COMPANY NUMBER: 05210733

2018 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 and Edinburgh.

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

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Continuing operations

	2018	2017
Revenue	£45.0m	£59.5m
Profit before tax	£3.2m	£10.0m
Profit after tax	£2.3m	£8.2m
Cash	£33.6m	£36.8m
Net assets	£27.6m	£29.7m
Basic and diluted earnings per share	4.2p	15.0p
Total dividend per share	4.5p	9.0p

Continuing and discontinued operations

	2018	2017
Profit after tax	£2.3m	£7.2m
Basic and diluted earnings per share	4.2p	13.2p

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. The fall-off in revenue can be attributed to one or two large transactions and IPOs having taken place in 2017 but not repeated in 2018.

	2018	2017	Change
Revenue (CF Revenue)	£32.7m	£44.0m	-26%
Funds raised	£1.19bn	£2.53bn	-53%
Number of transactions	32	41	-9
Number of transactions of which are IPO	3	6	-3

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.

	2018	2017	Change
Revenue (Retainer fees)	£5.1m	£5.3m	-4%
Number of clients	116	117	-1
Number of clients of which AIM listed	81	77	+4
Number of clients of which Main Market listed	35	36	-1

Research

Our analysts provide research to institutional clients on 143 companies across 8 sectors, which drives a flow of equity transactions. Despite the uncertainty created by the roll out of the Markets in Financial Instruments Directive II ('MiFID II'), by the end of 2018, 54 'buy-side' institutions opted to pay directly for the research undertaken by Cenkos. Whilst these numbers are encouraging, revenue from this activity is down 7% from 2017. This is a direct result of MiFID II.

	2018	2017	Change
Revenue (Commission & Research fees)	£2.8m	£2.9m	-7%
Number of companies on which research is produced	143	170	-27
Number of sectors research covers	8	8	–

Execution services

With access to multiple trading venues, we are able to provide liquidity and facilitate institutional business, making markets in both small and large cap equities and investment funds.

	2018	2017	Change
Revenue (Market making)	£4.4m	£7.3m	-40%
Number of stocks we make markets in	285	301	-16

Chief Executive's statement

"Our corporate client base remains solid, reflecting our ethos of building and developing long-term relationships. Delivering good client outcomes lies at the heart of the Firm."

Anthony Hotson Chief Executive

This year's Annual Report is my second, as your Chief Executive following my appointment in August 2017 after serving as a Non-executive Director since 2012. Having carried out and delivered business reviews in the front and back office, the company is now in a stronger position to address the commercial challenges ahead. It has a simpler management structure and a more robust three lines of defence compliance model which will help with the forthcoming implementation of the Senior Managers & Certification Regime ("SM&CR"). We completed the acquisition of the nominated adviser business of Smith & Williamson LLP during the year. I look forward to handing over the leadership of Cenkos to a new Chief Executive in the near future who I expect will build upon Cenkos' strengths and deliver growth for all our stakeholders.

Dividend

We propose a final dividend of 2.5p per share (2017: 4.5p per share) which brings the total dividend for the year to 4.5p per share (2017: 9.0p per share). Since we have been admitted to trading on AIM in 2006 we have returned £111.6 million of cash to shareholders, equivalent to 171.8p per share, before the payment of the proposed 2018 final dividend of 2.5p per share.

Performance

Cenkos has had a challenging year delivering revenues, profit and dividends well behind 2017, albeit in line with the results achieved in 2016. After generating £18.1m of revenue in H1 2018, we are pleased to report that performance in the second half improved leading to full year revenues of £45.0m. Revenues, dominated by placing and corporate finance fees, have been generated across the Firm in reasonable numbers but with an absence of the larger deals that took place in 2017. Profits have been impacted by the implementation costs and consequences of the Markets in Financial Instruments Directive II ('MiFID II') together with restructuring costs following the implementation of business reviews of the front and back office. For more details please see our review of performance on pages 12 and 13.

We have helped our clients raise £1.2bn (2017: £2.5bn) of equity finance. Our corporate client base remains solid, reflecting our ethos of building and developing long-term relationships. Delivering good client outcomes lies at the heart of the Firm.

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 Board's strategy which is set out on pages 4 and 5.

Brexit, the economy and regulatory environment

Political uncertainty and macro-economic factors have disrupted confidence in 2018 and continue to do so in 2019. The Board is mindful of these risks and they have been reflected in the Firm's assessment of principal risks on pages 14 and 15.

Regulatory obligations in the financial sector increased in 2018 with the implementation of MiFID II. Whilst this implementation has gone well, there has been a fall-off in research revenues as "buy-side" demand for paid research has been eroded. The decline in research revenues is set to continue in 2019 as the market adjusts.

This pace of regulatory change will be sustained in 2019 with the implementation of the SM&CR. Whilst it is early days, I am pleased to note that actions taken from our front and back-office reviews over the last eighteen months have put the Firm in a solid position to deliver against the requirements of SM&CR.

Along with other firms, we continue to invest in people, systems and technology to meet the requirements of new regulation and legislation. Last year we reported the Firm had initiated the introduction of a new operating model for the compliance team. This new model has been completed and, following Philip Anderson's departure later in the year, this provides the opportunity for a new Head of Compliance to refine the model further upon arrival. See below for Board changes.

We believe that all regulation must be accompanied by a strong internal culture underpinned by the highest ethical and professional standards. Whilst an overarching governance framework is critical, with the highest standards being set by the Board as a role model, ultimately individuals must take responsibility for the way in which they conduct business and work with colleagues. This ethos lies at the heart of SM&CR. Details of our governance framework are set out on pages 18 to 20.

The Board

Several changes to the Board were announced in 2018. On 5 November 2018, Gerry Aherne retired as Chairman after six years in the position. Jeff Hewitt, Non-executive Chairman of the Audit, Risk and Compliance Committee ('ARCC'), was appointed acting Chairman. Subject to regulatory approval being received Jeremy Miller will be appointed as a Non-executive Director and also to the position of Chairman of the ARCC.

Two further changes took place in the year. I announced my intention to step down from the Board as soon as a suitable successor has received regulatory approval. On 12 December 2018, Philip Anderson (Finance Director and Head of Compliance) announced his intention to step down from the Board on 31 March 2019. He will continue as Head of Compliance until a suitable successor is appointed and has received regulatory approval. Philip has supported me in the front and back office reviews and redesigned the Firm's three lines of defence compliance model. I would echo the Board's thanks to Philip Anderson for the work he carried out on the Cenkos business model and in preparing the foundations for the Firm's compliance with SM&CR.

People

The reputation of our business is reliant on the quality, expertise, professionalism and conduct of every person in the Firm. Our teams always set out to deliver outstanding client outcomes. The Board and management is focused on retaining and developing 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 employees for their contribution in 2018.

Outlook

We continue to live in uncertain times where the geopolitical environment makes it very difficult to predict either the direction of the markets or health of investor sentiment. This situation is being further exacerbated by the uncertainties around Brexit.

In 2018, market volatility appears to have had a negative impact on investor sentiment. This climate is likely to persist through 2019 and the Board have factored this into the Firm's plans in 2019. Notwithstanding this, we remain ranked as one of the leading brokers in London for growth companies and the Cenkos business model is resilient and well capitalised.

We have had a better start to 2019 than the same time last year. The pipeline of significant transactions in our business remains strong. Consequently, we look forward to the current year with optimism.

Anthony Hotson
Chief Executive
25 March 2019

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 2018, the financial position of the Group as at 31 December 2018 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 2018 (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 have commented upon 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 2018 progress	FY 2019 outlook
Strategic objective 1 Grow revenues by retaining existing clients and winning new ones	**Number of clients** 116 at 31 December 2018, compared to 117 in 2017 **Funds raised** £1.19bn at 31 December 2018, compared to £2.53bn in 2017	▪ "Client first" culture to ensure good client outcomes. ▪ Systems and controls throughout the Firm designed to deliver "client first" proposition. ▪ Growth in revenue and the client base will depend upon the health of the financial markets and investor sentiment in 2019.
Strategic objective 2 Strong team culture aimed at attracting and developing talent	**Average number of staff** 110 during 2018, compared to 123 in 2017 **Revenue per head** £0.4m at 31 December 2018, compared to £0.5m in 2017	▪ Selective recruitment focused in key areas highlighted by the business review of the front office. ▪ Strengthening support services team, systems and technology to meet the requirements of new regulation and legislation.
Strategic objective 3 Disciplined approach to operational efficiency	**Other administrative expenses to revenue** 89% in 31 December 2018, compared to 80% in 2017 ▪ Implementation of findings of the front and back office business reviews.	▪ Maintain a proportionate risk managed culture. ▪ Leverage operational gearing and efficiencies from re-developed compliance operating model. ▪ Adopt "Reg Tech" solutions to enhance regulatory monitoring efficiency and effectiveness.

	FY 2018 progress	FY 2019 outlook
Strategic objective 4 Use our strong balance sheet and capital position to grow the business	**Cash** £33.6m at 31 December 2018, compared to £36.8m in 2017 **Solvency ratio** 183% at 31 December 2018, compared to 164% in 2017	▪ With strong liquidity and capital position consider selective investment opportunities if market conditions permit.
Strategic objective 5 Increase shareholder distributions	**Total dividend per share** 4.5p at 31 December 2018, compared to 9.0p in 2017 **Diluted earnings per share** 4.2p at 31 December 2018, compared to 13.2p in 2017 **Total shareholder return** -27%[1] at 31 December 2018, compared to 63% in 2017	▪ Dividends payable in FY 2019 will be subject to the level of trading and balance sheet strength.

1. Total shareholder return is calculated as the aggregate of the dividends paid and the movement in the share price in the year divided by the opening share price.

Our business model

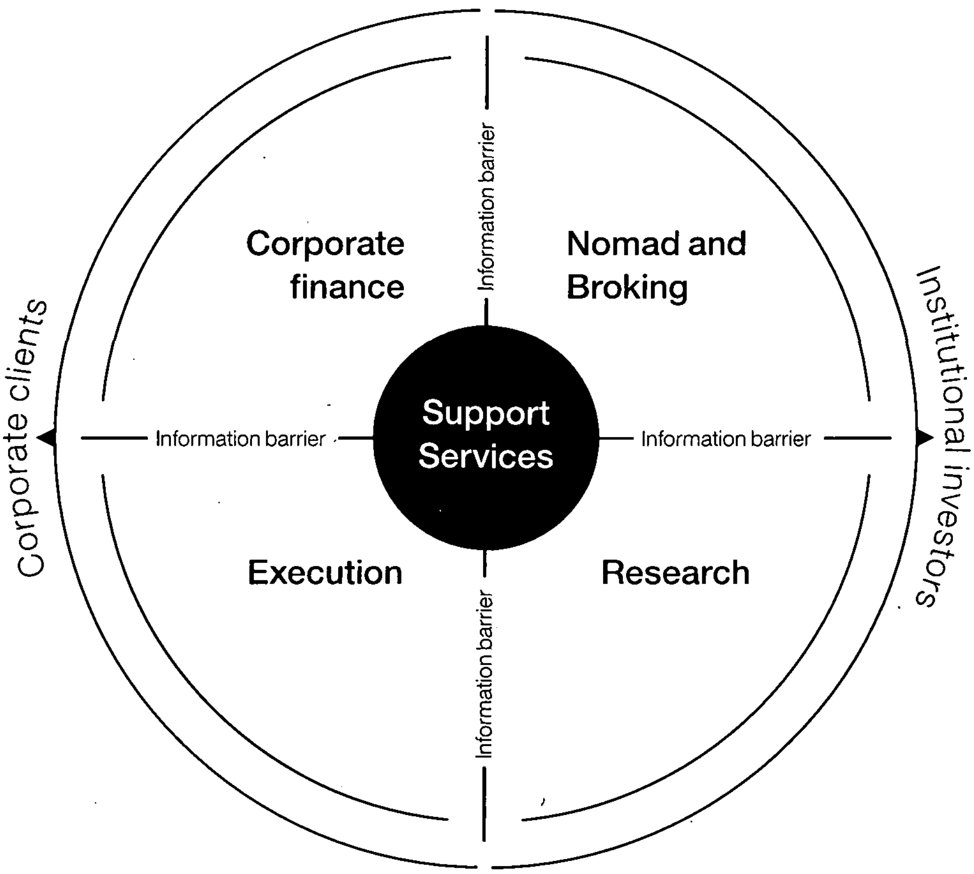
We have an **integrated business model** that, subject to regulatory and legal requirements, allows the combined expertise from within the Firm to work together for the benefit of our clients.

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.

Our teams 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, the most effective trade execution across all trading venues and facilitate institutional business by making markets in both small and large cap equities and investment funds.

Research

Our research analysts provide exceptional corporate and industry insight covering 143 companies across 8 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 have been developed significantly through 2018 and are covered further in the Audit, Risk and Compliance Committee report on pages 35 and 36.

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 fees are generated from 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 has been impacted by the roll out of MiFID II in 2018 which required buy-side institutional clients to pay for research. By the end of 2018, 54 Institutions had opted to pay for Cenkos research.

Management systems, costs and sustainability

Our business is reliant on the health of the financial markets and investor sentiment, which in turn are impacted by macro-economic factors and geo-political events. The most significant proportion of our revenue is generated from corporate finance transactions, the commissions on which are usually large and irregular by nature. The swings of the financial markets, therefore can lead to a certain amount of volatility in performance year on year. We operate an efficient and flexible business model specifically designed to allow for this volatility, which has resulted in a track record of profitability and therefore allowed Cenkos to pay dividends through economic downturns and financial crises.

Our remuneration policy reflects the business model, aiming to align remuneration with the long-term success of Cenkos by retaining the principle of "performance-related pay".

