over 170 companies across eight sectors.

The team has deep sector experience and prides itself on strong and long-lasting client relationships.

Support Services

The core business itself is supported by the support services team that comprises compliance, finance, HR, operations, IT and facilities.

Sitting at the heart of the business, the Support Services team provides an effective platform for the core business and a key second line of defence in the governance of the Firm. Risk management, compliance and internal controls are covered further in the Audit Committee report on page 31.

Our business model

Revenue generation

We have an integrated business model that, subject to regulatory good practice, generates revenues from four streams of activity which relate broadly to either corporate or investment fund client activity or institutional "buy-side" activity.

Revenue from corporate or investment fund client activity

1. **Corporate finance**
   Commission earned on primary and secondary capital raising, where Cenkos will bring together our clients requiring capital with those investors willing to provide capital and fees earned in relation to corporate finance advisory work, generally in connection with corporate actions, mergers and acquisitions, disposals, restructuring and tender offers. The revenue is generally dependent upon the size and complexity of the transaction.

2. **Nomad and Broking**
   Annual retainer fees are received for acting as Nomad, broker and/or financial advisor for our corporate and investment trust clients.

3. **Execution**
   Gains or losses made from positions in shares we hold as market maker or where we receive shares in lieu of fees. The role of a market maker is mainly that of providing liquidity to other market participants to ensure there is an active market in the relevant share.

Revenue from institutional "buy-side" activity

4. **Research**
   Commission earned from execution of institutional client trades and research services provided to a broad range of institutional "buy-side" clients in the UK. Revenue in relation to this activity is broadly dependent upon the size of the transaction or value attributed to our research. This revenue stream is likely to be impacted by MiFID II. The impact of regulatory and legal risk and how this is mitigated is explored further on page 15.

Management systems, costs and sustainability

Our business is not immune to the swings of financial markets. Geopolitical conditions, interacting with domestic and global economic cycles, play a significant part in stock market levels, investor sentiment and capital raising activity levels.

We operate an efficient and flexible business model which has allowed us to have a consistent track record of building the business through economic downturns and financial crises. Our Directors and many of our employees are also significant shareholders.

The regulatory environment continues to develop at a rapid pace to improve culture and conduct and address the risk outlook in a rapidly developing technological environment. In 2017, the Company invested heavily in its preparations for the roll out of MiFID II and more resource has been deployed in 2018 to prepare us for the Criminal Finances Act ("CFA"), General Data Protection Regulations ("GDPR") and for implementation of the Senior Managers and Certification Regime ("SMCR").

Our clients' interests lie at the heart of everything we do and a strong ethos of client trust is underpinned by our client-facing staff acting with honesty, fairness, reliability and competence. We do, however, work in a heavily regulated environment that requires focus on the risks associated with operating in wholesale markets. Consequently, the Firm is continuing to develop its three lines of defence model, focusing upon development of its compliance model with emphasis on business advisory and monitoring systems. Details of governance arrangements and associated risk management processes are outlined in more detail in the Governance report from page 17 and, for financial risks, in note 23 of the financial statements.

In the context of the Firm's investment in regulatory systems and controls, the Directors manage costs, and in particular, staff costs carefully. Our remuneration policy aims to align remuneration with the long-term success of Cenkos by retaining the principle of "pay for performance". This has enabled a significant degree of flexibility to be maintained to operate an efficient and flexible business model in the context of a regulated environment.

Client-facing staff are underpinned by a support services team and outsourcing arrangements that provide high levels of resilience and expertise. Our core trading and settlement systems are outsourced to Fidessa and Pershing respectively and compliance advice and monitoring is a hybrid of in-house resource augmented by blue-chip regulatory consultancies.

Culture, conduct and people

Putting our corporate and investment trust clients at the core of what we do is a key factor in determining the long-term success of the business, with over half of our clients having been with the Firm for more than five years. Our people are key to maintaining these long-term relationships, offering continuity and a high level of service. More than 60% of the front office staff have been employed by Cenkos for over five years.

We seek to maintain the highest standards of business conduct to ensure good outcomes for our clients and thereby help safeguard our reputation for the long term. To achieve this we seek to retain experienced and stable teams, whose members build professional relationships and trust by acting with honesty, fairness, reliability and competence.

We provide our people with the support to develop through Continuous Professional Development programmes supported by the Chartered Institute for Securities and Investment, other relevant educational bodies and through ongoing support from legal and other professional service providers.

We strive to remunerate our people to a level that motivates them to perform in line with the objectives of the Firm.

Key performance indicators

Link to strategic objective

Revenue per head

The total revenue expressed as a ratio to the total (full time equivalent) number of employees.

2013	£0.48m
2014	£0.77m
2015	£0.63m
2016	£0.37m
2017	£0.48m

1. Grow revenues by retaining existing clients and winning new ones.
2. Strong team culture aimed at attracting and developing talent.
4. Use our strong balance sheet and capital position to grow the business.

Corporate client base

The total number of retained clients.

2013	125
2014	130
2015	124
2016	116
2017	117

1. Grow revenues by retaining existing clients and winning new ones.
2. Strong team culture aimed at attracting and developing talent.

Funds raised for clients

Total funds raised.

2013	£1,195m
2014	£2,816m
2015	£3,068m
2016	£1,325m
2017	£2,533m

1. Grow revenues by retaining existing clients and winning new ones.
2. Strong team culture aimed at attracting and developing talent.

Administrative expenses to revenue

The ratio of costs to total revenue.

2013	79%
2014	70%
2015	74%
2016	89%
2017	83%

3. Disciplined approach to operational efficiency.

Cash and cash equivalents

2013	£30.3m
2014	£32.9m
2015	£33.1m
2016	£23.8m
2017	£36.8m

4. Use our strong balance sheet and capital position to grow the business.

Regulatory surplus over Pillar 1 capital requirements

Capital surplus over Pillar 1 capital requirements at 31 December.

2013	£8.8m
2014	£15.3m
2015	£15.0m
2016	£9.8m
2017	£9.6m

4. Use our strong balance sheet and capital position to grow the business.

Basic earnings per share

Ratio of post-tax earnings to the weighted average number of shares.

2013	14.2p
2014	35.2p
2015	27.2p
2016	5.9p
2017	15.0p

1. Grow revenues by retaining existing clients and winning new ones.
2. Strong team culture aimed at attracting and developing talent.
5. Increase shareholder distributions.

Dividend per share

The amount paid per ordinary share in respect of the year.

2013	12.0p
2014	17.0p
2015	14.0p
2016	6.0p
2017	9.0p

5. Increase shareholder distributions.

FY 2017 progress	Key risks
■ A strong year compared with 2016 with a number of high profile client fund raisings across the Firm. ■ The core advisor base was retained but with the non-replacement of a small number of fee earners considered to be non-core. ■ Our Singapore office was closed in November 2017.	■ Uncertainty is ever present with geopolitical events on the world stage accompanied by continuing Brexit negotiations. ■ The quantity of regulatory change over recent years compounded by further change coming downstream may have an impact on the time that can be spent on client-facing activity, therefore reducing productivity. ■ The full financial impact of MiFID II on commission is not yet known, but this is likely to lead to downward pressure on research activity.
■ Maintaining our corporate client base has been achieved during 2017 due to the dedication of our client-facing teams and our focus on client service. ■ The loss of several clients due to M&A activity and time-lapse rotation was counterbalanced by winning new mandates. ■ Retainer fees accounted for £5.3m of revenue.	■ Client departures may continue to occur through M&A and other routes (for example, as their boards require advisors to rotate away).
■ Strong progress over 2016 due to several significant placings and IPOs. ■ A track record in raising funds on AIM with 21% of all raisings in 2017 compared to 13% in 2016. In addition, we have built up expertise and a clear track record in taking clients to the LSE's Main Market. ■ The Company is developing its expertise in alternative technologies with several placings allowing our clients to achieve their financial goals in this important area.	■ Uncertainty is ever present with geopolitical events on the world stage accompanied by continuing Brexit negotiations. ■ The quantity of regulatory change over recent years compounded by further change coming downstream may have an impact on the time that can be spent on client-facing activity, therefore reducing productivity. ■ The full financial impact of MiFID II on commission is not yet known, but this is likely to lead to downward pressure on research activity. ■ Client departures may continue to occur through M&A and other routes (for example, as their boards require advisors to rotate away).
■ Completing the actions arising from an FCA investigation in 2016 (Quindell) and preparing for a number of new regulatory initiatives including MiFID II has led to an increase in regulatory costs. ■ The fundamental pillars of the flexible business model have, however, been retained. These include a flexible pay model for client-facing advisors, outsourcing of key trading and operations platforms and the use of regulatory specialists where appropriate.	■ The continued pace of regulatory change will require investment and acknowledging this, the operating model for compliance is being refined to increase the number of full time compliance specialists. The Firm will continue to use regulatory specialists where appropriate. ■ Market rates of pay for high performing teams may require the advisor pay model to be reconsidered.
■ Strong cash balances in 2017 reflecting the performance and the positive cash cycle inherent in the business model.	■ Same as revenue per head.
■ Regulatory surplus remains solid, calculated using the methods prescribed in CRD IV.	■ Same as revenue per head.
■ Strong earnings per share ahead of 2016's as profits rose.	■ The growth in earnings per share will require favourable external market conditions. The breadth of the client base combined with the investment in our people position the Firm well for future success.
■ Strong dividend per share ahead of 2016's reflecting improved results and the solid capital position.	■ The sustainability of the dividend per share will be dependent upon 2018 performance and subject to the Board's intention to provide sustainable distributions across the business cycle.

Review of performance

Revenues increased by 36% to £59.5m and profit before tax on continuing operations rose by 97% to £10.0m.

Revenue

We are pleased to report that Cenkos has produced revenues significantly ahead of last year. All of our core business activities have contributed to this, despite some pressure falling on our research and commission revenue due to uncertainties associated with and the impact of MiFID II.

Market conditions have provided a positive backdrop for trading in UK equities and investor confidence generally in the UK. Steadily rising equity indices coupled with sterling placed at competitive values through the year had resulted in favourable conditions for placing equity stock. This has compared markedly from conditions in 2016 where, against the backdrop of Brexit and wider macro-economic uncertainty, markets and investor confidence were benign. This year, total funds raised by AIM companies rose by 33% to £6.4bn (2016: £4.8bn) – *(Source: LSE AIM factsheet December 2017)*, with Cenkos responsible for raising £1,346m, equivalent to 21% (2016: £641m, equivalent to 13%) of all funds raised on AIM.

A summary of the revenues from the core business activities is set out in the table below:

Revenue streams	2017 £ 000's	2016 £ 000's
Corporate finance	44,030	29,720
Nomad and broking	5,273	5,481
Research	2,949	5,033
Execution	7,252	3,509
	59,504	43,743

The uplift across the Firm's core activities reflects the hard work and diligence of all the client-facing teams, helped along by good market conditions.

Business activities

Corporate finance

It is part of our culture to build strong, long-term relationships with our corporate and investment trust clients providing bespoke solutions to their needs. During 2017, we completed 41 transactions (2016: 36) of which six were IPOs (2016: four) and four (2016: ten) were M&A advisory roles. We raised £2.5bn (2016: £1.3bn) for our clients, of which £1.3bn (2016: £0.6bn) was raised on AIM.

Notable deals completed during the year include the IPO of Eddie Stobart Logistics plc raising £393m, the secondary raisings of £302m for Civitas Social Housing plc; £408m for Hurricane Energy plc and £150m for Smart Metering Systems plc.

Nomad and Broking

Our client base is made up of 117 companies and investment funds (2016: 116), of which 77 are AIM clients (2016: 72). We pride ourselves in the service we provide those clients, which is underpinned by our own requirements to comply with AIM rules. Our corporate advisory capabilities are borne out of an experienced and long-standing corporate finance team.

Research

High quality research and sales are at the heart of our research business. This creates relationships of trust with our institutional clients and is at the core of our distribution capability. Covering over 170 companies (2016: 195) and eight sectors (2016: 12) our *relatively small team of analysts is well placed to continue to* provide consistent high research levels in an area where there is some uncertainty following the roll out of MiFID II.

Execution services

We make markets in over 300 stocks of which 151 are listed on the Main Market of LSE. During the year we maintained a top three market share in 83% (2016: 73%) of our clients' stock and number one market share in 55% of our clients' stock (2016: 48%). With access to multiple trading venues and liquidity providers, we are able to deliver strong execution capability to our clients.

Our market makers provide skill and human effort that cannot be found in dark pools or standalone electronic trading venues. During 2017, in addition to market making gains, execution services included £2.47 million of realised gains (2016: £0.83 million losses) on the sale of shares received in lieu of fees.

Administrative expenses

Administrative expenses on continuing operations for the year increased by £10.8m to £49.5m (2016: £38.8m) mainly reflecting increased bonus payments to front line staff. In 2017, there has also been a number of reorganisation costs associated with Board changes, investment in the compliance operating model and regulatory projects. These are set out in the table below:

Administrative expenses	2017 £000's	2016 £000's
Other administrative expenses	47,719	38,064
Reorganisation costs	715	30
Regulatory projects	1,094	669
	49,528	38,763

Average headcount increased to 123 (2016: 119) although we ended the year with a headcount of 115 (2016: 121) following rationalisation of some areas including closure of our Singapore office and a reduction in the Edinburgh office. Headcount is expected to rise in 2018 as we roll out the new compliance operating model, invest in our surveillance and monitoring systems and grow, selectively, all existing strategic business units.

Discontinued operations

Following a review of the long-term prospects of Cenkos Securities Asia Pte Limited by the Board, the business was closed in November 2017. This change in strategy has reduced the conduct risk profile of the Group. The losses for the period have been disclosed as "discontinued operations" in the Consolidated income statement (see page 42) and note 8 to the financial statements (see page 58).

Profit and earnings per share

Profit before tax on continuing operations increased by 97% to £10.0m (2016: £5.1m). The tax charge for the year of £1.8m (2016: £1.9m) equates to an effective tax rate of 20.1% (2016: 42.2%) on continuing and discontinued operations. This reflects the non-allowable loss in relation to the closure of Cenkos Securities Asia Pte Limited, offset by movements in current and deferred tax relating to share-based payments (see note 7 to the financial statements on page 57). Profit after tax increased by 183% to £7.2m (2016: £2.5m). Basic earnings per share from continuing operations increased by 154% to 15.0p (2016: 5.9p).

Principal risks

The Board is responsible for determining the Group's risk appetite and for ensuring that the risk management framework is appropriate and operating effectively.

The management of risk is embedded into our culture where each employee takes on the responsibility of ensuring that the management of risk is built into all of our working practices.

The day to day management of risk has been delegated by the Board to the senior executives across the Firm overseen by the Risk and Compliance Committee and underpinned by proportionate systems and controls.

In a Firm that prides itself on its entrepreneurial and commercial culture, focused on generating value and good outcomes for clients, the Board seeks to ensure that all significant and relevant risk exposures are managed and mitigated.

The Governance policy and framework on page 18 describes how the Board receives input from other key committees along with the framework employed by the Group to manage the risks faced in the normal course of business.

In financial terms, the Board's policy aim is to hold regulatory capital that, at a minimum, will meet its own interpretation of the most severe but plausible stress test measures and thereby maintaining an additional capital buffer available for use should adverse circumstances arise outside the Firm's normal and direct control.

The principal risks to which the Firm is exposed are set out below. Although not exhaustive, this highlights the risks that are currently considered to be of most significance to the Firm's activities and which could affect the ongoing financial health of the Firm.

	Description	How the risk is mitigated	Change in the year and trend in residual risk
Health of financial markets and investor sentiment	Our income is heavily dependent upon the health of the financial markets and in particular the economic conditions of the UK and how they impact equity fund raising.	This risk is largely mitigated through the maintenance of a flexible business model where high levels of client advisor pay are dependent upon results. This core feature of the strategic business model is underpinned by a series of outsourced contracts such as the trading and operations platforms with Fidessa and Pershing.	The trading environment has been buoyant with the FTSE share index reaching record high levels. In 2017, the risk reduced. Geopolitical tensions across the globe with the uncertainty associated with Brexit closer to home suggest the risk is likely to increase in 2018.
Reputational	One of the most significant risks the Firm faces is the damage to our reputation and the potential impact that may have on relationships with our clients and shareholders and the future performance of the business. Reputational risk can arise from financial, operational, conduct risks or a failure to meet the expectation of one of the Firm's stakeholders.	The Board sets the Firm's cultural tone by requiring a strong ethical and professional culture. All new business is subject to a multi-tier appraisal process ending with review by a multi-disciplinary New Business Committee attended by the CEO, Finance Director and Head of Corporate Finance. Emphasis is placed upon hiring the right people with a strong work ethic and professional mind set. We regularly engage with stakeholders and market practitioners to understand how our reputation is perceived.	Given our deal activity during the year we believe our reputation remains strong. There is, however, no room for complacency with continued focus on all mitigating factors. Given the impact of the FCA enforcement action on Quindell in 2016 there is a reduction in the residual risk, after mitigating actions, in 2017 and 2018.
People	At Cenkos our people are our most important asset and are a critical factor in determining the long-term success of the business. Retaining, attracting and developing our people is essential to maintain the Firm's competitive advantage.	The retention, development and growth of our people remains at the top of the Board's agenda. We seek to minimise people risk by creating the right culture and working environment and by rewarding our people with a competitive total remuneration package. There are formal and structured performance-based staff appraisals underpinned by objectives aligned to the Firm's strategy. Senior management succession planning is overseen by the Nomination Committee.	Staff retention in almost all areas of the Firm has been high. Some areas of the Support Services team are being strengthened to support the compliance operating model. Share incentive schemes are being run again in 2018. No change in residual risk after mitigating actions.

