



 CENKOS

Cenkos Securities plc
Annual Report 2008

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Highlights

Financial highlights

- Revenue is £28.3 million (2007: £53.8 million).
- Profit before tax for the year is £5.1 million (2007: £23.8 million).
- Basic earnings per share is 4.9p (2007: 22.8p).
- Diluted earning per share is 4.9p (2007: 22.6p).
- £6.0 million net cash generated from operating activities (2007: £16.2 million).
- The Board proposes a final dividend of 5p per share compared to last year's final dividend of 12p per share. This makes a total dividend of 10p for the year and reflects the Company's dividend policy of only retaining profits when the Board considers that it is required to fund the existing business or where attractive investment opportunities have been identified.

Business highlights

- Continued success in attracting new institutional and corporate clients helping to grow the Cenkos franchise.
- Taking advantage of market conditions to organically grow our existing teams, particularly in our 50% owned wealth management operations based in the Channel Islands and in the latter part of the year our institutional equities team.
- We continue in very difficult markets to raise funds for our clients. This has continued into the new year with a £130 million of funds raised for Omega Insurance.
- Voted AIM broker of the year at the 2008 Growth Company Awards.

Andrew Stewart – Chief Executive Officer commented:

“We are experiencing market and economic conditions the like of which I have not seen before. The weak have been found wanting and the strong have been severely tested. Cenkos, due to its robust business model and the quality, dedication and experience of our employees has survived, weather beaten but intact.

I do not anticipate that these global conditions will change in the near future. I believe, however, that Cenkos is well positioned to take advantage of the fall-out that has resulted.”

Officers and professional advisers

Directors

John Hodson (Chairman)
Andrew Stewart (Chief Executive Officer)
Simon Melling (Group Finance Director)
James Durkin (Executive Director)
Paul Roy (Non-executive Director)
Jeff Hewitt (Non-executive Director)
Peter Sullivan (Non-executive Director)

Secretary

Stephen Doherty

Registered office

6.7.8 Tokenhouse Yard
London
EC2R 7AS

Bankers

HSBC
West End Corporate Banking Centre
70 Pall Mall
London
SW1Y 5EZ

Solicitors

Travers Smith
10 Snow Hill
London
EC1A 2AL

Auditors

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

The board of directors

John Hodson

Chairman and also Chairman of the Nomination Committee

John was appointed as Chairman of the Company in September 2006. John has over 35 years' experience in banking, having joined Singer & Friedlander Group in 1970 as a Private Client Portfolio Manager. Subsequently, John progressed through the ranks to become Chairman and Chief Executive of Singer & Friedlander Group, before leaving in 2004. He currently holds a number of Non-executive Directorships.

Andrew Stewart

Chief Executive Officer

Andrew is the founder shareholder of the Company and has served as Chief Executive Officer since incorporation. Andrew has over 30 years' experience in the UK securities industry. In 1991 he co-founded Collins Stewart, subsequently listing it on the London Stock Exchange with a market capitalisation on listing of approximately £326 million. Andrew started his career as a stockbroker in 1969 with Simon & Coates, where he became a senior partner. Simon & Coates was acquired by Chase Manhattan Bank and he became chief executive of Chase Manhattan Securities until the launch of Collins Stewart.

Simon Melling

Group Finance Director and Chief Operating Officer

Simon was appointed as the Group Finance Director in September 2006. Simon has over 20 years' experience in the banking and securities industry and is a Chartered Accountant, having qualified with Peat Marwick Mitchell in 1988. He subsequently joined the Singer & Friedlander Group, ultimately becoming Director of Group Financial Services. In 2001 Simon joined Collins Stewart and was appointed Chief Operating Officer of the Private Client Division in 2003, a position he held until March 2005. In April 2005 Simon was appointed as Finance Director and Chief Operating Officer of Capital Accumulation Limited, which owned the Interactive Investor financial portal and Moneywise magazine.

James Durkin

Executive Director

James joined the Company as head of the corporate broking team in March 2005 and was appointed as Executive Director in October 2006. James has over 20 years' experience in the UK securities industry. Prior to joining the Company, James worked at Collins Stewart. He has worked extensively on the origination and execution of corporate finance transactions across a range of industries including insurance, property, financials and utilities.

Paul Roy

Non-executive Director and Chairman of the Remuneration Committee

Paul has been a Non-executive Director since the Company commenced trading in April 2005. Paul has over 35 years' experience in the banking and securities industry. He is a founder of NewSmith Capital Partners and was previously Co-President of Merrill Lynch's Global Markets and Investment Banking division with the responsibility for the firm's worldwide Investment Banking, Debt and Equity Markets businesses. Paul joined Merrill Lynch in 1995 when Merrill Lynch acquired Smith New Court where he was Chief Executive Officer.

The board of directors continued

Jeff Hewitt

Non-executive Director and Chairman of the Audit Committee

Jeff was appointed a Non-executive Director on 23 June 2008. Jeff was Group Finance Director of Electrocomponents plc from 1996 to 2005 and Deputy Chairman from 2000 to 2005. Prior to 1996 he had various Executive Director appointments having started his career with Arthur Andersen, where he qualified as a Chartered Accountant and The Boston Consulting Group. Jeff is also the Non-executive Chairman of Regeneris plc, a Non-executive Director of Cookson Group plc and of ZincOx Resources plc and the external Chairman of the Audit Committee of the John Lewis Partnership. He also is Chairman of Electrocomponents Pension Trustees Ltd.

Peter Sullivan

Non-executive Director

Peter was appointed a non-executive Director on 23 June 2008. Peter was previously the Chief Executive Officer for Standard Chartered Bank (Hong Kong) Limited and was responsible for the Bank's daily business and operations. He joined Standard Chartered in 1994, having previously spent fourteen years with Citibank where he was Regional Director of Cash Management Services for Citibank Europe, Middle East and Africa. He is also a Non-executive Director of JP Morgan Indian Investment Trust plc and Axa Asia Pacific Holdings Limited.

Chairman's statement

When I announced the Group's interim results last September I said that market conditions had been very difficult. Subsequent to this the market place in which we and most other companies operate has suffered a further sharp deterioration resulting in the demise of a number of well-known financial institutions and wide spread panic within the financial markets. As has been well documented elsewhere, during this period the banks stopped lending, asset prices fell sharply, liquidity in quoted shares virtually vanished and capital fund raisings all but dried up.

Given this background I am pleased to say that the Group has again had a profitable year, whilst continuing to expand and diversify its business. The Group has weathered the current financial tsunami well. This is in part due to the Cenkos business model which enables us to control the cost base quicker than some of our competitors, given our low fixed costs and performance driven remuneration policy. It is also due to the dedication, experience and skill of our employees and our loyal institutional and corporate client base.

Through these unprecedented times we kept calm and focused on our strengths. As a result we have managed to service our existing clients and attract new ones. Even when capital markets have in effect closed we have continued to raise funds for our clients. Cenkos has always prided itself in putting the interests of its clients first and providing them with an excellent service. As I believe our performance this year shows by adopting this approach we can survive and indeed continue to grow.

The devastation that has been caused over recent months inevitably gives rise to opportunities. I believe that Cenkos with its ability to react quickly, its simple understandable client focused philosophy and its partnership culture is well positioned to take advantage of these opportunities. During the latter part of the year and indeed since the year end we have managed to attract some high quality teams and we will continue to grow organically when the appropriate opportunities arise.

The Group continues to maintain healthy regulatory capital ratios and cash levels and as a result the Board is declaring a final dividend of 5p per share (2007: 12p per share). This is consistent with our dividend policy. The dividend will be payable on 26 May 2009 to all shareholders on the register at 24 April 2009.

John Hodson

Chairman

26 March 2009

Business and financial review

We are experiencing market and economic conditions the like of which I have not seen before. The weak have been found wanting and the strong have been severely tested. Cenkos, due to its robust business model and the quality, dedication and experience of our employees has survived, weather beaten but intact. We are now officially in a recession and the effects of the credit crunch continue to unwind. Cenkos, however, has a well balanced business and during the year, whilst inevitably affected by these events, has shown itself to be comparatively resilient in the present financial turmoil. Revenue for the year is £28.3 million (2007: £53.8 million) which I believe shows the relative strength of Cenkos' revenue streams given the current exceptionally challenging business environment. The table below shows an analysis of how these revenues are made up.

	31 December 2008 £000's	31 December 2007 £000's
Placing fees	15,322	32,146
Corporate finance fees	9,365	10,109
Commission income	4,643	7,680
Market making	(3,919)	1,969
Wealth management	2,864	1,887
Total revenue	28,275	53,791

This table shows there has been a diversification of income streams and whilst placing fees are still a major component of our revenue, M&A corporate finance fees and commission income from secondary trading make a significant contribution to total revenue.

Corporate broking and advisory

The results this year have inevitably been affected by the general lack of equity capital raising activity. We are therefore pleased to announce that our clients raised a total of £360 million (2007: £1,100 million). According to the latest statistics released in the Hemscott Corporate Advisers guide, the Company was ranked 8th by the number of AIM clients advised and 2nd in respect of the number of AIM clients by market capitalization. During the year we continued to grow the number of retained corporate clients. The Group was nominated advisor or corporate broker to 55 (2007: 45) companies as at 31 December 2008 with a market capitalisation of £3 billion (2007: £6 billion). Given the effect markets have had on some of our competitors we feel that there is a good opportunity to increase our client base, further adding to our recurring revenues.

In the year we have also increased the amount of pure M&A corporate finance fees as opposed to those related to placings, being involved in 13 transactions.

Institutional equities

The institutional equities team currently provides research driven investment recommendations to institutional clients. At present the team produces research on 79 companies and has a particular expertise in the business services, retail and consumer sectors having recruited professionals who were previously top ranked analysts in these sectors. In recent months we have added to our team of analysts and enhanced our execution services through the recruitment of a number of experienced sales traders. Our execution business is strictly focused on client facilitation rather than the generation of proprietary trading profits. Given that this activity is affected by the move to unbundled services, it is pleasing to note that the research produced is perceived by clients to be so important to them that an increasing number have now elected to pay for research separately in addition to paying commission. I believe that the continued organic growth of this area will enhance our overall offering and like the growth in retainer income mentioned above will increase the amount of recurring revenue coming into the Group.

Market making

The Group continues to run market making activities in order to support other services it provides to its clients. The Group makes markets in the securities of all companies where it has a broking relationship. The Group does not engage in proprietary trading and applies a range of position limits and monitoring procedures to any position taking. Despite having these strong procedures in place we were affected by the disappearance of liquidity in equity markets and incredible downward pressure on asset prices in October and November of last year and this is reflected in this revenue stream.