We operate in a heavily regulated environment and continue to invest in the systems, staff and training necessary to insure our business develops in line with the rapid pace of regulatory change. In 2018, this has included MiFID II, the Criminal Finances Act ("CFA") and the General Data Protection Regulations ("GDPR") and in 2019 will see the implementation of the Senior Managers and Certification Regime ("SM&CR").

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 see this as critical to the long-term development of the business and our client base rather than simply looking at year on year performance. Our Strategic objectives are outlined in more detail on pages 4 and 5.

Client-facing staff are underpinned by a Support Services team and selective 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 a blue-chip regulatory consultancy.

Details of governance arrangements and associated risk management processes are outlined in more detail in the Governance report and, for financial risks, in note 24 of the financial statements.

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 professional and 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 Cenkos' strategic objectives and in the context of their role within the Firm.

Key performance indicators

Revenue per head

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

Link to strategic objective
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.

FY 2018 progress
- Challenging year delivering revenues behind 2017, although in line with 2016.
- The loss of several clients due to M&A activity and time-lapse rotation was counterbalanced by the successful acquisition of the Nomad business of Smith & Williamson LLP.

Key risks
- Uncertainty is ever present with macro-economic factors, geopolitical events and the UK's decision to leave Europe.
- 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 by the end of 2018, 54 'buy-side' institutions opted to pay directly for the research undertaken by Cenkos. Whilst these numbers are encouraging, revenue from this activity is down 7% from 2017.

Corporate client base

The total number of retained clients.

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

FY 2018 progress
- 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.
- The loss of several clients due to M&A activity and time-lapse rotation was counterbalanced by the successful acquisition of the Nomad business of Smith & Williamson LLP.
- Retainer fees accounted for £5.1m of revenue (2017: £5.3m).

Key risks
- Client departures may continue to occur through M&A and other routes (for example, as their boards require advisors to rotate away).

Funds raised for clients

Total funds raised.

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

FY 2018 progress
- A track record in raising funds on AIM with 13% of all raisings in 2018 compared to 21% in 2017. In addition, we have built up expertise and a clear track record in taking clients to the LSE's Main Market.

Key risks
- 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.
- Client departures may continue to occur through M&A and other routes (for example, as their boards require advisors to rotate away).

Other administrative expenses to revenue

The ratio of costs to total revenue.

Link to strategic objective
3. Disciplined approach to operational efficiency.

FY 2018 progress
- We operate an efficient and flexible business model specifically designed to allow for volatility in revenue.
- We continue to invest in the systems, staff and training necessary to ensure our business develops in line with the rapid pace of regulatory change.

Key risks
- 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 Front Office and Support Services pay models to be reconsidered.

Cash at bank

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

FY 2018 progress
- Strong cash balances in 2018 reflecting the performance and the positive cash cycle inherent in the business model.

Key risks
- Same as revenue per head.

Regulatory surplus over Pillar 1 capital requirements

Link to strategic objective
3. Disciplined approach to operational efficiency.
4. Use our strong balance sheet and capital position to grow the business.

Capital surplus over Pillar 1 capital requirements at 31 December.

FY 2018 progress
- Regulatory surplus remains solid, calculated using the methods prescribed in CRD IV.

Key risks
- Same as revenue per head.

Diluted earnings per share

Link to strategic objective
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.

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

FY 2018 progress
- Earnings per share reflecting 2018's performance.

Key risks
- 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.

Dividend per share

Link to strategic objective
5. Increase shareholder distributions.

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

FY 2018 progress
- Dividend per share reflecting 2018's performance and the strength of the business model.

Key risks
- 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

Revenue

After generating £18.1m of revenue in H1 2018, we are pleased to report that performance in the second half improved leading to full year revenues of £45.0m. This was, however, lower than the £59.5m of revenue generated in 2017, due, mainly, to a number of fairly large transactions completing in that year and £2.5m of gains made in 2017 on shares and options exercised taken in lieu of fees.

2018 saw difficult and volatile markets, which combined with the uncertainty surrounding the UK's exit from Europe has proved to be a challenging time for trading in UK equities and investor confidence generally in the UK.

This year, total funds raised by AIM companies fell by 14% to £5.5bn (2017: £6.4bn) – (Source: LSE AIM factsheet December 2018), with Cenkos responsible for raising £734m, equivalent to 13% (2017: £1,346m, equivalent to 21%) 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	2018 £ 000's	2017 £ 000's
Corporate finance	32,734	44,030
Nomad and broking	5,070	5,273
Research	2,754	2,949
Execution	4,395	7,252
	44,953	59,504

Business activities

Corporate finance

During 2018, we completed 32 placing transactions (2017: 41) of which 3 were IPOs (2017: 6) and in addition 11 (2017: 4) were M&A advisory roles. We raised £1.2bn (2017: £2.5bn) for our clients, of which £0.7bn (2017: £1.3bn) was raised on AIM.

Notable deals completed during the year include the £170m placing for Breedon Group plc, £48m placing for Creo Medical, £52m for Restore plc and £51m placing for GCP Asset Backed Income Fund. Cenkos also acted as financial adviser to Bain Capital in their £1.2bn acquisition of E-Sure.

Nomad and Broking

Our client base is made up of 116 companies and investment funds (2017: 117), of which 81 are AIM clients (2017: 77). 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 143 companies (2017: 170) and eight sectors (2017: 8) our relatively small team of analysts continues to provide consistent high quality research coverage. The roll out of MiFID II has contributed to a fall-off in the number of buy-side institutions that are willing to pay directly for our research, but we have a solid core of 54 institutions on the buy-side that have indicated a willingness to pay for our research.

Execution services

We make markets in 285 stocks of which 127 are listed on the Main Market of LSE. During the year we maintained a top three market share in 78% (2017: 83%) of our clients' stock. 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, we believe, cannot be found in either dark pools or standalone electronic trading venues.

Administrative expenses

Administrative expenses for the year fell by £7.6m to £41.9m (2017: £49.5m) reflecting, mainly, the fall in bonus payments to staff in line with the fall in net revenue and a reduction in professional fees following a change to the compliance model and three lines of defence model. This was offset, partially, by a significant increase in re-organisation costs associated with the front and back office business reviews and Board changes. Regulatory project costs fell, mainly, due to the use of full time staff following the development of back office capabilities. A summary of these costs are set out in the table below:

Administrative expenses	2018 £000's	2017 £000's
Other administrative expenses	39,860	47,719
Reorganisation costs	1,507	715
Regulatory projects	536	1,094
	41,903	49,528

Average headcount decreased to 110 (2017: 123) following the business reviews of the front and back office although we ended the year with a headcount of 114 (2017: 115) following the successful acquisition of the nominated adviser business of Smith and Williamson LLP.

Profit and earnings per share

Profit before tax on continuing operations decreased by 68% to £3.2m (2017: £10.0m). The tax charge for the year of £0.8m (2017: £1.8m) equates to an effective tax rate of 26% (2017: 20%) on continuing and discontinued operations. Profit after tax on continuing and discontinued operations decreased by 67% to £2.3m (2017: £7.2m). Basic earnings per share from continuing operations decreased by 68% to 4.2p (2017: 13.2p).

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 built into our culture where each employee takes on the responsibility of ensuring that the management of risk is built into their own and 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 ARCC 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 from 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
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 other than in those areas subject to reorganisation has been high. Some areas of the Support Services team have been strengthened to support the compliance operating model and help with financial reporting, with a resulting geared reduction in legal and professional fees. Share incentive schemes were run again in 2018 and will be implemented in 2019. An increase in residual risk after mitigating actions. **An increase 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 mixed with the FTSE share index falling off record high levels in 2017. As sign-posted in last year's report the risk increased. Geopolitical tensions across the globe with the uncertainty associated with delays to Brexit negotiations closer to home suggest the risk is likely to remain high in 2019. **No change**
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 the maintained volumes of 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 that the development of the compliance second line, the three lines of defence model and the implementation of a remediation plan in 2017 and 2018 arising from the FCA enforcement action are all "evergreen", the residual risk remains static. **No change**

	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 2018, together with the volume of transactions in 2018, demonstrate a reasonable execution of the strategy through most of the Firm. An increase in residual risk reflecting the need for improvement in performance in some areas of the Firm. **Increase in residual risk**
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. These risks will be brought into sharper focus from 2019 onwards with the implementation of SM&CR.	The Firm monitors and improves systems and controls where necessary and as new regulation and legislation requires. The compliance operating model was re-designed in Q4 2017 with almost all of the changes implemented in 2018. The Compliance plan for 2019 sets out in detail changes to business advice and monitoring activities. Following the development of ExCo and sharper compliance reporting of matters, the senior management team have full insight into conduct, regulatory and legal risks and issues. The Finance team is responsible for monitoring and reporting ongoing compliance with the capital and liquidity requirements of a FCA regulated IFPRU investment firm but in a change to operating practices this year, now works closely with the compliance team and external regulatory specialists.	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 continues to be a moderate reduction in residual risk after mitigating actions. **Decrease in residual risk**
Operational resilience	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 resilient 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, where the risk has increased. 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 2019. There is a moderate increase in residual risk after mitigating actions. **Increase in residual risk**
Financial	Financial risks are set out and described in more detail in note 24 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. The Firm's ICAAP has been modified to reflect improvements in our risk management framework counterbalanced by additional requirements emerging from increases in the Capital Conservation Buffer rates. The Firm's approach to its ILAA remains consistent with improvements in the ICAAP. No change in residual risk after mitigating actions. **No change**

Financial position

Our Consolidated statement of financial position showed a fall in net assets during the year to £27.6m (2017: £29.7m). The decrease in net asset position was mainly as a result of the aggregate impact of a reduction in net trading investments to £6.9m (2017: £7.5m), trade and other receivables to £18.8m (2017: £20.8m) and cash resources to £33.6m (2017: £36.8m) used to reduce trade and other payables to £32.6m (2017: £36.3m). Cenkos generated profits for the year of £2.3m (2017: £7.2m), however this was offset by the payment of £3.6m (2017: £5.2m) of dividends and the purchase of shares into treasury and by the EBT of £2.4m (2017: £0.5m).

Net assets summary as at 31 December 2018

	2018 £000's	2017 £000's
Non-current assets	1,178	1,263
FVOCI financial assets	220	250
Other current financial assets	12,648	10,615
Other current financial liabilities	(6,018)	(3,341)
Net trading investments	6,850	7,524
Trade and other receivables	18,831	20,798
Trade and other payables – current	(32,640)	(36,300)
Trade and other payables – non current	(263)	(366)
Cash at bank	33,635	36,829
Net assets	27,591	29,748

As at 31 December 2018, Cenkos had a capital resources surplus of £11.2m (2017: £9.6m) 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.

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 2.5p per share (2017: 4.5p per share) which results in a total dividend for the year of 4.5p per share (2017: 9.0p 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 25 March 2019 and signed on its behalf by:

Anthony Hotson
Chief Executive
25 March 2019

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

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Governance policy and framework

Governance policy

The Board recognises the importance of high standards of corporate governance and considers that the Company's success is enhanced by the imposition of a strong corporate governance framework.

The Board has agreed to apply the Quoted Companies Alliance Corporate Governance Code 2018 ("the QCA Code"). The QCA Code is based around 10 broad principles of good corporate governance, aimed at delivering growth, maintaining a dynamic management framework and building trust. The application of the QCA Code requires Cenkos to apply these 10 principles and to publish certain related disclosures on its website and within its Annual Report.

The Board does not consider there to be any practices that differ from the expectations set by the QCA Code during 2018, notwithstanding that the Board's composition continues to change and further changes will take place in 2019.

The following report sets out how Cenkos has measured itself against these principles in terms of the substance and form of good Corporate Governance.

Principle One: Establish a strategy and business model which promote long-term value for shareholders:

Over the past 14 years the Company has established a successful platform that has been profitable in ever year of its existence and delivered strong returns to shareholders. The prime strategy is to become the pre-eminent UK institutional broker to growth companies and investment funds admitted to trading or listed on a UK market. We aim to achieve this through:

- Understanding the needs of our clients, enabling us to provide successful fund raisings and advice through an innovative and entrepreneurial approach;
- Delivering sustainable, diversified and growing income streams;
- Grow revenues by retaining existing clients and gaining new clients;
- Strong team culture aimed at attracting and developing talent;
- Use our strong balance sheet and capital position to grow the business;
- Manage the costs and risks carefully; and
- Increase shareholder returns.

We have an integrated business model that allows the combined expertise from within the Company to work together for the benefit of our clients.

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

Further details concerning the Company's strategy and business model can be found on pages 4 to 9.

Principle Two: Seek to understand and meet shareholder needs and expectations.

The Board believes that it is important to maintain open and constructive relationships with shareholders and is committed to this. During the year the Chief Executive Anthony Hotson was in regular contact with the Group's major institutional shareholders and was responsible for ensuring that shareholders' views are communicated to the Board. As well as being in dialogue with the institutional shareholders, he was in regular dialogue with several significant individual shareholders. Internally, staff also hold approximately 30% of the Company's ordinary share capital and regular briefings and updates are provided to staff.

Principle Three: Considering wider stakeholder and social responsibilities

The Board recognises that the long-term success of the Company is reliant upon open communication with its internal and external stakeholders: shareholders, clients and regulators. The Company has close ongoing relationships with a broad range of its stakeholders and provides them via regular contact with the opportunity to raise issues and provide feedback.

Principle Four: Embed effective risk management throughout the organisation.

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 day to day management of risk has been delegated by the Board to the senior executives across the Firm overseen by the ExCo and underpinned by proportionate systems and controls. The management of risk is embedded into the Company's culture where each employee takes on the responsibility of ensuring that the management of risk is built into all of their working practices.