	Description	How the risk is mitigated	Change in the year and trend in residual risk
Strategic	The Board recognises that the key to the Firm's long-term success is the execution of its strategy.	The Executive team (ExCo) is subject to robust and healthy challenge from the Board and its committees on the Firm's strategic direction and strategy execution. The Board reviews strategy execution and the risks that threaten the achievement of the strategy. The corporate governance structure and relatively small size of the Firm ensures that the Board has sufficient, well-articulated, timely and accurate information from which they can make informed decisions and gain appropriate levels of assurance.	The Firm's financial performance in 2017, together with the initiatives in 2018, demonstrate effective execution of the strategy. No change in residual risk after mitigating actions.
Conduct, regulatory & legal	Conduct risk is defined as the risk that inappropriate behaviour, conduct or practices result in a poor outcome for clients or wholesale markets. Regulatory and legal risk is the risk of fines, penalties, sanctions or legal action arising from the Board's failure to identify or meet regulatory and legislative requirements. There is an emerging risk that new regulation or changes to the interpretation of existing regulation adversely impacts the Firm's capacity to look after its clients' interests, its cost base or its financial condition.	The Firm monitors and improves systems and controls where necessary and as new regulation and legislation requires. The compliance operating model has recently been re-designed in Q4 2017 with changes coming on stream in 2018. The Interim Compliance plan for 2018 sets out in detail changes to business advice and monitoring activities. The Finance team is responsible for monitoring and reporting ongoing compliance with the capital and liquidity requirements of a FCA regulated IFPRU investment firm.	Given regulatory obligations are significant and the pace of change seems to be increasing, we continue to prioritise various enhancements to our systems and controls and in our compliance staffing levels. We continue to increase focus on compliance monitoring, adopting a hybrid approach of in-house resource augmented by a specialist regulatory consultancy company. There is a moderate reduction in residual risk after mitigating actions.
Operational	Operational risks can arise from the failure of the Firm's core business processes or one of its third-party providers.	We aim to be able to sustain operations and client service with minimum disruption from a combination of strong supplier relations, cloud-based data retention tools and business continuity planning. Senior management are actively involved in identifying and analysing operational risks to find the most effective means to mitigate them. We use "best in class" third-party service providers to enhance the level of expertise where relevant. In 2018, we have moved to a fully independent outsourced Internal Audit function to provide assurance over the adequacy and effectiveness of internal control systems.	Operational risk exposures remain at similar levels to those in prior years with the exception of technology, information security and cyber security. We continue to invest in training our people to understand and manage those risks and a significant investment programme in digital storage and monitoring will begin in 2018. There is a moderate reduction in residual risk after mitigating actions.
Financial	Financial risks are set out and described in more detail in note 23 to the financial statements. Financial risks include: ■ Market; ■ Credit/Counterparty; ■ Liquidity; and ■ Capital	External regulatory measures (Internal Capital Adequacy Assessment Process ("ICAAP") and Individual Liquidity Adequacy Assessment ("ILAA")) together with a number of internal measures are prepared and monitored with Board approved limits. These reports, and any exceptions, are reported through the various governance fora – see the Governance report.	Financial risk exposures are similar to the previous year as is the Firm's ICAAP. No change in residual risk after mitigating actions.

Financial position

Our Consolidated statement of financial position strengthened further during the year with net assets increasing to £29.7m (2016: £27.2m). The increase in net asset position was underpinned by an increase in cash and cash equivalents to £36.8m (2016: £23.8m) due primarily to the improvement in business performance. This was partially offset by an increase in trade and other payables to £36.3m (2016: £32.6m) mainly due to an increase in the accrual for performance related pay, a fall in the resources tied up in net trading investments to £7.5m (2016: £11.7m) and a fall in trade and other receivables to £20.8m (2016: £24.5m). The fall in trade and other receivables was mainly due to the inclusion within accrued income in 2016 of an amount receivable from the Company's insurers in full and final settlement for the insurable costs arising from the FCA's investigation disclosed in note 13 to the financial statements.

Net assets summary as at 31 December 2017

	2017 £ 000's	2016 £ 000's
Non-current assets	1,263	625
Available-for-sale financial assets	250	560
Other current financial assets	10,615	13,811
Other current financial liabilities	(3,341)	(2,694)
Net Trading investments	7,524	11,677
Trade and other receivables	20,798	24,526
Trade and other payables - current	(36,300)	(32,560)
Trade and other payables – non current	(366)	(880)
Cash and cash equivalents	36,829	23,795
Net assets	29,748	27,183

As at 31 December 2017, Cenkos had a capital resources surplus of £9.6m (2016: £9.8m) in excess of the Pillar 1 regulatory capital requirements. The Board continues to review the amount of capital we hold over and above our minimum regulatory requirement as part of the ICAAP and the cash balances required to meet the working capital needs of the business as part of the ILAA process.

The Board's intention is to use earnings and cashflow to underpin shareholder returns through a combination of dividend payments and share buy backs into treasury. Our goal is to pay a stable ordinary dividend, reinvest into our Firm and return excess cash to shareholders subject to capital and liquidity requirements and the prevailing market conditions and outlook. In view of this, the Board is recommending a final dividend of 4.5p per share (2016: 5.0p per share) which results in a total dividend for the year of 9.0p per share (2016: 6p per share).

From time to time, we intend to repurchase shares to match unvested share awards and manage our issued share capital.

This report was approved by the Board of Directors on 22 March 2018 and signed on its behalf by:

Anthony Hotson
Chief Executive
22 March 2018

Governance

The Board has set up an appropriate number of committees to ensure that the **principles of good governance and challenge are in place** throughout the Firm.

In our governance report

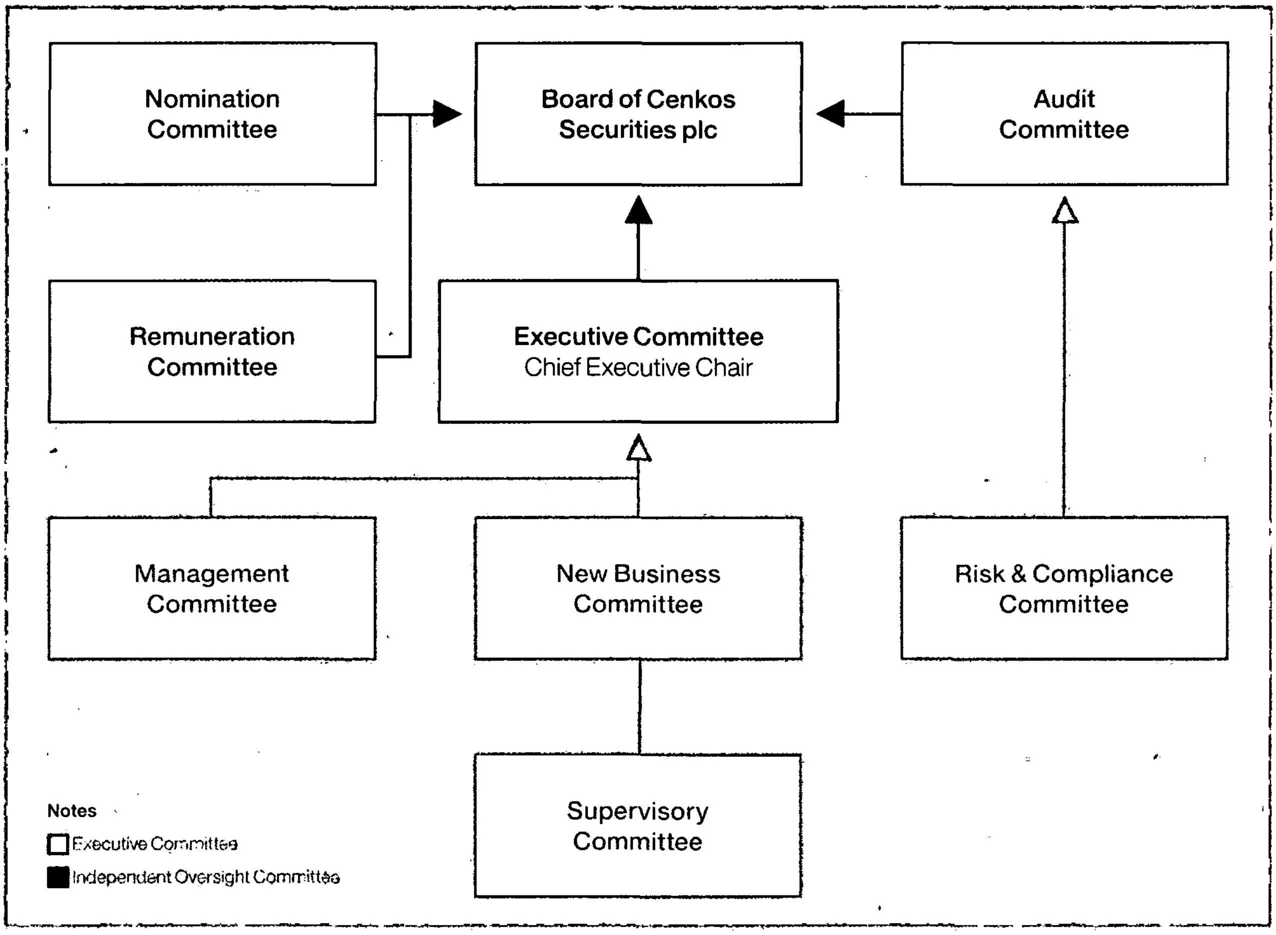
Governance policy and framework

Governance policy

Whilst AIM companies are not required to comply with the UK Corporate Governance Code 2016 (principles of good governance and standards of good practice in relation to Board leadership and effectiveness, remuneration, accountability and relations with shareholders), the Directors have chosen to make the following disclosures in line with the code but relevant to the size, nature and scope of Cenkos' activities.

Governance framework

The diagram below sets out the main parts of the Group's governance framework, the delegations of authority by the Board together with an indication of how this achieves the required levels of independent oversight.



Board of Directors

Change of Chief Executive and Finance Director

Anthony Hotson was appointed Chief Executive on 1 August 2017, succeeding Jim Durkin who had been a member of the Board for over five years.

Philip Anderson succeeded Mike Chilton as Finance Director. Mike Chilton, who had been a member of the Board for five years, resigned from the Board on 4 August 2017. Philip Anderson's appointment was completed on 31 January 2018 following regulatory approval for this position and for several other key regulatory positions being received. These and other Board changes are discussed in more detail in the Nomination Committee section of this report.

The Board

The Directors collectively bring a broad range of business experience to the Board, which is essential for the effective running of the Group. This is achieved through its own decision-making and by delegation of certain responsibilities to Board committees and by authority to manage the business to the Chief Executive. The Board is responsible for overseeing the management of the business and for ensuring high standards of corporate governance are maintained throughout the Group.

The Board is chaired by Gerry Aherne and meets a set number of times a year and at other times as necessary to discuss formal schedules of matters reserved for its decision which include:

- The Group's strategy and its associated risks;
- Acquisition, disposals, closures and other material transactions;
- Risk management strategy and risk appetite;
- Financial performance, annual budgets, periodic forecasts, half year results, the Annual Report and Accounts and dividends;
- Appointments to and removals from the Board and committees of the Board;
- Remuneration policy;
- Communication with shareholders;
- Conflicts of interest relating to Directors; and
- Changes to the Group's capital structure.

The members of the Board as at 31 December 2017 are described on pages 20 and 21.

Changes to the Board's composition during the year are set out in the Nomination Committee section on pages 23 and 24.

Chairman and Chief Executive

The Chairman, Gerry Aherne, is responsible for leading the Board, ensuring its effectiveness and steering its agenda. The Chairman is also responsible for promoting a healthy culture of challenge and debate. The Chairman evaluates the performance of the Chief Executive and is responsible for succession planning and leads the Nomination Committee.

The Chief Executive, Anthony Hotson, is responsible for the executive running of the Group on a daily basis. This includes making recommendations to the Board on strategy.

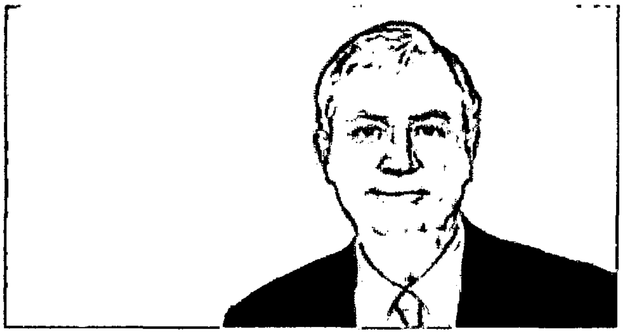
Board and committee composition

The Executive and Non-executive Directors are set out on page 22 together with an overview table of their committee memberships and attendance at Board meetings.

There were eight scheduled and four ad-hoc Board meetings held during the year ended 31 December 2017 of which all were attended by the Non-executive Directors.

Board of Directors

Executive Directors



Dr. Anthony Hotson
Chief Executive

Anthony was appointed a Non-executive Director of the Company in May 2012 and was appointed as Chief Executive on 1 August 2017. Anthony joined the Bank of England in 1978 and worked in the Economics Division, Governors' 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 Warburg (subsequently UBS) 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 is Deputy Director of the Centre for Financial History, Darwin College, Cambridge.

Philip Anderson
Finance Director/Head of Compliance

Philip was appointed to the Board in January 2018 and has over 20 years of experience of working in senior finance, risk and compliance positions in retail financial services. Philip is a Chartered Accountant and worked for Price Waterhouse in London prior to a number of finance roles in Commercial Union (now Aviva) and Legal & General. In 1999, he moved to Virgin Direct and was part of the team that initiated the transformation to the Virgin Money of today. He has held the positions of Finance Director at Towry Law plc (a subsidiary of Henderson Group plc) and Bluefin (a subsidiary of Axa), where he was also responsible for Compliance, Risk and Operations. Prior to joining Cenkos, Philip was Finance and Compliance Director for Curo Transatlantic Limited where he played a key part in transforming the finance team, financial reporting and obtaining regulatory licences.

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 of London 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 IPOs, secondary fund raisings and takeovers and mergers, particularly in natural resources. Joe is one of the founder shareholders of Cenkos. He is Head of the Natural Resources team.

Non-executive Directors

Gerry Aherne

Non-executive Chairman

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

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

Jeff Hewitt

Non-executive Director

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

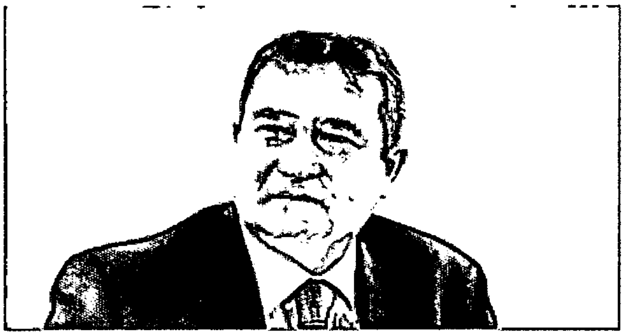
Jeff is Chairman of the Audit Committee and a member of the Remuneration and the Nomination Committees.

Andrew Boorman

Non-executive Director

Andrew was appointed a Non-executive Director of the Company in November 2017. Andrew has extensive financial services experience and has worked with main boards covering remuneration, finance and risk issues as well as setting business strategies and delivering change management programmes. Since 2013, he has acted as a consultant and has advised boards on strategic human resources issues including governance, risk management and remuneration. He has previously held a number of senior roles at Henderson Group plc over a period of 10 years, including Managing Director, Corporate Services, and Group HR Director. Prior to this Andrew held a number of senior Human Resources roles with AMP Group.

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



Non-Board member

Stephen Doherty

Company Secretary

Stephen has been with the Company since February 2007 and was appointed to the position of Company Secretary in September 2007. Stephen is a qualified Chartered Secretary and has over 25 years' experience of working in governance roles within the financial services industry. Stephen has extensive experience as a company secretary having worked at Fidelity International, Singer & Friedlander Group, Pearl Assurance as well as with Ernst & Young where he qualified.

Board of Directors

The Board is responsible for overseeing the management of the business and for ensuring high standards of corporate governance are maintained throughout the Group.

	Position	Board		Committee membership			
	At 31 December 2017 or retirement/resignation if earlier	Maximum possible attendances	Meetings attended	Audit Committee	Nomination Committee	Remuneration Committee	Considered independent
Gerry Aherne	Chairman *(Non-executive)*	12	12	✓	●	✓	y
Jim Durkin[1]	Chief Executive *(Executive)*	8	7				
Anthony Hotson[2]	Chief Executive *(Executive)*	12	12	✓	✓	✓	
Mike Chilton[3]	Finance Director *(Executive)*	8	8				
Paul Hodges	Executive Director	12	10				
Joe Nally	Executive Director	12	12				
Nick Wells[4]	Executive Director	5	3				
Jeff Hewitt	Non-executive Director	12	12	●	✓	✓	y
Andrew Boorman[5]	Non-executive Director	1	1	✓	✓	●	y

● Chairman ✓ Member

1. Retired with effect from 31 July 2017.
2. Appointed as Chief Executive from 1 August 2017 and resigned from his Non-executive Director position at the same time.
3. Resigned with effect from 4 August 2017.
4. Resigned with effect from 17 May 2017.
5. Appointed as Non-executive Director from 17 November 2017.

Balance and independence

This year has seen a number of changes to the Board and these changes are set out in more detail in the Nomination Committee section of this report.

During the year ended 31 December 2017, the Board has maintained a balance of Executive and Non-executive Directors.

The UK Corporate Governance Code requires that at least half the Board, excluding the Chairman, should be made up of Non-executive Directors; however, for small and mid-sized quoted companies it suggests that the main Board should comprise of at least two independent Non-executive Directors, excluding the Chairman. The primary objective is that a Board should be of sufficient size that the requirements of the business can be met and that an appropriate combination of Executive and Non-executive Directors should be maintained to ensure that no one individual or small group can dominate the Board's decision making. As at 31 December 2017, there were six Directors: the Chairman, three Executive Directors and two independent Non-executive Directors.

The Board considers that all three Non-executive Directors bring considerable valuable and relevant experience to the Board and that they act in the best interests of the Group, free of any conflicts or undue influence. This continuity of experience is particularly helpful at this time given the Board changes that took place in the year. The Board is therefore satisfied that they remained fully independent throughout 2017.

The Board has determined that the formal appointment of a senior independent Director is unnecessary given the structure and composition of the Board. In addition, given the size of the Group and active dialogue with the small number of institutional shareholders, the Board considers such an appointment would not provide any further benefit in assisting with shareholder communication.

Directors' appointments and time commitment

The Company's Articles of Association require that at every Annual General Meeting all Directors offer themselves for either election or re-election to the Board.

Non-executive Directors' service contracts stipulate that they are required to commit sufficient time to carry out their duties. The Board reviews the time commitments of any external appointments that each Non-executive Director may have prior to recommending their election or re-election to shareholders. The number of external appointments which each Non-executive Director may have is limited by professional guidelines.

Board induction and training

A personalised induction programme is provided to all new Directors in order to help familiarise them with their duties, the Group's culture, strategy and business model. The programme includes:

- Meeting all members of the Board and its committees;
- One-to-one meetings with other senior management from all parts of the business;
- Access to Board and committee reports and minutes;
- Other corporate documents; and
- A meeting with relevant external advisors including the Nomad, external auditors and internal auditors.

A series of technical updates and briefing sessions are arranged with internal and external sources to ensure the ongoing training requirements of Directors have been satisfied.