Investment funds

The team provides a broad range of services including corporate broking, corporate finance, research, market making and sales with a sole focus on investment fund investors and has a detailed knowledge of their asset allocation strategies enabling successful secondary distributions and primary sales. The Group makes markets in approximately 200 (2007: 200) investment fund securities and by 31 December 2008 the Group has been appointed as corporate broker to 48 (2007: 27) investment funds and has raised £149 million (2007: £600 million) in the year. This area of our business was affected by the events in the fourth quarter of 2008 when activity in investment funds almost dried up and the discount to net assets at which the funds traded deepened significantly. However the turmoil in the sector also allows us to pick up a significant number of new brokings as other institutions retreated from the market or teams changed employer. We have also recently received an increasing number of mandates to provide advisory work, reflecting the many restructurings that are taking place in the sector.

Off shore wealth management and stockbroking services

Offshore wealth management and stockbroking services are primarily provided through Cenkos Channel Islands Limited, a 50% owned subsidiary based in Guernsey and its own subsidiary based in Jersey. Varying levels of stockbroking services from discretionary to execution only are provided primarily to high net worth individuals and also financial intermediaries and institutions. During the second half we took the opportunity to add significant capacity to our operations in the Channel Islands by recruiting a team of 10. Prior to the year end we also successfully launched two funds raising £26 million as we pursue a strategy of building an offshore asset management business. The business during the year has grown both in terms of the number of clients and funds managed. These now stand at 1150 (2007: 530) and £476 million (2007: £186 million) respectively.

Fund management business

Our fund management business is primarily provided by Cenkos Fund Managers Limited. This operation already has an investment management agreement with an AIM quoted fund which has a market capitalisation of circa. £54 million (2007: £60 million). The fund specialises in making investments principally in unquoted companies who may come to market within a few years. The team has a well established track record in this particular area. A significant amount of the fund is invested and the company is now making a positive contribution to the Group.

Income statement

The Group's revenue is £28.3 million compared to last year's £53.8 million. The reasons for this movement have been dealt with in the Chairman's Statement and in the Business and Financial Review.

Administrative expenses have been reduced from £33.7 million to £24.3 million. This decrease reflects Cenkos' ability to control its costs in periods when there are significant reductions in revenue. Cenkos has a low fixed cost base and a remuneration policy which results in the payment of low basic salaries and rewards income generation. We do not operate a system where bonuses are guaranteed. Our head count has increased during the year principally reflecting the recruitment of income generating individuals. We have only modestly increased the head count in infrastructure areas that support the front office functions. This has resulted in an adjusted profit before tax of £5.2 million compared to £22.1 million in 2007 (see page 8).

Business and financial review continued

The adjusted profit before tax figures have been calculated by adjusting out various non-recurring items that impacted the results.

	31 December 2008 £000's	31 December 2007 £000's
Profit before tax per the consolidated income statement	5,124	23,819
Other gains and losses related to part disposal of Cenkos Channel Islands Limited	–	(1,709)
Gain from disposal of employees B shares	–	(804)
Costs associated with aborted take-over bids for Close Brothers Group plc and Arden Partners plc	100	841
	<u>5,224</u>	<u>22,147</u>

Adjusted diluted EPS has fallen from 20.4p per share in 2007 to 5.0p per share. This figure has been subject to the same adjustments as above and set out in note 11 so as to give a better view of the Group's performance on an ongoing basis.

Diluted EPS has fallen from 22.6p per share in 2007 to 4.9p per share.

Balance sheet

During the year our net trading investments reduced by £5.9 million from £14.8 million to £8.9 million thereby reducing our exposure to future volatility in the market price of our investments. Most of this reduction took place in the second half of the year. This reduction resulted in higher cash levels than reported in our interim accounts despite paying our interim dividend during the period. The reduction in trading investments has been carried out without affecting our ability to facilitate our clients' business. Some of the reduction was also caused by the fall in asset prices during the period. During the year the fair value of the Group's available for sale investment in Plus Markets Group plc fell by £2.8 million. This fall is recognized as a movement through reserves and results in a negative available for sale reserve of £243,461 as we believe the fair value decline to be temporary.

Cash levels although lower than last year are more than sufficient to cover the working capital requirements of the business on an ongoing basis. Since the year end we have continued to generate cash particularly due to the successful completion of the Omega Insurance fundraising which impacted in January 2009 and as at 28 February 2009 cash resources were £11.1 million.

At the year end the levels of secondary trading were lower than those at 31 December 2007. This has had the effect of reducing both our trade receivables and payables as these captions include outstanding trades at the reporting date.

Our regulatory capital ratios continue to be strong, reflecting a sizable buffer over the FSA requirements. These requirements reflect the implementation of the new Internal Capital Adequacy Assessment Process (ICAAP) regime which has been reviewed by and agreed with the FSA.

People

The present market conditions and its uncertainties are difficult ones for employees but I am proud to lead a group of such committed and competent individuals. Their skill and calmness have enabled us to come through these troubled times and provide us with a solid platform on which to build.

Outlook

I do not anticipate that the present global conditions will change in the near future and trading will continue to be difficult. However, we have made a satisfactory start to the year. I believe that Cenkos is well positioned to take advantage of the fall out that has resulted. We have the capacity and will to be able to expand our franchise so as to take advantage of more benign markets when they eventually return.

Forward-looking statements

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

Andrew Stewart

Chief Executive Officer

Simon Melling

Group Finance Director

26 March 2009

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2008.

Principal activities

Cenkos Securities plc ("Cenkos" or "the Company") and its subsidiaries (together the "Group") are an independent, specialist institutional securities group, focused on UK small and mid-cap companies and investment funds. The Group's principal activities comprise corporate finance, corporate broking, institutional equities, market making, and high net-worth private client stockbroking. The Company carries out all the activities with the exception of private client stockbroking which is undertaken by Cenkos Channel Islands Limited.

Business review and future developments

A review of the Group's operations and performance during the financial year, setting out the position at the year end, significant changes during the year and providing an indication of the outlook for the future, is contained in the Business and Financial Review.

Results and dividends

The consolidated results for the year are set out in the Consolidated Income Statement on page 25.

An interim dividend of 5p per share was paid to shareholders on 5 November 2008 (2007: 10p per share).

The Directors recommend the payment of a final dividend of 5p per share in respect of the year ended 31 December 2008 (2007: 12p per share). Subject to approval at the Annual General Meeting to be held on 21 May 2009, the dividend will be paid on 26 May 2009.

Directors

The names of the Directors of the Company appear on page 2. The Directors have served throughout the year with the exception of Jeff Hewitt and Peter Sullivan who have served since their appointments to the Board on 23 June 2008.

In accordance with the Company's Articles of Association, Andrew Stewart and Paul Roy will retire by rotation at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election. Jeff Hewitt and Peter Sullivan having been appointed to the Board since the last Annual General Meeting will offer themselves for election to the Board.

Share capital

The authorised share capital of the Company is £2,000,000 comprising of 179,185,700 ordinary shares of 1p each and 20,814,300 B shares of 1p each.

As at 31 December 2008 the issued share capital of the Company was £726,647 (2007: £725,936). This comprised of 54,050,495 (2007: 53,909,370) ordinary shares of 1p each which are admitted to trading on AIM, and 18,614,300 (2007: 18,684,300) B shares of 1p each which are not admitted to trading on AIM. All shares have equal voting rights.

The B shares were issued on a partly-paid basis to certain employees prior to the Company's admission and trading on AIM in October 2006. Holders of the B shares are required to pay a further amount (the "required premium") which was specified at the time of allotment for the relevant B shares. Upon payment of the required premium the B shares convert automatically into ordinary shares and are admitted to trading on AIM. During the year, following the payment of the required premium 70,000 B shares of 1p each were converted into 70,000 ordinary shares of 1p each.

During the year 71,125 ordinary shares of 1p each were issued following the exercise of 71,125 options in accordance with a share option scheme that was in place prior to the admission and trading of the Company's shares on AIM in October 2006.

Directors' interests in ordinary shares

The undermentioned Directors had interests in the ordinary share capital of the Company as shown below:

Name of director	Class of ownership	31 December 2008	31 December 2007	Percentage interest as at 31 December 2008*
Andrew Stewart	Beneficial	16,166,670	16,166,670	22.25%
	Non-Beneficial**	500,000	500,000	0.69%
James Durkin	Beneficial	5,625,000	5,625,000	7.74%

* Percentage of the Company's ordinary and B shares combined.

** 500,000 shares are held in The Andrew Stewart Charitable Trust. Andrew is a trustee of this Charitable Trust and therefore has a non-beneficial interest in these shares.

Andrew Stewart and James Durkin have both confirmed that none of their shares have been used for security purposes or had a charge, lien or other encumbrance placed over them.

Directors' interest in options

The Directors' interest in options over ordinary shares in the Company is set out on page 22 within the Directors' Remuneration Report.

Significant shareholdings

In addition to the current Directors' interests shown above the Directors have been notified that the following shareholders had interests in 3% or more of the Company's share capital at 26 March 2009 and 31 December 2008.

Registered holder	Number of and class of share	Percentage interest as at 26 March 2009 and 31 December 2008*
Cenkos Securities (Trustees) Limited **	19,352,630 consisting of 738,330 ordinary and 18,614,300 B shares	26.63%
Paul Hodges	5,665,000 ordinary shares	7.80%
Amvescap plc	5,577,000 ordinary shares	7.68%
Charlie Ricketts***	2,833,550 B shares	3.90%
Nick Wells	2,500,000 ordinary shares	3.44%

* Percentage of the Company's ordinary and B shares combined.

** These shares are held as a nominee on behalf of certain employees of the Group.

*** These shares are included in those held by Cenkos Securities (Trustees) Limited as a nominee.

Employee share trust

The Group currently operates an Employee Benefit Share Trust, Cenkos Securities EBT, which administers the Cenkos Securities plc share schemes as Trustee. At 31 December 2008, the Trust held no shares (2007: nil).

Employment policies

The Group's employment policies are based on a commitment to equal opportunities from the selection and recruitment process through to training, development, appraisal and promotion. Employees are encouraged to participate in the success of the Group through performance based incentive schemes incorporating bonus and share option arrangements.

Directors' report continued

Charitable and political donations

During the year the Group made charitable donations amounting to £14,191 (2007: £16,280). The Group did not make any political donations during the year (2007: £nil).

Trade payment policy

It is the Group's policy to settle debts with its creditors on a timely basis, taking into consideration the terms and conditions offered by each supplier. The number of supplier days outstanding at the year end, based on the average monthly outstanding Group creditor balances, was 12 days (2007: 9 days).

Trade receivables policy

The Group's trade receivables policy is set out in note 16 on page 47.

Directors and officers liability insurance

The Company purchases and maintains liability insurance for its Directors and Officers as permitted by the Companies Act 1985.