Further details concerning the Company's Risk Management Framework can be found on pages 14 and 15 of the Strategic Report.

Principles Five and Six: Maintain the Board as a well-functioning, balanced team led by the Chairman; and that the directors have the necessary up to date experience, skills and capabilities.

The Board is undergoing a number of changes to its composition and these are detailed further on pages 22 and 23. Gerry Aherne served as the Non-executive Chairman of the Company throughout the year until his retirement on 5 November 2018. Following his retirement Jeff Hewitt was appointed as the Acting Chairman. The Board has continued to operate effectively on routine matters during the year.

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

Further details concerning the Board including the individual Directors and their biographies can be found on pages 24 and 25.

Principle Seven: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

The Board is going through a period of significant change and it is envisaged that a formal evaluation will take place later in 2019 once the changes have been implemented and have had a period of time to embed. Jeff Hewitt will continue as Acting Chairman for a period of time and Jeremy Miller, subject to his regulatory approval being received for the position as a Non-executive Director of the Company, be appointed as Chairman of the ARCC.

The balance of the Board is being reviewed and succession planning will be a priority for the Board in 2019.

The performance of the Chief Executive is appraised annually by the Chairman. The performance of the remaining Executive Directors is appraised annually by the Chief Executive.

Principle Eight: Promote a corporate culture that is based on ethical values and behaviours.

The corporate governance arrangements that the Board has adopted are designed to instil a firm ethical code to be followed by all staff. The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole, which in turn will impact the Company's performance. The Company strives to achieve and maintain an open and respectful dialogue with shareholders, clients, regulators and its staff. The importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives.

Further details concerning the promotion of corporate culture within the Company can be found on page 9 of the Strategic Report.

Principle Nine: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

The ultimate authority for all aspects of the Company's activities rests with the Board. The Board has adopted appropriate delegations of authority which set out matters which are reserved for the Board. Certain responsibilities have been delegated to Board Committees. The respective Chairman of those Committees report on those Committee issues to the Board. The Chairman is responsible for the effectiveness of the Board, while, the Chief Executive is responsible for the executive running of the Company on a daily basis.

The Board retains full and effective control over the Company and holds regular meetings at which financial, operational, regulatory and other reports are considered. The Board is responsible for the Group's strategy and key financial and compliance issues.

Further details concerning the reporting and governance structure of the Board and its Committees can be found on pages 27 and 28.

Principle Ten: Communicate how the Company is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

All shareholders can raise questions with the Board at the Annual General Meeting and are encouraged to attend. All members of the Board are normally available to answer questions at that meeting. The results of all General Meetings are announced as soon as possible following the conclusion of the meeting.

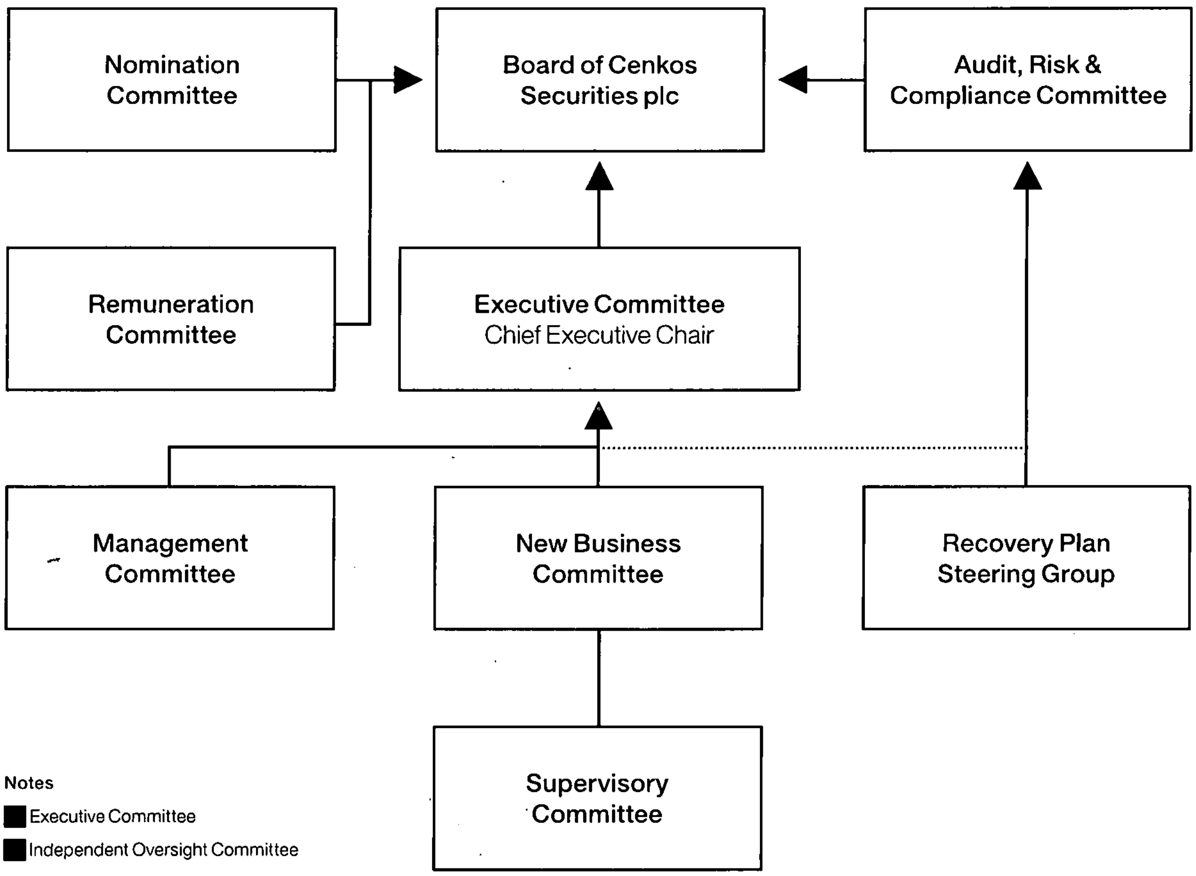
All results announcements, annual reports, regulatory news announcements and items detailing recent transactions concerning clients are made available on the Group's website (www.cenkos.com).

Governance policy and framework

Governance framework

The Board is authorised to manage the business of the Company on behalf of the shareholders and in accordance with the Company's Articles of Association. This is achieved through its own decision-making and by delegating responsibilities to the Board Committees and authority to manage the business to the CEO's and the Operational Committees.

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

Chairman and Chief Executive

The Chairman, 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. Gerry Aherne served as the Chairman of the Company until his retirement on 5 November 2018. On this date, Jeff Hewitt was appointed as the Acting Chairman.

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.

The Board

The Board is responsible for the stewardship of the Company, overseeing this strategy, conduct and affairs to create sustainable value and growth.

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 satisfied that each of the Directors is able to allocate sufficient time to the Company to discharge their responsibilities effectively.

All Directors receive regular updates and training on legal, regulatory and governance issues. External advisers present to the Board regularly on thematic topics, providing training that is relevant to the business and to keep them abreast with developments in governance and AIM regulations. During the year, this included advice from Travers Smith LLP, Promontory Financial Group LLP and Spark Advisory Partners Limited (Company's Nomad). Simmons & Simmons were also engaged to undertake a review and provide advice in relation to governance and conflicts of interest.

All Directors have access to the Company's Nomad, company secretary, legal advisers and auditors and are able to obtain independent advice from other external professionals as and when required.

All Directors are properly briefed to enable them to discharge their duties, via regular update calls as well as the provision of detailed Board packs which are distributed several days in advance of formal scheduled meetings.

The Board 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 biographical details, skills and experiences of each Director is set out on pages 24 and 25.

Board of Directors

Board and committee composition

The Executive and Non-executive Directors are set out on pages 24 to 25 together with an overview table of their committee memberships and attendance at Board meetings which is set out on page 26.

There were eight scheduled and six ad-hoc Board meetings held during the year.

Board composition

Succession planning will continue to be a priority for the Board in 2019.

The Board has gone through a further period of significant change over the past twelve months. To counterbalance this period of change, Jeff Hewitt continued in his role as Non-executive Chairman of the ARCC, and is now performing the role of Acting Chairman. Jeff Hewitt has been assisted by Andrew Boorman in addition to performing his role as Chairman of the Remuneration Committee.

Succession of Chairman

On 5 November 2018, Gerry Aherne retired from the Board. Gerry had been with the Company since May 2012. Following his retirement, Jeff Hewitt, Chair of the ARCC, is performing the role of "Acting Chairman" until a permanent successor is appointed. Jeff has been with the Firm since June 2008 and provides continuity to this key position.

It is envisaged that the Nomination Committee will undertake a formal search assisted by advisers for a successor to the Chairman. The search will be external and the selection criteria includes independence and extensive experience in financial services and in holding senior Non-executive positions together with an in depth understanding of the regulatory requirements facing the Group.

Succession of Audit Risk and Compliance Committee Chairman

After more than ten years with the Group, Jeff Hewitt will stand down as Chairman of the ARCC. Jeremy Miller will, subject to his appointment as a Non-executive Director of the Company receiving regulatory approval, be appointed as Chair of the ARCC.

The key attributes within the selection criteria used to identify a successor for the role of Chairman of the ARCC include extensive experience in providing independent non-executive advice to the financial services companies from the stock broking sector with knowledge of the Alternative Investment Market ('AIM'). Underpinning the Nomination Committee's consideration is relevant accounting and regulatory experience given the ever-increasing regulatory requirements facing companies that operate in the financial services sector.

Succession of Chief Executive

On 9 October 2018, Anthony Hotson informed the Board of his intention to leave the Company. Anthony has been with the Group since May 2012, appointed as a Non-executive Director and Chairman of the Remuneration Committee prior to his appointment as Chief Executive from 1 August 2017.

The key attributes within the selection criteria used to identify a successor for this role included extensive experience in the stock broking sector with an in depth understanding of culture in the sector as well as the regulatory requirements facing the Group. Continuity of senior management was a critical requirement together with a track record in managing businesses to deliver the strategy set out by the Board.

A successor to the Chief Executive has been identified and the appointment will be completed following regulatory approval being received.

Succession of Finance Director/Head of Compliance

Having assisted the Chief Executive and Board with initiating and delivering front and back office business reviews and the rebuilding of the Firm's three lines of defence compliance model, Philip Anderson decided to resign his position as Finance Director and will leave the Board on 31 March 2019. Philip will remain with the Group as Head of Compliance until a suitable successor, holding the key CF10 and CF11 controlled functions, is in post and has received a suitable hand over.

The Nomination Committee are considering a successor to the role including a selection of internal and external candidates and it is envisaged that the Head of Compliance role will be filled shortly.

The key attributes within the selection criteria used to identify a successor for the roles include a breadth of experience in leading finance and compliance teams from the regulated finance sector. Underpinning the Nomination Committee's consideration is the relevant regulatory experience given the ever-increasing regulatory requirements facing companies that operate in financial services. In particular a good working knowledge of FCA prudential regulation including relevant liquidity and capital management tests is critical.

Board of Directors as at 25 March 2019

Executive Directors

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. He is the Head of the Equity Capital Markets team.

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

Jeff Hewitt

Acting Non-executive Chairman

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 F&C Investment Trust plc and Chairman of Electrocomponents Pension Trustees.

Jeff is Chairman of the ARCC 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 ARCC as well as the 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 2018 or retirement/resignation if earlier	Maximum possible attendances	Meetings attended	Audit, Risk and Compliance Committee	Nomination Committee	Remuneration Committee	Considered independent
Gerry Aherne[1]	Chairman *(Non-executive)*	12	10	✓	✓	✓	y
Anthony Hotson	Chief Executive *(Executive)*	14	13				
Paul Hodges	Executive Director	14	13				
Joe Nally	Executive Director	14	14				
Philip Anderson[2]	Executive Director	13	12				
Jeff Hewitt	Acting Chairman (Non-executive Director)	14	13	✓	✓	✓	y
Andrew Boorman	Non-executive Director	14	13	✓	✓	✓	y

✓ Chairman ✓ Member

1. Retired with effect from 5 November 2018.
2. Appointed as an Executive Director on 31 January 2018.

Balance and independence

This year has seen a number of changes to the Board and these changes are set out in more detail on page 22.

During the year ended 31 December 2018, the Board has maintained a balance of Executive and Non-executive Directors.

The QCA Code requires that a board should have an appropriate balance between executives and non-executive directors and should have at least two independent non-executive directors. 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 2018, there were six Directors:

The Acting Non-executive Chairman, four Executive Directors and a further Non-executive Director.

The Board considers that the 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. Notwithstanding that Jeff Hewitt has served more than ten years and will not be considered independent under the QCA Code, due to his length of service, the Board is satisfied that he and Andrew Boorman have remained fully independent throughout 2018.

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.

The Board is aware that at least one further independent non-executive director should be appointed to the Board and the balance of Non-executive to Executive Directors will also be considered as part of a wider review of governance ahead of SM&CR. The Nomination Committee has undertaken a process to recruit a further independent Non-executive Director.

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
- 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

The Board has delegated certain of its responsibilities to its Audit, Risk and Compliance Committee, Remuneration Committee and the Nominations Committee. Each committee has appropriate terms of reference which have been approved by the Board. The respective chairman of each committee formally reports to the Board on the activities undertaken by the committee.

Audit, Risk and Compliance Committee ("ARCC")

The ARCC is chaired by Jeff Hewitt and the Committee also includes Andrew Boorman. Jeremy Miller will, subject to his appointment as a Non-executive Director of the Company receiving regulatory approval, be appointed as the ARCC Chair. Gerry Aherne was a member of the ARCC until his retirement from the Board on 5 November 2018. All members of the ARCC are Non-executive Directors. The ARCC 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 ARCC is the Company Secretary.