Board committees

Audit Committee

The Audit Committee is chaired by Jeff Hewitt and the Committee also includes Gerry Aherne and Andrew Boorman. All members of the Committee are Non-executive Directors. The Committee meets at least three times every year. Internal and external auditors are invited to attend all meetings. The Finance Director/Head of Compliance, the Head of Finance and other members of the Board are also invited to attend. The secretary of the Committee is the Company Secretary.

The Committee is responsible for monitoring the Group's risk framework, internal control environment and financial reporting.

The Committee reports to the Board on the Company's and Group's full and half-year results. In addition, the Committee has direct and unrestricted access to the internal and external audit functions and sets the scope of their work and monitors their effectiveness independence and objectivity. Specific responsibilities include:

- Monitoring the content and integrity of financial reporting;
- Reviewing appropriateness of accounting estimates and judgements;
- Reviewing the Group's risk and compliance policies;
- Reviewing the Group's regulatory reporting procedures and relationship with regulators;
- Reviewing the Group's risk appetite and making recommendations to the Board;
- Reviewing and approving of financial and other risk limits and adherence to them; and
- Reviewing and challenging the Group's process for ICAAP and ILAA.

The composition and attendance of the Audit Committee for the year ended 31 December 2017 is set out below:

	Maximum possible attendances	Meetings attended
Gerry Aherne	3	3
Anthony Hotson[(1)]	3	3
Andrew Boorman[(2)]	–	–
Jeff Hewitt – Chairman	3	3

1. Appointed as Chief Executive from 1 August 2017 and resigned from the Audit Committee at the same time.
2. Appointed as Non-executive Director from 17 November 2017.

Remuneration Committee

The Remuneration Committee has delegated responsibility from the Board for developing the Group's remuneration strategy and for setting the policy and remuneration of its Executive Directors and senior managers. Membership of the Committee is limited to the Non-executive Directors. Prior to his appointment as Chief Executive, the Chairman of the Committee was Anthony Hotson. Following his appointment as a Non-executive Director on 17 November 2017, Andrew Boorman has been appointed Chairman of the Remuneration Committee.

External advisors are consulted on remuneration and regulatory issues, where appropriate.

The composition of the Remuneration Committee and attendance for the year ended 31 December 2017 is set out below:

	Maximum possible attendances	Meetings attended
Gerry Aherne	6	6
Anthony Hotson – Chairman[(1)]	6	6
Andrew Boorman – Chairman[(2)]	–	–
Jeff Hewitt	6	6

1. Appointed as Chief Executive from 1 August 2017 and resigned from the Remuneration Committee at the same time.
2. Appointed as Non-executive Director from 17 November 2017 and appointed as the Chairman of the Remuneration Committee at the same time.

Nomination Committee

The Nomination Committee is Chaired by Gerry Aherne, Non-executive Chairman and the Committee also includes Jeff Hewitt and Andrew Boorman. Other members of the Board, Head of HR or relevant external consultants may attend by invitation.

The Committee considers appointments to the Board and meets as necessary. The main responsibilities of the Committee are:

- Identify suitable candidates for Board appointment;
- Consider Board appointments and make recommendations; and
- Consider succession planning.

Board of Directors

The composition of the Nomination Committee and attendance for the year ended 31 December 2017 is set out below:

	Maximum possible attendances	Meetings attended
Gerry Aherne – Chairman	4	4
Anthony Hotson[1]	3	3
Andrew Boorman[2]	–	–
Jeff Hewitt	4	4

1. Appointed as Chief Executive from 1 August 2017 and resigned from the Nomination Committee at the same time.
2. Appointed as Non-executive Director from 17 November 2017.

Board composition

Succession of the Chief Executive

Succession planning has been a priority for the Board and this has been delegated to the Nomination Committee.

On 12 May 2017, Jim Durkin informed the Board of his intention to retire from the Company. Jim Durkin was one of the founding shareholders in the Company and had been with the Company since 2004.

A formal process had been undertaken by the Nomination Committee to consider the succession for the position of Chief Executive Officer.

The key attributes within the selection criteria used to identify a successor for this role included extensive experience in financial services holding senior executive positions, an in depth understanding of the regulatory requirements facing the Group, continuity of senior management, and successfully managing the business to ensure that the strategy as set out by the Board would be successfully delivered.

Anthony Hotson was identified as a suitable internal candidate for this position, having been a Non-executive Director since May 2012. In this role he had previously been involved in reviewing of the Group's structure, governance and processes, including the impact that changing regulations may have, and he had been actively involved with the senior management in this respect.

The appointment of Anthony Hotson as Chief Executive Officer was completed on 1 August 2017.

Succession of the Finance Director

After more than six years with the Group, Mike Chilton decided to leave the business and resigned from his position as Finance Director on 4 August 2017.

The key attributes within the selection criteria used to identify a successor for this role included a breadth of experience in leading finance, operations and compliance teams in regulated financial services. Underpinning the Nomination Committee's consideration was the relevant regulatory requirements given the ever-increasing regulatory requirements facing companies that operate in financial services.

The identification of internal and external candidates with required qualifications and breadth of experience was a key focus.

The appointment of Philip Anderson as Executive Director, Finance Director and Head of Compliance was completed on 31 January 2018.

Philip is a Chartered Accountant with more than twenty years of experience of working in regulated financial services. Over the past ten years Philip has held key regulatory control functions (CF1 Director, CF10 Compliance, CF11 MLRO and CF28 Systems and Control) in a number of regulated retail financial services businesses. His appointment brings a varied experience in many financial service businesses that will make a positive contribution to the continued development of the Group.

The Board has gone through a period of significant change over the past twelve months. To counterbalance the change in the Chief Executive and Finance Director roles, Jeff Hewitt continued in his role as the Non-executive Chairman of the Audit Committee and Andrew Boorman, who is an experienced Non-executive Director and who has many years of experience in financial service employee remuneration matters was appointed to the Board.

Having regard to the relevant guidance, the Nomination Committee is satisfied that the composition gives an appropriate balance of Executive and Non-executive Directors. Each Director brings different skills, experience and knowledge to the Group.

Management committees

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

Executive Committee ("ExCo")

Responsible for the strategic development and management of the business, which consists of the Executive Directors and other senior executives.

New Business Committee

Responsible for the oversight of all new corporate client relationships and mandates.

Supervisory Committee

Responsible for the management and technical reporting of all new corporate client relationships.

Management Committee

A communication forum responsible for cascading of business strategy and day to day operational matters.

Risk & Compliance Committee

Consideration of all corporate finance, compliance and risk policies. Identification, measurement, monitoring and reporting of all significant risk and compliance matters faced by the Group.

Directors' remuneration report

Introduction

The Remuneration Committee has delegated responsibility from the Board for developing the Group's remuneration strategy and for setting the remuneration of its Executive Directors and senior managers. The Remuneration Committee comprises all Non-executive Directors and is chaired by Andrew Boorman. Andrew was appointed to the position on 17 November 2017 and succeeded Anthony Hotson, who relinquished the position on 1 August 2017 when he became Chief Executive. As set out in his biography on page 21 Andrew has significant and related experience advising main boards on strategic human resource issues including governance, risk management and remuneration.

Remuneration policy

The Group's remuneration policy is 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 base salary and a variable performance-related award. The performance-related aspect reflects the success or failure of the Group in meeting its targets and objectives and is therefore substantially reflective of the Group's overall financial performance. Variable remuneration is paid through the Group's profit sharing model and 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 relevant direct and associated costs have been deducted and risk factors have been considered and taken into account. The distribution to individuals of each business team's profit share is based on performance. Employees who are not directly involved in revenue generation are considered for a discretionary variable performance award depending on their performance and the Group's overall financial results, once risk factors have been taken into account. All variable remuneration is subject to the terms and conditions of the Company's deferral scheme whereby a portion of variable remuneration takes the form of a share award which vests over a three-year period.

Regulatory considerations applying to the Group's remuneration approach

The Group's approach to remuneration takes account of relevant legislation, regulation, corporate governance standards and guidance issued by regulators and shareholder representative bodies. The Group follows the Financial Conduct Authority – IFPRU Remuneration Code (the "Code"); however, on the basis of proportionality the Group has dis-applied certain remuneration principles within the Code. This includes the application of a bonus cap and certain elements of the deferral provisions, although the Group does have a bonus deferral scheme in place for all employees with total remuneration above £160,000.

The Remuneration Committee continues to monitor the regulatory environment and consider any impact on the Group's remuneration policies.

Directors' remuneration report

Remuneration for the year

The Directors' remuneration and other benefits (medical and life assurance cover) during the year (excluding awards made under the Company's share incentive schemes) in respect of the performance of their role as a Director are set out in the table below:

Director	Base salary/ fees 2017 £000's	Annual Performance Award[7] 2017 £000's	Vested cash award received in respect of the 2015 Deferred Bonus Scheme £000's	Benefits 2017 £000's	Payment for loss of office (including settlement agreements) £000's	Total 2017 £000's	Total 2016 £000's
Executive Directors							
Jim Durkin[1]	87	150	13	2	–	252	343
Anthony Hotson[2]	104	171	–	–	–	275	–
Mike Chilton[3]	74	123	17	1	324	539	316
Paul Hodges	90	1,777	143	3	–	2,013	1,602
Joe Nally	75	1,359	14	4	–	1,452	855
Nick Wells[4]	53	126	9	1	–	189	333
Jeremy Warner Allen[6]	–	–	–	–	–	–	760
Non-executive Directors							
Gerry Aherne	170	–	–	–	–	170	300
Anthony Hotson[2]	36	–	–	–	–	36	111
Andrew Boorman[5]	8	–	–	–	–	8	–
Jeff Hewitt	101	–		–	–	101	61
	798	3,706	196	11	324	5,035	4,681

1. Retired with effect from 31 July 2017.
2. Appointed as Chief Executive from 1 August 2017 and resigned from his Non-executive Director position at the same time.
3. Resigned with effect from 4 August 2017.
4. Resigned with effect from 17 May 2017.
5. Appointed as Non-executive Director from 17 November 2017.
6. Resigned with effect from 22 November 2016.
7. The Annual Performance Award for 2017 is subject to the Company's Deferred Bonus Scheme which takes the form of a share award which vests equally over a three year period. Amounts shown for Executive Directors are net of the deferred amount. See note 22 for further details on the Deferred Bonus Scheme.

The Company has a workplace pension scheme (the "Scheme") with Aviva. All Directors have opted out of the Scheme. The Group does not operate any other pension scheme on behalf of its employees or Directors.

Basis of determining Annual Performance Awards for Executive Directors

The annual performance award is a significant variable component of the overall remuneration of Directors and senior managers but is at the sole discretion of the Remuneration Committee. The level of award paid to the Chief Executive and Finance Director was based upon several variables in 2017:

Chief Executive performance measures

- Financial performance of the Group;
- Shareholder returns;
- Risk factors;
- Individual performance measures (see below);
  - Strategic development of the Group;
  - Leadership and culture; and
  - Development of the Executive team (ExCo).

Finance Director performance measures

- Development of support service team and in particular the compliance operating model;
- Leadership and culture;
- Regulatory compliance;
- Group risk management; and
- Financial performance of the Group.

Executive Director performance measures

Paul Hodges and Joe Nally received performance-related awards based upon their overall leadership of the team they manage. This award is received through profit sharing arrangements after risk factors have been taken into account. Consistent with other teams in the Group, the profit sharing model is based upon a percentage of revenues generated by the team after direct and associated costs have been deducted.

The variable component of the profit sharing model reflects the financial success of their respective teams in 2017, taking account of conduct risk and other factors. These awards aim to reward and motivate these Executive Directors so that they can continue to develop the value of the Group and consequently maximise shareholder returns.

Remuneration principles used in recruitment

We may choose to compensate potential employees for remuneration forfeited by them as part of the recruitment process, where amounts are reasonable and there is tangible proof in support of forfeiture.

Settlement agreements

The Remuneration Committee may agree additional exit payments where such payments are made in good faith to discharge existing legal obligations, or as damages for breach of such obligations, or in settlement or compromise of any claim arising on termination of a Directors' office or employment. During the year, amounts of £324,000 were made to Mike Chilton in this respect (2016: £nil).

Compensation for loss of office

The aggregate amount of compensation paid to Directors for loss of office during the year was £nil (2016: £nil).

Non-executive Directors' remuneration

Non-executive Directors' remuneration is set by the Board based upon the recommendation of the Executive Directors taking into account comparisons with peer group companies, experience and responsibility of the individual and the level of work carried out in a particular year.

Remuneration comprises an annual fee with reimbursement of all reasonable expenses. The Executive Directors have recommended that if any additional work is undertaken by a Non-executive Director (at the request of the Group) then a further fee may be paid to them covering the additional work and time required. Any such work is usually undertaken providing the Board is fully satisfied that the Non-executive Director is independent and objectivity is not compromised in any matter. In 2016, the Executive Directors commissioned a project to review certain aspects of the Group's culture, governance and processes. The nature of this work, which continued into 2017, required substantial input from both Gerry Aherne and Anthony Hotson and contributed to the Board changes in 2017. In 2017, Jeff Hewitt also assisted on a governance and restructuring issue.

The base fees are reviewed every two years and have remained the same for the past two years. In March 2018, the Executive Directors reviewed the base fees and agreed that the base fee for Andrew Boorman and Jeff Hewitt be increased by £5,000 and that Gerry Aherne's base fee be increased by £10,000. These increases will be made by an award of shares in the Company.

The Non-executive Directors' base fees, extra responsibility allowances for acting as chairpersons and additional allowances for extra work performed during 2017 are set out below:

	Base fee 2017 £000's	Additional fee for acting as Chairman of a Committee 2017 £000's	Additional allowance 2017 £000's	Total 2017 £000's	Total 2016 £000's
Gerry Aherne	120	–	50	170	300
Anthony Hotson(1)	32	4	–	36	111
Andrew Boorman(2)	7	1	–	8	–
Jeff Hewitt	55	6	40	101	61
	214	11	90	315	472

1. Appointed as Chief Executive from 1 August 2017 and resigned from his Non-executive Director position at the same time.
2. Appointed as Non-executive Director from 17 November 2017.

Directors' remuneration report

Directors' service contracts

Executive Directors

The general principle is that all Executive Directors have a rolling contract of employment with mutual notice periods of at least three months. Service contracts do not contain any provision for compensation upon early termination as parties are expected to rely on employment rights conferred by law.

The table below provides details of service contracts of the Executive Directors who served during the year ended 31 December 2017.

Director	Date of appointment	Date of retirement/ resignation	Nature of contract	Notice period from Company	Notice period from Director	Next re-election
Jim Durkin[1]	13 December 2011	31 July 2017	Rolling	6 months	6 months	n/a
Anthony Hotson[2]	1 August 2017	n/a	Rolling	6 months	6 months	2018
Mike Chilton[3]	8 June 2012	4 August 2017	Rolling	6 months	6 months	n/a
Paul Hodges	8 June 2012	n/a	Rolling	3 months	3 months	2018
Joe Nally	8 June 2012	n/a	Rolling	3 months	3 months	2018
Nick Wells[4]	14 October 2015	17 May 2017	Rolling	3 months	3 months	n/a

Non-executive Directors

Non-executive Directors are engaged under letters of appointment, which are available for Shareholders to view at the Company's registered office and will be available at the Annual General Meeting.

The table below provides details of the date of appointment of the Non-executive Directors who served during the year ended 31 December 2017 together with the next election or re-election date.

Non-executive Director	Date of appointment	Next election or re-election	Notice period by either party
Gerry Aherne	4 April 2012	2018	3 months
Anthony Hotson[2]	15 May 2012	n/a	n/a
Andrew Boorman[5]	17 November 2017	2018	1 month
Jeff Hewitt	23 June 2008	2018	1 month

1. Retired with effect from 31 July 2017.
2. Appointed as Chief Executive from 1 August 2017 and resigned from his Non-executive Director position at the same time.
3. Resigned with effect from 4 August 2017.
4. Resigned with effect from 17 May 2017.
5. Appointed as Non-executive Director from 17 November 2017.

Directors' interests in share options and under Employee Share Plans

The Company has share incentive plans through which discretionary share-based awards can be made. The plans fall into three categories:

- The Compensatory Award Plan 2009;
- Share Incentive Plan; and
- Save As You Earn Scheme.

The Company also has a Deferred Bonus Scheme.

Compensatory Award Plan 2009

During the year no options were granted under this scheme (2016: none) and the Company has no intention to grant any further options under this scheme. The Board has delegated the responsibility of supervision of this scheme to the Remuneration Committee.

Share Investment Plan (SIP)

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.

The Executive Directors' interests in the Company's ordinary shares that are held in the SIP as at 31 December 2017 are set out below.

Executive Directors	Number held at 31 December 2017	Number of shares subject to forfeiture conditions 31 December 2017	Number held at 31 December 2016	Number of shares subject to forfeiture conditions 31 December 2016
Paul Hodges	12,957	8,448	11,819	8,448
Joe Nally	12,957	8,448	11,819	8,448

Save As You Earn Scheme (SAYE)

The participants of the SAYE Scheme 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.

The Executive Directors' interests in options over ordinary shares in the Company as at 31 December 2017 are set out below.

Executive Directors	Number held at 31 December 2017	Number held at 31 December 2016	Exercise price	Date of grant	Earliest exercise date	Latest exercise date
Paul Hodges	10,416	10,416	£1.728	15 July 2014	1 August 2017	28 February 2018
Joe Nally	10,416	10,416	£1.728	15 July 2014	1 August 2017	28 February 2018

Deferred Bonus Scheme

All variable remuneration is subject to the terms and conditions of the Company's Deferred Bonus Scheme which since 2017 takes the form of a share award which vests over a three-year period. Prior to 2017 this award may have been undertaken as a cash deferral award if the Executive Director held over £250,000 in Cenkos ordinary shares. Further details on the Deferred Bonus Scheme can be found in note 22 of the Notes to the Financial Statements.

The awards under the Deferred Bonus Scheme are detailed below.