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 Business and Financial Review on pages 6 to 9. In addition, note 23 to the financial statements 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 Directors have considered forecasts taking account of the current uncertain market conditions which demonstrate that the Group shall continue to operate within its own resources without recourse to the banking facilities available to it (see note 18). The forecasts used for this exercise are based on various assumptions regarding expected levels of income and cost. They have stress tested these basic assumptions and this testing reveals that the Group can maintain acceptable cash levels even if it relies only on recurring revenue streams and maintains its existing cost base. A major factor allowing this to be the case is the flexible nature of the Group's performance related remuneration policy.

As a result, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook and that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they consider it appropriate to adopt the going concern basis in preparing the Annual Report and Accounts.

Disclosure of relevant audit information

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors and in accordance with Section 385 of the Companies Act 1985, a resolution to reappoint Deloitte LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Annual general meeting

The Annual General Meeting of the Company will be held at 6.7.8 Tokenhouse Yard, London, EC2R 7AS on 21 May 2009 at 12.00 noon. A copy of the Notice of Annual General Meeting together with an explanation of the resolutions to be proposed are shown on pages 57 to 62.

This report was approved by the Board of Directors on 26 March 2009 and signed on its behalf by:

Stephen Doherty

Company Secretary

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report, Directors' Remuneration 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. The Directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also elected to prepare the Parent Company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Corporate governance report

Introduction

The Group is not subject to the Combined Code 2006 (Principles of good governance and code of best practice), which is obliged to be adopted by companies admitted to the Official List. The Directors do, however, fully support high standards of corporate governance and intend to comply with the Combined Code, insofar as practicable given the Group's size and nature, and will follow the recommendations on corporate governance made by the Quoted Company Alliance. The Group has therefore decided to disclose the following information relating to corporate governance.

The role of the board

The Directors collectively bring a broad range of business experience to the Board and this 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 and 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; the Board reviews the decisions of these committees at each of its meetings. The day to day management of the Group's business is delegated to the Executive Directors and they are assisted by the Executive Management Committee of the Company.

The composition of the board

The Board currently consists of three executive and four Non-executive Directors, whose biographies can be found on page 3 and 4.

Chairman

The non-executive Chairman is John Hodson. He is responsible for the leadership of the Board and ensuring the effective running and management of the Board. He is also responsible for the Board's oversight of the Group's affairs, which includes ensuring that the Directors receive accurate, timely and clear information, ensuring the effective contribution of the Non-executive Directors and implementing effective communication with shareholders.

Chief Executive Officer

The Chief Executive is Andrew Stewart. He is responsible for the executive leadership of the business. This includes monitoring business performance and recommending to the Board opportunities in developing long term shareholder value.

Roles of Chairman and Chief Executive Officer

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

Non-executive Directors

The Board currently has three independent Non-executive Directors. The independent Directors bring independent judgement, knowledge and experience to the Board.

Senior Independent Director

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

Election and re-election of Directors

In accordance with the Company's Articles of Association, the Directors are obliged to retire by rotation and are eligible for re-election at the third Annual General Meeting after the Annual General Meeting at which they were elected. Any Director appointed by the Board holds office only until the next Annual General Meeting, when he is eligible for election. At the forthcoming Annual General Meeting Andrew Stewart and Paul Roy will seek re-election to the Board and Jeff Hewitt and Peter Sullivan will seek election to the Board.

Corporate governance report continued

Board meetings and information to the board

Before each board meeting the Directors receive comprehensive papers and reports on the issues to be discussed at the meeting. In addition to Board papers, Directors are provided with relevant information between meetings. The Board currently meets every other month and at other times as necessary during the course of the year.

Attendance at meetings

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee*
Total number of meetings in the year	13	4	2	1
John Hodson	12	4	2	1
Simon Melling	13	–	–	–
Paul Roy	12	2	2	1
Andrew Stewart	13	–	–	–
James Durkin	13	–	–	–
Jeff Hewitt**	5	3	1	–
Peter Sullivan**	5	3	–	–

* During the year the nomination committee met formally on one occasion, however a number of duties performed by this committee were undertaken by the full Board.

** Appointed as a Director on 23 June 2008.

Support to the board

Any Director wishing to do so may take independent professional advice at the expense of the Company. All Directors are able to consult with the Company Secretary who is responsible for ensuring that board procedures are followed.

Board evaluation

During the year a review of the Board, the committee structures and a number of governance issues were undertaken. Following this review a number of specific actions resulting from the evaluation have been or are currently being implemented.

Board committees

The Board has a supporting committee structure in line with the Combined Code. The Board has three committees, namely; the Audit Committee, the Remuneration Committee and the Nomination Committee, as described below. A summary of the terms of reference of these committees can be viewed on the Company's website (www.cenkos.com).

Audit committee

The Audit Committee comprises all the Non-executive Directors. Paul Roy acted as chairman of the Committee until 22 July 2008 when Jeff Hewitt undertook the chairmanship of the Committee.

This Committee has the following responsibilities:

- reviewing and monitoring the Group's systems of risk management, regulatory compliance and internal controls;
- the assessment of the Group's financial risks (including market risk in relation to the Group's market making activities) and plans for mitigating these risks;
- review of the Group's financial statements, reports and announcements and the accounting policies that underlie them, on behalf of the Board;
- the recommendation to the Board on the appointment and remuneration of the external auditors;
- the monitoring of the independence of the external auditors and the establishment of a policy for the use of the auditors for non audit work; and
- the monitoring of the internal audit resource.

The Committee reports to the Board on all these issues identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

The Committee usually meets four times a year. Other Directors, members of staff and the external auditors are invited to attend these meetings, as appropriate. The Committee reports to the Board on the Group's financial results, having examined the accounting policies on which they are based and ensured compliance with relevant accounting standards. In addition, it reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. To this end, the Audit Committee has stated as an objective that fees paid to the auditor for non-audit work should not exceed the fees for audit work, without prior approval.

During the year the Committee reviewed whether there was a need for a dedicated internal audit resource function to be established. Following this review the Committee recommended to the Board that in order to provide further independent assurances over the adequacy and effectiveness of the systems of internal control throughout the business and to ensure that the Group's approach to continuous improvement is maintained an internal audit resource function be established. Following this the Board appointed KPMG to provide internal audit services to the Group.

Remuneration committee

Full details of the composition and work of the Remuneration Committee is provided in the Directors' Remuneration Report on pages 20 to 22.

Nomination committee

The Nomination Committee, which comprises the Non-executive Directors, is chaired by John Hodson. It considers appointments to the Board and is responsible for nominating candidates to fill Board vacancies and for making recommendations on the Board composition.

During the year the Committee met to review the structure, size and composition (including the skills, knowledge and experience of the Board) and considered appointments to the Board. Where appropriate the Committee uses external advisors to facilitate searches for potential candidates, and a wide range of backgrounds are considered for appointment to the Board.

Management committees

To assist the Executive Directors and senior management in the discharge of their duties the Company has a number of management committees.

Executive management committee

The Committee, which is chaired by an Executive Director, deals with the implementation of strategic and operational issues as well as reviewing current business activities. The members of the Committee are the Executive Directors and the heads of each team.

Corporate governance report continued

New business committee

The Committee which is chaired by an Executive Director is responsible for the management and quality of new business taken on.

Risk and compliance committee

The Committee which has recently been established is chaired by the Group Finance Director. The Committee meets monthly to monitor, review and manage the market, credit, operational and regulatory risks within the business. This Committee reports to the Group Audit Committee.

Shareholder relations

The Company places a great deal of importance on communicating with its shareholders. All shareholders are encouraged to attend and are given at least 21 days' notice of the Annual General Meeting, at which an opportunity is provided to ask questions. The Chief Executive and Chairman are also in regular contact with the Company's major institutional investors throughout the year and they are responsible for ensuring that shareholders' views are communicated to the Board as a whole.

Auditors' independence

The Audit Committee and the external auditors, Deloitte LLP, have safeguards in place to avoid the possibility that the auditors' objectivity and independence could be compromised. These safeguards include the auditors' report to the Audit Committee on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence from the Group.

The overall performance and the independence of the auditors are reviewed annually by the Audit Committee taking into account views of management. The Audit Committee also has discussions with the auditors without management being present on the adequacy of controls and on any judgemental areas.

The annual appointment of our auditors by shareholders in General Meeting is a fundamental safeguard to auditor independence, but beyond this, appropriate consideration is given to whether additional work performed by the auditors may be appropriate for sound commercial and practical reasons, including confidentiality. Examples of work that would fall into this category include regulatory advice, taxation services and financial due diligence work. The Audit Committee also gives due consideration to appointing other firms where it is felt that the impact of an assignment may compromise the independence of the auditors, and a number of assignments are currently being undertaken by other firms.

The level of audit and non-audit fees charged by the Group's auditors is set out in note 7.

Internal control and risk management

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the period and up to the date of approval of the financial statements. This process has been reviewed by the Board.

The system of internal control is designed to manage rather than eliminate the risk. As such it can provide only reasonable not absolute assurance against material misstatement or loss.

The Group is exposed to a number of business risks. The Board is responsible for determining the Group's risk appetite and for ensuring that the Group's risk management processes are appropriate and operating effectively. Day to day management of risk is delegated to the executive members of the Board and the Risk and Compliance Committee and, where appropriate to preserve Chinese Walls within the business, to the New Business Committee. Whilst encouraging an entrepreneurial and commercial culture, the Board seeks to minimise avoidable, value destroying risk exposures.

The framework employed by the Group to manage the day to day risks faced in the normal course of business is described in detail in note 23.

Principal risks and controls

Market risk exposure

The Group is exposed to market risk arising from its short-term positions in predominantly market making stocks. The Group manages market risk by establishing individual stock limits and overall trading book limits. There are daily procedures in place to monitor the utilisation of these limits.

Foreign currency and interest rate risk

The Group does not have any material dealing in foreign currency. The majority of transactions are in UK based equities and hence denominated in sterling. Neither does the Group have any significant exposure to movements in interest rate. Credit risk is referred to in note 23.

Reputational risk

The Group believes that one of the greatest risks to the Group comes from the potential loss of its reputation. Whilst entrepreneurial employees are encouraged to develop new clients and streams of revenue, all new business is subject to a rigorous appraisal process from the New Business Committee to ensure that it meets the Group's strict criteria.

Operational risk

Operational risk is the risk that the Group suffers a loss directly or indirectly from inadequate or failed internal processes, people and systems or from external events. Compliance and senior management closely ensure that any significant operational risks and their controls are continually reviewed and assessed and where applicable corrective action plans are put in place.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board. It has, however, delegated this to the Group 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 and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 18 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. Given the nature of the Group's business, the Group does not run any liquidity mismatches, financial liabilities are on the whole short-term and the Group has sufficient cash retained to cover all of these liabilities.

Employee risk

The Group's employees are its greatest asset and the future success of the Group depends on the Group's ability to attract and retain high quality executives and employees. The Group seeks to minimize this risk by rewarding employees through an overall remuneration package which is heavily skewed towards performance and share-based payments which align the interests of the employees and shareholders.