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

The ARCC 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 ARCC for the year ended 31 December 2018 is set out below:

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

1. Retired with effect from 5 November 2018.

The ARCC Report is set out on pages 35 to 36.

Board of Directors

Remuneration Committee

The Remuneration Committee ('RemCo') is chaired by Andrew Boorman and also includes Jeff Hewitt. Gerry Aherne was a member of the RemCo until his retirement from the Board on 5 November 2018. All members of RemCo are Non-executive Directors. Subject to his appointment as a Non-executive Director of the Company receiving regulatory approval, Jeremy Miller will become a member of the RemCo.

The RemCo 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.

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

The composition of the RemCo and attendance for the year ended 31 December 2018 is set out below:

	Maximum possible attendances	Meetings attended
Gerry Aherne[1]	2	1
Andrew Boorman – Chairman	5	5
Jeff Hewitt	5	5

1. Retired with effect from 5 November 2018.

The RemCo Report is set out on pages 29 to 34.

Nomination Committee

The Nomination Committee ('NomCo') was Chaired by Gerry Aherne until his retirement from the Board on 5 November 2018. The NomCo also includes Jeff Hewitt and Andrew Boorman and is now chaired by Jeff Hewitt, Acting Chairman.
Other members of the Board, Head of HR or relevant external consultants may attend by invitation.

The NomCo considers appointments to the Board and meets as necessary. During the year the Board undertook a number of duties that would have normally been undertaken by the NomCo. The main responsibilities are:

Identify suitable candidates for Board appointment;

- Consider Board appointments and make recommendations; and
- Consider succession planning.

During the year the NomCo engaged an executive search firm to assist on the search for further Non-executive Directors.

The composition of the NomCo and attendance for the year ended 31 December 2018 is set out below:

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

1. Retired with effect from 5 November 2018.

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.

Recovery Plan Steering Group

The Recovery Plan Steering Group considers what action to take (if any) following any incident that may necessitate the initiation under the Firm's Recovery Plan.

This report was approved by the Board on 25 March 2019 and signed on its behalf by:

Jeff Hewitt
Acting Chairman
25 March 2019

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. As set out in his biography on page 25 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 2018 £000's	Annual Performance Award[9] 2018 £000's	Vested cash award received in respect of the 2015 and 2016 Deferred Bonus Scheme £000's	Benefits 2018 £000's	Payment for loss of office (including settlement agreements) £000's	Total 2018 £000's	Total 2017 £000's
Executive Directors							
Anthony Hotson	250	–	–	1	358	609	275
Paul Hodges	90	1,063	192	3	–	1,348	2,013
Joe Nally	75	693	39	5	–	812	1,452
Philip Anderson[1]	184	–	–	2	225	411	–
Nick Wells[2]	–	–	–	–	–	–	189
Jim Durkin[3]	–	–	–	–	–	–	252
Mike Chilton[4]	–	–	–	–	–	–	539
Non-executive Directors							
Andrew Boorman[5]	96	–	–	–	–	96	8
Jeff Hewitt	111	–		–	–	111	101
Gerry Aherne[6][7]	203	–	–	–	–	203	170
Anthony Hotson[8]	–	–	–	–	–	–	36
	1,009	1,756	231	11	583	3,590	5,035

1. Appointed as an Executive Director from 31 January 2018.
2. Resigned with effect from 17 May 2017.
3. Retired with effect from 31 July 2017.
4. Resigned with effect from 4 August 2017.
5. Appointed as Non-executive Director from 17 November 2017.
6. Retired with effect from 5 November 2018.
7. Within the total fee is a payment of £33,000 which is a three month notice payment in accordance with his letter of appointment.
8. Resigned from his Non-executive position on 1 August 2017 and appointed as the Chief Executive officer on this date.
9. The Annual Performance Award for 2018 is subject to the Company's Deferred Bonus Scheme which takes the form of a share or cash award which vests equally over a three year period or in exceptional cases a one year period. Amounts shown for Executive Directors are net of the deferred amount. See note 23 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.

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 2018, 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.

Payments for loss of office

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, the Company entered into two settlement agreements and an aggregate amount of £583,532 was paid to two directors in this respect (2017: £324,000). Within this amount was £416,332 which is the aggregate of what the Directors may have broadly expected as an annual performance award for the year. These Directors served throughout the year.

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.

The base fees for 2019 for Jeff Hewitt, who is the Acting Chairman, is set at £95,000 and for Andrew Boorman and Jeremy Miller, who will be appointed as a Non-executive Director of the Company once regulatory approval has been received, is set at £60,000.

The Non-executive Directors' base fees, extra responsibility allowances for acting as chairpersons and additional allowances for extra work performed during 2018 are set out below:

	Base fee 2018 £000's	Additional fee for acting as Chairman of a Committee 2018 £000's	Additional allowance 2018 £000's	Notice payment under Letter of Appointment 2018 £000's	Total 2018 £000's	Total 2017 £000's
Gerry Aherne[(1)(4)]	110	–	60	33	203	170
Anthony Hotson[(2)]	–	–	–	–	–	36
Andrew Boorman[(3)(5)]	60	6	30	–	96	8
Jeff Hewitt[(5)]	65	6	40	–	111	101
	235	12	130	33	410	315

1. Retired with effect from 5 November 2018.
2. Appointed as Chief Executive from 1 August 2017 and resigned from his Non-executive Director position at the same time.
3. Appointed as Non-executive Director from 17 November 2017.
4. Within the base fee was £10,000 which was awarded in shares in the Company.
5. Within the base fee was £5,000 which was awarded in shares in the Company.

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 at 31 December 2018.

Director	Date of appointment	Date of retirement/ resignation	Nature of contract	Notice period from Company	Notice period from Director	Next re-election
Anthony Hotson	1 August 2017	n/a	Rolling	6 months	6 months	n/a
Paul Hodges	8 June 2012	n/a	Rolling	3 months	3 months	2019
Joe Nally	8 June 2012	n/a	Rolling	3 months	3 months	2019
Philip Anderson	31 January 2018	31 March 2019	Rolling	6 months	6 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 together with the next election or re-election date at 31 December 2018.

Non-executive Director	Date of appointment	Next election or re-election	Notice period by either party
Andrew Boorman	17 November 2017	2019	1 month
Jeff Hewitt	23 June 2008	2019	3 months

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 four categories:

- The Compensatory Award Plan 2009;
- Company Share Option Plan;
- 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 (2017: none) and the Company has no intention to grant any further options under this scheme. The Board has delegated the responsibility of the supervision of this scheme to the Remuneration Committee.

Company Share Option Plan

During the year shareholders approved the adoption of a Company Share Option Plan. The Plan provided for the grant of HMRC tax advantage and non-tax advantage share options. The Board has delegated the responsibility of the Plan to the Remuneration Committee. No options were granted under the Plan during the year.

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 2018 are set out below.

Executive Directors	Number held at 31 December 2018	Number of shares subject to forfeiture conditions 31 December 2018	Number held at 31 December 2017	Number of shares subject to forfeiture conditions 31 December 2017
Paul Hodges	22,752	11,802	12,957	8,448
Joe Nally	22,752	11,802	12,957	8,448
Anthony Hotson	8,865	6,592	–	–
Philip Anderson	8,865	6,592	–	–

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 2018 are set out below.

Executive Directors	Number held at 31 December 2017	Granted during the year	Exercised during the year	Lapsed during the year	Number held at 31 December 2018	Exercise price	Date of grant	Earliest exercise date	Latest exercise date
Paul Hodges	10,416		–	10,416	–	£1.728	15 July 2014	1 Aug 2017	28 Feb 2018
	–	21,094	–	–	21,094	£0.853	14 May 2018	1 June 2021	30 Nov 2021
Joe Nally	10,416	–	–	10,416	–	£1.728	15 July 2014	1 Aug 2017	28 Feb 2018
Anthony Hotson	–	21,094	–	–	21,094	£0.853	14 May 2018	1 June 2021	30 Nov 2021
Philip Anderson	–	21,094	–	–	21,094	£0.853	14 May 2018	1 June 2021	30 Nov 2021

Deferred Bonus Scheme

All variable remuneration is subject to the terms and conditions of the Company's Deferred Bonus Scheme which takes the form of a share award which vests over a three-year period. In certain circumstances, the Remuneration Committee may defer awards into a deferred award over a one year period. Further details on the Deferred Bonus Scheme can be found in note 23 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 2018 £	Vested during the year £	In respect of 2018 £	Outstanding as at 31 December 2018 £
Paul Hodges	433,833	192,221	256,374	497,986
Joe Nally	103,187	39,077	107,250	171,360
Anthony Hotson	–	–	–	–
Philip Anderson	–	–	–	–

Directors' remuneration report

Deferred share awards under the Deferred Bonus Scheme

	Deferred share award outstanding as at 1 January 2018 No of shares	2018 Granted during the year in respect of 2017 award No of shares	Shares vested during the year No of shares	Outstanding deferred share award as at 31 December 2018 No of shares
Paul Hodges	–	183,228	–	183,228
Joe Nally	–	136,715	–	136,715
Anthony Hotson	–	16,159	–	16,159
Philip Anderson	–	5,042	–	5,042

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 2018 are shown on page 39 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 25 March 2019 and signed on its behalf by:

Andrew Boorman
Chairman of the Remuneration Committee
25 March 2019

Audit, Risk and Compliance Committee report

Introduction

Much of the Audit, Risk and Compliance Committee's ("ARCC") 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 ARCC 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 ARCC comprises all Non-executive Directors and is chaired by Jeff Hewitt. As set out in his biography on page 25, 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 ARCC 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 ARCC and the terms of reference of the ARCC are available on the Company's website and key responsibilities are set out on page 27.

The ARCC 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 ARCC 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 2018 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 24 of the financial statements;
- The deferred bonus scheme and the associated accounting treatment and disclosures in 2018 which included the deferral to future years of £1.3 million (2017: £1.1 million) of bonuses from the current year and inclusion of £0.8 million (2017: £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 1 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 ARCC 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 ARCC. 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 ARCC and the Board;
- 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; and
- To strengthen the three lines of defence model, second line compliance monitoring was augmented through the use of an independent regulatory consultancy.

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 ARCC 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.

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 Audit Committee (a predecessor of the ARCC) and the Board. Internal audit will continue to report directly to the Chair of the ARCC.

External auditor independence

The ARCC 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 ARCC 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 ARCC monitors and controls additional, non-audit, work provided by the auditor. The ARCC 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 ARCC 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 ARCC and any such service should be agreed by the ARCC prior to commencement of the services and be accompanied by terms regarding liability, cost and responsibilities.

External auditor performance and re-appointment

The ARCC evaluates the performance of the auditor annually factoring the objectivity and effectiveness of the audit, the quality of formal and informal communications with the ARCC and the views of management. In the current year the ARCC 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 ARCC 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.

External auditor's fees for audit and non-audit services

The ARCC evaluates the fees charged in light of the performance of the auditor and consider it has received acceptable value.

	2018 £000's	2017 £000s
Fees payable to the Group's auditor for the audit of the Group's annual accounts and consolidation	201	157
Other assurance services	70	57
Total fees payable to the Group's auditor and their associates	271	214

This report was approved by the ARCC on 25 March 2019 and signed on its behalf by:

Jeff Hewitt
Chairman of the Audit, Risk and Compliance Committee
25 March 2019

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
- Assess 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 25 March 2019 and signed on its behalf by:

Anthony Hotson
Chief Executive Officer
25 March 2019

Directors' report

The Directors serving during the year ended 31 December 2018 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 2018.

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 24 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 46.

An interim dividend of 2.0p per share was paid to shareholders on 2 November 2018 (2017: interim dividend of 4.5p per share). The Directors recommend the payment of a final dividend of 2.5p per share (2017: final dividend of 4.5p per share).

The total interim and final dividends in respect of the year ended 31 December 2018 are 4.5p (2017: 9.0p). The final dividend will be paid on 31 May 2019 to the shareholders on the register at 3 May 2019, subject to approval at the Annual General Meeting to be held on 15 May 2019.

Directors

The names of the current serving Directors of the Company are set out on pages 24 and 25. These Directors have served throughout the year with the exception of Philip Anderson who was appointed to the Board on 31 January 2018. Gerry Aherne served as a Director of the Company until his retirement from the Board on 5 November 2018.

As announced on 12 December 2018, Philip Anderson will leave the Board on 31 March 2019. On 31 October 2018, Anthony Hotson announced his intention to leave the Board, once his successor has received regulatory approval. Anthony Hotson and Philip Anderson will therefore not be seeking re-election to the Board at the forthcoming Annual General Meeting. At the Annual General Meeting on 15 May 2019, the remaining Directors will offer themselves for re-election to the Board.

Jeff Hewitt will have served ten years on the Board at the forthcoming Annual General Meeting and he will be seeking re-election. The Board is mindful that Jeff Hewitt will not be considered to be independent under the QCA Code due to his length of service. However 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 ten years and accordingly approves of Jeff Hewitt seeking re-election as a Director at the forthcoming Annual General Meeting.

Share capital

The Company's share capital comprises one class of ordinary share with a nominal value of 1p per share. At 31 December 2018, 56,694,783 (2017: 56,694,783) ordinary shares were in issue of which 1,384,748 (2017: nil) were held by the Company in treasury. Therefore, the total voting rights in the Company as at 31 December 2018 was based on 55,310,055 ordinary shares.