Deferred cash awards under the Deferred Bonus Scheme

	Deferred cash awards outstanding as at 1 January 2017 £	Vested during the year £	Granted during the year £	Outstanding as at 31 December 2017 £[4]
Paul Hodges	576,662	142,829	–	433,833
Joe Nally	117,230	14,043	–	103,187
Jim Durkin[1]	48,180	12,728	–	35,452
Nick Wells[2]	36,100	8,700	–	27,400
Mike Chilton[3]	9,900	9,900	–	–
Anthony Hotson	–	–	–	–

Directors' remuneration report

Deferred share awards under the Deferred Bonus Scheme

	Deferred share award outstanding as at 1 January 2017 No of shares	Shares vested during the year No of shares	*Outstanding share* award as at 31 December 2017[4] No of shares	*2017 granted* deferred share award (£) to be converted into shares[5]
Paul Hodges	–	–	–	189,641
Joe Nally	–	–	–	141,500
Jim Durkin[1]	–	–	–	–
Nick Wells[2]	–	–	–	–
Mike Chilton[3]	15,163	15,163	–	–
Anthony Hotson	–	–	–	16,725

1. Retired with effect from 31 July 2017.
2. Resigned with effect from 17 May 2017.
3. Resigned with effect from 4 August 2017.
4. Or at date of retirement or resignation if earlier.
5. These amounts will be converted into shares in accordance with the terms and conditions of the Deferred Bonus Scheme.

These shares will vest equally one-third vesting on the conversion anniversary date over a three-year period.

Directors' interests in ordinary shares

The Directors' interests in the ordinary shares in the Company as at 31 December 2017 are shown on page 35 within this Directors' report.

To ensure appropriate alignment with the interests of our shareholders, Executive Directors, individually or with their connected persons, are expected to satisfy a shareholding guideline of acquiring shares in the Company where that value at least matches their basic salary within three years from their date of appointment.

This report was approved by the Remuneration Committee on 22 March 2018 and signed on its behalf by:

Andrew Boorman
Chairman of the Remuneration Committee
22 March 2018

Audit Committee report

Introduction

Much of the Audit Committee's time was spent considering statutory financial reporting and regulatory changes, and proposed changes to the Group's risk management systems and three lines of defence model. As a result of its work during the year, the Committee has concluded that it has acted in accordance with its terms of reference and that it has ensured the independence and objectivity of the external auditor.

Members and meetings

The Audit Committee comprises all Non-executive Directors and is chaired by Jeff Hewitt. As set out in his biography on page 21, as well as being a qualified accountant, Jeff is an experienced Audit Committee Chair and has recent and relevant financial experience. The other members of the Committee have significant experience of corporate governance and financial matters in the financial services sector.

The Committee met three times during the year and privately with the Auditor as necessary. The Chief Executive Officer, Finance Director, other Executive Directors and relevant senior managers are invited to attend these meetings as appropriate.

Roles and responsibilities

The Board has delegated certain authorities to the Committee and the terms of reference of the Committee are available on the Company's website and set out on page 23.

The Committee reported to the Board on how it has discharged its responsibilities during the year. This has included reporting and making recommendations on remedial action to address any matters or areas in the Group where the Committee has considered improvements were required.

Significant issues and material judgements

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

- Ensuring correct revenue recognition for any corporate transactions that straddled reporting periods to ensure compliance with the Company's accounting policies, as explained in note 1 of the financial statements. There were no issues with revenue recognition during 2017 or at the year-end;
- The appropriateness of valuations of financial instruments, including the valuation of warrants and options held over AIM stocks and unquoted investments held by the Company, classified as Level 3 in the fair value hierarchy. Valuation factors considered for any instruments classified as Level 3 include an external option pricing model and associated inputs from external valuation specialists and for unquoted holdings, the International Private Equity and Venture Capital ("IPEV") valuation guidelines – as explained in note 23 of the financial statements;
- The deferred bonus scheme and the associated accounting treatment and disclosures in 2017 which included the deferral to future years of £1.1 million (2016: £0.6 million) of bonuses from the current year and inclusion of £0.6 million (2016: £0.6 million) from prior years and as assessment of the vesting conditionality of the deferrals; and
- The appropriateness of the valuation techniques applied to share-based payments and their associated accounting treatment – as explained in note 22 of the financial statements.

Risk management, compliance and internal controls

The Board is responsible for the overall adequacy of the Group's system of internal controls and risk management. The Board has delegated responsibility to the Committee for reviewing and monitoring the effectiveness of the Group's systems of risk management, regulatory compliance and internal control.

The systems of internal control are designed to manage, rather than eliminate, risk. Consequently these controls provide reasonable, but not absolute, assurance against material misstatement or loss. The risk management and internal control framework in place during the year was as follows:

- Principal risks have been identified and evaluated by the Board (see Principal risks on pages 14 and 15). Significant risks were identified and evaluated by the senior managers in the areas of business for which they held responsibility and these formed the basis for the risk register compiled centrally and regularly reviewed by the Risk and Compliance Committee ("RCC"). 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 Compliance team review of regulatory and internal control requirements including the risk register to form the basis for testing and internal audit planning. Oversight and challenge has been maintained by a series of reviews at the RCC, the Audit Committee and the Board;
- As reported on page 20, Philip Anderson was appointed to the Board on 31 January 2018 bringing with him significant experience in transforming finance, risk and compliance teams and systems. Following a review of the Firm's three lines of defence model, the risk and compliance operating model is being modified to address the Firm's business model and the conduct risks faced. This process is an extension of the remediation action taken by the Board from 2016; and
- To strengthen the three lines of defence model, the decision has been taken to augment second line compliance monitoring through the use of a regulatory consultancy, Promontory Financial Group LLC.

Audit Committee report

The identification and evaluation of the risks from the above processes are aligned with the ICAAP, ILAA and Recovery and Resolution Plan.

Following the review, the Committee concluded that the risk management process supports the Board's summary of the principal risks presented in the Strategic report on pages 14 and 15 of this Annual Report.

Internal audit

Internal audit has provided independent assurance over the adequacy and effectiveness of the systems of internal control throughout the Group. In 2017, internal audit capabilities included a department head, supplemented by external support from BDO LLP as agreed by the Committee.

Following a review of the Group's three lines of defence model in late 2017, the decision to fully outsource the internal audit function to BDO LLP from 2018 was approved by the Committee and the Board. Internal audit will continue to report directly to the Chair of the Audit Committee.

External auditor independence

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

The annual appointment of the auditor by shareholders in the Annual General Meeting is a fundamental safeguard to auditor independence, but beyond this, the Committee monitors and controls additional, non-audit, work provided by the auditor. The Committee considers there are some areas of work that are prohibited by the external auditor, including where:

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

The Committee has stipulated that the fees paid to the auditor for any individual item of non-audit work should not exceed £20,000 without approval by the Committee and any such service should be agreed by the Committee prior to commencement of the services and be accompanied by terms regarding liability, cost and responsibilities. Additionally, following regulatory requirements there is an overall cap on non-audit work of 70% of the audit fee cumulatively over three years and no more than 30% in any one year. As shown in note 6 of the financial statements, in 2017 there were no payments to the auditor for non-audit services.

External auditor performance and re-appointment

The Audit Committee evaluates the performance of the auditor annually taking into account the objectivity and effectiveness of the audit, the quality of formal and informal communications with the Committee and the views of management. In the current year the Committee again evaluated the auditor's performance as good and the relationship with management to be sound.

The Group last tendered its external audit in 2011, when it appointed Ernst & Young LLP as its auditors. 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. Whilst these regulations do not apply to companies whose shares are admitted to trading on AIM, the Committee is mindful of the time that has lapsed since Ernst & Young LLP were appointed.

This report was approved by the Committee on 22 March 2018 and signed on its behalf by:

Jeff Hewitt
Chairman of the Audit Committee
22 March 2018

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic report on pages 4 to 16 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 22 March 2018 and signed on its behalf by:

Anthony Hotson
Chief Executive Officer
22 March 2018

Directors' report

The Directors serving during the year ended 31 December 2017 and up to the date of signing the financial statements present their report on the affairs of the Company (Cenkos Securities plc) and its subsidiaries (collectively the Group) together with the Company financial statements and audited financial statements of the Group and the associated independent auditor's report thereon, for the year ended 31 December 2017.

Parent Company

The Company is an independent, specialist institutional securities group, focused on small and mid-cap companies and investment funds. Its principal activity is institutional stockbroking.

Business review and future developments

A review of the Group's operations and performance during the financial year, setting out the position at the year end, significant changes during the year and the principal risks to which the Group is exposed is provided within the Strategic report, along with an indication of the outlook for the future. Our risk management processes are outlined in more detail in the Governance section and in note 23 of this Annual Report. The Directors have considered section 172 of the Companies Act 2006 and are aware of their wider responsibilities to not only the Company and its members but also to a wider group of stakeholders.

Results and dividends

The consolidated results for the year are set out in the consolidated income statement on page 42.

An interim dividend of 4.5p per share was paid to shareholders on 9 November 2017 (2016: interim dividend of 1.0p per share). The Directors recommend the payment of a final dividend of 4.5p per share (2016: final dividend of 5.0p per share).

The total interim and final dividends in respect of the year ended 31 December 2017 are 9.0p (2016: 6.0p). The final dividend will be paid on 31 May 2018 to the shareholders on the register at 4 May 2018, subject to approval at the Annual General Meeting to be held on 15 May 2018 (see page 77).

Directors

The names of the current serving Directors of the Company are set out on pages 20 and 21. These Directors have served throughout the year or during the year with the exception of Philip Anderson who was appointed to the Board on 31 January 2018.

Nick Wells served as an Executive Director until his resignation from the Board on 17 May 2017. Jim Durkin served as the Chief Executive until 31 July 2017 when he retired from the Board. Mike Chilton served as the Finance Director until his resignation from the Board on 4 August 2017. Anthony Hotson was appointed Chief Executive on 1 August 2017. Andrew Boorman was appointed as a Non-executive Director on 17 November 2017.

At the Annual General Meeting on 15 May 2018, the serving Directors will offer themselves for either election or re-election to the Board.

Jeff Hewitt will have served nine years on the Board at the forthcoming Annual General Meeting and he will be seeking re-election. Under the UK Corporate Governance Code a Director serving longer than nine years will not meet the test of independence. Whilst this Code does not apply to companies whose shares are admitted to trading on AIM, the Board is mindful of this regulation. The Board considers that Jeff Hewitt brings valuable and related experience to the Board and acts in the best interests of the Group. The Board is satisfied that he will continue to remain independent notwithstanding that he may serve more than nine years and accordingly approves of Jeff Hewitt seeking re-election as a Director at the forthcoming Annual General Meeting.

Share capital

At 31 December 2017, the issued share capital of the Company was £566,947 (2016: £566,947). This comprised 56,694,783 ordinary 1p shares, which are admitted to trading on AIM (2016: 56,694,783 ordinary 1p shares).

All shares have equal voting rights and no person has any special control rights over the Company's share capital.

All shares are fully paid and no new shares were issued during the year (2016: nil).

Directors' interests in ordinary shares

The Directors' interests in the share capital of the Company at 31 December 2017 are set out below:

Director	Number held at 31 December 2017	Percentage interest at 31 December 2017	Number held at 31 December 2016	Percentage interest at 31 December 2016
Executive Directors				
Paul Hodges[1]	5,093,188	8.98%	5,092,050	8.98%
Joe Nally[1]	1,067,771	1.88%	1,066,633	1.88%
Anthony Hotson	60,000	0.11%	32,860	0.06%
Non-executive Directors				
Gerry Aherne	56,264	0.10%	55,000	0.10%
Jeff Hewitt	48,121	0.08%	48,121	0.08%
Andrew Boorman	37,500	0.07%	Nil	Nil

1. At 31 December 2017, 12,957 ordinary shares have been acquired under the terms and conditions of the Company's Share Incentive Plan of which 6,438 ordinary shares are subject to forfeiture conditions.

Philip Anderson was appointed as a Director of the Company on 31 January 2018. At 31 December 2017, he had an interest in 98,026 ordinary shares in the Company, representing 0.17% of the Company's issued share capital.

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

Directors' interests in options

The Directors' interests in options over ordinary shares in the Company at 31 December 2017 are set out on page 29 in the Directors' remuneration report.

Directors' indemnities

Directors' and Officers' liability insurance is maintained by the Group for all Directors and Officers of the Group as permitted by the Companies Act 2006. The Group indemnifies its Directors and Officers against any claim made against them as a consequence of the execution of their duties as a Director or Officer of the Group, to the extent permitted by law and in accordance with its Articles of Association. 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 Directors' interests shown above, the Directors have been notified of substantial shareholders, set out below, who are interested in 3% or more of the Company as at 31 December 2017.

Holder	Number held at 31 December 2017	Percentage interest at 31 December 2017	Number held at 31 December 2016	Percentage interest at 31 December 2016
Invesco Limited	8,083,632	14.25%	8,083,632	14.25%
Canaccord Genuity Group Inc.	7,411,798	13.07%	7,922,292	13.97%
Jim Durkin	4,985,831	8.79%	4,984,693	8.79%
JP Morgan Asset Management Limited	4,248,659	7.49%	4,248,659	7.49%
Nick Wells	2,183,400	3.85%	2,183,400	3.85%

On 29 January 2018, the Company was informed that Invesco Limited had ceased to have a notifiable holding in the Company.

Directors' report

Purchase of own shares

The Company has three Employee Benefit Trusts ("EBTs") to service its share schemes and the deferred bonus scheme. The EBTs are funded by the Company and they have the power to acquire shares from the Company or in the open market to meet the Company's future obligations. During the year ended 31 December 2017, the EBT purchased an aggregate of 543,098 (2016: 419,900) ordinary shares in the Company. The number of shares purchased represents 0.96% of the Company's issued share capital as at 31 December 2017 (2016: 0.74%) for an aggregate consideration of £0.55 million (2016: £0.44 million).

No shares were purchased into Treasury during the year (2016: nil). The number of shares held in Treasury at 31 December 2017 was nil (2016: nil).

On 25 January 2018 the Company made a market purchase of 1,384,748 ordinary shares. These shares were held in Treasury. Following the purchase of the ordinary shares, the Company had 55,310,035 ordinary shares in issue (excluding Treasury shares) and held 1,384,748 ordinary shares in Treasury.

Employment Policies

The Group's employment policies are based upon a commitment to equal opportunities from selection and recruitment processes through training, development, appraisal and promotion.

The Group provides its people 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. The Group provides its people 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. Our people participate in the success of Cenkos through performance-based incentive schemes including formula-based profit sharing arrangements, share option arrangements, a SIP and a SAYE.

Going concern

The Directors have a reasonable expectation that the Company and Group have adequate resources to continue operating for the foreseeable future. Consequently the Directors continue to adopt the going concern basis in preparing the financial statements presented in this Annual Report and Accounts.

Relations with shareholders

The Chief Executive, accompanied by the Finance Director, communicates the Group's strategy and results to shareholders and analysts through meetings following announcements of the Group's preliminary results and half-year results.

Shareholders may also attend the Annual General Meeting at which all members of the Board are available to answer questions.

The Group's website contains electronic versions of the latest and prior years' annual report and accounts, half year reports together with share price and other relevant information.

Political donations

During the year the Group made no political donations (2016: £Nil).

Independent auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint Ernst & Young LLP as auditor of the Group will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held at 6, 7, 8 Tokenhouse Yard, London EC2R 7AS on 15 May 2018 at 9.30am. A copy of the Notice of the Annual General Meeting together with an explanation of the Resolutions to be proposed is set out on pages 77 to 83.

This report was approved by the Board of Directors on 22 March 2018 and signed on its behalf by:

Stephen Doherty
Company Secretary
22 March 2018

Independent Auditor's report to the Members of Cenkos Securities plc

Opinion

In our opinion:

- Cenkos Securities plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Cenkos Securities plc which comprise:

Group	Company
Consolidated statement of financial position as at 31 December 2017	Statement of financial position as at 31 December 2017
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Cash flow statement for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 27 to the financial statements including a summary of significant accounting policies
Consolidated cash flow statement for the year then ended	
Related notes 1 to 27 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards to the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matter	– Risk of inappropriate revenue recognition on corporate finance and placing deals
Audit scope	– We performed an audit of the complete financial information of Cenkos Securities plc which makes up the majority of the operations of the Group ("full scope" entity) and audit procedures on specific balances for a further two entities ("specific scope" entities). – The entities where we performed full or specific scope audit procedures accounted for over 99% of total revenue, total assets and total income.
Materiality	– Overall Group materiality of £596k which represents 1% of revenues.

Independent Auditor's Report to the Members of Cenkos Securities plc

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of inappropriate revenue recognition on corporate finance and placing deals 2017: £44.0m (2016: £29.7m)		
Refer to the Audit Committee Report (page 31); Accounting policies (page 50); and Note 3 of the Consolidated Financial Statements (page 55) Revenue is a key performance measure by the market, as well as being linked to personal performance incentives. Revenue is recognised when, under the terms of the contract, the conditions have been met such that Cenkos is entitled to the fees specified. We have determined that risk arises with respect to: ▪ The cut-off of significant deals that are completed around the reporting date. ▪ Completeness of documentation of contract amendments which would otherwise create ambiguity over revenue recognition performance conditions. We have identified this as a fraud risk as we consider the risk of management override is present due to the potential to influence the recognition of corporate finance and placing revenue and therefore the reported results of the business and bonuses. The risk has neither increased nor decreased in the current year.	We confirmed our understanding of the corporate finance and placing revenue recognition process and assessed the design effectiveness of key controls. We reduced our testing threshold resulting in increased sample sizes for transactional testing, where we agreed a sample of corporate finance and placing transactions to cash received and terms within the engagement letters or supporting documentation. For transactions completed around the reporting date, which present a heightened risk of misstatement, we extended the cut-off period and used a lower testing threshold to increase our sample sizes and assessed the terms of the engagement letter and verified the recognition of the revenue through reference to the date when the transaction becomes unconditional. We performed full scope audit procedures over this risk area in Cenkos Securities plc, which covered 100% of the risk amount.	No material issues were identified from the execution of our audit procedures over the risk of inappropriate revenue recognition on corporate finance and placing deals. All samples were agreed to engagement letters or supporting documentation. We have obtained assurance over the timing and accuracy of revenue recognised, which has been recognised in line with the Group's accounting policy.

In the prior year, we had a significant risk on the valuation of illiquid holdings in the available for sale book, however we have removed this significant risk as the balance of the available-for-sale book has become immaterial during the year.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity (also referred to as "components") within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group wide controls, and changes in the business environment when assessing the level of work to be performed at each entity.

Cenkos Securities plc comprises the majority of the operations of the group, however in assessing the risk of material misstatement to the Group financial statements and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we also performed audit procedures over specific balances in two other entities, Cenkos Securities Asia Pte Ltd and Cenkos Nominee UK Limited.

As one of the entities in the Group made a loss during the year, we considered total revenue, total assets, and the absolute value of the amounts in the income statement (meaning the magnitude of the amounts without regard to their positive or negative value) to ensure we had appropriate overall coverage on the income statement.