Business continuity risk

Continuity planning is in place across the business in order to sustain operations with a minimum of disruption with a combination of business continuity planning, duplicated infrastructure and remote facilities. Regular testing of the business continuity plan is undertaken.

As an organisation the management of risk is embedded in our culture, in the way we operate and the way we manage all aspects of our business.

This report was approved by the Board of Directors on 26 March 2009 and signed on its behalf by:

Stephen Doherty

Company Secretary

Directors' remuneration report

Introduction

The Directors have voluntarily chosen to prepare a Directors' Remuneration Report. The report is not intended to comply with the disclosure requirements of Schedule 7A of the Companies Act 1985 and is not subject to audit.

Remuneration committee

Membership of the Remuneration Committee is limited to Non-executive Directors only. The present members are Paul Roy, John Hodson, Jeff Hewitt, and Peter Sullivan. Paul Roy is the Chairman of the Committee.

The Committee meets as and when required in order to ensure that it discharges its duties in determining the remuneration policy for the Company.

Duties of the committee

The main duties of the Committee are to:

- determine and agree with the Board the framework or broad policy for the remuneration of the Executive Directors of the Company or such other members of the executive management as it is designated to consider;
- within the terms of the agreed policy, determine the total individual remuneration package of each Executive Director including where appropriate, basic salaries, annual performance awards, share and option based incentives;
- review the remuneration packages of the senior management;
- consider remuneration schemes to attract and retain employees and where appropriate determine the terms and allocations for any performance related share or option schemes operated by the Company; and
- review the ongoing appropriateness and relevance of the remuneration policy.

The full terms of reference of the Committee are available from the Company Secretary. A summary of these terms is also set out on the Company's website: www.cenkos.com.

Remuneration policy

The Group has a policy to attract, motivate and reward individuals of the highest calibre who are committed to grow the value of the business and to maximise returns to shareholders. This policy is as relevant to the Executive Directors as it is to the employees, and the rewards of Executive Directors will be aligned with those of shareholders in reflecting the performance of the Group. The reward structure aims to reconcile the remuneration arrangements of competitors and the merits of other senior Group employees who are not Directors.

The Group operates in an arena where it is common practice to pay substantial awards to those whose performance increases the profitability of the business. This compensates for basic salaries which are capped at relatively modest levels.

Components of remuneration

Basic salary

The policy is to provide basic salaries which are capped at relatively modest levels.

Annual performance awards

The annual performance award is a significant component of the Executive Directors remuneration. Annual performance awards are at the discretion of the Committee, with the exception of James Durkin whose performance related award is paid almost entirely under a formula based profit sharing arrangement and is thus directly linked to the performance of himself and his team.

Given the relatively low levels of fixed compensation and the intent to provide an effective financial incentive within the investment banking arena the Committee does not consider it appropriate to set a cap on discretionary annual performance awards at individual levels.

In determining the level of award consideration is given to matters specific to the Company such as returns to shareholders and the Company's profitability. Consideration is also given to the experience and performance of individual Directors and their areas of responsibility as well as a review of comparable market data being undertaken.

Benefits

The Company also provides Executive Directors with benefits which consist of healthcare cover and life assurance cover. These are on the same basis as all other employees.

Directors' remuneration

A summary of the total remuneration paid to Directors who served during the year is set out below:

	Basic salary or fees £ 000's	Annual performance award £ 000's	Benefits in kind £ 000's	Cash bonus in respect of options held* £ 000's	Total 2008 £ 000's	Total 2007 £ 000's
Andrew Stewart	50	250	1	–	301	2,051
James Durkin	50	557	1	–	608	2,161
Simon Melling*	125	200	1	73	399	669
John Hodson*	50	–	3	102	155	112
Paul Roy	35	–	–	–	35	35
Jeff Hewitt**	18	–	–	–	18	–
Peter Sullivan**	18	–	–	–	18	–
Anthony Hobson***	–	–	–	–	–	36
	346	1,007	6	175	1,534	5,064

* In accordance with the terms and conditions of the grant of options to these Directors they have the right to receive a cash bonus equal to the amount of any dividend per share declared by the Company multiplied by the number of shares in respect of which the option subsists.

** Jeff Hewitt and Peter Sullivan joined the Board on 23 June 2008.

*** Anthony Hobson resigned from the Board on 31 October 2007.

Pension arrangements

The Company does not operate a pension scheme.

Directors' service contracts

No Director has a service contract for longer than twelve months and no contract contains provisions for sums to be paid on termination. Copies of Directors' service contracts will be available for review at the Annual General Meeting.

Long term incentives

The Company has established a Long Term Incentive Plan ("the LTIP") and a Company Share Option Plan ("the CSOPs") ("the Schemes"). During the year a total of 1,081,042 awards were granted under the LTIP scheme. No awards were granted to any Executive Directors. No grants were made under the CSOP scheme. The Board has delegated to the Remuneration Committee the responsibility to supervise the Schemes and the grant of options under its terms. The Company's policy is to use the Schemes to attract and retain key senior employees including the Executive Directors. Any grant of options is at the discretion of the Committee and will take into account individual performance and responsibilities. Where appropriate, a grant of options may incorporate a performance condition.

Directors' remuneration continued

Directors' interests in share options

The undermentioned Directors had interests in options over ordinary shares in the Company as shown below:

Name of Director	31 December 2008	31 December 2007	Exercise price	Grant date	First possible exercise date*	Expiry date
John Hodson	600,000	600,000	70.9p	23.10.2006	15.04.2008	23.10.2011
Simon Melling	427,046	427,046	140.5p	23.10.2006	15.04.2008	23.10.2011

* 50% of the options were exercisable on the date of publication of the Company's Annual Report and Accounts for the financial period ending 31 December 2007, (this date was 15 April 2008). The remaining 50% of the options can be exercised from the publication of the Annual Report and Accounts for the financial period ending 31 December 2008.

The above options held were not granted under the terms and conditions of the Company's LTIP or CSOP schemes. These options were granted to the Directors prior to the Company's admission to AIM in 2006.

In accordance with the terms and conditions of the grant of these options the option holder has the right to receive a cash bonus equal to the amount of any dividend per share declared by the Company multiplied by the number of shares in respect of which the option subsists. The amounts received are shown on page 21 in the Directors' Remuneration table.

Non-executive directors

Each Non-executive Director has a letter of appointment. Non-executive Directors' appointments are subject to the re-election requirements of the Company's Articles of Association and are without a fixed term. There are no specific contractual provisions for Non-executive Directors to receive compensation upon early termination.

Fees for the Chairman and the Non-executive Directors are determined by the Board based on market information. Non-executive Directors do not participate in decisions concerning their fees. Fees are reviewed annually, although it is anticipated that, in the absence of any significant market movement, fees would remain unchanged for two years.

Non-executive Directors are reimbursed all reasonable expenses incurred solely in relation to their duties as a Non-executive Director. The Company provides life and healthcare cover to John Hodson.

This report was approved by the Board of Directors 26 March 2009 and signed on its behalf by:

Paul Roy

Chairman of the Remuneration Committee

Independent auditors' report to the members of Cenkos Securities plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Cenkos Securities plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Business and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practises Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statement. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Cenkos Securities plc – continued

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2008.
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

26 March 2009

Consolidated income statement for the year ended 31 December 2008

	Note	1 January 2008 to 31 December 2008 £ 000's	1 January 2007 to 31 December 2007 £ 000's
Revenue	3	28,275	53,791
Administrative expenses		(24,317)	(33,664)
Operating profit		<u>3,958</u>	<u>20,127</u>
Investment income – interest receivable	4	1,277	1,997
Finance costs – interest payable	5	(111)	(14)
Other gains and losses	8	–	1,709
Profit before tax	7	<u>5,124</u>	<u>23,819</u>
Tax	9	(1,404)	(7,057)
Profit for the year		<u>3,720</u>	<u>16,762</u>
Attributable to:			
Equity holders of the Parent		3,545	16,552
Minority interests		175	210
		<u>3,720</u>	<u>16,762</u>
Earnings per share			
Basic	11	4.9p	22.8p
Diluted	11	4.9p	22.6p

All amounts shown in the consolidated income statement derive from continuing operations of the Group.

The profit attributable to the Company in the year ended 31 December 2008 was £3,337,910 (31 December 2007: £16,571,015).

Consolidated balance sheet as at 31 December 2008

	Note	31 December 2008 £ 000's	31 December 2007 £ 000's
Non-current assets			
Property, plant and equipment	12	1,111	944
Available for sale investments	13	763	3,543
Deferred tax asset	19	67	321
		<hr/> 1,941	<hr/> 4,808
Current assets			
Trading investments – long positions	15	11,392	26,597
Trade and other receivables	16	41,493	56,763
Cash and cash equivalents	17	6,337	16,244
		<hr/> 59,222	<hr/> 99,604
Total assets		<hr/> 61,163	<hr/> 104,412
Current liabilities			
Trading investments – short positions	15	(2,506)	(11,803)
Trade and other payables	18	(23,430)	(46,761)
		<hr/> (25,936)	<hr/> (58,564)
Net current assets		<hr/> 33,286	<hr/> 41,040
Non-current liabilities			
Deferred tax liabilities	19	–	(761)
Total liabilities		<hr/> (25,936)	<hr/> (59,325)
Net assets		<hr/> 35,227	<hr/> 45,087
Equity			
Share capital	20	727	726
Share premium account		22,700	22,700
Revaluation (deficit)/reserves		(243)	1,776
Retained earnings		11,614	19,633
Equity attributable to equity holders of the Parent		<hr/> 34,798	<hr/> 44,835
Minority interests		429	252
Total equity		<hr/> 35,227	<hr/> 45,087

The financial statements were approved by the Board of Directors and authorised for issue on 26 March 2009. They were signed on its behalf by:

John Hodson

Chairman

Simon Melling

Group Finance Director

Company balance sheet as at 31 December 2008

	Note	31 December 2008 £ 000's	31 December 2007 £ 000's
Non-current assets			
Property, plant and equipment	12	983	904
Available for sale investments	13	763	3,543
Deferred tax asset	19	67	321
Investments in subsidiary undertakings	14	266	208
		<hr/> 2,079	<hr/> 4,976
Current assets			
Trading investments – long positions	15	11,392	26,597
Trade and other receivables	16	27,934	54,646
Cash and cash equivalents	17	6,397	14,558
		<hr/> 45,723	<hr/> 95,801
Total assets		<hr/> 47,802	<hr/> 100,777
Current liabilities			
Trading investments – short positions	15	(2,506)	(11,803)
Trade and other payables	18	(10,917)	(43,589)
		<hr/> (13,423)	<hr/> (55,392)
Net current assets		<hr/> 32,300	<hr/> 40,409
Non-current liabilities			
Deferred tax liabilities	19	–	(761)
Total liabilities		<hr/> (13,423)	<hr/> (56,153)
Net assets		<hr/> 34,379	<hr/> 44,624
Equity			
Share capital	20	727	726
Share premium account		22,700	22,700
Revaluation (deficit)/reserves		(243)	1,776
Retained earnings		11,195	19,422
Total equity		<hr/> 34,379	<hr/> 44,624