Directors' interests in ordinary shares

The Directors' interests in the share capital of the Company at 31 December 2018 are set out below:

Director	Number held at 31 December 2018	Percentage interest at 31 December 2018	Number held at 31 December 2017 or date of appointment if later	Percentage interest at 31 December 2017 or date of appointment if later
Executive Directors				
Paul Hodges(1)	5,286,211	9.55%	5,093,188	8.98%
Joe Nally(1)	1,214,281	2.19%	1,067,771	1.88%
Philip Anderson(2)	111,933	0.20%	98,026	0.17%
Anthony Hotson(2)	85,024	0.15%	60,000	0.11%
Non-executive Directors				
Jeff Hewitt	50,888	0.09%	48,121	0.08%
Andrew Boorman	47,000	0.08%	37,500	0.07%

1. At 31 December 2018, 22,752 ordinary shares have been acquired under the terms and conditions of the Company's Share Incentive Plan of which 11,802 ordinary shares are subject to forfeiture conditions.
2. At 31 December 2018, 8,865 ordinary shares have been acquired under the terms and conditions of the Company's Share Incentive Plan of which 6,592 ordinary shares are subject to forfeiture conditions.

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 2018 are set out on page 33 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 against any claim made against them as a consequence of the execution of their duties as a Director 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 2018.

Holder	Number held at 31 December 2018	Percentage interest at 31 December 2018
Canaccord Genuity Group Inc.	7,731,055	13.98%
Paul Hodges	5,286,211	9.55%
Jim Durkin	4,985,831	9.01%
JP Morgan Asset Management Limited	4,248,659	7.68%
Crystal Amber Fund Limited	3,950,972	7.14%
Nick Wells	2,201,339	3.98%

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 2018, the EBTs purchased an aggregate of 935,992 (2017: 543,098) ordinary shares in the Company. The number of shares purchased represents 1.69% of the Company's issued share capital as at 31 December 2018 (2017: 0.96%) for an aggregate consideration of £0.88 million (2017: £0.55 million).

During the year, the Company made a market purchase of 1,384,748 ordinary shares. These shares were held in Treasury (2017: nil).

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 employees with information on matters of concern to them so that their views can be factored in to account when making decisions that are likely to affect their interests.

Employees participate in the success of Cenkos through performance-based incentive schemes including formula-based profit sharing arrangements, share option arrangements, a Share Incentive Plan 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 (2017: £nil).

Disclosure of information to the Auditor

Each of the persons who are Directors at the date of approval of this Annual Report and Accounts confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

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 2019 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 83 to 87.

This report was approved by the Board of Directors on 25 March 2019 and signed on its behalf by:

Stephen Doherty
Company Secretary
25 March 2019

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 2018 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"s) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act; 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 2018	Statement of financial position as at 31 December 2018
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 28 to the financial statements including a summary of significant accounting policies
Consolidated cash flow statement for the year then ended	
Related notes 1 to 28 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 IFRSs 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.

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	– Revenue recognition on corporate finance and placing deals. – Valuation of material options/warrants classified as Level 3 in the fair value hierarchy.
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 balance on one entity ("specific scope" entity). – The entities where we performed full or specific scope audit procedures accounted for 100% of total revenue, total assets and total income.
Materiality	– Overall group materiality of £449k which represents 1% of Group revenue.

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
Revenue recognition on corporate finance and placing deals (2018: £32.7m, 2017: £44.0m)		
Refer to the Audit Risk and Compliance Committee Report (page 35); Accounting policies (page 54); and Note 3 of the Consolidated Financial Statements (page 61) 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. Our assessment of the appropriateness of revenue recognition also considered the requirements of IFRS 15 'Revenue from Contracts with Customers'. Judgement is required to be exercised by management to determine when it is appropriate to recognise revenue, and in particular the nature of performance obligations and the allocation of the contract price to those obligations.	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. Our transactional testing covered 97% of the corporate finance and placing deals in 2018. 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 considered whether the accounting and disclosure of revenue in the financial statements are in accordance with relevant accounting standards. We have involved the use of accounting specialist to conclude if the judgements are appropriate. 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. We conclude that the accounting and disclosure of revenue is in accordance with IFRS 15.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of material options/warrants classified as Level 3 in the fair value hierarchy (2018: £975k, 2017: £335k)		
Refer to the Audit Risk and Compliance Committee Report (page 31); Accounting policies (page 54); and Note 16 of the Consolidated Financial Statements (page 69) Cenkos Securities plc has acquired a number of material options and warrants in lieu of fees during the year. These options are valued by management's expert. Assumptions used within the models used to calculate fair value are subjective and represent management's estimates. Fair value movements are highly sensitive to volatility and as such susceptible to error or manipulation. The risk has increased in the current year because of the significant increase in the size of the balance.	We confirmed our understanding of the controls over the valuation of the options and warrants valued using valuation models, and assessed the design effectiveness of key controls. We assessed the competence and objectivity of management's expert. With the support of our internal valuation and modelling specialists, we assessed the appropriateness of the valuation techniques, the assumptions, and the inputs to the models for a sample of warrants and options. We also tested a sample of valuation inputs to supporting evidence and recalculated the fair value of these instruments using our models. Our testing covered 92% of the options and warrants balance as at 31 December 2018. We performed full audit procedures over this risk area in one component, which covered 100% of the risk amount.	No material issues were identified from the execution of our audit procedures over the risk of inappropriate valuation of material options/ warrants valued using valuation models.

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 a specific balance on Cenkos Nominee UK Limited.

The remaining seven entities in the Group together represent less than 1% of the Group's total revenue, total assets and the profit before tax. 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	£45.0m	–	100%
Total assets	£66.3m	£0.2m	100%
Profit before tax	£3.2m	–	100%

Changes from the prior year

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

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

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 £450k (2017: £596k), which is based on 1% of revenue, in line with the prior year. Users of financial statements would typically focus on activity based measures as the Group is profitable. Given the prominence of revenue as reflected in the Group's trading updates to the market, and revenue being the key benchmark used by stakeholders to assess the performance of the Group, we have concluded that revenue is the most appropriate basis of materiality. 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% (2017: 50%) of our planning materiality, namely £224k (2017: £298k). 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 £224k (2017: £298k).

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 £22k (2017: £30k), 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 1-40, 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 37, 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.

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.

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.

Rhys Taylor (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 March 2019

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 2018

	Note	2018 £000's	2017 £000's
Continuing operations			
Revenue	3	44,953	59,504
Administrative expenses		(41,902)	(49,528)
Operating profit		3,051	9,976
Investment income – interest receivable	4	103	23
Profit before tax from continuing operations for the year	6	3,154	9,999
Tax	7	(805)	(1,815)
Profit after tax from continuing operations for the year		2,349	8,184
Discontinued operations			
Loss after tax from discontinued operations for the year	8	–	(973)
Profit for the year		2,349	7,211
Attributable to:			
Equity holders of Cenkos Securities plc		2,349	7,211
From continuing operations			
Basic and diluted earnings per share	10	4.2p	15.0p
From continuing and discontinued operations			
Basic and diluted earnings per share	10	4.2p	13.2p

The notes on pages 54 to 82 form an integral part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	2018 £ 000's	2017 £ 000's
Profit for the year	2,349	7,211
Amounts that will not be recycled to income statement in future periods		
Loss on FVOCI financial assets	(180)	(133)
Tax on FVOCI financial assets	29	26
Exchange differences on translation of foreign operations	–	(105)
Other comprehensive loss for the year	(151)	(212)
Total comprehensive income for the year	2,198	6,999
Attributable to:		
Equity holders of Cenkos Securities plc	2,198	6,999

The notes on pages 54 to 82 form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2018

	Notes	2018 £000's	2017 £000's
Non-current assets			
Property, plant and equipment	11	558	525
Intangible asset	12	100	–
Deferred tax asset	19	520	738
		1,178	1,263
Current assets			
Trade and other receivables	14	18,831	20,798
FVOCI financial assets	15	220	250
Other current financial assets	16	12,648	10,615
Cash at bank	17	33,635	36,829
		65,334	68,492
Total assets		66,512	69,755
Current liabilities			
Trade and other payables	18	(32,640)	(36,300)
Other current financial liabilities	16	(6,018)	(3,341)
		(38,658)	(39,641)
Net current assets		26,676	28,851
Non-current liabilities			
Trade and other payables	18	(263)	(366)
Total liabilities		(38,921)	(40,007)
Net assets		27,591	29,748
Equity			
Share capital	20	567	567
Share premium		3,331	3,331
Capital redemption reserve	20	195	195
Own shares	21	(5,663)	(3,845)
FVOCI reserve		(93)	58
Retained earnings		29,254	29,442
Total equity		27,591	29,748

The notes on pages 54 to 82 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 25 March 2019.

They were signed on its behalf by:

Anthony Hotson
Chief Executive Officer
25 March 2019

Philip Anderson
Finance Director
25 March 2019

Registered Number: 05210733

Company statement of financial position

As at 31 December 2018

	Notes	2018 £ 000's	2017 £ 000's
Non-current assets			
Property, plant and equipment	11	558	525
Intangible asset	12	100	–
Deferred tax asset	19	520	738
Investments in subsidiary undertakings	13	1	1
		1,179	1,264
Current assets			
Trade and other receivables	14	23,218	24,659
FVOCI financial assets	15	220	250
Other current financial assets	16	12,648	10,615
Cash at bank	17	33,428	36,627
		69,514	72,151
Total assets		70,693	73,415
Current liabilities			
Trade and other payables	18	(32,640)	(36,203)
Other current financial liabilities	16	(6,018)	(3,341)
		(38,658)	(39,544)
Net current assets		30,856	32,607
Non-current liabilities			
Trade and other payables	18	(263)	(366)
Total liabilities		(38,921)	(39,910)
Net assets		31,772	33,505
Equity			
Share capital	20	567	567
Share premium		3,331	3,331
Capital redemption reserve	20	195	195
Own shares held in treasury		(1,482)	–
FVOCI reserve		(93)	58
Retained earnings		29,254	29,354
Total equity		31,772	33,505

The profit after tax attributable to the Company in the year ended 31 December 2018 was £2.4 million (31 December 2017: £5.9 million).

The notes on pages 54 to 82 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 25 March 2019.

They were signed on its behalf by:

Anthony Hotson
Chief Executive Officer
25 March 2019

Philip Anderson
Finance Director
25 March 2019

Registered Number: 05210733

Consolidated cash flow statement

For the year ended 31 December 2018

	Notes	2018 £000's	2017 £000's
Profit for the year		2,349	7,211
Adjustments for:			
Net finance income		(103)	(23)
Tax expense	7	805	1,815
Depreciation of property, plant and equipment	11	247	242
Shares and options received in lieu of fees		(1,970)	(3,888)
Share-based payment expense		1,852	1,560
Operating cash flows before movements in working capital		3,180	6,917
Decrease in net trading investments and FVOCI financial assets		2,492	7,908
Decrease in trade and other receivables		1,981	3,623
(Decrease)/increase in trade and other payables		(3,029)	1,959
Net cash flow from operating activities before interest and tax paid		4,624	20,407
Tax paid		(1,664)	(1,334)
Net cash flow from operating activities		2,960	19,073
Investing activities			
Interest received		90	23
Purchase of property, plant and equipment	11	(280)	(378)
Acquisition of Nomad business	12	(100)	–
Net cash outflow from investing activities		(290)	(355)
Financing activities			
Dividends paid	9	(3,573)	(5,201)
Proceeds from sale of own shares to employee share plans		62	66
Acquisition of own shares		(2,353)	(549)
Net cash used in financing activities		(5,864)	(5,684)
Net (decrease)/increase in cash at bank		(3,194)	13,034
Cash at bank at beginning of year		36,829	23,795
Cash at bank at end of year		33,635	36,829

The notes on pages 54 to 82 form an integral part of these financial statements.

Company cash flow statement

For the year ended 31 December 2018

	Notes	2018 £000's	2017 £000's
Profit for the year		2,437	5,888
Adjustments for:			
Net finance income		(103)	(23)
Tax expense	7	805	1,815
Depreciation of property, plant and equipment	11	247	227
Shares in lieu of fees and options received in kind		(1,970)	(3,888)
Share-based payment expense		1,852	1,560
Write off of investment in subsidiary		–	2,012
Operating cash flows before movements in working capital		3,268	7,591
Decrease in net trading investments and FVOCI financial assets		2,492	7,908
Decrease in trade and other receivables		961	3,706
(Decrease)/increase in trade and other payables		(2,932)	1,948
Net cash flow from operating activities		3,789	21,153
Tax paid		(1,664)	(1,334)
Net cash flow from operating activities		2,125	19,819
Investing activities			
Interest received		90	23
Purchase of property, plant and equipment	11	(280)	(378)
Acquisition of Nomad business	12	(100)	–
Net cash outflow from investing activities		(290)	(355)
Financing activities			
Dividends paid	9	(3,573)	(5,201)
Acquisition of own shares into treasury		(1,482)	–
Shares recycled from employee share plans		21	–
Net cash used in financing activities		(5,034)	(5,201)
Net (decrease)/increase in cash at bank		(3,199)	14,263
Cash at bank at beginning of year		36,627	22,364
Cash at bank at end of year		33,428	36,627

The notes on pages 54 to 82 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2018

	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	FVOCI reserve £000's	Foreign currency translation reserve £000's	Retained earnings £000's	Total £000's
At 1 January 2017	567	3,331	195	(3,556)	165	105	26,376	27,183
Profit for the year	–	–	–	–	–	–	7,211	7,211
Loss on FVOCI 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 21)	–	–	–	66	–	–	–	66
Transfer of shares from share plans to employees (note 21)	–	–	–	194	–	–	(194)	–
Acquisition of own shares by EBT (note 21)	–	–	–	(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
Profit for the year	–	–	–	–	–	–	2,349	2,349
Loss on FVOCI financial assets net of tax	–	–	–	–	(122)	–	–	(122)
Derecognition of FVOCI financial asset	–	–	–	–	(29)	–	23	(6)
Total comprehensive income for the year	–	–	–	–	(151)	–	2,372	2,221
Transfer of shares from share plans to employees (note 21)	–	–	–	535	–	–	(473)	62
Acquisition of own shares (note 21)	–	–	–	(2,353)	–	–	–	(2,353)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	1,486	1,486
Dividends paid (note 9)	–	–	–	–	–	–	(3,573)	(3,573)
At 31 December 2018	567	3,331	195	(5,663)	(93)	–	29,254	27,591

The notes on pages 54 to 82 form an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2018

	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	FVOCI reserve £000's	Retained earnings £000's	Total £000's
At 1 January 2017	567	3,331	195	–	165	27,611	31,869
Profit for the year	–	–	–	–	–	5,888	5,888
Loss on FVOCI financial assets net of tax	–	–	–	–	(107)	–	(107)
Total comprehensive income for the year	–	–	–	–	(107)	5,888	5,781
Transfer of shares to employee share plans (note 21)	–	–	–	–	–	(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
Profit for the year	–	–	–	–	–	2,437	2,437
Loss on FVOCI financial assets net of tax	–	–	–	–	(122)	–	(122)
Derecognition of FVOCI financial asset	–	–	–	–	(29)	23	(6)
Total comprehensive income for the year	–	–	–	–	(151)	2,460	2,309
Transfer of shares from share plans to employees (note 21)	–	–	–	–	–	(473)	(473)
Acquisition of own shares held in treasury	–	–	–	(1,482)	–	–	(1,482)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	1,486	1,486
Dividends paid (note 9)	–	–	–	–	–	(3,573)	(3,573)
At 31 December 2018	567	3,331	195	(1,482)	(93)	29,254	31,772

The notes on pages 54 to 82 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.