The remaining seven entities in the Group together represent less than 1% of the Group's total revenue, total assets and the absolute value of the income statement. For these entities, we performed other procedures, including testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements. All audit work performed for the purposes of the audit was undertaken by the Group audit team.

The table below illustrates the coverage obtained from the work performed by our audit team.

	Full scope	Specific scope	Total
Total revenue	£59.5m	–	>99%
Total assets	£69.5m	£0.3m	>99%
Absolute value of the income statement	£10.0m	£0.9m	>99%

Changes from the prior year

There are no significant changes in scope from the prior year.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group and the Company to be £596k (2016: £437k), which is based on 1% of revenue, in line with the prior year. Given that users of financial statements would typically focus on activity based measures as the Group is profitable, we have concluded that revenue is the most appropriate basis of materiality as a reflection of the performance of the Group. We have not used an earnings based measure for the determination of materiality as the nature of the business is such that the Group is exposed to macroeconomic and market conditions, which coupled with the awards of bonuses results in volatility of earnings.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2016: 50%) of our planning materiality, namely £298k (2016: £260k). We have set performance materiality at this percentage due to a number of considerations including our expectations about the likelihood of misstatements based on prior year experience.

Audit work on components for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the performance materiality allocated to components was £298k (2016: £260k).

Independent Auditor's Report to the Members of Cenkos Securities plc

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £30k (2016: £22k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information in the annual report

The other information comprises the information included in the annual report set out on pages 1 to 36, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of the Directors

As explained more fully in the Directors' responsibilities statement set out on page 33, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ernst & Young LLP

Simon Michaelson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
22 March 2018

Notes:

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

Consolidated income statement

for the year ended 31 December 2017

	Note	2017 £ 000's	Restated 2016 £ 000's
Continuing operations			
Revenue	3	59,504	43,743
Administrative expenses		(49,528)	(38,763)
Operating profit		9,976	4,980
Investment income – interest receivable	4	23	83
Profit before tax from continuing operations for the year	6	9,999	5,063
Tax	7	(1,815)	(1,858)
Profit after tax from continuing operations for the year		8,184	3,205
Discontinued operations			
Loss after tax from discontinued operations for the year	8	(973)	(661)
Profit for the year		7,211	2,544
Attributable to:			
Equity holders of Cenkos Securities plc		7,211	2,544
From continuing operations			
Basic earnings per share	10	15.0p	5.9p
Diluted earnings per share	10	15.0p	n/a
From continuing and discontinued operations			
Basic earnings per share	10	13.2p	4.7p
Diluted earnings per share	10	13.2p	n/a

The 2016 figures have been restated to reflect the reclassification of Cenkos Securities Asia Pte Limited as a discontinued operation.

The notes on pages 50 to 76 form an integral part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2017

	2017 £ 000's	2016 £ 000's
Profit for the year	7,211	2,544
Amounts that will be recycled to the income statement in future periods		
(Loss)/gain on available-for-sale financial assets	(133)	79
Tax on available-for-sale financial assets	26	(16)
Exchange differences on translation of foreign operations	(105)	105
Other comprehensive (expense)/income for the year	(212)	168
Total comprehensive income for the year	6,999	2,712
Attributable to:		
Equity holders of Cenkos Securities plc	6,999	2,712

The notes on pages 50 to 76 form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2017

	Notes	2017 £000's	2016 £000's
Non-current assets			
Property, plant and equipment	11	525	389
Deferred tax asset	18	738	236
		1,263	625
Current assets			
Trade and other receivables	13	20,798	24,526
Available-for-sale financial assets	14	250	560
Other current financial assets	15	10,615	13,811
Cash and cash equivalents	16	36,829	23,795
		68,492	62,692
Total assets		69,755	63,317
Current liabilities			
Trade and other payables	17	(36,300)	(32,560)
Other current financial liabilities	15	(3,341)	(2,694)
		(39,641)	(35,254)
Net current assets		28,851	27,438
Non-current liabilities			
Trade and other payables	17	(366)	(880)
Total liabilities		(40,007)	(36,134)
Net assets		29,748	27,183
Equity			
Share capital	19	567	567
Share premium		3,331	3,331
Capital redemption reserve	19	195	195
Own shares	20	(3,845)	(3,556)
Available-for-sale reserve		58	165
Foreign currency translation reserve		–	105
Retained earnings		29,442	26,376
Total equity		29,748	27,183

The notes on pages 50 to 76 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2018.

They were signed on its behalf by:

Anthony Hotson
Chief Executive Officer

22 March 2018

Registered Number: 05210733

Philip Anderson
Finance Director

22 March 2018

Company statement of financial position

As at 31 December 2017

	Notes	2017 £000's	2016 £000's
Non-current assets			
Property, plant and equipment	11	525	375
Deferred tax asset	18	738	236
Investments in subsidiary undertakings	12	1	1,730
		1,264	2,341
Current assets			
Trade and other receivables	13	24,659	28,841
Available-for-sale financial assets	14	250	560
Other current financial assets	15	10,615	13,811
Cash and cash equivalents	16	36,627	22,364
		72,151	65,576
Total assets		73,415	67,917
Current liabilities			
Trade and other payables	17	(36,203)	(32,474)
Other current financial liabilities	15	(3,341)	(2,694)
		(39,544)	(35,168)
Net current assets		32,607	30,408
Non-current liabilities			
Trade and other payables	17	(366)	(880)
Total liabilities		(39,910)	(36,048)
Net assets		33,505	31,869
Equity			
Share capital	19	567	567
Share premium		3,331	3,331
Capital redemption reserve	19	195	195
Available-for-sale reserve		58	165
Retained earnings		29,354	27,611
Total equity		33,505	31,869

The profit after tax attributable to the Company in the year ended 31 December 2017 was £5.9 million (31 December 2016: £3.2 million).

The notes on pages 50 to 76 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2018. They were signed on its behalf by:

Anthony Hotson
Chief Executive Officer

22 March 2018

Registered Number: 05210733

Philip Anderson
Finance Director

22 March 2018

Consolidated cash flow statement

For the year ended 31 December 2017

	Notes	2017 £000's	2016 £000's
Profit for the year		7,211	2,544
Adjustments for:			
Net finance income		(23)	(82)
Tax expense	7	1,815	1,858
Depreciation of property, plant and equipment	11	242	182
Shares and options received in lieu of fees		(3,888)	(5,770)
Share-based payment expense		1,560	803
Operating cash flows before movements in working capital		6,917	(465)
Decrease in net trading investments and available-for-sale financial assets		7,908	4,886
Decrease/(increase) in trade and other receivables		3,623	(6,055)
Increase/(decrease) in trade and other payables		1,959	(218)
Net cash flow from operating activities before interest and tax paid		20,407	(1,852)
Tax paid		(1,334)	(2,533)
Net cash flow from operating activities		19,073	(4,385)
Investing activities			
Interest received		23	93
Purchase of property, plant and equipment	11	(378)	(272)
Net cash outflow from investing activities		(355)	(179)
Financing activities			
Dividends paid	9	(5,201)	(4,367)
Proceeds from sale of own shares to employee share plans	22	66	58
Acquisition of own shares by EBT		(549)	(438)
Net cash used in financing activities		(5,684)	(4,747)
Net increase/(decrease) in cash and cash equivalents		13,034	(9,311)
Cash and cash equivalents at beginning of year		23,795	33,106
Cash and cash equivalents at end of year		36,829	23,795

The notes on pages 50 to 76 form an integral part of these financial statements.

Company cash flow statement

For the year ended 31 December 2017

	Notes	2017 £000's	2016 £000's
Profit for the year		5,888	3,204
Adjustments for:			
Net finance income		(23)	(82)
Tax expense	7	1,815	1,858
Depreciation of property, plant and equipment	11	227	175
Shares in lieu of fees and options received in kind		(3,888)	(5,770)
Share-based payment expense		1,560	776
Write off of investment in subsidiary		2,012	–
Operating cash flows before movements in working capital		7,591	161
Decrease in net trading investments and available-for-sale financial assets		7,908	4,886
Decrease/(increase) in trade and other receivables		3,706	(6,628)
Increase/(decrease) in trade and other payables		1,948	(112)
Net cash flow from operating activities		21,153	(1,693)
Tax paid		(1,334)	(2,533)
Net cash flow from operating activities		19,819	(4,226)
Investing activities			
Interest received		23	86
Purchase of property, plant and equipment	11	(378)	(271)
Increase in investment in subsidiary		–	(1,729)
Net cash outflow from investing activities		(355)	(1,914)
Financing activities			
Dividends paid	9	(5,201)	(4,367)
Transfer of shares by EBT to employee share plans	22	–	10
Net cash used in financing activities		(5,201)	(4,357)
Net increase/(decrease) in cash and cash equivalents		14,263	(10,497)
Cash and cash equivalents at beginning of year		22,364	32,861
Cash and cash equivalents at end of year		36,627	22,364

The notes on pages 50 to 76 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Equity attributable to equity holders of the Parent							
	Share capital £000's	Share premium £000's	Capital redemption reserve £000's	Own shares £000's	Available-for-sale reserve £000's	Foreign currency translation reserve £000's	Retained earnings £000's	Total £000's
At 1 January 2016	567	3,321	195	(3,193)	102	–	27,576	28,568
Profit for the year	–	–	–	–	–	–	2,544	2,544
Gain on available-for-sale financial assets net of tax	–	–	–	–	63	–	–	63
Exchange differences on translation of foreign operations	–	–	–	–	–	105	–	105
Total comprehensive income for the year	–	–	–	–	63	105	2,544	2,712
Transfer of shares to employee share plans (note 20)	–	10	–	48	–	–	–	58
Transfer of shares from share plans to employees (note 20)	–	–	–	27	–	–	(27)	–
Acquisition of own shares by EBT (note 20)	–	–	–	(438)	–	–	–	(438)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	803	803
Deferred tax on share-based payments (note 18)	–	–	–	–	–	–	(153)	(153)
Dividends paid (note 9)	–	–	–	–	–	–	(4,367)	(4,367)
At 31 December 2016	567	3,331	195	(3,556)	165	105	26,376	27,183
Profit for the year	–	–	–	–	–	–	7,211	7,211
Loss on available-for-sale financial assets net of tax	–	–	–	–	(107)	–	–	(107)
Exchange differences on translation of foreign operations	–	–	–	–	–	(105)	–	(105)
Total comprehensive income for the year	–	–	–	–	(107)	(105)	7,211	6,999
Transfer of shares to employee share plans (note 20)	–	–	–	66	–	–	–	66
Transfer of shares from share plans to employees (note 20)	–	–	–	194	–	–	(194)	–
Acquisition of own shares by EBT (note 20)	–	–	–	(549)	–	–	–	(549)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	1,250	1,250
Dividends paid (note 9)	–	–	–	–	–	–	(5,201)	(5,201)
At 31 December 2017	567	3,331	195	(3,845)	58	–	29,442	29,748

The notes on pages 50 to 76 form an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2017

	Equity attributable to equity holders of the parent					
	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 2016	567	3,321	195	102	28,151	32,336
Profit for the year	–	–	–	–	3,204	3,204
Gain on available-for-sale financial assets net of tax	–	–	–	63	–	63
Total comprehensive income for the year	–	–	–	63	3,204	3,267
Transfer of shares to employee share plans (note 20)	–	10	–	–	–	10
Credit to equity for equity-settled share-based payments	–	–	–	–	776	776
Deferred tax on share-based payments (note 18)	–	–	–	–	(153)	(153)
Dividends paid (note 9)	–	–	–	–	(4,367)	(4,367)
At 31 December 2016	567	3,331	195	165	27,611	31,869
Profit for the year	–	–	–	–	5,888	5,888
Gain on available-for-sale financial assets net of tax	–	–	–	(107)	–	(107)
Total comprehensive income for the year	–	–	–	(107)	5,888	5,781
Transfer of shares from share plans to employees (note 20)	–	–	–	–	(194)	(194)
Credit to equity for equity-settled share-based payments	–	–	–	–	1,250	1,250
Dividends paid (note 9)	–	–	–	–	(5,201)	(5,201)
At 31 December 2017	567	3,331	195	58	29,354	33,505

The notes on pages 50 to 76 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

General information

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

Prior year comparatives have been amended to conform to the presentation in the current period due to the treatment of discontinued operations as required by IFRS 5 in the consolidated income statement.

Basis of accounting

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

Adoption of new and revised standards

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

Basis of consolidation

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

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

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

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

Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, the financial position of the Group, its cash flows and liquidity position are set out in the Strategic report on pages 4 to 16. In addition, note 23 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

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

Financial instruments

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.

1. Accounting policies (continued)

Financial assets

Financial assets are recognised and derecognised on trade date when the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, any transaction costs that are directly attributable to their acquisition or issue.

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss" ("FVTPL"), "available-for-sale" ("AFS") 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.

AFS investments

Unlisted shares held by the Company are classified as available-for-sale investments and are initially measured at fair value, including transaction costs. At each reporting date, these investments are measured at their fair values and the resultant gains and losses, after adjusting for taxation, are recognised directly in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Reversals of impairment losses recognised in the income statement for an investment in an equity instrument classified as available-for-sale investments shall be taken to equity.

Loans and receivables

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

Trading investments

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

Derivative financial assets

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

Trade and other receivables

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

Impairment of financial assets

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

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

Notes to the financial statements

1. Accounting policies (continued)

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value plus any transaction costs that are directly attributable to the acquisition or issue of the financial liability.

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

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

Trade and other payables

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

Derecognition of financial liabilities

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

Equity instruments

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

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

Financial guarantee contracts

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

Provisions

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

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

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

Foreign currencies

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

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

Investments in subsidiary undertakings

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

Operating leases

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

1. Accounting policies (continued)

Property, plant and equipment

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

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

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

Taxation

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

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

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

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

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue comprises commission earned on primary and secondary capital raising, fees earned in relation to corporate advisory services, retainer fees from clients for ongoing advice and commission earned from execution and research services, all of 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 gains and losses on market making, both realised and unrealised, on financial assets and financial liabilities, arrived at after taking into account attributable dividends and directly related interest.

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 and warrants over securities which have been received as consideration for corporate finance services rendered. The initial value of the options or warrants is posted to corporate finance revenue and any gain or loss on subsequent re-measurement posted to execution.

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 ExCo as chaired by the Chief Executive Officer for the purpose of monitoring performance and allocating resources reflect that integration.

Notes to the financial statements

1. Accounting policies (continued)

Share-based payments

The Company has applied the requirements of IFRS 2 "Share-based payments". The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The cost of these awards is measured by reference to the fair value determined at the grant date of the equity-settled share-based payments and the expected number of employees likely to become fully entitled to the award. This cost is expensed on a straight-line basis over the vesting period. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

Deferred Bonus Scheme

In April 2015, Cenkos introduced a Deferred Bonus Scheme (the "Scheme"), whereby 10% of all staff bonus awards over £100,000 are deferred over a three-year period. The deferred element of any bonus award is to be held in Cenkos Ordinary shares in an EBT and released to the employee evenly split on each of the three anniversaries of deferral into the Scheme. In prior years, at the date of grant, where an employee already held over £250,000 in Cenkos ordinary shares or £250,000 in intrinsic value in Cenkos options, the deferral was held in cash on the Group's statement of financial position and released in the same manner. The fair value of the cash deferral is recognised as a staff cost over a similar period with the recognition of a corresponding liability. In 2017, the deferred element of any bonus award is to be held in Cenkos ordinary shares in an EBT, irrespective of the Cenkos ordinary shares already held by the employee or their interest in Cenkos options. The Company has applied the requirements of IFRS 2: Share-based payments. The cost of these equity-settled and cash awards is fair valued at the date of grant and expensed on a straight-line basis over the vesting period.

Related party disclosures

The compensation of the key management personnel of the Company and their interests in the shares and options over the shares of Cenkos Securities plc are set out in note 24. Key management personnel comprise senior managers who are members of ExCo 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 key sources of estimation uncertainty and areas of critical accounting judgement that could have a significant effect on the carrying amounts of assets and liabilities are set out below:

a) Equity-settled share-based payments

The fair value of share-based payments is calculated by Mercer Limited, a third-party valuation specialist, using a Monte Carlo simulation. Inputs into the model are based on management's best estimates of expected volatility and risk free rate of return, which are referred to in note 22. As a measure of implied volatility of the share-based payment is not available, a measure of the historic volatility of Cenkos' share price has been used as a proxy. This expected volatility reflects the assumption that the historical volatility over a period similar to the life of the share-based payment is indicative of future trends, which may not necessarily be the actual outcome.

b) Valuation of derivative financial assets

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

c) Provisions and contingent liabilities including insurance recovery/receivable

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

The Company received confirmation from its insurers prior to 31 December 2017 that it was due an insurance recovery. This recovery was accrued for as at 31 December 2017 (see note 13) and all the cash received prior to the signing of these financial statements.

d) Revenue recognition where a capital raising transaction straddles a period end

As stated in the accounting policies in note 1, commission earned on a primary and secondary capital raising is taken to the income statement at the point in time when, under the terms of the contract, the conditions have been met such that Cenkos is entitled to the fees specified. Where transactions straddle reporting periods consideration is given as to the point in time when Cenkos became unconditionally entitled to the fees, usually the date of the client's general meeting to approve the capital raising to ensure revenue is recognised in the correct accounting period.

3. Business and geographical segments

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

Major clients

In the year to 31 December 2017, one of Cenkos' clients (2016: one client) contributed more than 10% of Cenkos' total revenue. The amount was £10.62 million. (2016: £5.11 million).

Revenue streams	2017 £000's	Restated 2016 £000's
Corporate finance	44,030	29,720
Nomad and broking	5,273	5,481
Research	2,949	5,033
Execution	7,252	3,509
	59,504	43,743

Execution includes £2.47 million of gains (2016: £0.83 million losses) on shares and options received in lieu of fees.

4. Investment income – interest receivable

	2017 £000's	2016 £000's
Interest income generated from:		
Cash and cash equivalents	9	36
Trade and other receivables	14	47
	23	83

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

5. Staff costs

	Group		Company	
	2017 £000's	Restated 2016 £000's	2017 £000's	Restated 2016 £000's
Staff costs comprise:				
Wages and salaries	31,069	24,660	31,070	24,610
Social security costs	4,514	3,772	4,514	3,769
Employee settlement agreements	715	30	715	30
Defined contribution pension	73	78	73	78
IFRS 2 share based payments	1,248	797	1,248	797
Cash-settled deferred bonus payments relating to the current year	310	529	310	529
	37,929	29,866	37,930	29,813

In order to comply with the Pensions Act, Cenkos has enrolled all qualifying employees into a defined contribution pension scheme ("the Scheme"). Under the scheme, qualifying employees are required to contribute a percentage of their relevant earnings. The Company also contributes 1% of relevant earnings.