The financial statements were approved by the Board of Directors and authorised for issue on 26 March 2009. They were signed on its behalf by:

John Hodson

Chairman

Simon Melling

Group Finance Director

Consolidated cash flow statement for the year ended 31 December 2008

	1 January 2008 to 31 December 2008	1 January 2007 to 31 December 2007
	£ 000's	£ 000's
Profit for the year	3,720	16,762
Adjustments for:		
Finance income	(1,165)	(1,984)
Tax expense	1,404	7,057
Depreciation of property, plant and equipment	341	227
Other gains and losses	–	(1,709)
Share-based payment expense	928	1,349
Operating cash flows before movements in working capital	5,228	21,702
Decrease/(increase) in net trading investments	5,909	(6,798)
Decrease/(increase) in trade and other receivables	15,198	(17,056)
(Decrease)/increase in trade and other payables	(20,358)	18,574
Distributions to ex members of a subsidiary	–	(209)
Net cash flow from operating activities	5,977	16,213
Interest paid	(111)	(14)
Taxation paid	(4,272)	(5,942)
Net cash flow from operating activities after interest and taxation	1,594	10,257
Investing activities		
Interest received	1,348	1,912
Net proceeds from the part disposal of subsidiary	–	2,021
Purchase of property, plant and equipment	(508)	(434)
Net cash flows from investing activities	840	3,499
Financing activities		
Dividends paid	(12,344)	(7,259)
Proceeds from issue of equity shares	1	–
Fees related to issue of equity shares	–	(33)
Increase in investment in subsidiary	(20)	–
Issue of capital by subsidiary to minority interests	22	–
Net cash used in financing activities	(12,341)	(7,292)
Net (decrease)/increase in cash and cash equivalents	(9,907)	6,464
Cash and cash equivalents at beginning of year	16,244	9,780
Cash and cash equivalents at end of year	6,337	16,244

Company cash flow statement for the year ended 31 December 2008

	1 January 2008 to 31 December 2008	1 January 2007 to 31 December 2007
	£ 000's	£ 000's
Profit for the year	3,338	16,572
Adjustments for:		
Finance income	(1,131)	(1,954)
Tax expense	1,397	6,947
Depreciation of property, plant and equipment	291	205
Other gains and losses	–	(1,996)
Share-based payment expense	869	1,231
Operating cash flows before movements in working capital	<u>4,764</u>	<u>21,005</u>
Decrease/(increase) in net trading investments	5,909	(7,148)
Decrease/(increase) in trade and other receivables	26,640	(9,270)
(Decrease)/increase in trade and other payables	(29,698)	10,130
Net cash flow from operating activities	<u>7,615</u>	<u>14,717</u>
Interest paid	(103)	(8)
Taxation paid	(4,266)	(5,813)
Net cash flow from operating activities after interest and taxation	<u>3,246</u>	<u>8,896</u>
Investing activities		
Interest received	1,306	1,877
Net proceeds from the part disposal of subsidiary	–	2,021
Purchase of property, plant and equipment	(370)	(405)
Net cash flows from investing activities	<u>936</u>	<u>3,493</u>
Financing activities		
Dividends paid	(12,344)	(7,259)
Proceeds from issue of equity shares	1	–
Fees related to issue of equity shares	–	(33)
Net cash used in financing activities	<u>(12,343)</u>	<u>(7,292)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(8,161)</u>	<u>5,097</u>
Cash and cash equivalents at beginning of year	<u>14,558</u>	<u>9,461</u>
Cash and cash equivalents at end of year	<u>6,397</u>	<u>14,558</u>

Consolidated statement of changes in equity for the year ended 31 December 2008

	Equity attributable to equity holders of the Parent					Total £ 000's
	Share capital £ 000's	Share premium account £ 000's	Available for sale reserve £ 000's	Retained earnings £ 000's	Minority interests £ 000's	
At 1 January 2007	726	22,733	1,556	8,843	26	33,884
Interest acquired by minority interest	–	–	–	–	313	313
Profit for the year	–	–	–	16,552	–	16,552
Profit allocated to minority interests	–	–	–	–	210	210
Distribution of profit to minority interest	–	–	–	–	(208)	(208)
Transfer of amounts to payables on retirement of minority interest members	–	–	–	–	(89)	(89)
Revaluation of available for sale investments	–	–	314	–	–	314
Deferred tax liability on revaluation of available for sale investments	–	–	(94)	–	–	(94)
Credit to equity for equity-settled share-based payments	–	–	–	1,349	–	1,349
Deferred tax on share-based payments	–	–	–	148	–	148
Share issue costs taken through premium	–	(33)	–	–	–	(33)
Dividends paid	–	–	–	(7,259)	–	(7,259)
At 31 December 2007	726	22,700	1,776	19,633	252	45,087
Shares issued	1	–	–	–	–	1
Interest acquired by minority interest	–	–	–	–	22	22
Increase in investment in subsidiary	–	–	–	–	(20)	(20)
Retained profit for the period	–	–	–	3,545	–	3,545
Profit allocated to minority interests	–	–	–	–	175	175
Revaluation of available for sale investments	–	–	(2,780)	–	–	(2,780)
Reversal of deferred tax liability on revaluation of available for sale investments	–	–	761	–	–	761
Credit to equity for equity-settled share-based payments	–	–	–	928	–	928
Deferred tax on share-based payments	–	–	–	(148)	–	(148)
Dividends paid	–	–	–	(12,344)	–	(12,344)
At 31 December 2008	727	22,700	(243)	11,614	429	35,227

Company statement of changes in equity for the year ended 31 December 2008

	Share capital £ 000's	Share premium account £ 000's	Available for sale reserve £ 000's	Retained earnings £ 000's	Total £ 000's
At 1 January 2007	726	22,733	1,556	8,612	33,627
Profit for the year	–	–	–	16,572	16,572
Revaluation of available for sale investments	–	–	314	–	314
Deferred tax liability on revaluation of available for sale investments	–	–	(94)	–	(94)
Credit to equity for equity-settled share-based payments	–	–	–	1,349	1,349
Deferred tax on share-based payments	–	–	–	148	148
Share issue costs taken through premium	–	(33)	–	–	(33)
Dividends paid	–	–	–	(7,259)	(7,259)
At 31 December 2007	726	22,700	1,776	19,422	44,624
Shares issued	1	–	–	–	1
Retained profit for the period	–	–	–	3,337	3,337
Revaluation of available for sale investments	–	–	(2,780)	–	(2,780)
Reversal of deferred tax liability on revaluation of available for sale investments	–	–	761	–	761
Credit to equity for equity-settled share-based payments	–	–	–	928	928
Deferred tax on share-based payments	–	–	–	(148)	(148)
Dividends paid	–	–	–	(12,344)	(12,344)
At 31 December 2008	727	22,700	(243)	11,195	34,379

Notes to the financial statements for the year ended 31 December 2008

1. Accounting policies

General information

Cenkos Securities plc is a Company incorporated in the United Kingdom under the Companies Act 1985. The Group's principal activity is the provision of investment banking services. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

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 1985 applicable to companies reporting under IFRS, with the prior period being presented on the same basis.

Adoption of new and revised standards

In the current year, the Group has adopted IFRS 8: Operating Segments, which is effective for annual reporting periods on or after 1 January 2009. The impact of the adoption of IFRS 8: has been to expand the disclosures in these financial statements regarding the Group's business and geographical segments (see note 3).

At the date of the authorisation of these financial statements the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IFRS 2 (amended) Share-based Payment – Vesting Conditions and Cancellations

IAS 1 (revised 2007) Presentation of Financial Statements

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

No income statement is presented for the Company as provided by section 230(2) of the Companies Act 1985.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amounts of these interests at the date of the original business combination plus the minority's share of undistributed reserves.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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 Business and Financial Review on pages 6 to 9. In addition, note 23 to the financial statements 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 Directors have considered forecasts taking account of the current uncertain market conditions which demonstrate that the Group shall continue to operate within its own resources without recourse to the banking facilities available to it (see note 18). The forecasts used for this exercise are based on various assumptions regarding expected levels of income and cost. They have stress tested these basic assumptions and this testing reveals that the Group can maintain acceptable cash levels even if it relies only on recurring revenue streams and maintains its existing cost base. A major factor allowing this to be the case is the flexible nature of the Group's performance related remuneration policy.

As a result, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook and that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they consider it appropriate to adopt the going concern basis in preparing the Annual Report and Accounts.

Financial instruments

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 and options over securities which have been received as consideration for corporate finance services rendered.

Derivative financial instruments

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

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

Financial assets

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

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss', 'available-for-sale' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss (FVTPL) where the Group acquires the financial asset principally for the purpose of selling 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 and effective hedging instruments. Financial assets at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised in the income statement. The net gain or loss recognised in the income statement incorporates any dividend or interest earned on the financial asset.

Available for sale investments

Available for sale investments are initially measured at fair value, including transaction costs. At each reporting date these investments are measured at their fair values and the resultant gains and losses, after adjusting for taxation, are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the year.

Notes to the financial statements continued

1. Accounting policies (continued)

Trade and other receivables

Market debtors are measured at fair value. Unpaid share premium and loans due from staff are initially measured at fair value and revalued to amortised cost at each subsequent reporting date. All other debtors are measured at amortised cost. Appropriate allowance for estimated irrecoverable amounts is recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

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

Impairment of financial assets

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL upon initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of disposal in the near future; or
- it is part of an identified portfolio of financial instruments that the 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.

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

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

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

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

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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 period on transactions denominated in foreign currencies are treated as normal items of income and expenditure in the income statement.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are held as fixed assets and are stated at cost, less any provision for diminution in value.

Operating leases

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

Property, plant and equipment

Property, plant and equipment are 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:	Ten years
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.

Cash and cash equivalents

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

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 profits 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's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

Notes to the financial statements continued

1. Accounting policies (continued)

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 placing commissions and fees for corporate finance advisory services which are taken to the income statement only once there is an absolute contractual entitlement for Cenkos to receive them. Revenue also comprises profits on dealing operations, being gains less losses on shares, arrived at after taking into account attributable dividends and directly related interest, together with commission income receivable.

Interest income is recognised at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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

Segment reporting

Business segments are distinguishable components of the Group that provide products or services that are subject to risks and rewards that are different to those other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and rewards that are different to those of components operating in other economic environments. Cenkos Securities plc operates a single integrated business and although there are different revenue types (the contribution from which are separately disclosed) there is no meaningful business segmentation of profits, assets, liabilities or net assets.