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

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that require restatement of previous financial statements. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

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. It, therefore, does 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 Cenkos' 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. IFRS 15 does, however, require an entity to make additional disclosure disaggregating revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This additional disclosure is included in note 2.

IFRS 9 'Financial instruments' replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which Cenkos does not use, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017. There has been no material impact of adopting IFRS 9 on the consolidated financial statements or the financial assets & liabilities recognised in the financial statements beyond some minor reclassification and changes to disclosure. These are summarised below:

(a) Classification and measurement

Under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets. Upon transition the AFS reserve relating to unquoted equity securities, which had been previously recognised under accumulated OCI, was reclassified as FVOCI reserve.
- Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39.

1. Accounting policies (continued)

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Contract assets and Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Note 26 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 Group and entities controlled by the Group made up to 31 December each year. 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 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 as there are no non-controlling interests. 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 24 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.

Notes to the financial statements

1. Accounting policies (continued)

Business combinations and intangible asset

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9.

Intangible assets are initially measured at cost being the fair value at the date of acquisition. Following initial recognition intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets. Amortisation is provided at rates calculated to write off the cost over its estimated useful life of three years.

Financial instruments

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

Financial assets

Financial assets are recognised and derecognised on trade date when the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value 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"), "fair value through other comprehensive income" ("FVOCI") and "amortised cost". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when they fail the contractual cash flow test or they are held in a business model that is to manage them and evaluate their performance on a fair value basis.

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

FVOCI investments

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at amortised cost

The Group measures financial assets at amortised cost if the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables.

1. Accounting policies (continued)

Trading investments

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

Derivative financial assets

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

Trade and other receivables

Market and client receivables are measured at fair value. All other debtors are measured at amortised cost using the effective interest method, less any impairment. 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

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Cash at bank

Cash at bank comprises cash on hand and demand deposits, which 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.

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.

Notes to the financial statements

1. Accounting policies (continued)

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group 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 Group as fixed assets are stated at cost, less any provision for impairment in value.

Operating leases

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

Property, plant and equipment

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

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

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

1. Accounting policies (continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group 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 Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Revenue recognition

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

Revenue comprises commission earned on primary and secondary capital raising, fees earned in relation to corporate advisory services and commission earned from execution 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. Retainer fees from clients for ongoing advice and research services are taken to the income statement over the period of 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 Group has applied the requirements of IFRS 2 "Share-based payments". The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non- market-based vesting conditions) at the date of grant. The 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 Group 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"), 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 2018, 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 Group 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 Group and their interests in the shares and options over the shares of Cenkos Securities plc are set out in note 25.

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 Group.

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 23. As a measure of implied volatility of the share-based payment is not available, a measure of the historic volatility of Cenkos' share price has been used as a proxy. This expected volatility reflects the assumption that the historical volatility over a period similar to the life of the share-based payment is indicative of future trends, which may not necessarily be the actual outcome.

b) Valuation of derivative financial assets

Derivative financial assets comprise equity options and warrants over listed securities which include those received as non-cash consideration for advisory and other services. On the grant date, these instruments are fair valued. Thereafter, at each period end they are revalued using a Monte Carlo simulation by an external third party specialist. 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.

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. Revenue

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 2018, no one client contributed more than 10% of Cenkos' total revenue. (2017: one of Cenkos' clients contributed more than 10% of Cenkos' total revenue. The amount was £10.62 million).

Revenue streams	2018 £000's	2017 £000's
Corporate finance	32,734	44,030
Nomad and broking	5,070	5,273
Research	2,754	2,949
Execution	4,395	7,252
	44,953	59,504
Services transferred at a point in time	38,908	53,636
Services transferred over a period of time	6,045	5,868
	44,953	59,504

Execution includes £0.22 million of gains (2017: £2.47 million gains) on shares and options received in lieu of fees.

4. Investment income – interest receivable

	2018 £000's	2017 £000's
Interest income generated from:		
Cash at bank	90	9
Trade and other receivables	13	14
	103	23

Interest income generated from cash at bank comprises the interest generated from instant access deposits held with banks.

5. Staff costs

	Group		Company	
	2018 £000's	2017 £000's	2018 £000's	2017 £000's
Staff costs comprise:				
Wages and salaries	21,970	31,069	21,970	31,070
Social security costs	3,522	4,514	3,522	4,514
Compensation for loss of office	1,507	715	1,507	715
Defined contribution pension	87	73	87	73
IFRS 2 share based payments	1,460	1,248	1,460	1,248
Cash-settled deferred bonus payments relating to the current year	392	310	392	310
	28,938	37,929	28,938	37,930

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 contributed 1% of relevant earnings up to the end of March and 2% thereafter (2017: 1%).

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 £1.33 million (2017: £1.08 million) of staff costs have been removed from the current income statement and deferred to future years. See notes 18 and 23 for further details.

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

	Group		Company	
	2018	2017	2018	2017
Corporate finance	22	24	22	24
Corporate broking	47	59	47	56
Support services	41	40	41	39
	110	123	110	119

	2018 £000's	2017 £000's
The total emoluments of the highest paid Director serving during the year were:	1,348	2,013

Details of the remuneration of key management personnel are set out in note 25. Details of the Directors' remuneration is set out in the Directors' remuneration report on pages 29 to 34.

6. Profit for the year

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

	2018 £000's	2017 £000's
Operating lease rentals	606	591
Auditor's remuneration (refer to analysis below)	271	214
Depreciation of property, plant and equipment	247	227
Staff costs (see note 5)	28,938	37,929
Net gains from financial instruments at FVTPL on trading book	(4,438)	(7,589)
Exchange differences recognised in profit or loss	76	(105)
Change in fair value of share options and warrants at FVTPL	(19)	(20)
Provision for impairment	196	41

The movement in administrative expenses is further discussed on page 12 in the Review of performance.

The analysis of auditor's remuneration is as follows:

	2018 £000's	2017 £000's
Audit of Parent and consolidated financial statements	201	157
Audit of subsidiary companies	–	–
Fees payable to the Group's auditor and their associates for the audit of the Group's annual accounts and consolidation	201	157
Other assurance services	70	57
Other non-audit services		
– Other advisory services, including taxation	–	–
Total fees payable to the Group's auditor and their associates	271	214

A description of the work of the ARCC is set out on pages 35 to 36 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 12 of the Review of performance) and comprises:

	2018 £ 000's	2017 £ 000's
Current tax		
United Kingdom corporation tax at 19.00% (2017: 19.25%) based on the profit for the year	805	2,444
Adjustment in respect of prior period		
United Kingdom corporation tax at 19.00% (2017: 19.25%)	(219)	(126)
Total current tax	586	2,318
Deferred tax		
Charge/(credit) on account of temporary differences	3	(490)
Deferred tax prior year adjustment	216	(13)
Total deferred tax (refer to note 19)	219	(503)
Total tax on profit on ordinary activities from continuing operations	805	1,815

A reconciliation of the tax expense for 2018 and 2017 and the accounting profit multiplied by the standard rate of UK corporation tax of 19.00% (2017: 19.25%) is set out below:

	2018 £ 000's	2017 £ 000's
Profit before tax from continuing operations	3,154	9,999
Loss before tax from discontinued operations	–	(973)
	3,154	9,026
Tax on profit on ordinary activities at the UK corporation tax rate of 19.00% (2017: 19.25%)	599	1,738
Tax effect of:		
Non-deductible expenses for tax purposes	78	72
Current year losses of overseas subsidiary for which no deferred tax asset has been recognised	–	132
Non-allowable loss on disposal of discontinued operation	–	37
Fair value movements in relation to the DTA on share-based payments	109	(31)
Deferred tax rate change adjustment	22	6
Adjustment in respect of prior year deferred tax	216	(13)
Adjustment in respect of prior year current tax	(219)	(126)
Tax expense for the year	805	1,815

The effective tax rate for the Group on continuing and discontinued operations during the year is 25.6% (2017: 20.1%).

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

	2018 £ 000's	2017 £ 000's
Other Comprehensive Income (OCI)		
Current tax (credit)/expense arising on FVOCI financial asset	(29)	(26)
Statement of changes in Equity (SOCIE)		
Current tax charge arising on FVTPL financial asset	6	–

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 Licence has been returned to MAS and the Company put into members' voluntary liquidation in 2017.

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

	2018 £000's	2017 £000's
Discontinued operation		
Revenue	–	19
Administrative expenses	–	(992)
Operating loss	–	(973)
Investment income – interest receivable	–	–
Loss before tax	–	(973)
Tax	–	–
Loss after tax for the year from discontinued operations	–	(973)

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

	2018 £000's	2017 £000's
Non-current assets		
Property, plant and equipment	–	–
	–	–
Current assets		
Trade and other receivables	30	74
Cash at bank	–	112
	30	186
Total assets	30	186
Current liabilities		
Trade and other payables	–	(384)
	–	(384)
Net current liabilities	–	(198)
Net assets/(liabilities)	30	(198)

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.

	2018 £000's	2017 £000's
Earnings from discontinued operations		
Earnings for the purposes of calculating basic and diluted earnings per share	–	(973)
Earnings per share from discontinued operations		
Basic earnings per share	–	(1.8)p
Diluted earnings per share	–	(1.8)p

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

	2018 £000's	2017 £000's
Operating activities	–	(924)
Investing activities	–	(1)
Financing activities	–	283
Net decrease in cash at bank	–	(925)

9. Dividends

Amounts recognised as distributions to equity holders in the year:

	2018 £000's	2017 £000's
Final dividend for the year ended 31 December 2017 of 4.5p (2016: 5.0p) per share	2,484	2,743
Interim dividend for the period to 30 June 2018 of 2.0p (June 2017: 4.5p) per share	1,089	2,458
	3,573	5,201

A final dividend of 2.5p per share has been proposed for the year ended 31 December 2018 (2017: 4.5p). The proposed final dividend is subject to approval at the Annual General Meeting and is not recognised as a liability as at 31 December 2018. 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 £0.3 million in the first half of 2019 (2017: final dividend of 4.5p increased staff costs by £0.52 million in the first half of 2018). See note 23 for details of the CAP scheme.

10. Earnings per share

	2018	2017
From continuing operations		
Basic and diluted earnings per share	4.2p	15.0p
From continuing and discontinued operations		
Basic and diluted earnings per share	4.2p	13.2p

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

	2018 £000's	2017 £000's
Earnings from continuing operations		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the Parent	2,194	8,184
Dividends on shares held in SIP and DBS	154	–
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	2,348	8,184
Earnings from continuing and discontinued operations		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the Parent	2,194	7,211
Dividends on shares held in SIP and DBS	154	–
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	2,348	7,211

Number of shares	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	51,807,655	54,657,840
Effect of dilutive potential ordinary share	2,883,642	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	54,691,297	54,657,840

In accordance with IAS33, when calculating the weighted average number of shares for the purpose of basic earnings per share, we have deducted contingently issuable shares held by the SIP and DBS for the benefit of employees. This adjustment is required by IAS33 notwithstanding the fact that the employees have an un-forfeitable right to the dividend prior to the date of vesting from the date of grant. These contingently issuable shares have been included when calculating diluted earnings per share. For the year ended 31 December 2018, the share options issued under the CAP and SAYE scheme and the shares held in the SIP and DBS were anti-dilutive. It was identified in the calculation this year that shares held in SIP and DBS have a slight dilution last year. As the impact is not material the prior year figures were not adjusted in the current year.

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 2016	1,445	230	1,627	3,302
Additions	194	34	150	378
At 31 December 2017	1,639	264	1,777	3,680
Additions	62	56	162	280
At 31 December 2018	1,701	320	1,939	3,960
Accumulated depreciation				
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)
Charge for the year	(41)	(33)	(173)	(247)
At 31 December 2018	(1,448)	(243)	(1,711)	(3,402)
Net book value				
At 31 December 2018	253	77	228	558
At 31 December 2017	232	54	239	525

The cost of fully depreciated property plant and equipment still in use amounts to £161,896 (2017: £287,781).