Notes to the financial statements

5. Staff costs (continued)

Cenkos has a Deferred Bonus Scheme for Executive Directors, senior managers and high earning employees. As a result £1.12 million (2016: £0.62 million) of staff costs have been removed from the current income statement and deferred to future years. See notes 17 and 22 for further details.

As described in note 1, prior year Group comparatives have been restated to reflect the treatment of Cenkos Securities Asia Pte Limited as a discontinued operation as required by IFRS 5.

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

	Group 2017	Group 2016	Company 2017	Company 2016
Corporate finance	24	22	24	22
Corporate broking	59	61	56	58
Support services	40	36	39	35
	123	119	119	115

	2017 £ 000's	2016 £ 000's
The total emoluments of the highest paid Director serving during the year were:	2,013	1,602

Details of the remuneration of key management personnel are set out in note 24. Details of the Directors' remuneration is set out in the Directors' remuneration report on pages 25 to 30.

6. Profit for the year

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

	2017 £ 000's	Restated 2016 £ 000's
Operating lease rentals	591	589
Auditor's remuneration (refer to analysis below)	214	223
Depreciation of property, plant and equipment	227	174
Staff costs (see note 5)	37,929	29,866
Net gains from financial assets at FVTPL on trading book	(7,589)	(3,520)
Exchange differences recognised in profit or loss	(105)	157
Change in fair value of share options and warrants at FVTPL	(20)	(17)
Provision for bad debts	41	58

The movement in administrative expenses is further discussed on page 13 in the Review of performance.

The analysis of auditor's remuneration is as follows:

	2017 £ 000's	2016 £ 000's
Audit of Parent and consolidated financial statements	157	159
Audit of subsidiary companies	–	12
Fees payable to the Group's auditor and their associates for the audit of the Group's annual accounts and consolidation	157	171
Audit related services	57	52
Other non-audit services		
– Other advisory services, including taxation	–	–
Total fees payable to the Group's auditor and their associates	214	223

A description of the work of the Audit Committee is set out on pages 31 to 32 of this Annual Report and includes an explanation of how auditor objectivity and independence are safeguarded when non-audit services are provided by the auditors.

7. Tax

The tax charge is based on the profit for the year (see page 13 of the Review of performance) and comprises:

	2017 £ 000's	2016 £ 000's
Current tax		
United Kingdom corporation tax at 19.25% (2016 – 20%) based on the profit for the year	2,444	871
Adjustment in respect of prior period		
United Kingdom corporation tax at 19.25% (2016: 20%)	(126)	47
Total current tax	2,318	918
Deferred tax		
(Credit)/charge on account of temporary differences	(490)	945
Deferred tax prior year adjustment	(13)	(5)
Total deferred tax (refer to note 18)	(503)	940
Total tax on profit on ordinary activities from continuing operations	1,815	1,858

A reconciliation of the tax expense for 2017 and 2016 and the accounting profit multiplied by the standard rate of UK corporation tax of 19.25% (2016: 20.00%) is set out below:

	2017 £ 000's	2016 £ 000's
Profit before tax from continuing operations	9,999	5,063
Loss before tax from discontinued operations	(973)	(661)
	9,026	4,402
Tax on profit on ordinary activities at the UK corporation tax rate of 19.25% (2016: 20%)	1,738	880
Tax effect of:		
Non-deductible expenses for tax purposes	72	189
Current year losses of overseas subsidiary for which no deferred tax asset has been recognised	132	132
Non-allowable loss on disposal of discontinued operation	37	–
Fair value movements in relation to the DTA on share-based payments	(31)	669
Deferred tax rate change adjustment	6	(54)
Adjustment in respect of prior year deferred tax	(13)	(5)
Adjustment in respect of prior year current tax	(126)	47
Tax expense for the year	1,815	1,858

The effective tax rate for the Group during the year is 20.1% (2016: 42.2%).

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

	2017 £ 000's	2016 £ 000's
Other Comprehensive Income ("OCI")		
Current tax (credit)/expense arising on available-for-sale financial asset	(26)	16
Statement of Changes in Equity ("SOCIE")		
Deferred tax charge arising on share-based payments	–	153
Total income tax recognised directly in equity	(26)	169

Notes to the financial statements

8. Discontinued operations

Following a strategic review, Cenkos decided to close down Cenkos Securities Asia Pte Limited in 2017. The office, based in Singapore, was opened in 2015 to explore opportunities in South East Asia and was regulated by the Monetary Authority of Singapore ("MAS").

The Capital Markets Services License has been returned to MAS and the company put into members' voluntary liquidation in 2017 (see page 13 of the Review of performance).

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	2017 £000's	2016 £000's
Discontinued operation		
Revenue	19	2
Administrative expenses	(992)	(663)
Operating loss	(973)	(661)
Investment income – interest receivable	–	–
Loss before tax	(973)	(661)
Tax	–	–
Loss after tax for the year from discontinued operations	(973)	(661)

The major classes of assets and liabilities which have been included in the consolidated statement of financial position were as follows:

	2017 £000's	2016 £000's
Non-current assets		
Property, plant and equipment	–	14
	–	14
Current assets		
Trade and other receivables	74	79
Cash and cash equivalents	112	1,037
	186	1,116
Total assets	186	1,130
Current liabilities		
Trade and other payables	(384)	(659)
	(384)	(659)
Net current liabilities	(198)	457
Net liabilities	(198)	471

As the decision to close Cenkos Securities Asia Pte Limited was taken prior to 31 December 2017, the assets and liabilities have been written down to their net realisable value.

	2017 £000's	2016 £000's
Earnings from discontinued operations		
Earnings for the purposes of calculating basic and diluted earnings per share	(973)	(661)
Earnings per share from discontinued operations		
Basic earnings per share	(1.8)p	(1.2)p
Diluted earnings per share	(1.8)p	n/a

The net cash flows incurred by Cenkos Securities Asia Pte Limited were as follows:

	2017 £000's	2016 £000's
Operating activities	(924)	(692)
Investing activities	(1)	(2)
Financing activities	283	1,729
Net (decrease)/increase in cash and cash equivalents	(925)	1,035

9. Dividends

Amounts recognised as distributions to equity holders in the year:

	2017 £000's	2016 £000's
Second interim dividend for the year ended 31 December 2015 of 6p per share	–	3,269
Final dividend for the year ended 31 December 2016 of 5.0p (2015: 1p) per share	2,743	550
Interim dividend for the period to 30 June 2017 of 4.5p (June 2016: 1.0p) per share	2,458	548
	5,201	4,367

A final dividend of 4.5p per share has been proposed for the year ended 31 December 2017 (2016: 5.0p). The proposed final dividend is subject to approval at the Annual General Meeting and is not recognised as a liability as at 31 December 2017. Under the Compensatory Award Plan 2009 ("CAP"), the payment of a dividend to ordinary shareholders will trigger a cash payment to holders of options under the CAP. The payment of the final dividend will increase staff costs by £0.52 million in the first half of 2018 (2016: final dividend of 5p increased staff costs by £0.58 million in the first half of 2017). See note 22 for details of the CAP scheme.

10. Earnings per share

	2017	2016
From continuing operations		
Basic earnings per share	15.0p	5.9p
Diluted earnings per share	15.0p	n/a
From continuing and discontinued operations		
Basic earnings per share	13.2p	4.7p
Diluted earnings per share	13.2p	n/a

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

	2017 £000's	2016 £000's
Earnings from continuing operations		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	8,184	3,205
Effect of dilutive potential ordinary shares:		
Share options	–	33
	8,184	3,238
Earnings from continuing and discontinued operations		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	7,211	2,544
Effect of dilutive potential ordinary shares:		
Share options	–	33
	7,211	2,577

Number of shares	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	54,657,840	54,724,986
Effect of dilutive potential ordinary shares:		
Share options	–	400,984
Weighted average number of ordinary shares for the purpose of diluted earnings per share	54,657,840	55,125,970

Notes to the financial statements

11. Property, plant and equipment

Group Cost	Leasehold improvements £000's	Fixtures and fittings £000's	IT equipment £000's	Total £000's
At 31 December 2015	1,443	189	1,395	3,027
Additions	1	41	230	272
Exchange differences	1	–	2	3
At 31 December 2016	1,445	230	1,627	3,302
Additions	194	34	150	378
At 31 December 2017	1,639	264	1,777	3,680
Accumulated depreciation				
At 31 December 2015	(1,370)	(179)	(1,182)	(2,731)
Charge for the year	(14)	(9)	(159)	(182)
At 31 December 2016	(1,384)	(188)	(1,341)	(2,913)
Charge for the year	(23)	(22)	(197)	(242)
At 31 December 2017	(1,407)	(210)	(1,538)	(3,155)
Net book value				
At 31 December 2017	232	54	239	525
At 31 December 2016	61	42	286	389

The cost of fully depreciated property plant and equipment still in use amounts to £287,781 (2016: £427,793).

Company Cost	Leasehold improvements £000's	Fixtures and fittings £000's	IT equipment £000's	Total £000's
At 31 December 2015	1,435	189	1,383	3,007
Additions	1	41	229	271
At 31 December 2016	1,436	230	1,612	3,278
Additions	194	34	150	378
At 31 December 2017	1,630	264	1,762	3,656
Accumulated depreciation				
At 31 December 2015	(1,369)	(179)	(1,180)	(2,728)
Charge for the year	(11)	(9)	(155)	(175)
At 31 December 2016	(1,380)	(188)	(1,335)	(2,903)
Charge for the year	(18)	(22)	(188)	(228)
At 31 December 2017	(1,398)	(210)	(1,523)	(3,131)
Net book value				
At 31 December 2017	232	54	239	525
At 31 December 2016	56	42	277	375

12. Investments in subsidiaries

Company	Shares in subsidiary undertakings 2017 £ 000's	2016 £ 000's
Cost		
At 1 January	1,730	120
Additions	283	1,610
Write off of investment in Cenkos Securities Asia Pte Limited	(2,012)	–
At 31 December	1	1,730

During 2017, Cenkos subscribed for a further 0.50 million (2016: 3.02 million) SG$1 ordinary shares in Cenkos Securities Asia Pte Limited at a cost of SG$0.50 million, £0.28 million GBP equivalent (2016: SG$3.02 million, £1.61 million GBP equivalent). However, later in the year the decision was taken to close Cenkos Securities Asia Pte Limited, hence the investment has been written off.

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

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

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

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

The assets and liabilities of the Cenkos Securities Employee Benefit Trust ("CSEBT"), the Deferred Bonus Scheme Employee Benefit Trust and the Cenkos Securities plc Share Incentive Plan Trust ("SIP") excluding the Partnership and dividend shares (see note 22) are included in the Consolidated statement of financial position.

13. Trade and other receivables

	Group 2017 £ 000's	Group 2016 £ 000's	Company 2017 £ 000's	Company 2016 £ 000's
Current assets				
Financial assets				
Market and client receivables	17,991	19,263	17,991	19,261
Amounts owed by Group undertakings	–	–	3,935	4,395
Unpaid share capital and loans due from staff	–	87	–	87
Accrued income	841	3,240	841	3,240
Other receivables	1,033	867	959	791
	19,865	23,457	23,726	27,774
Non-financial assets				
Prepayments and other assets	933	1,069	933	1,067
	20,798	24,526	24,659	28,841

Notes to the financial statements

13. Trade and other receivables (continued)

Included within accrued income in 2017 is an insurance recovery of certain costs associated with compensation for loss of office (2016 includes an amount receivable from the Company's insurers in full and final settlement for the insurable costs arising from the FCA's investigation) discussed further on page 16.

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	> 91 days £ 000's
2017	20,798	17,404	3,184	105	88	17
2016	24,526	21,411	2,935	89	9	82

The average credit period taken is 19 days (2016: 28 days). A specific provision of £203,823 (2016: £162,592) has been made against the full amount of specific market and client receivables deemed to be doubtful. The amount charged to the profit and loss account for bad or doubtful debts is £41,222 (2016: £57,539).

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 cash and cash equivalents (see note 16), trade and other receivables and investments.

The Company's credit risk is primarily attributable to its cash and cash equivalents and trade and other receivables. Trade and other receivables include amounts due from Cenkos' corporate and investment trust clients for corporate finance advisory services and retainer fees. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for doubtful receivables is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, other than those disclosed in note 23. In addition, the risk associated with financial assets is set out in note 23.

14. Available-for-sale investments

	Group and Company 2017 £ 000's	2016 £ 000's
Current assets		
Opening balance (at fair value)	560	559
Acquired during the year	78	–
Disposal of unlisted securities	(172)	(50)
Impairment of AFS investments recognised in administrative expenses	(83)	(28)
Re-measurement recognised in comprehensive income	(133)	79
Closing balance (at fair value)	250	560

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

15. Other current financial assets and liabilities

	Group and Company	
	2017 £000's	2016 £000's
Financial assets at FVTPL		
Trading investments carried at fair value	10,280	13,726
Derivative financial assets – share options and warrants	335	85
	10,615	13,811
Financial liabilities at FVTPL		
Contractual obligation to acquire securities	(3,341)	(2,694)

Trading investments carried at fair value included above under financial assets at FVTPL and financial liabilities at FVTPL include long positions and short positions (contractual obligations to acquire securities), respectively, in listed equity securities that present the Company with the opportunity for return through dividend income and trading gains. The fair values of these securities are based on quoted market prices. Gains/losses from the financial assets and liabilities at FVTPL are included under *market making revenue stream in the Consolidated income* statement. The management of risk resulting from these positions is described in note 23.

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	
	2017 £000's	2016 £000's
Movements in net trading investments and available-for-sale financial assets in Consolidated cash flow statement		
Financial assets at FVTPL	3,196	(1,105)
Financial liabilities at FVTPL	647	143
Available-for-sale investments, net of tax	177	78
Shares and options received in lieu of fees	3,888	5,770
	7,908	4,886

16. Cash and cash equivalents

	Group		Company	
	2017 £000's	2016 £000's	2017 £000's	2016 £000's
Cash and cash equivalents	36,829	23,795	36,627	22,364

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).

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 2017, the Company had no outstanding financial liabilities to HSBC which were covered by the terms of this guarantee.

Notes to the financial statements

17. Trade and other payables

	Group		Company	
	2017 £ 000's	2016 £ 000's	2017 £ 000's	Restated 2016 £ 000's
Current liabilities				
Financial liabilities				
Trade creditors	13,110	12,305	13,110	12,288
Other creditors	854	551	854	551
	13,964	12,856	13,964	12,839
Non-financial liabilities				
Accruals and deferred income	21,035	19,361	20,938	19,292
Corporation tax payable	1,301	343	1,301	343
	22,336	19,704	22,239	19,635
	36,300	32,560	36,203	32,474
Non-current liabilities				
Non-financial liabilities				
Cash-settled deferred bonus scheme	366	880	366	880
	366	880	366	880

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

Cash-settled deferred bonus scheme

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

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			
Deferred tax assets	Bonus payments £ 000's	Property, plant & equipment £ 000's	Share-based payments £ 000's	Total £ 000's
At 31 December 2015	661	8	661	1,330
Origination and reversal of temporary differences expense	(268)	(13)	(664)	(945)
Deferred tax prior year adjustment credit	4	–	–	4
Deferred tax charge to equity	–	–	(153)	(153)
At 31 December 2016	397	(5)	(156)	236
Origination and reversal of temporary differences expense	415	(5)	79	489
Deferred tax prior year adjustment credit	13	–	–	13
At 31 December 2017	825	(10)	(77)	738

18. Deferred tax (continued)

A 19% corporation tax rate came into effect from 1 April 2017. The Finance Bill 2016 reduced the main rate of corporation tax to 17% from 1 April 2020. These changes were substantially enacted on 6 September 2016 and will reduce the Company's future current tax charge accordingly.

The deferred tax balances at 31 December 2017 have been stated at 19% as this is the expected prevailing rate when the individual temporary differences are expected to reverse.

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

During the year, Cenkos Securities Asia Pte. Ltd. incurred losses of £685,682 (2016: losses of £661,209). A deferred tax asset has not been recognised as the subsidiary has been put into members' voluntary liquidation. The unrecognised deferred tax asset in respect of the overseas subsidiary's trading losses carried forward is gross £1,922,459 (net £326,818 at 17%) (2016: trading losses of £1,236,777 (net £210,252 at 17%)).

19. Share capital and capital redemption reserve

	Group and Company	
	2017 £000's	2016 £000's
Authorised:		
179,185,700 (2016: 179,185,700) ordinary shares of 1p each	1,792	1,792
20,814,300 (2016: 20,814,300) B shares of 1p each	208	208
	2,000	2,000
Allotted:		
56,694,783 (2016: 56,694,783) ordinary shares of 1p each fully paid	567	567

1 January 2016 to 31 December 2016

There were no shares issued or cancelled during the year.

1 January 2017 to 31 December 2017

There were no shares issued or cancelled during the year.

	Group and Company		Group and Company	
Capital redemption reserve	2017 Number	2016 Number	2017 £000's	2016 £000's
At 1 January	19,466,388	19,466,388	195	195
At 31 December	19,466,388	19,466,388	195	195

Notes to the financial statements

20. Own shares

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

The EBT was established by the Company in 2009. It is funded by the Company and has the authority to acquire Cenkos Securities plc shares. The shares held by the EBT have been excluded from the weighted average number of shares calculation up to this date.

	2017		2016	
Shares held by the EBT	**Number of shares**	**Cost £ 000's**	**Number of shares**	**Cost £ 000's**
At 1 January	2,080,510	2,136	2,785,630	2,847
Acquired during the year	543,098	549	419,900	438
Transferred to the SIP				
– Free shares	–	–	(292,160)	(298)
– Matching shares	–	–	(279,590)	(285)
– Dividend re-investment	(65,060)	(67)	(46,533)	(48)
Transferred to the Deferred Bonus Scheme EBT	(430,964)	(442)	(506,737)	(518)
At 31 December	2,127,584	2,177	2,080,510	2,136
Shares held in the Deferred Bonus Scheme EBT				
At 1 January	506,737	518	506,737	518
Transferred in from the EBT	430,964	442	–	–
Vesting shares transferred to employees	(164,645)	(168)	–	–
At 31 December	773,056	792	506,737	518
Free and matching shares held by the SIP				
At 1 January	883,718	902	338,174	346
Transferred in from the EBT				
– Free shares	–	–	292,160	298
– Matching shares	–	–	279,590	285
Shares transferred to employees	(25,344)	(26)	(26,206)	(27)
At 31 December	858,374	876	883,718	902
At 31 December: Total own shares	3,759,014	3,845	3,470,965	3,556

21. Operating lease arrangements

The Group as lessee

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

	Group		Company	
	2017 £000's	2016 £000's	2017 £000's	2016 £000's
Within one year	747	751	707	697
In the second to fifth years inclusive	836	1,576	836	1,535
After five years	–	7	–	7

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

22. Share-based payments

The Company has a Compensatory Award Plan 2009 ("CAP"), a Save-As-You-Earn ("SAYE") scheme, a Share Incentive Plan ("SIP") and a Deferred Bonus Scheme ("DBS") for all qualifying employees of the Company.