Share-based payments

The Group has applied the requirements of IFRS 2: Share-based payment. 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 fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Stock borrowing collateral

The Group enters stock borrowing arrangements with certain institutions which are entered into on a collateralised basis with securities or cash advanced or received as collateral. Under such arrangements a security is purchased with a commitment to return it at a future date at an agreed price. The securities purchased are not recognised on the balance sheet and the transaction is treated as a secured loan made for the purchase price. Where cash has been used to effect the purchase, the cash collateral amount is recorded as a pledged asset on the balance sheet. Where trading investments have been pledged as security these remain within trading investments and the value of the security pledged disclosed separately except in the case of short-term highly liquid assets with an original maturity of 3 months or less, which are reported within the cash and cash equivalents with the value of security pledged disclosed separately.

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

a) Equity-settled share-based payments

The fair value of share-based payments is calculated by reference to a Monte Carlo simulation model. Inputs into the model are based on management's best estimates of appropriate volatility, discount rate and share price growth, which are referred to in note 22.

b) Valuation of investments

Trading investments include options over securities which have been received as consideration for corporate finance services rendered. The fair value of these investments have been calculated by reference to a Monte Carlo simulation model. Inputs into the model are based on management's best estimates of appropriate volatility, discount rate and share price growth.

c) Bad debt policy

The Group regularly reviews all outstanding balances including the unpaid amounts relating to the partly paid B shares referred to in note 23 and provides for amounts it considers irrecoverable.

Notes to the financial statements continued

3. Business and geographical segments

The Directors consider that there is only one activity undertaken by the Group, that being investment banking. A geographical analysis of the Group's revenue is as follows:

Geographical segment	1 January 2008 to 31 December 2008 £ 000's	1 January 2007 to 31 December 2007 £ 000's
UK	25,411	51,904
Channel Islands	2,864	1,887
	<hr/> 28,275	<hr/> 53,791
Investment income	1,277	1,997
Other gains and losses	–	1,709
	<hr/> 29,552	<hr/> 57,497

Segment information about these businesses is presented below:

	1 January 2008 to 31 December 2008			1 January 2007 to 31 December 2007		
	UK £ 000's	Channel Islands £ 000's	Consolidated £ 000's	UK £ 000's	Channel Islands £ 000's	Consolidated £ 000's
Revenue	25,411	2,864	28,275	51,904	1,887	53,791
Segment operating profit	<hr/> 3,589	<hr/> 369	<hr/> 3,958	<hr/> 19,740	<hr/> 387	<hr/> 20,127
Investment income – interest receivable			1,277			1,997
Finance costs – interest payable			(111)			(14)
Other gains and losses			–			1,709
Profit before tax			<hr/> 5,124			<hr/> 23,819
Tax			(1,404)			(7,057)
Profit for the year			<hr/> 3,720			<hr/> 16,762

	1 January 2008 to 31 December 2008			
	UK £ 000's	Channel Islands £ 000's	Elimination £ 000's	Consolidated £ 000's
Other information				
Capital additions	376	132	–	508
Depreciation and amortisation	300	41	–	341
Assets				
Segment assets	<hr/> 47,684	<hr/> 13,656	<hr/> (177)	<hr/> 61,163
Liabilities				
Segment liabilities	<hr/> 13,416	<hr/> 12,520	<hr/> –	<hr/> 25,936

	1 January 2007 to 31 December 2007			
	UK £ 000's	Channel Islands £ 000's	Elimination £ 000's	Consolidated £ 000's
Other information				
Capital additions	401	3	–	404
Depreciation and amortisation	185	20	–	205
Assets				
Segment assets	100,784	3,699	(71)	104,412
Liabilities				
Segment liabilities	56,170	3,067	88	59,325

4. Investment income – interest receivable

	1 January 2008 to 31 December 2008 £ 000's	1 January 2007 to 31 December 2007 £ 000's
Interest income generated from:		
Bank deposits	457	584
Other loans and receivables	820	1,413
	<u>1,277</u>	<u>1,997</u>

Interest income generated from other loans and receivables represents the recognition of the unwinding of the discount factor applied to the partly paid B shares.

5. Finance costs – interest payable

	1 January 2008 to 31 December 2008 £ 000's	1 January 2007 to 31 December 2007 £ 000's
Interest on bank overdrafts and loans	111	14

Notes to the financial statements continued

6. Staff costs

Staff costs comprise:

	1 January 2008 to 31 December 2008	1 January 2007 to 31 December 2007
	£ 000's	£ 000's
Wages and salaries	13,811	25,371
Social security costs	1,802	2,462
IFRS 2: share-based payments	1,125	1,380
	<u>16,738</u>	<u>29,213</u>

The Group does not operate any pension schemes.

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

	2008	2007
	£ 000's	£ 000's
Corporate finance	10	9
Broking	59	42
Administration	28	19
	<u>97</u>	<u>70</u>

The total emoluments of the highest paid Director were:

	2008	2007
	£ 000's	£ 000's
	<u>608</u>	<u>2,161</u>

Details of the remuneration of key management personnel are set out in note 24.

7. Profit before tax

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

	1 January 2008 to 31 December 2008	1 January 2007 to 31 December 2007
	£ 000's	£ 000's
Operating lease rentals	625	624
Auditors' remuneration (refer to analysis on page 41)	114	139
Depreciation of property, plant and equipment	341	227
Staff costs (see note 6)	16,738	29,213
Change in fair value of financial assets designated as at fair value through profit or loss	503	699
Costs associated with aborted takeover bid	100	841
Gain from disposal of B shares by employees	–	(804)
	<u> </u>	<u> </u>

The analysis of auditors' remuneration is as follows:

	£ 000's	£ 000's
Fees payable to the Group's auditor for the audit of the Group's financial statements and consolidation	86	75
Fees payable to the Group's auditor for other services:		
– The audit of the Group's subsidiaries, pursuant to legislation	13	10
– Other services, pursuant to legislation	15	15
– Tax services	–	39
	114	139

A description of the work of the Audit Committee is set out on pages 16 and 17 within the Corporate Governance Report and includes an explanation of how auditors' objectivity and independence is safeguarded when non-audit services are provided by the auditors.

Disposal of B shares by employees

During 2007 two employees, who were holders of partly paid B shares, left the Group. The B shares they held were subsequently fully paid up and as a result converted into ordinary shares which were placed with various institutions. This resulted in a profit in the hands of the employees. It was agreed between the employees and the Group that the after tax profit resulting from these transactions was remitted to the Group and this gain is shown in the table above.

8. Other gains and losses

	1 January 2008 to 31 December 2008		1 January 2007 to 31 December 2007	
	Revenue £ 000's	Expenses £ 000's	Revenue £ 000's	Expenses £ 000's
Gain on part disposal of a subsidiary	–	–	–	1,709
Total other gains and losses	–	–	–	1,709

Part disposal of subsidiary

On 15 November 2007 the Group disposed of part of its holding in Cenkos Channel Islands Limited amounting to 11% of its share capital. A further 14% was disposed of on 11 December 2007, when Cenkos Channels Islands Limited was successfully floated on the Channel Islands Stock Exchange. These disposals of shares have reduced the Group's holding from 75% to 50%. However, control is still maintained by the Company and as such the results of Cenkos Channel Islands Limited have continued to be consolidated.

	31 December 2008 £ 000's	15 November 2007 £ 000's	11 December 2007 £ 000's	31 December 2007 £ 000's
Non-current assets	54	18	17	16
Current assets	6,863	2,813	3,161	2,227
Cash and cash equivalents	(45)	1,370	1,057	1,125
Current liabilities	(6,259)	(3,525)	(3,561)	(2,735)
Net assets at date of disposal and year end	613	676	674	633

Notes to the financial statements continued

8. Other gains and losses (continued)

	15 November 2007 £ 000's	11 December 2007 £ 000's	Total 2007 £ 000's
Share of net assets disposed	218	94	313
Fees related to disposal	–	129	129
Cost of sale	218	223	442
Gain on disposal	532	1,177	1,709
Total consideration	750	1,400	2,150
Satisfied by cash	750	1,400	2,150
Cash inflow arising on disposal:			
Cash consideration	750	1,400	2,150

9. Tax

The tax charge comprises:

	1 January 2008 to 31 December 2008 £ 000's	1 January 2007 to 31 December 2007 £ 000's
Current tax		
United Kingdom corporation tax at 28.5% (2007: 30%) based on the profit for the period	1,391	7,072
Overseas tax charge borne by subsidiaries operating in other jurisdictions	6	–
Adjustment in respect of prior period	(99)	–
Total current tax	1,298	7,072
Deferred tax		
Credit on account of timing differences	–	(15)
Charge on account of timing differences	106	–
Total deferred tax (refer note 19)	106	(15)
Total tax on profit on ordinary activities	1,404	7,057

The tax charge for the period differs from that resulting from applying the standard rate of UK corporation tax of 28.5% to the profit before tax for the reasons set out in the following reconciliation.

	1 January 2008 to 31 December 2008 £ 000's	1 January 2007 to 31 December 2007 £ 000's
Profit on ordinary activities before tax	5,124	23,819
Tax on profit on ordinary activities at the UK corporation tax rate of 28.5% (2007: 30%)	1,460	7,146
Tax effect of:		
Depreciation in excess of capital allowances	25	2
Expenses that are not deductible in determining taxable profits	411	596
Different tax rates of subsidiaries operating in other jurisdictions	(150)	(13)
Income not subject to corporation tax	(396)	(735)
Adjustment for IFRS2 relating to staff options	106	25
Adjustment for loss relief not claimed	47	36
Adjustment in respect of prior period	(99)	–
Tax expense for the period	<u>1,404</u>	<u>7,057</u>

In addition to the amount charged to the income statement, deferred tax relating to the fair value of the Group's available for sale investments amounting to £761,216 (2007: £94,184 charged directly to equity) has been credited directly to equity.

10. Dividends

Amounts recognised as distributions to equity holders in the year:

	1 January 2008 to 31 December 2008 £ 000's	1 January 2007 to 31 December 2007 £ 000's
Final dividend for the year ended 31 December 2007 of 12p (31 December 2006: nil) per share	8,711	–
Interim dividend for the period to 30 June 2008 of 5p (June 2007: 10p) per share	3,633	7,259
	<u>12,344</u>	<u>7,259</u>

A final dividend of 5p per share has been proposed for the year ended 31 December 2008 (2007: 12p).