Company Cost	Leasehold improvements £000's	Fixtures and fittings £000's	IT equipment £000's	Total £000's
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
Additions	62	56	162	280
At 31 December 2018	1,692	320	1,924	3,936
Accumulated depreciation				
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)
Charge for the year	(41)	(33)	(173)	(247)
At 31 December 2018	(1,439)	(243)	(1,696)	(3,378)
Net book value				
At 31 December 2018	253	77	228	558
At 31 December 2017	232	54	239	525

12. Intangible asset

Group and Company Cost	Total £ 000's
At 31 December 2016	–
Additions	–
At 31 December 2017	–
Additions	100
At 31 December 2018	100
Amortisation and impairment	
At 31 December 2016	–
Amortisation	–
At 31 December 2017	–
Amortisation	–
At 31 December 2018	–
Net book value	
At 31 December 2018	100
At 31 December 2017	–

Acquisition of client list

On 11 December 2018, Cenkos completed the acquisition of the Nominated Adviser and Corporate Broker client list of Smith and Williamson LLP. Under the terms of the agreement, Cenkos agreed to pay Smith and Williamson LLP deferred consideration equal to 20% of all corporate finance fees earned during the 12 months following completion from existing clients transferring to Cenkos. The estimated amount of this consideration is included as an intangible asset and within accruals under current liabilities. Following initial recognition, intangible assets are recognised at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is provided at rates calculated to write off the cost over its estimated useful life of three years. No impairment has been recognised during the year.

13. Investments in subsidiaries

	Shares in subsidiary undertakings	
Company	**2018** £ 000's	**2017** £ 000's
Cost		
At 1 January	1	1,730
Additions	–	283
Write-off of investment in Cenkos Securities Asia Pte Limited	–	(2,012)
At 31 December	1	1

During 2017, Cenkos subscribed for a further 0.50 million SG$1 ordinary shares in Cenkos Securities Asia Pte Limited at a cost of SG$0.50 million, £0.28 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 in 2017.

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 was 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 23) are included in the Consolidated statement of financial position.

Notes to the financial statements

14. Trade and other receivables

	Group		Company	
	2018 £000's	2017 £000's	2018 £000's	2017 £000's
Current assets				
Financial assets				
Market and client receivables	16,596	17,991	16,596	17,991
Amounts owed by group undertakings	–	–	4,387	3,935
Accrued income	139	329	139	329
Contract assets	414	512	414	512
Other receivables	814	1,033	814	959
	17,963	19,865	22,350	23,726
Non-financial assets				
Prepayments and other assets	868	933	868	933
	18,831	20,798	23,218	24,659

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

			Days past due			
	Total £000's	Not past due £000's	< 30 days £000's	30-60 days £000's	61-90 days £000's	> 91 days £000's
2018	18,831	17,552	1,276	2	1	–
2017	20,798	17,404	3,184	105	88	17

The average credit period taken is 23 days (2017: 19 days). The Group has recognised expected credit losses amounting to £220,000 (2017: £203,823) in accordance with the requirements of IFRS 9. The amount charged to the profit and loss account for bad or doubtful debts is £195,605 (2017: £41,222).

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets includes retainer fee income accrued for ongoing advice to clients.

Credit risk

The Company's principal financial assets are cash at bank (see note 17), trade and other receivables and investments.

The Company's credit risk is primarily attributable to its cash at bank 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 24. In addition, the risk associated with financial assets is set out in note 24.

15. FVOCI investments

	Group and Company	
	2018 £ 000's	2017 £ 000's
Current assets		
Opening balance (at fair value)	250	560
Acquired during the year	150	78
Disposal of unlisted securities	(29)	(172)
Re-measurement recognised in administrative expenses	–	(83)
Re-measurement recognised in other comprehensive income	(151)	(133)
Closing balance (at fair value)	220	250

FVOCI financial assets include unlisted equity shares received in lieu of fees. These are classified as Level 3 within the fair value hierarchy. A number of valuation techniques have been used to provide a range of possible values for the other FVOCI 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 a further fall in fair value which has not been recognised in these financial statements.

16. Other current financial assets and liabilities

	Group and Company	
	2018 £ 000's	2017 £ 000's
Financial assets at FVTPL		
Trading investments carried at fair value	11,673	10,280
Derivative financial assets – share options and warrants	975	335
	12,648	10,615
Financial liabilities at FVTPL		
Contractual obligation to acquire securities	(6,018)	(3,341)

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 24.

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	
	2018 £ 000's	2017 £ 000's
Movements in net trading investments and FVOCI financial assets in consolidated cash flow statement		
Financial assets at FVTPL	(2,033)	3,196
Financial liabilities at FVTPL	2,677	647
FVOCI investments, net of tax	(122)	177
Shares and options received in lieu of fees	1,970	3,888
	2,492	7,908

Notes to the financial statements

17. Cash at bank

	Group		Company	
	2018 £000's	2017 £000's	2018 £000's	2017 £000's
Cash at bank	33,635	36,829	33,428	36,627

Cash at bank comprises 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 24).

Other guarantees and charges

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.

At 31 December 2018, the Company had no outstanding financial liabilities to HSBC.

18. Trade and other payables

	Group		Company	
	2018 £000's	2017 £000's	2018 £000's	2017 £000's
Current liabilities				
Financial liabilities				
Trade creditors	10,623	13,110	10,623	13,110
Other creditors	883	854	883	854
	11,506	13,964	11,506	13,964
Non-financial liabilities				
Accruals	20,118	20,258	20,118	20,161
Cash-settled deferred bonus scheme	473	473	473	473
Contract liabilities	343	304	343	304
Corporation tax payable	200	1,301	200	1,301
	21,134	22,336	21,134	22,239
	32,640	36,300	32,640	36,203
Non-current liabilities				
Non-financial liabilities				
Cash-settled deferred bonus scheme	263	366	263	366

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

Dilapidation provision

The leases relating to Cenkos' London office expire in January 2025, however the Company has the right to exercise a break option in January 2020. Under the terms of the leases, the Company is required to yield up the property in good and substantial repair and condition. Although a final decision as to whether to exercise the break option has yet to be made, included within accruals under current liabilities is the expected amount required to satisfy the Company's dilapidations obligation.

Deferred consideration

On 11 December 2018, Cenkos completed the acquisition of the Nominated Adviser and Corporate Broker business of Smith & Williamson. Under the terms of the agreement, Cenkos agreed to pay Smith & Williamson deferred consideration equal to 20% of all corporate finance fees earned from existing clients transferring to Cenkos during the 12 months following completion. Included within accruals under current liabilities is an amount of £100,000 which is expected to cover the Company's obligation under the contract.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. Contract liabilities represent retainer fee income deferred to future periods.

Cash-settled deferred bonus scheme

In 2015, Cenkos introduced a Deferred Bonus Scheme (the "Scheme") as detailed in note 23. 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.

19. 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 2016	397	(5)	(156)	236
Origination and reversal of temporary differences credit/(expense)	416	(5)	79	490
Deferred tax prior year adjustment credit	13	–	–	13
At 31 December 2017	826	(10)	(77)	739
Origination and reversal of temporary differences expense	6	35	(44)	(3)
Deferred tax prior year adjustment credit	(216)	–	–	(216)
At 31 December 2018	616	25	(121)	520

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 2018 have been stated at 19% and 17% as these are the expected prevailing rates 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 £51,384 at 17%).

20. Share capital and capital redemption reserve

	Group and Company	
	2018 £000's	2017 £000's
Authorised:		
179,185,700 (2017 – 179,185,700) ordinary shares of 1p each	1,792	1,792
20,814,300 (2017 – 20,814,300) B shares of 1p each	208	208
	2,000	2,000
Allotted:		
56,694,783 (2017: 56,694,783) ordinary shares of 1p each fully paid	567	567

1 January 2017 to 31 December 2017
There were no shares issued or cancelled during the year.

1 January 2018 to 31 December 2018
There were no shares issued or cancelled during the year.

	Group and Company		Group and Company	
Capital redemption reserve	2018 Number	2017 Number	2018 £000's	2017 £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

21. 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.

	2018		2017	
Shares held by the EBT	**Number of shares**	**Cost £ 000's**	**Number of shares**	**Cost £ 000's**
At 1 January	2,127,584	2,177	2,080,510	2,136
Acquired during the year	935,992	871	543,098	549
Transferred to the SIP				
– Free shares	(332,484)	(340)	–	–
– Matching shares	(337,504)	(345)	–	–
– Dividend re-investment	(39,794)	(41)	(65,060)	(66)
Transferred to the deferred bonus scheme EBT	(1,576,320)	(1,612)	(430,964)	(442)
At 31 December	777,474	710	2,127,584	2,177
Shares held in the deferred bonus scheme EBT				
At 1 January	773,056	792	506,737	518
Transferred in from the EBT	1,576,320	1,612	430,964	442
Vesting shares transferred to employees	(311,744)	(319)	(164,645)	(168)
At 31 December	2,037,632	2,085	773,056	792
Free and matching shares held by the SIP				
At 1 January	858,374	876	883,718	902
Transferred in from the EBT				
– Free shares	332,484	340	–	–
– Matching shares	337,504	345	–	–
Shares transferred to employees	(170,835)	(175)	(25,344)	(26)
At 31 December	1,357,527	1,386	858,374	876
Shares held in Treasury				
At 1 January	–	–	–	–
Acquired during the year	1,384,748	1,482	–	–
At 31 December	1,384,748	1,482	–	–
At 31 December: Total own shares	5,557,381	5,663	3,759,014	3,845

22. 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	
	2018 £000's	2017 £000's	2018 £000's	2017 £000's
Within one year	705	747	705	707
In the second to fifth years inclusive	131	836	131	836
After five years	–	–	–	–

Operating lease payments represent rentals payable by the Group and Company for office properties and leases. They are negotiated for an average term of 9 years respectively and rentals are fixed for an average of 1 years.

23. 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 which was at a 20% discount to the share price at the date of the launch of the scheme. The scheme matured in July 2017 and the options expired unexercised. The scheme was relaunched in May 2018, on the same terms as before, but with an exercise price of £0.853.

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

	2018		2017	
	Number of shares options	Weighted average exercise price (in £)	Number of shares options	Weighted average exercise price (in £)
Outstanding at beginning of year	9,000,729	1.24	9,043,434	1.15
Lapsed during the year	(241,127)	1.73	–	–
Issued during the year	656,140	0.85	–	–
Forfeited during the year	–	–	(42,705)	1.73
Outstanding and exercisable at the end of the year	9,415,742	1.20	9,000,729	1.24

					2018	2017
	Date of Grant	Vesting date	Date of Expiry	Remaining contractual life, months	Number of shares options	Number of shares options
Options exercisable at £1.15 per share	Jul-09	Jul-09	Jul-19	7	7,475,452	7,475,452
Options exercisable at £1.69 per share	Oct-09	Oct-09	Oct-19	10	1,284,150	1,284,150
Options exercisable at £1.728 per share	Jul-14	Jul-17	Feb-18	–	–	241,127
Options exercisable at £0.853 per share	May-18	Jul-21	Dec-21	36	656,140	–
Options in issue at the end of 31 December					9,415,742	9,000,729

Notes to the financial statements

23. Share-based payments (continued)

The options outstanding at 31 December 2018 have exercise prices ranging from £0.85 to £1.73, a weighted average exercise price of £1.20 (2017: £1.24) and a weighted average remaining contractual life of 0.8 years (2017: 1.6 years). At the date of grant, they had an aggregate estimated fair value of £3,747,975 (2017: £3,754,850).

The 656,140 options issued during the year had an exercise price of £0.853 and a weighted average fair value of £142,382. The options were valued using a Monte Carlo simulation. The Monte Carlo simulation included inputs for volatility of 38% based on an analysis of historic volatility measured daily over different rollings periods; dividend yield of 7.5% based on an analysis of historic dividend yield and risk free rate of return of 0.88% based on the yield on UK government zero coupon of relevant term at the date of grant.

No share options were granted under the CAP during 2018 (2017: 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 number of shares held within the scheme.

		2018 Number of shares	2017 Number of shares
At 1 January		1,173,457	1,169,308
Contributions during the year	– Partnership shares	168,752	–
	– Matching shares	337,504	–
	– Free shares	332,484	–
	– Dividend shares	65,776	65,060
Free and matching shares transferred to employees		(170,835)	(25,344)
Partnership and dividend shares transferred to employees		(91,307)	(35,567)
At 31 December		1,815,831	1,173,457
At 31 December			
SIP shares allocated to individuals		1,628,187	1,070,073
Forfeited shares held by SIP		187,644	103,384
		1,815,831	1,173,457

Deferred Bonus Scheme

In April 2015 Cenkos introduced a Deferred Bonus Scheme (the "Scheme"), whereby a percentage of staff bonus awards was deferred over a three year period. The deferred element of any bonus award being 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. With respect to 2018, at the date of grant, where an employee already held over 2% of Cenkos Ordinary Shares, the deferral was held in cash on the Group's statement of financial position and will be released either in the same manner or after one year. The fair value of the cash deferral is recognised as a staff cost over the service period with the recognition of a corresponding liability.

23. Share-based payments (continued)

Under the Scheme, £2.03 million of 2018 bonus was deferred (2017: £1.67 million), in aggregate £2.28 million (2017: £1.71 million) will be charged to the P&L in future years over the life of the scheme.