CAP

CAP options are exercisable at a price agreed in accordance with the rules of the scheme on the date of grant and vest immediately. If the option remains unexercised after a period of ten years from the date of grant, the options will expire.

SAYE scheme

In June 2014, Cenkos introduced a SAYE scheme. Under the scheme employees may elect to save up to £500 per month from their net salary over three years. At the end of this period they have the option to acquire Cenkos shares at an exercise price of £1.728. This price equated to a 20% discount to the share price at the date of the launch of the scheme. The scheme matured in July 2017 and the option holders had until 28 February 2018 to exercise their options. As at 31 December 2017, none of these options had been exercised.

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

	2017		2016	
	Number of shares options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of year	9,043,434	1.24	9,122,595	1.15
Forfeited during the year	(42,705)	–	(79,161)	1.73
Outstanding and exercisable at the end of the year	9,000,729	1.24	9,043,434	1.24

					2017	2016
	Date of grant	Vesting date	Date of expiry	Remaining contractual life, months	Number of share options	Number of share options
Options exercisable at £1.15 per share	Jul-09	Jul-09	Jul-19	19	7,475,452	7,475,452
Options exercisable at £1.69 per share	Oct-09	Oct-09	Oct-19	22	1,284,150	1,284,150
Options exercisable at £1.728 per share	Jul-14	Jul-17	Feb-18	2	241,127	283,832
Options in issue at the end of 31 December					9,000,729	9,043,434

Notes to the financial statements

22. Share-based payments (continued)

The options outstanding at 31 December 2017 have exercise prices ranging from £1.15 to £1.73, a weighted average exercise price of £1.24 (2016: £1.24) and a weighted average remaining contractual life of 1.6 years (2016: 2.6 years). At the date of grant, they had an aggregate estimated fair value of £3,754,850 (2016: £3,781,284).

No share options were granted under the CAP during 2017 (2016: nil).

Share Incentive Plan (SIP)

In June 2014, Cenkos introduced a SIP scheme, whereby employees were invited to sacrifice up to £1,800 of earnings in order to acquire Cenkos shares ("Partnership shares") to be held in trust. Shares acquired under this scheme were matched by Cenkos on the basis of two "Matching shares" for every one Partnership share held. In addition, employees were also offered the chance to apply for "Free shares" to be held in trust. The SIP scheme was launched again for staff in December 2017 and completed on January 2018 on the same basis as the schemes run in 2014 and 2015.

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

		2017		2016	
		Cost £ 000's	Number of shares	Cost £ 000's	Number of shares
At 1 January		1,954	1,169,308	1,002	458,581
Contributions during the year	– Partnership shares	–	–	197	139,795
	– Matching shares	–	–	394	279,590
	– Free shares	–	–	396	292,160
	– Dividend shares	66	65,060	58	46,533
Free and matching shares transferred to employees		(43)	(25,344)	(54)	(26,206)
Partnership and dividend shares transferred to employees		(56)	(35,567)	(39)	(21,145)
At 31 December		1,920	1,173,457	1,954	1,169,308
At 31 December					
SIP shares allocated to individuals		1,749	1,070,073	1,848	1,109,958
Forfeited shares held by SIP		171	103,384	106	59,350
		1,920	1,173,457	1,954	1,169,308

Deferred Bonus Scheme

In April 2015 Cenkos introduced a Deferred Bonus Scheme (the "Scheme"), whereby 10% of all staff bonus awards over £100,000 is deferred over a three year period. The deferred element of any bonus award is to be held in Cenkos ordinary shares in an EBT and released to the employee evenly split on each of the three anniversaries of deferral into the Scheme. In prior years, at the date of grant, where an employee already held over £250,000 in Cenkos ordinary shares or £250,000 in intrinsic value in Cenkos options, the deferral was held in cash on the Group's statement of financial position and released in the same manner. The fair value of the cash deferral is recognised as a staff cost over a similar period with the recognition of a corresponding liability. In 2017, the deferred element of any bonus award is to be held in Cenkos ordinary shares in an EBT, irrespective of the Cenkos ordinary shares already held by the employee or their interest in Cenkos options.

22. Share-based payments (continued)

Under the Scheme, £1.67 million of 2017 bonus was deferred (2016: £0.93 million), in aggregate £1.71 million (2016: £1.17 million) will be charged to the P&L in future years over the life of the scheme.

2017	Amount brought forward from prior years £ 000's	Gross bonus deferred £ 000's	Charge to income statement £ 000's	Amount to be charged in future years £ 000's
2015 & 2016 bonus deferral into cash	694	–	310	384
2015 & 2016 bonus deferral into shares	474	–	231	243
2017 bonus deferral into shares	–	1,670	588	1,082
	1,168	1,670	1,129	1,709

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

During the year, the Company recognised expenses of £1,247,946 (2016: £797,311) related to equity-settled share-based payment transactions.

These consist of expenses in respect of share options of £nil (2016: £nil), the SAYE scheme of £10,684 (2016: £29,302), the SIP schemes of 417,830 (2016: £409,288) and the deferred bonus of scheme of £819,431 (2016: £358,721).

In addition, the Company recognised expenses of £310,063 (2016: £529,410) related to cash-settled payment transactions in respect of the deferred bonus scheme.

23. Financial instruments

Capital risk management

The Group manages capital to ensure that the Company and its subsidiaries will be able to continue as a going concern while aiming to maximise the return to stakeholders. The capital structure of the Group consists of equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. At present the Group has no gearing and it is the responsibility of the Board to review the Group's and Company's gearing levels on an ongoing basis. As at 31 December 2017, Cenkos Securities plc had a solvency ratio of 164% (2016: 164%).

Externally imposed capital requirement

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

Significant accounting policies

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

Notes to the financial statements

23. Financial instruments (continued)

Financial risk management objectives

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

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

Interest rate risk management

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

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

Interest rate sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would increase by £0.05 million/ decrease by £nil (2016: increase/decrease by £0.02 million). This is attributable to the Group's exposure to interest rates on its variable rate instruments.

Market risk (including equity price risks)

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

Equity price sensitivity analysis

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

If equity prices had been 10% higher/lower, net profit for the year ended 31 December 2017 would have been £0.75 million higher/ lower (2016: £1.17 million higher/lower) due to change in the value of FVTPL held for trading investments.

The Group's exposure to equity price risk is closely managed. The Group has built a framework of overall and individual stock limits and these along with Value at Risk metrics are actively monitored by the Finance Director and senior management on a daily basis. This framework also limits the concentration of risks. The Group's overall exposure to equity price risk is set by the Board.

Foreign currency risk

The Group does not have any material dealings in foreign currency, as the majority of transactions are in UK based equities and hence denominated in sterling. It does, however, have a wholly-owned subsidiary based in Singapore, the results of which are translated at the period end and any exchange difference posted to Other comprehensive income.

Foreign currency sensitivity analysis

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

If the GBP: SGD exchange rate had been 10% higher/lower over the period and at the period end, then other comprehensive income for the period to 31 December 2017 would have been £0.01 million higher/lower (31 December 2016: £0.01 million) due to the difference on translation.

23. Financial instruments (continued)

Credit risk management

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

The vast majority of the Group's credit risk arises from the settlement of security transactions. However, the settlement model primarily used by the Group does not expose the Group to counterparty risk as a principal to a trade. Rather, the Group's exposure lies solely with Pershing Securities Limited ("Pershing"), a wholly owned subsidiary of the Bank of New York Mellon Corporation, a AA- (2016: AA-) rated bank. In addition, in circumstances in which the Group does act as principal when acting as a market maker, the counterparty will normally be an FCA regulated market counterparty rather than a corporate or individual trader. The Group does not have any significant credit risk exposure to any single counterparty with the exception of Pershing.

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

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

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

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

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

		Group		Company	
Exposure to credit risk		**2017** £000's	**2016** £000's	**2017** £000's	**2016** £000's
Derivative financial assets – share options	Unrated	335	85	335	85
Market and client receivables	Unrated	11,277	11,636	11,277	11,634
Market and client receivables	AA-	6,545	6,890	6,545	6,890
Market and client receivables	A	169	737	169	737
Amounts owed by Group undertakings	Unrated	–	–	3,935	4,395
Unpaid share capital and loans due from staff	Unrated	–	87	–	87
Accrued income	Unrated	552	3,240	552	3,240
Other receivables	Unrated	1,322	867	1,248	791
Cash and cash equivalents	AA-	17,061	20,466	16,859	19,035
Cash and cash equivalents	A	19,457	3,018	19,457	3,018
Cash and cash equivalents	BBB+	311	311	311	311
		57,029	47,337	60,688	50,223

Notes to the financial statements

23. Financial instruments (continued)

Liquidity risk management

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

Liquidity and interest risk tables

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

31 December 2017		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
AFS financial assets	NIB		250	–	–	250
Financial assets at FVTPL	NIB		10,280	–	335	10,615
Trade and other receivables	NIB, FIRI		–	19,865	–	19,865
Investments – short positions	NIB		–	(3,341)	–	(3,341)
Trade and other payables	NIB		–	(13,489)	–	(13,489)
Cash and cash equivalents	VIRI	0.05%	–	19,457	–	19,457
Cash and cash equivalents	VIRI	0.00%	–	17,372	–	17,372
			10,280	39,864	335	50,479

NIB Non-interest bearing
VIRI Variable interest rate instruments
FIRI Fixed interest rate instruments

31 December 2016		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
AFS financial assets	NIB		560	–	–	560
Financial assets at FVTPL	NIB		13,726	–	85	13,811
Trade and other receivables	NIB, FIRI		–	23,457	–	23,457
Financial liabilities at FVTPL	NIB		–	(2,694)	–	(2,694)
Trade and other payables	NIB		–	(12,856)	–	(12,856)
Cash and cash equivalents	VIRI	0.05%	–	3,018	–	3,018
Cash and cash equivalents	VIRI	0.00%	–	20,777	–	20,777
			13,726	31,702	85	45,513

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

23. Financial instruments (continued)

Fair value hierarchy

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

Level 1 – Quoted market prices

Level 2 – Valuation techniques (market observable)

Level 3 – Valuation techniques (non-marked observable)

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

	2017			
	Level 1 £ 000's	**Level 2** £ 000's	**Level 3** £ 000's	**Total** £ 000's
Available-for-sale financial assets	–	–	250	250
Financial assets at FVTPL:				
Derivative financial assets – share options and warrants	–	–	335	335
Non-derivative financial assets held for trading	10,280	–	–	10,280
	10,280	–	335	10,615
Financial liabilities at FVTPL:				
Contractual obligation to acquire securities	3,341	–	–	3,341

	2016			
	Level 1 £ 000's	**Level 2** £ 000's	**Level 3** £ 000's	**Total** £ 000's
Available-for-sale financial assets	–	–	560	560
Financial assets at FVTPL:				
Derivative financial assets – share options and warrants	–	–	85	85
Non-derivative financial assets held for trading	13,726	–	–	13,726
	13,726	–	85	13,811
Financial liabilities at FVTPL:				
Non-derivative financial liabilities held for trading	2,694	–	–	2,694

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

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

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

	Unlisted securities £ 000's	**Share options and warrants** £ 000's	**Total** £ 000's
Opening balance 1 January 2017	560	85	645
Disposal of unlisted securities	(172)	–	(172)
Change in fair value recognised in Comprehensive income	(133)	–	(133)
Share options and warrants received in lieu of fees	78	595	673
Exercise of warrants	–	(325)	(325)
Impairment recognised in income statement	(83)	(20)	(103)
Closing balance at 31 December 2017	250	335	585

Notes to the financial statements

23. Financial instruments (continued)

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 the other AFS investments in accordance with the International Private Equity and Venture Capital ("IPEV") valuation guidelines. The carrying values have been adjusted to values within these ranges. There have been no other factors brought to the Board's attention which would suggest that there has been an impairment which has not been recognised in these financial statements.

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

Impact of reasonably possible alternative assumptions

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

A sensitivity analysis based on a 10% increase/decrease in the volatility measure used as an input in the valuation of the share options and warrants shows the impact of such a movement would be an increase of £56,672/decrease of £60,760 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 ongoing basis include trading assets and liabilities and financial investments classified as AFS.

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

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

	Fair value at 31 December 17 £000's	Valuation technique	Unobservable input	Range
Share options and warrants	335	Monte Carlo simulation IPEV valuation guidelines	Volatility	38-107%
Unlisted securities	250		Price of recent transactions	*
	585			

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

24. Related party transactions

Transactions with related parties are made at arm's length. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owned by related parties (2016: £nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. Transactions or balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and, in accordance with IAS 24, are not disclosed in this note. The Board includes all employees considered to be key management personnel.

Amounts owed by related parties	2017 £ 000's	2016 £ 000's
Cenkos Securities Employee Benefit Trusts ("CSEBT")	3,845	3,556
Cenkos Securities Asia Pte Limited	–	447
Cenkos Nominees Limited	90	392

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

	2017 £ 000's	2016 £ 000's
Aggregate emoluments	5,035	4,681

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 2017, no payments were made by Cenkos concerning the Directors in respect of this scheme (31 December 2016: £91 was paid by Cenkos in respect of one Director who was a member of this scheme).

Related party interests in ordinary shares of Cenkos Securities plc	2017 No.	2016 No.
Number of shares	6,362,844	13,484,076
Percentage interest	11%	24%

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

	No. of shares held subject to forfeiture conditions		No. of shares held	
	2017 No.	2016 No.	2017 No.	2016 No.
Related party interests in SIP	16,896	42,240	25,914	57,841

Related party interests in share options	Exercise price	Grant date	Earliest exercise date	Latest exercise date	2017 No.	2016 No.
CAP	£1.69	01/10/2009	01/10/2009	30/09/2019	–	–
SAYE Scheme	£1.73	15/07/2014	01/08/2017	28/02/2018	20,832	41,664

Notes to the financial statements

25. Standards issued but not yet effective

The following standards and interpretations were issued by the IASB and IFRIC, but have not been adopted either because they were not endorsed by the EU at 31 December 2017 or they are not yet mandatory and the Group has not chosen to early adopt. The impact on the Group's financial statements of the above future standards, amendments and interpretations is still under review, and where appropriate, a description of the impact of certain standards and amendments is provided below:

International accounting standards and interpretations	Effective date
Amendment to IFRS 2 'Share-based payment' on classification and measurement of share-based payment transactions	1 January 2018
Amendment to IFRS 4 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'	1 January 2018
IFRS 9 'Financial instruments' on classification and measurement and amendments regarding general hedge accounting	1 January 2018
IFRS 15 'Revenue from contracts with customers'	1 January 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 16 'Leases'	1 January 2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment	1 January 2019

IFRS 9 'Financial instruments' is effective for the year ended 31 December 2018 and will simplify the classification of financial assets for measurement purposes. Cenkos has completed an assessment of the potential impact of the adoption of IFRS 9 on its consolidated financial statements and has concluded that the new standard will not materially affect the current financial instruments recognition policy or the financial assets and liabilities recognised in the financial statements.

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

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

The new revenue standard is required for annual periods beginning on or after 1 January 2018. Cenkos has completed an assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements. We have concluded that the new standard will not materially affect the current revenue recognition policy or the revenue recognised in the financial statements as IFRS 15's revenue recognition requirements are in line with its current policy to only recognise revenue at the point in time when under the terms of the contract, the conditions have been met such that it is entitled to the fees specified.

26. Events after the reporting period

There were no material events to report on that occurred between 31 December 2017 and the date at which the Directors signed the Annual Report.

27. Contingent liabilities

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Cenkos Securities plc (the "Company") will be held at 6.7.8 Tokenhouse Yard, London EC2R 7AS on 15 May 2018 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 12 and 13 which will be proposed as special resolutions:

1. **That** the Group's Annual Accounts for the year ended 31 December 2017, 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 4.5p per ordinary share for the year ended 31 December 2017 be declared payable on 31 May 2018 to the holders of ordinary shares registered at the close of business on 4 May 2018.
3. **That** Philip Anderson be elected as a Director of the Company.
4. **That** Andrew Boorman be elected as a Director of the Company.
5. **That** Gerry Aherne be re-elected as a Director of the Company.
6. **That** Jeff Hewitt be re-elected as a Director of the Company.
7. **That** Paul Hodges be re-elected as a Director of the Company.
8. **That** Dr. Anthony Hotson be re-elected as a Director of the Company.
9. **That** Joe Nally be re-elected as a Director of the Company.
10. **That** Ernst & Young LLP be re-appointed as auditor to the Company until the conclusion of the next Annual General Meeting of the Company.
11. **That** the Directors be authorised to fix the auditor's remuneration.
12. **That** for the purposes of section 551 of the Companies Act 2006 (the "Act") (and so that expressions used in this Resolution shall bear the same meanings as in the said section 551):

    12.1 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £184,366.00 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 2019 or, if earlier, at close of business on 15 August 2019 (unless previously revoked or varied by the Company in general meeting); and further

    12.2 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by them up to a maximum aggregate nominal amount of £184,366.00 during the period expiring at the conclusion of the Annual General Meeting of the Company to be held in 2019 or, if earlier, at close of business on 15 August 2019 subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

    12.3 the Company be and is hereby authorised to make, prior to the expiry of such period, any offer or agreement that would or might require such shares or rights to be allotted or granted after the expiry of the said period and the Directors may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this Resolution,

    so that all previous authorities of the Directors pursuant to the said section 551 be and are hereby revoked.
13. **That**, subject to the passing of Resolution 12 set out in the Notice convening the Meeting, the Directors be and are empowered in accordance with section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in Section 560 of the Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by that Resolution and/or to sell ordinary shares held by the Company as treasury shares, as if Section 561 (1) and sub-sections (1) – (6) of section 562 of the Act did not apply to any such allotment or sale, provided that the power conferred by this Resolution shall be limited to:

    13.1 the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of the authority granted under Resolution 12.2 by way of a rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

Notice of Annual General Meeting

13.2 the allotment of equity securities or sale of treasury shares (otherwise than pursuant to sub-paragraph 13.1 above) of equity securities up to an aggregate nominal value not exceeding £27,655,

and this power shall, unless renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the Annual General Meeting of the Company to be held in 2019 or, if earlier, at close of business on 15 August 2019, but shall extend to the making, before such expiry of an offer or agreement that would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

14. That the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Companies Act 2006 (the "Act") to make market purchases (as defined in section 693 of the Act) of ordinary shares of 1 penny each in the capital of the Company ("ordinary shares") provided that:

14.1 the maximum number of ordinary shares hereby authorised to be purchased is 5,475,693;

14.2 the minimum price (exclusive of expenses) that may be paid for such ordinary shares is 1 penny per ordinary share, being the nominal amount thereof;

14.3 the maximum price (exclusive of expenses) that may be paid for such ordinary shares shall be an amount equal to the higher of (i) 5% above the average of the middle market quotations for such shares taken from the AIM appendix to The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the trading venue where the purchase is carried out;

14.4 the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the next Annual General Meeting of the Company and the date which is 18 months after the date on which this Resolution is passed; and

14.5 the Company may make a contract to purchase its own ordinary shares under the authority conferred by this Resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own ordinary shares in pursuance of any such contract.