Notes to the financial statements continued

11. Earnings per share

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

	1 January 2008 to 31 December 2008 £ 000's	1 January 2007 to 31 December 2007 £ 000's
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the Parent	3,545	16,552
Effect of dilutive potential ordinary shares:		
Share options	–	–
Earnings for the purposes of diluted earnings per share	<u>3,545</u>	<u>16,552</u>
	No.	No.
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	72,616,990	72,593,670
Effect of dilutive potential ordinary shares:		
Share options	95,060	520,806
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>72,712,050</u>	<u>73,114,476</u>
<p>The denominators for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the sub-division of shares on 31 October 2006. The weighted average number of shares considered for the current period also includes the total number of B shares, even though they are partly paid shares, as these shares are entitled to a full dividend payout.</p>		
Adjusted earnings		
Earnings for the purposes of basic and diluted earnings per share	3,545	16,552
Other gains and losses	–	(1,709)
Gain from disposal of employee B shares	–	(804)
Costs associated with aborted takeover bid	100	841
Adjusted earnings for the purposes of adjusted basic and diluted earnings per share	<u>3,645</u>	<u>14,880</u>
Adjusted EPS		
Basic	<u>5p</u>	<u>20.5p</u>
Diluted	<u>5p</u>	<u>20.4p</u>

12. Property, plant and equipment Group

	Leasehold improvements £ 000's	Fixtures and fittings £ 000's	IT equipment £ 000's	Total £ 000's
2008				
Cost				
At 31 December 2007	816	72	467	1,355
Additions	222	131	155	508
At 31 December 2008	1,038	203	622	1,863
Accumulated depreciation				
At 31 December 2007	(129)	(26)	(256)	(411)
Charge for the period	(143)	(51)	(147)	(341)
At 31 December 2008	(272)	(77)	(403)	(752)
Net book value				
At 31 December 2008	766	126	219	1,111
At 31 December 2007	687	46	211	944

	Leasehold improvements £ 000's	Fixtures and fittings £ 000's	IT equipment £ 000's	Total £ 000's
Company				
2008				
Cost				
At 31 December 2007	811	40	419	1,270
Additions	210	89	71	370
At 31 December 2008	1,021	129	490	1,640
Accumulated depreciation				
At 31 December 2007	(123)	(17)	(226)	(366)
Charge for the period	(136)	(36)	(119)	(291)
At 31 December 2008	(259)	(53)	(345)	(657)
Net book value				
At 31 December 2008	762	76	145	983
At 31 December 2007	688	23	193	904

Notes to the financial statements continued

13. Available for sale investments

	Group and Company	
	2008 £ 000's	2007 £ 000's
Opening balance (at fair value)	3,543	3,229
Fair value changes (charged)/credited to reserves	(2,780)	314
Closing balance (at fair value)	763	3,543

This investment represents investments in 17,939,800 ordinary shares in Plus Markets Group Plc, which represents 5.7% of the share capital of Plus Markets Group Plc. They have no fixed maturity or repayment terms. The fair value of this investment is based on their quoted market price.

14. Investments in subsidiaries

Company	2008 £ 000's	2007 £ 000's
Cost		
At 31 December 2007	208	115
Additions:		
Capital subscribed in Cenkos Fund Management Limited	–	1
Part disposal of shares in Cenkos Channel Islands Limited	–	(25)
Share-based payments to employees in Cenkos Channel Islands Limited	58	117
At 31 December 2008	266	208

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

Principal subsidiary undertakings	Country of registration and operation	Principal activity	Proportion of ordinary shares and voting rights held
Direct holdings			
Cenkos LLP	England and Wales	Provision of investment services	100%
Cenkos Channel Islands	Guernsey	Provision of investment services	50%
Cenkos Nominee UK Limited	England and Wales	Nominee company	100%
Cenkos Securities (Trustees) Limited	England and Wales	Nominee company	100%
Cenkos Fund Management Limited	England and Wales	Provision of investment services	65%
Supreme Huntress Limited	England and Wales	Dormant company	100%
Indirect Holdings			
Cenkos Channel Islands Nominee Limited	Guernsey	Nominee company	100%
Cenkos Jersey Limited	Jersey	Provision of investment services	98%
Cenkos Channel Islands Investment Management Limited	Guernsey	Provision of investment services	100%
Cenkos Fund Managers Limited	England and Wales	Provision of investment services	70%

In the opinion of the Directors the value of the investments is not less than the amount at which they are stated in the balance sheet.

15. Trading investments

	Group		Company	
	2008 £ 000's	2007 £ 000's	2008 £ 000's	2007 £ 000's
Long positions at fair value	11,392	26,597	11,392	26,597
Short positions at fair value	(2,506)	(11,803)	(2,506)	(11,803)
Net position	8,886	14,794	8,886	14,794

The investments included above represent investments in listed equity securities that present the Group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices. The management of risk resulting from these positions is set out in note 23.

16. Trade and other receivables

	Group		Company	
	2008 £ 000's	2007 £ 000's	2008 £ 000's	2007 £ 000's
Market and client receivables	21,956	38,070	8,724	35,081
Amounts owed by group undertakings	–	–	590	984
Unpaid share premium and loans due from staff	16,711	16,077	16,711	16,077
Other receivables	503	315	497	311
Prepayments and accrued income	2,323	2,301	1,412	2,193
	41,493	56,763	27,934	54,646

The average credit period taken is 50 days (2007: 21 days). A provision of £110,020 (2007: £nil) has been made against specific debtors deemed to be doubtful.

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

Credit risk

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

The Group's credit risk is primarily attributable to its market and client receivables and unpaid share premium and loans due from staff. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the asset.

The Group has no significant concentration of credit risk, other than those covered in note 23. In addition, the risk associated with these financial assets is further discussed in note 23.

Notes to the financial statements continued

17. Cash and cash equivalents

	Group		Company	
	2008 £ 000's	2007 £ 000's	2008 £ 000's	2007 £ 000's
Cash and cash equivalents	6,337	16,244	6,397	14,558

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies (see note 23).

18. Trade and other payables

	Group		Company	
	2008 £ 000's	2007 £ 000's	2008 £ 000's	2007 £ 000's
Trade creditors	16,809	28,139	5,503	25,563
Amounts owed by group undertakings	–	–	40	1
Corporation tax payable	1,245	4,219	1,201	4,176
Accruals and deferred income	5,057	13,952	3,931	13,486
Other creditors	319	451	242	363
	23,430	46,761	10,917	43,589

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

Undrawn borrowing facilities

At 31 December 2008, the Group had an undrawn borrowing facility of up to £10 million (2007: £10 million). The facility is secured against the Group's investments and the actual amount available is the lower of £10 million and the value of the Group's investments after applying various haircuts. This facility is due to be renewed at the end of April 2009.

19. Deferred tax

Deferred tax arises in respect of unrealised gains on available for sale investments and other short-term timing differences. The following are the deferred tax liabilities and assets recognised by the Group and the Parent Company and movement thereon during the current and prior reporting period.

	Group			Company		
	Short-term timing difference £ 000's	Unrealised gains on investments £ 000's	Total £ 000's	Short-term timing difference £ 000's	Unrealised gains on investments £ 000's	Total £ 000's
At 31 December 2007	321	(761)	(440)	321	(761)	(440)
(Charge)/credit to income (refer note 9)	(106)	–	(106)	(106)	–	(106)
(Charge)/credit to equity	(148)	761	613	(148)	761	613
At 31 December 2008	67	–	67	67	–	67

20. Share capital

	Group and Company	
	2008 £ 000's	2007 £ 000's
Authorised:		
179,185,700 (2007: 179,185,700) ordinary shares of 1p each	1,792	1,792
20,814,300 (2007: 20,814,300) B shares of 1p each	208	208
	<u>2,000</u>	<u>2,000</u>
Allotted:		
54,050,495 (2007: 53,909,370) ordinary shares of 1p each fully paid	541	539
18,614,300 (2007: 18,684,300) B shares of 1p each fully paid	186	187
	<u>727</u>	<u>726</u>

Both classes of shares rank pari passu with each other in respect of voting and dividend rights.

1 January 2007 to 31 December 2007

On 21 September 2007, 2,130,000 B shares of 1p each were converted into 2,130,000 ordinary shares of 1p each.

1,037,200 B shares of 1p each unpaid at 31 December 2006 were paid up during the year ended 31 December 2007.

1 January 2008 to 31 December 2008

On 5 September 2008, 71,125 ordinary shares of 1p each were issued following the exercise of 71,125 options in accordance with the pre 2006 share option scheme.

On 14 November 2008, 70,000 B shares of 1p each were converted into 70,000 ordinary shares of 1p each.

21. Operating lease arrangement

The group as lessee

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in relation to land and buildings, which fall due as follows:

	Group		Company	
	2008 £ 000's	2007 £ 000's	2008 £ 000's	2007 £ 000's
Within one year	623	584	535	524
In the second to fifth years inclusive	2,441	2,233	2,096	2,090
After five years	553	1,089	553	1,089

Operating lease payments represent rentals payable by the Group for certain of its office properties and leases are negotiated for an average term of 10 years and rentals are fixed for an average of 5 years.

Notes to the financial statements continued

22. Share-based payments

Equity-settled share option scheme

The Group has a share option scheme ("CSOP") and a long term incentive plan ("LTIP") for all employees of the Group

CSOP

Options are exercisable at a price agreed in accordance with the rules of the scheme on the date of grant. The vesting period for 50% of the options was from the date of publication of the Company's Annual Report and Accounts for the financial period ended 31 December 2007, (this was 15 April 2008) and in respect of the remaining 50% of the options the vesting date will be from the publication of the Company's Annual Report and Accounts for the financial period ended 31 December 2008. If the option remains unexercised after a period of 5 years from the date of grant, the options will expire. If the option holder ceases to be an employee or office holder within the Group before the options vest, the options will lapse on the date of such cessation.

LTIP

The measurement period in respect of a performance condition is 36 months after the grant date and the vesting period is a further 6 months after this date. If a call has not been made in respect of the vested options within this period then the options will lapse. Where a holder ceases to hold office or employment within the Group (whether or not vested) the option will lapse.

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

	2008		2007			
	Number of shares options	Weighted average exercise price £'s	Number of shares options	Weighted average exercise price £'s		
Outstanding at beginning of year	1,240,131	£ 0.87	1,268,600	£ 0.88		
Granted during the year	1,081,042	£ 1.49	–	–		
Exercised during the year	(71,125)	£ 0.01	–	–		
Lapsed during the year	–		(28,469)	£ 1.41		
Outstanding and exercisable at the end of the year	<u>2,250,048</u>	£ 1.20	<u>1,240,131</u>	£ 0.87		
	Date of grant	Date of expiry	Remaining contractual life (months)	Remaining contractual life (months)		
Options exercisable at £0.01 per share	Oct-06	Nov-11	106,375	35	177,500	47
Options exercisable at £0.709 per share	Oct-06	Oct-11	600,000	34	600,000	46
Options exercisable at £1.405 per share	Oct-06	Nov-11	462,631	35	462,631	47
Options exercisable at £1.09 per share	Sep-08	Mar-12	375,000	39	–	–
Options exercisable at £1.10 per share	Sep-08	Mar-12	165,000	39	–	–
Options exercisable at £1.18 per share	Sep-08	Mar-12	25,000	39	–	–
Options exercisable at £1.92 per share	Mar-08	Sept-12	516,042	45	–	–
Options exercisable at the end of the year			<u>2,250,048</u>		<u>1,240,131</u>	

The options outstanding at 31 December 2008 have a weighted average exercise price of £1.20 and a weighted average remaining contractual life of 3 years. At the date of grant they had an estimated fair value of £1,332,982.