2018	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	384	–	195	189
2018 Bonus deferral into cash	–	520	197	323
	384	520	392	512
2015, 2016 & 2017 Bonus deferral into shares	1,325	–	567	758
2018 Bonus deferral into shares	–	1,508	496	1,012
2015, 2016, 2017 & 2018 Bonus deferral into shares	1,325	1,508	1,063	1,770
	1,709	2,028	1,455	2,282

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
2015, 2016 & 2017 Bonus deferral into shares	474	1,670	819	1,325
	1,168	1,670	1,129	1,709

	2018 Number of shares	2017 Number of shares
Shares held in the deferred bonus scheme EBT		
At 1 January	773,056	506,737
Shares acquired during the year to settle prior year scheme awards	1,576,320	430,964
Vesting shares transferred to employees	(311,744)	(164,645)
At 31 December	2,037,632	773,056

During the year, the Company recognised expenses of £1,459,846 (2017: £1,247,946) related to equity-settled share-based payment transactions.

These consist of expenses in respect of the SAYE scheme of £29,627 (2017: £10,684), the SIP schemes of 366,659 (2017: £417,830) and the deferred bonus of scheme of £1,063,560 (2017: £819,431).

In addition, the Company recognised expenses of £391,873 (2017: £310,063) related to cash-settled payment transactions in respect of the deferred bonus scheme.

Notes to the financial statements

24. 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 2018, Cenkos Securities plc had a solvency ratio of 183% (2017: 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.

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 2018 would increase/decrease by £0.08 million (2017: increase/decrease by £0.05 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 2018 would have been £0.69 million higher/lower (2017: £0.75 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.

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 (2017: 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 (an A 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		**2018** £ 000's	**2017** £ 000's	**2018** £ 000's	**2017** £ 000's
Derivative financial assets – share options and warrants	Unrated	975	335	975	335
Market and client receivables	Unrated	11,168	11,277	11,168	11,277
Market and client receivables	AA	3,153	–	3,153	–
Market and client receivables	AA-	461	6,545	461	6,545
Market and client receivables	A+	1,814	–	1,814	–
Market and client receivables	A	–	169	–	169
Amounts owed by Group undertakings	Unrated	–	–	4,387	3,935
Accrued income	Unrated	139	329	139	329
Contract assets	Unrated	414	512	414	512
Other receivables	Unrated	815	1,033	815	959
Cash at bank	AA-	20,839	17,061	20,632	16,859
Cash at bank	A+	8,980	–	8,980	–
Cash at bank	A	3,816	19,457	3,816	19,457
Cash at bank	BBB+	–	311	–	311
		52,574	57,029	56,754	60,688

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.

Notes to the financial statements

24. Financial instruments (continued)

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 2018		Weighted average effective interest rate £000's	No Maturity Date £000's	Less than 1 month £000's	More than 1 month £000's	Total £000's
FVOCI financial assets	NIB		220	–	–	220
Financial assets at FVTPL	NIB		11,673	–	975	12,648
Trade and other receivables	NIB, FIRI		–	17,963	–	17,963
Investments – short positions	NIB		–	(6,018)	–	(6,018)
Trade and other payables	NIB		–	(11,506)	–	(11,506)
Cash at bank	VIRI	0.40%	–	8,980	–	8,980
Cash at bank	VIRI	0.35%	–	24,655	–	24,655
			11,673	34,074	975	46,722

NIB – Non-interest bearing

VIRI – Variable interest rate instruments

FIRI – Fixed interest rate instruments

31 December 2017		Weighted average effective interest rate £000's	No Maturity Date £000's	Less than 1 month £000's	More than 1 month £000's	Total £000's
FVOCI 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
Financial liabilities at FVTPL	NIB		–	(3,341)	–	(3,341)
Trade and other payables	NIB		–	(13,489)	–	(13,489)
Cash at bank	VIRI	0.05%	–	19,457	–	19,457
Cash at bank	VIRI	0.00%	–	17,372	–	17,372
			10,280	39,864	335	50,479

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

24. 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-market observable)

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

	2018			
	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
FVOCI financial assets	–	–	220	220
Financial assets at FVTPL:				
Market and client receivables	16,595	–	–	16,595
Derivative financial assets – share options and warrants	–	–	975	975
Non-derivative financial assets held for trading	11,673	–	–	11,673
	28,268	–	975	29,243
Financial liabilities at FVTPL:				
Contractual obligation to acquire securities	6,018	–	–	6,018

	2017			
	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
FVOCI financial assets	–	–	250	250
Financial assets at FVTPL:				
Market and client receivables	17,991	–	–	17,991
Derivative financial assets – share options and warrants	–	–	335	335
Non-derivative financial assets held for trading	10,280	–	–	10,280
	28,271	–	335	28,606
Financial liabilities at FVTPL:				
Contractual obligation to acquire securities	3,341	–	–	3,341

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.

Notes to the financial statements

24. Financial instruments (continued)

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

	Unlisted securities £000's	Share options and warrants £000's	Total £000's
Opening balance 1 January 2018	250	335	585
Disposal of unlisted securities	(29)	–	(29)
Change in fair value recognised in Comprehensive income	(151)	–	(151)
Unlisted shares, options and warrants received in lieu of fees	150	666	816
Exercise of warrants	–	(7)	(7)
Fair value loss	–	(19)	(19)
Closing balance 31 December 2018	220	975	1,195

	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)
Unlisted shares, options and warrants received in lieu of fees	78	595	673
Exercise of warrants	–	(325)	(325)
Fair value loss	(83)	(20)	(103)
Closing balance 31 December 2017	250	335	585

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

The unlisted equity shares are carried as FVOCI 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 FVOCI 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 a further fall in fair value 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 £188,879/decrease of £194,243 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 FVOCI.

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.

24. Financial instruments (continued)

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 18 £000's	Valuation technique	Unobservable input	Range
Share options and warrants	975	Monte Carlo simulation	Volatility	31-89%
Unlisted securities	220	IPEV valuation guidelines	Share Price	£70,000-£150,000
	1,195			

25. 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. 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	2018 £000's	2017 £000's
Cenkos Securities Employee Benefit Trusts ("CSEBT")	4,182	3,845
Cenkos Nominees Limited	207	90

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:

	2018 £000's	2017 £000's
Aggregate emoluments	3,590	5,035

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 contributed 1% of relevant earnings increasing to 2% from April 2018 and thereafter. During 2018, no payments were made by Cenkos concerning the Directors in respect of this scheme (31 December 2017: £nil was paid by Cenkos.

Related party interests in ordinary shares of Cenkos Securities plc	2018 No.	2017 No.
Number of shares	6,795,337	6,632,844
Percentage interest	12%	11%

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	
	2018 No.	2017 No.	2018 No.	2017 No.
Related party interests in SIP	36,788	16,896	63,234	25,914

Related party interests in share options	Exercise price	Grant date	Earliest exercise date	Latest exercise date	2018 No.	2017 No.
SAYE Scheme	£1.73	15/07/2014	01/08/2017	28/02/2018	–	20,832
SAYE Scheme	£0.85	14/05/2018	01/06/2021	30/11/2021	63,282	–

Notes to the financial statements

26. 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 2018 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 is given.

International accounting standards and interpretations	Effective date
IFRS 16 'Leases'	1 January 2019
IFRS 17 'Insurance contracts'	1 January 2021
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment	1 January 2019
IFRS 9 'Prepayment features with negative compensation'	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to IAS 28: Long-term interests in associates and joint ventures	1 January 2019

IFRS 16 'Leases' is effective for the year ended 31 December 2019 and will require all leases to be recognised under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to IFRS 16

The Group plans to adopt IFRS 16 on a cumulative catch-up basis and will therefore not apply the standard to prior year comparatives. The asset will be measured at an amount equal to the liability which in turn is calculated as the present value of the remaining rental payments under the lease. The net impact on the statement of financial position as at the date of transition is nil as the asset equals the liability. The leases on Cenkos' London office at Tokenhouse Yard contain a break option on 31 January 2020. If exercised, then the last rental payments under these leases will be paid on 25 December 2019. Consequently, there will be no further liability to make lease payments or asset representing the right to use. Alternatively, if Cenkos chose to stay until the end of the lease, as at 31 December 2019, the Company would be obliged to make a further 21 payments on the usual quarter days totalling £3.36 million and in applying IFRS 16 will recognise a right-of-use asset and corresponding lease liability of £3.09million. The lease on Cenkos' Edinburgh office expires 19 March 2022. As at 31 December 2019, the Company is obliged to make a further 8 payments under the lease on the usual quarter days totalling £0.07 million and in applying IFRS 16 will recognise a right-of-use asset and corresponding lease liability of £0.07 million. This has been calculated by discounting the quarterly lease payments over the remaining term of the lease using a discount rate which represents the incremental cost of borrowing.

27. Events after the reporting period

There were no material events to report on that occurred between 31 December 2018 and the date at which the Directors signed the Annual Report.

28. 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 2019 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 10 and 11 which will be proposed as special resolutions:

1. **That** the Group's Annual Accounts for the year ended 31 December 2018, 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 2.5p per ordinary share for the year ended 31 December 2018 be declared payable on 31 May 2019 to the holders of ordinary shares registered at the close of business on 3 May 2019.
3. **That** Jeff Hewitt be re-elected as a Director of the Company.
4. **That** Paul Hodges be re-elected as a Director of the Company.
5. **That** Joe Nally be re-elected as a Director of the Company.
6. **That** Andrew Boorman be re-elected as a Director of the Company.
7. **That** Ernst & Young LLP be re-appointed as auditor to the Company until the conclusion of the next Annual General Meeting of the Company.
8. **That** the Directors be authorised to fix the auditor's remuneration.
9. **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):

9.1 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 2020 or, if earlier, at 6.00pm on 15 August 2020 (unless previously revoked or varied by the Company in general meeting); and further

9.2 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 2020 or, if earlier, at 6.00pm on 15 August 2020 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

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

so that all previous authorities of the Directors pursuant to the said section 551 be and are hereby revoked.

Notice of Annual General Meeting

10. **That**, subject to the passing of Resolution 9 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:

    10.1 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 9.2 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

    10.2 the allotment of equity securities or sale of treasury shares (otherwise than pursuant to sub-paragraph 10.1 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 2020 or, if earlier, at 6.00pm on 15 August 2020, 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.

11. **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:

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

    11.2 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;

    11.3 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;

    11.4 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

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

By order of the Board

Stephen Doherty
Company Secretary

25 March 2019

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 13 May 2019 (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 9.30am on 13 May 2019 (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. As at 25 March 2019 (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 (excluding treasury shares), carrying one vote each. Therefore, the total voting rights in the Company as at 25 March 2019 are 55,310,035.

Explanatory notes to the notice of Annual General Meeting

Resolution 1

Group's Annual Report and Accounts 2018 (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 2.5p per ordinary share in respect of the year ended 31 December 2018, which is recommended by the Board, requires the approval of the shareholders at the Annual General Meeting.

Resolution 3 to 6

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, Jeff Hewitt, Andrew Boorman, Paul Hodges, and Joe Nally will retire and submit themselves for re-election. Resolutions 3 to 6 propose their re-elections.

Jeff Hewitt will have served ten years on the Board at the forthcoming Annual General Meeting and he will be seeking re- election at the Annual General Meeting. The Board is mindful of the need to consider length of tenure of office of a Non-executive Director in the context of requirement for independence provided in the QCA Corporate Governance Code. The Board considers that Jeff Hewitt brings valuable and relevant experience to the Board and acts in the best interests of the Group and that until a Non-executive Chairman is appointed by the Board the Board believes that Jeff Hewitt should remain in office. The Board is satisfied that he will continue to remain independent notwithstanding that he may serve more than ten 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 24 and 25 of the 2018 Annual Report.

Resolutions 7 and 8

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 ARCC 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 8 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 9

Authority to allot shares (ordinary resolution)

Resolution 9 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 25 March 2019 (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. The authority will expire at the end of the Annual General Meeting of the Company in 2020 or, if earlier, on 15 August 2020. The Directors have no present intention of exercising such authority. The Resolution replaces a similar resolution passed at the Annual General Meeting held in 2018.

As at 25 March 2019, the Company held 1,384,748 treasury shares, representing 2.44 per cent of the total share capital. It is intended that, during the course of the 2019 financial year, treasury shares will be sold or transferred to meet the demands of the Company's Deferred Bonus Scheme.

Resolution 10

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 11 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 10 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 25 March 2019) 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 9.2, 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 2020 or, if earlier, at 6.00pm on 15 August 2020. The Resolution replaces a similar resolution passed at the Annual General Meeting of the Company held in 2018.

Resolution 11

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

Resolution 11 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 25 March 2019. 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 2018. The Company is allowed to hold in treasury any shares purchased by it using its distributable profits. Such shares will remain in issue and will be capable of being re-sold by the Company or used in connection with certain of its share schemes. The Company would consider, at the relevant time, whether it was appropriate to take advantage of this ability to hold the purchased shares in treasury.

Options to subscribe for 9,384,101 ordinary shares have been granted and are outstanding as at 25 March 2019 (being the latest practicable date prior to publication of this document) representing 16.97% of the issued ordinary share capital at that date. If the Directors were to exercise in full the power for which they are seeking authority under Resolution 11, the options outstanding as at 25 March 2019 would represent 18.83% of the ordinary share capital in issue following such exercise.

Information for shareholders

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Website

www.cenkos.com

Cenkos Securities plc company registration number and Country of Incorporation

05210733, England

Directors

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Jeff Hewitt (Non-executive Director)
Paul Hodges (Executive Director)
Joe Nally (Executive Director)
Anthony Hotson (Chief Executive Officer)

Company Secretary

Stephen Doherty

Nominated Advisor

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Registrar

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The Registry
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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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