15. That the Company approves the adoption of the rules of the Cenkos Securities Company Share Option Plan 2018 (the "2018 CSOP"), which is substantially the same as the Cenkos Securities Company Share Option Plan 2006 ("2006 CSOP"), *save that the 2018 CSOP includes:*

(i) provisions relating to the adjustment of options in the event of a misstatement of the accounts of the Company or misconduct on the part of an option holder ("Malus and Clawback");

(ii) provisions relating to a requirement for employees to retain shares acquired by them pursuant to an option for a certain period of time;

(iii) provisions to take account of recent changes to share dealing regulations, specifically Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (the "Market Abuse Regulation"); and

(iv) certain other minor amendments to assist with the interpretation and administration of the 2018 CSOP,

as set out in Schedule 1, and to authorise the Directors of the Company to do all such things as may be necessary or desirable to adopt the 2018 CSOP and bring it into effect.

By order of the Board

Stephen Doherty
Company Secretary

22 March 2018

Registered office:
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Notes

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his/her place. A proxy need not be a member of the Company.
2. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
3. To appoint a proxy you may use the Form of Proxy enclosed with this Notice. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 9.30 am on 11 May 2018 (being not less than 48 hours before the Meeting, not including any part of a day that is not a working day), or in the event of any adjournment not less than 48 hours (excluding any part of a day that is not a business day) before the time appointed for holding the adjourned meeting, at the offices of the Company's registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. Completion of the Form of Proxy will not prevent you from attending and voting in person.
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual. CREST personal members or other CREST-sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
5. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10), by the latest time for receipt of proxy appointments specified in this Notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

   Appointment of a proxy through CREST will not prevent a member from attending and voting in person.
6. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company by close of business on 11 May 2018 (or, in the event of any adjournment on the date which is two days before the time of the adjourned Meeting, excluding non-business days). Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
7. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
8. A copy of the rules of the Cenkos Securities Share Option Plan 2018 is 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 shall be available for inspection at the Meeting.
9. As at 21 March 2018 (being the last business day prior to publication of the Notice), the Company's issued share capital consists of 55,310,035 ordinary shares of one penny each, carrying one vote each. Therefore, the total voting rights in the Company as at 21 March 2018 are 55,310,035.

Explanatory notes to the notice of Annual General Meeting

Resolution 1

Group's Annual Report and Accounts 2017 (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 4.5p per ordinary share in respect of the year ended 31 December 2017, which is recommended by the Board, requires the approval of the shareholders at the Annual General Meeting.

Resolutions 3 and 4

Election of Directors (ordinary resolutions)

The Articles of Association of the Company (the "Articles") require that Philip Anderson and Andrew Boorman retire at the conclusion of the Annual General Meeting because each of them has been appointed, in accordance with the Articles, as a Director by the Board of Directors since the conclusion of the previous Annual General Meeting of the Company. Resolutions 3 and 4 propose their election as Directors of the Company. Biographical details of Philip Anderson and Andrew Boorman can be found on pages 20 and 21.

Resolutions 5 to 9

Re-election of Directors (ordinary resolutions)

The Articles require that all serving Directors should submit themselves for re-election each year. At the Annual General Meeting, Gerry Aherne, Jeff Hewitt, Paul Hodges, Dr. Anthony Hotson and Joe Nally will retire and submit themselves for re-election. Resolutions 5 to 9 propose their re-elections.

Jeff Hewitt will have served nine years on the Board at the forthcoming Annual General Meeting and he will be seeking re-election at the Annual General Meeting. Under the UK Corporate Governance Code a Director serving longer than nine years will not meet the test of independence. Whilst this Code does not apply to companies whose shares are admitted to trading on AIM, the Board is mindful of this provision. The Board considers that Jeff Hewitt brings valuable and related experience to the Board and acts in the best interests of the Group. The Board is satisfied that he will continue to remain independent notwithstanding that he may serve more than nine years and accordingly recommends to shareholders that Jeff Hewitt be re-elected as a Non-executive Director at the forthcoming Annual General Meeting.

The Directors believe that the Board continues to maintain an appropriate balance of knowledge and skills and that all the Non-executive Directors are independent in character and judgement. Biographical details of all our Directors seeking re-election can be found on pages 20 and 21 of the 2017 Annual Report.

Resolutions 10 and 11

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

The Company is required to appoint an auditor at each Annual General Meeting at which accounts are presented, to hold office until the conclusion of the next such meeting. The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditor, Ernst & Young LLP, on behalf of the Board, who now propose their re-appointment as the auditor of the Company. Resolution 11 authorises the Directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors. In practice, the Audit Committee will consider the audit fees for recommendation to the Board.

Resolution 12

Authority to allot shares (ordinary resolution)

Resolution 12 asks shareholders to grant the Directors authority under section 551 of the Companies Act 2006 (the "Act") to allot shares or grant subscription or conversion rights as are contemplated by section 551 (a) and (b) of the Act respectively up to a maximum aggregate nominal value of £368,732, being approximately 66% of the nominal value of the issued share capital of the Company as at 21 March 2018 (being the latest practicable date prior to the publication of this document), £184,366 of this authority is reserved for a fully pre-emptive rights issue. This is the maximum permitted amount under best practice corporate governance guidelines. As at 21 March 2018, the Company held 1,384,748 treasury shares; representing 2.44 per cent of the total share capital. The authority will expire at the end of the Annual General Meeting of the Company in 2019 or, if earlier, at close of business on 15 August 2019. The Directors have no present intention of exercising such authority. The Resolution replaces a similar resolution passed at the Annual General Meeting held in 2017.

Resolution 13

Disapplication of pre-emption rights (special resolution)

If the Directors wish to allot new shares or other equity securities for cash or sell any shares which the Company holds in treasury following a purchase of its own shares pursuant to the authority in Resolution 14 below (or otherwise), the Act requires that such shares or other equity securities are offered first to existing shareholders in proportion to their existing holding. Resolution 13 asks shareholders to grant the Directors authority to allot equity securities for cash up to an aggregate nominal value of £27,655 (being approximately 5% of the Company's issued share capital as at 21 March 2018) without first offering the securities to existing shareholders. The Resolution also disapplies the statutory pre-emption provisions in connection with a rights issue, but only in relation to the amount permitted under Resolution 12.2, and allows the Directors, in the case of a rights issue, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems which might arise. The authority will expire at end of the Annual General Meeting of the Company in 2019 or, if earlier, at close of business on 15 August 2019. The Resolution replaces a similar resolution passed at the Annual General Meeting of the Company held in 2017.

Resolution 14

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

Resolution 14 to be proposed at the Annual General Meeting seeks authority from shareholders for the Company to make market purchases of its own ordinary shares, such authority being limited to the purchase of 9.9% of the ordinary shares of 1 penny each in issue as at 21 March 2018. 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 2017. The Company is allowed to hold in treasury any shares purchased by it using its distributable profits. Such shares will remain in issue and will be capable of being re-sold by the Company or used in connection with certain of its share schemes. The Company would consider, at the relevant time, whether it was appropriate to take advantage of this ability to hold the purchased shares in treasury.

Options to subscribe for 8,759,602 ordinary shares have been granted and are outstanding as at 21 March 2018 (being the latest practicable date prior to publication of this document) representing 15.84% of the issued ordinary share capital at that date. If the Directors were to exercise in full the power for which they are seeking authority under Resolution 14, the options outstanding as at 21 March 2018 would represent 17.58% of the ordinary share capital in issue following such exercise.

Resolution 15

Approve the Cenkos Securities Company Share Option Plan 2018 (ordinary resolution)

Resolution 15 seeks shareholder approval to adopt the rules of the Cenkos Securities Company Share Option Plan 2018 (the "2018 CSOP"). The Cenkos Securities Company Share Option Plan 2006 (the "2006 CSOP") was approved by shareholders and adopted by the Directors of the Company on 20 October 2006 for a period of ten years. The 2006 CSOP provided for the grant of HMRC tax advantaged and non tax-advantaged share options. The 2018 CSOP is substantially the same as the 2006 CSOP. However, following consultation with the Company's advisors, it was considered necessary and desirable to include certain new rules in the 2018 CSOP to ensure that it remains an effective tool for incentivising employees of the Group.

The 2018 CSOP differs from the 2006 CSOP to the extent that it includes provisions to provide for malus and clawback, and if considered appropriate a retention period, and to address the impact of the Market Abuse Regulation. This is to bring the 2018 CSOP in line with current market practice.

In summary, the malus and clawback provisions will operate so that, in the event of the fraud, or gross misconduct of the option holder and/or material misstatement of the accounts of the Company or any Group Company, the Board can reduce the number of shares subject to an option (either before or after such option has become exercisable ("malus")) and/or require an option holder to transfer shares acquired by the option holder back to the Company (or at the Company's direction) and/or to pay the Company an amount equal to the amount of any or all of the proceeds the option holder realised on the disposal of any of the shares acquired pursuant to the option ("clawback").

A copy of the 2018 CSOP will be available for inspection at the registered office of the Company during usual business hours (Saturdays, Sundays and English public holidays excepted) from the date of this Notice until the conclusion of the AGM.

Explanatory notes to the notice of Annual General Meeting

Schedule 1

Summary of the 2018 Company Share Option Plan

1. The 2018 Company Share Option Plan (the "CSOP")
Part I of the CSOP is intended to comply with the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and provides for the grant of tax-advantaged options. Part II of the CSOP provides for the grant of non tax-advantaged options.

Part I of the CSOP

1.1 Options
Options may be granted over ordinary shares in the Company to eligible employees by the Remuneration Committee. Options may be granted on terms that their exercise will be subject to the satisfaction of objective performance criteria and subject to the option holder paying any employer's National Insurance contributions due in relation to their option.

1.2 Eligibility
All Executive Directors who are required to work not less than 25 hours per week for the Group and all employees are eligible to participate in the CSOP ("Eligible Employees").

1.3 Time at which options may be granted
Options may be granted during the period of 42 days following the date on which the CSOP (or any amendment to it) has effect, the period of 42 days following the announcement of the Company's final or interim results for any financial period, the period of 42 days following the commencement of an eligible employee's employment with the Group or the period of 42 days following the occurrence of an event which the Remuneration Committee considers to be an exceptional event concerning the Group. In addition, options may be granted within 42 days following any changes to legislation affecting tax-advantaged share option schemes. If any of the above periods is a period during which the Remuneration Committee is restricted from granting options as a result of the application of the Market Abuse Regulation or any other regulation, order or requirement or non-statutory rule that binds the Company or which the Remuneration Committee has resolved to comply, then options may be made within 42 days of the end of such restriction being removed.

1.4 Exercise price
The price at which an option holder may acquire ordinary shares on the exercise of an option is determined by the Remuneration Committee, and cannot be less than the greater of the market value of an ordinary share at the time of grant and its nominal value.

1.5 Individual limits
No option may be granted to an eligible employee under Part I which would result in the aggregate exercise prices of ordinary shares comprised in all outstanding options granted to him/her under the CSOP when aggregated with outstanding options held under any other tax-advantaged company share option plan established by the Company exceeding the HMRC limit (currently £30,000). In any year, options cannot be granted to an individual over ordinary shares with a value in excess of 100 per cent. of his/her annual earnings. However, in exceptional circumstances (such as the recruitment of an eligible employee), this 100 per cent. can be increased to a 200 per cent. limit.

1.6 Overall plan limits
The number of ordinary shares over which options to subscribe ordinary shares may be made under the CSOP on any date shall be limited so that the total number of ordinary shares issued or capable of being issued under all the Company's employee share schemes in any ten year period is restricted to 15 per cent. of the Company's issued ordinary shares calculated at the relevant time.

1.7 Exercisability
Options will normally only be exercisable by an option holder who is still an eligible employee of the Group after the third anniversary of its date of grant and before the tenth anniversary of its date of grant. Options will normally lapse on cessation of employment save in the circumstances set out below. Earlier exercise is permitted if the option holder dies or leaves employment through injury, disability, redundancy or retirement or where a participant leaves employment of the Group by reason of his employing company ceasing to be a member of the Group, or if the undertaking in which he is employed is sold outside the Group. In such circumstances options may be exercised notwithstanding that fewer than three years have passed. If the option holder leaves in other circumstances then the Remuneration Committee may, acting fairly and reasonably, allow the option to be exercised. The extent to which options may be exercised shall be determined by the Remuneration Committee taking into account, amongst other things, the Company's performance up to the relevant event. Early exercise is also permitted upon the occurrence of any of the following change of control events:

1.7.1 the change of control events specified at clause 1.10 below;

1.7.2 if the Company is subject to a voluntary winding up;

1.7.3 if the ordinary shares cease to be listed or traded on AIM as a consequence of any person obtaining control of the Company as a result of a take-over offer or the sanctioning of a scheme of arrangement under section 425 Companies Act; or

1.7.4 if a demerger of the Company or any subsidiary is proposed which in the opinion of the Remuneration Committee will substantially prejudice the interests of participants.

However, the Remuneration Committee shall in such circumstances determine the extent to which options may be exercised taking account, amongst other things, of the Company's performance up to that time. If the performance condition attaching to an option has not been satisfied at the end of the performance period then the option will lapse.

1.8 Performance conditions
Where the CSOP is operated on a discretionary basis, the exercise of options will be subject to the achievement of appropriate performance conditions. However, where the CSOP is operated on an all employee basis, options may be granted which are not subject to the achievement of a performance condition.

1.9 Manner of exercise and retention period

Within 30 days of the receipt of an exercise notice and exercise price (and subject to the satisfaction of any applicable tax liabilities), the ordinary shares relating to the option must be issued or transferred to the participant and the Company shall issue a definitive certificate in respect of the ordinary shares allotted or transferred. Ordinary shares issued or transferred on the exercise of options will rank equally with existing ordinary shares.

If the Remuneration Committee has determined at the time of grant that a 'retention period' should apply, the participant must retain the ordinary shares acquired for the duration of the relevant retention period. Any ordinary shares required to be sold to fund the exercise of the option (being the exercise price and any income tax and employee National Insurance liability) will not be subject to any retention period.

1.10 Change of control

If any company obtains control of the Company as a result of a takeover offer or the sanctioning of a scheme of arrangement under section 425 of the Companies Act 1985 or if a company has become bound or entitled to acquire all the ordinary shares an option holder may, by agreement with that other company, seek the release of his/her options in return for the grant of equivalent options over shares in that other company. Refer also to paragraph 1.7, Exercisability.

1.11 Variation of share capital

In the event of a capitalisation issue or offer by way of rights (including an open offer), or upon any consolidation, subdivision or reduction or other variation of the Company's capital, the number of ordinary shares that are the subject of an option and/or the exercise price may be adjusted in such a manner as the Remuneration Committee shall determine to be, in its opinion, fair and appropriate provided that the total market value of the ordinary shares subject to the option and the total exercise price is substantially the same before and after the variation. The exercise price per share of an option to subscribe for ordinary shares shall remain at least equal to the nominal value of an ordinary share. If the exercise price would otherwise fall below the nominal value, the Company may capitalise reserves to the extent it is lawful to do so to pay up additional shares.

1.12 Amendments and general

No rights under an option may be transferred by a participant to another person except in the event of a participant's death when rights will become exercisable by the participant's personal representative within 12 months of the date of death. Options are not pensionable.

The CSOP may be amended by the Board in any way provided that:

1.12.1 no amendment may be made which would materially prejudice the interests of participants in relation to options already made to them under the CSOP unless the sanction of participants has been obtained; and

1.12.2 all amendments to the advantage of participants or potential participants to the provisions relating to the definition of eligible employee, limits on the number of shares subject to the CSOP, the maximum entitlement for any one participant or the basis for determining an entitlement to and the terms of shares to be provided and adjustment thereof, if any, in the event of a capitalisation issue, rights issue, subdivision or consolidation of shares or reduction of capital or any other variation of capital will require the prior consent of the Company in general meeting unless they are minor amendments to benefit the administration of the CSOP or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or a member of the Group.

1.13 International sub-plans

The Board may adopt sub-plans to the CSOP for the purposes of granting options to Eligible Employees of a particular jurisdiction. The CSOP rules may be varied in such manner as the Board believes is necessary or desirable in relation to such sub-plan in order to comply with or take account of relevant overseas legal, taxation or securities laws provided that such variation is in accordance with provisions set out under the sub-heading "Amendments and General", above.

1.14 Malus and clawback

1.14.1 In the event of the fraud or gross misconduct of the option holder and/or material misstatement of the accounts of the Company or any Group Company, the Remuneration Committee can:

1.14.1.1 reduce the number of shares subject to an option up to the date it is exercised ("malus"); and/or

1.14.1.2 require an option holder to transfer shares acquired by the option holder back to the Company (or at the Company's direction) for nil consideration; and/or to pay the Company an amount equal to the amount of any or all of the proceeds the option holder realised on the disposal of any of the shares acquired pursuant to the option ("clawback").

If the Remuneration Committee wishes to exercise its right to apply malus and clawback to any option (or part of an option), they shall act fairly and reasonably, and communicate to the option holder in writing as soon as possible. Malus and clawback shall cease to apply to any option (or part of any option) on the expiration of two years from the date upon which the option becomes exercisable.

Part II of the CSOP

Part II of the CSOP provides for the grant of non tax-advantaged options. This enables options to be granted under the same terms as Part I of the CSOP but without complying with the particular requirements of the legislation applicable to company share option plans which comply with Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003. The provisions of the CSOP that do not apply under Part II include the £30,000 individual limit.

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Financial Calendar

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

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