The inputs into the Monte-Carlo simulation model are as follows:

	2008	2007
	£	£
Expected volatility	35%	35%
Expected share price growth	5%	5%
Discount rate	25%	25%

Expected volatility was determined by calculating the 20 day moving average of the share prices of other similar companies operating in the same industry over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

During the year the Group recognised expenses of £329,787 (2007: £365,252) related to equity-settled share-based payment transactions with regard to issue of share options and other share-based payment expenses of £794,885 (2007: £866,217) with regard to the interest component on loans given to staff for subscribing to the Group's issue of B class shares during the year.

23. Financial instruments

Capital risk management

The Group manages capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. 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 gearing levels on an ongoing basis. As at 31 December 2008, the Group had a solvency ratio of 194%. This is based upon audited profits which at the time excluded those generated during 2008.

Externally imposed capital requirement

The Group has to retain sufficient capital to satisfy the UK's Financial Services Authority's capital requirements. These requirements vary from time to time depending on the business conducted by the Group. The Group always retains a buffer above the FSA minimum requirements and has complied with these requirements during the period under review.

Significant accounting policies

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

Notes to the financial statements continued

23. Financial instruments (continued)

Categories of financial instruments

	Carrying value	
	2008 £ 000's	2007 £ 000's
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	11,392	26,597
Loans and receivables (including cash and cash equivalents)	45,004	70,391
Available-for-sale financial assets	763	3,543
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	2,506	11,803
Amortised cost	17,128	28,590

Financial risk management objectives

The Group's Chief Executive Officer and the Group 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 Executive Directors 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 not exposed to interest rate risk as entities in the Group do not borrow funds or run interest rate mismatches.

Other price risks

The Group is exposed to equity price risks arising from equity investments. The shares included above represent investments in listed equity securities that present the Group with opportunity for return through dividend income and trading gains. Equity investments designated as available for sale are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 10% higher/lower:

- net profit for the year ended 31 December 2008 would have been £0.89 million higher/lower (2007: £1.71 million higher or £1.64 million lower) due to change in the value of FVTPL held for trading investments; and
- other equity reserves would increase/decrease by £76,000 (2007: increase/decrease by £354,000) for the Group as a result of the changes in fair value of available-for-sale shares.

The Group's sensitivity to equity prices has not changed significantly from prior year.

The Group's exposure to equity price risk is closely managed. The Group has built a framework of overall and individual stock limits and these are actively monitored by the Chief Executive Officer and the Group Finance Director on a daily basis. 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. 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 vast majority of the Groups credit risk arises from the settlement of security transactions. However, the settlement model primarily used by the Group, does not expose the Group to a risk as a principle to a trade; rather the Group's exposure lies only with Pershing – a wholly owned subsidiary of the Bank of New York, a AA (2007: AAA) rated bank. Given the present economic climate these ratings continue to be monitored. In addition, in circumstances in which the Group does act as principal, when acting as a market maker, the counterparty will normally be a FSA regulated market counterparty, rather than a corporate or individual trader.

Our cash resources also give rise to credit risk and these are presently deposited with HSBC Bank plc. The banks with which we deposit money are reviewed on an annual basis by the Board.

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

In 2006 we issued various tranches of partly paid B shares to a number of our employees. The carrying value of the unpaid portion is included in financial assets and is currently due to be repaid on 1 July 2011. As at the reporting date these had a carrying value of between 77p and 125p per share, whilst the Company's share price was 101p. The recoverability of these amounts is reviewed on a monthly basis. These shares are capable of converting into the Company's ordinary shares and as a result they have a positive intrinsic value if the market price of the Company's shares is greater than the value at which they were issued. At the reporting date, there were 505,000 shares with a negative intrinsic value, which amounted to £118,915.

The Group does not have any significant credit risk exposure to any single counterparty with the exception of Pershing, HSBC and the B shareholders to the extent of their unpaid share premium.

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.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board. It has however delegated this to the Group Finance Director. The Group has in place an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 18 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. Given the nature of the Group's business, the Group does not run any liquidity mismatches, financial liabilities are on the whole short-term and the Group has sufficient cash retained to cover all of these liabilities.

Notes to the financial statements continued

23. Financial instruments (continued)

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial 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 tables 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 except where the Group anticipates that the cash flow will occur in a different period.

		Weighted average effective interest rates	Less than 1 month £ 000's	1-5 years £ 000's	Total £ 000's
31 December 2008					
Available for sale investments	Non-interest bearing		–	763	763
Trading Investments – long positions	Non-interest bearing		11,392	–	11,392
Trade and other receivables	Non-interest bearing		24,782	–	24,782
Trading Investments – short positions	Non-interest bearing		(2,506)	–	(2,506)
Trade and other payables	Non-interest bearing		(23,430)	–	(23,430)
Trade and other receivables	Fixed interest rate instruments	5%	–	18,836	18,836
Cash and cash equivalents	Variable interest rate instruments	5%	6,337	–	6,337
			16,575	19,599	36,174

		Weighted average effective interest rates	Less than 1 month £ 000's	1-5 years £ 000's	Total £ 000's
31 December 2007					
Available for sale investments	Non-interest bearing		–	3,543	3,543
Trading Investments – long positions	Non-interest bearing		26,597	–	26,597
Trade and other receivables	Non-interest bearing		40,686	–	40,686
Trading Investments – short positions	Non-interest bearing		(11,803)	–	(11,803)
Trade and other payables	Non-interest bearing		(46,761)	–	(46,761)
Trade and other receivables	Fixed interest rate instruments	5%	–	18,836	18,836
Cash and cash equivalents	Variable interest rate instruments	5%	16,244	–	16,244
			24,964	22,379	47,343

Except as detailed below, the carrying amounts of financial assets recorded at amortised cost in the financial statements approximate their fair values.

	Carrying value		Fair value	
	2008 £ 000's	2007 £ 000's	2008 £ 000's	2007 £ 000's
Financial assets				
Loans and receivables	16,711	16,077	17,963	15,817

Liquidity and interest risk tables

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

Determination of fair value

Fair values are determined according to the following hierarchy:

(a) Quoted market price

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

(b) Valuation technique using observable inputs

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

(c) Valuation technique with significant non-observable inputs

Financial instruments valued using models where one or more significant inputs are not observable.

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

The valuation models used where quoted market prices are not available incorporate certain assumptions that Cenkos anticipates would be used by a third party market participant to establish fair value. Where Cenkos believes that there are additional considerations not included within the valuation model, appropriate adjustments may be made. Examples of such adjustments are:

- Market data/model uncertainty: an adjustment to reflect uncertainties in fair values based on unobservable market data inputs (for example, as a result of illiquidity) or in areas where the choice of valuation model is particularly subjective.

Notes to the financial statements continued

24. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24: *Related Party Disclosures*.

	1 January 2008 to 31 December 2008 £ 000's	1 December 2007 to 31 December 2007 £ 000's
Emoluments	1,534	5,064

Remuneration of the highest paid director

	£ 000's	£ 000's
Emoluments	608	2,161

Directors' interests in ordinary shares of Cenkos Securities plc

The Directors in office at the year end had interests in the ordinary share capital of the Company as shown below:

Name of director		Percentage interest as at		
		31 December 2008	31 December 2007	31 December 2008*
Andrew Stewart	Beneficial	16,166,670	16,166,670	22.25%
	Non-beneficial**	500,000	500,000	0.69%
James Durkin	Beneficial	5,625,000	5,625,000	7.74%

* Percentage of the Company's ordinary and B shares combined.

** 500,000 shares are held in the Andrew Stewart Charitable Trust. Andrew Stewart is a trustee of this charitable trust and therefore has a non-beneficial interest in the shares.

Directors' interests in share options

	2008		2007	
	Number of shares options	Weighted average exercise price £'s	Number of shares options	Weighted average exercise price £'s
Outstanding at beginning of year	1,027,046	£ 0.9984	–	–
Granted during the year	–	–	1,055,515	£ 1.0093
Exercised during the year	–	–	–	–
Lapsed during the year	–	–	(28,469)	£ 1.4050
Outstanding and exercisable at the end of the year	<u>1,027,046</u>	£ 0.9984	<u>1,027,046</u>	£ 0.9984

All the above options were granted on 23 October 2006.

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 21 May 2009 at 12.00 noon for the transaction of the following business:

Ordinary business

As ordinary business to consider and, if thought fit, to pass the following resolutions each of which will be proposed as ordinary resolutions, save for resolution 10 which will be proposed as a special resolution:

1. **That** the Company's annual accounts for the year ended 31 December 2008, together with the Directors' report and the auditors' report on those accounts, be received.
2. **That** a final dividend of 5 pence per share for the year ended 31 December 2008 as recommended by the Directors be declared payable on 26 May 2009 to shareholders on the register on 24 April 2009.
3. **That** Andrew Stewart be re-elected as a Director of the Company.
4. **That** Paul Roy be re-elected as a Director of the Company.
5. **That** Jeff Hewitt who has been appointed as a Director of the Company since the last Annual General Meeting be elected as a Director of the Company.
6. **That** Peter Sullivan who has been appointed as a Director of the Company since the last Annual General Meeting be elected as a Director of the Company.
7. **That** Deloitte LLP be re-appointed as auditors to the Company until the conclusion of the next Annual General Meeting of the Company.
8. **That** the Directors be authorised to fix the auditors' remuneration.
9. **That** for the purposes of section 80 of the Companies Act 1985 (the 'Act') (and so that expressions used in this resolution shall bear the same meanings as in the said section 80):
 - 9.1 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities up to a maximum nominal amount of £242,191.76 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 2010 (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 94 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 maybe) to the respective number of equity securities held by them up to an aggregate nominal amount of £242,191.76 during the period expiring at the conclusion of the Annual General Meeting of the Company to be held in 2010 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;
 - 9.3 the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the Directors may allot relevant securities 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 80 be and are hereby revoked.

Notice of annual general meeting continued

- 10.** **That**, subject to the passing of resolution 9 set out in the notice convening this Meeting, the Directors be and are empowered in accordance with section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash, pursuant to the authority conferred on them to allot relevant securities (as defined in section 80 of the Act) by that resolution as if section 89(1) and sub-sections (1) – (6) of section 90 of the Act did not apply to any such allotment, 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 and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interest 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 (otherwise than pursuant to sub-paragraph 10.1 above) of equity securities up to an aggregate nominal value not exceeding £36,332.40,
- and this power shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the Annual General Meeting of the Company to be held in 2010, but shall extend to the making, before such expiry of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred had not expired.

Special business

As special business to consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions, save for resolutions 13 and 14, which will be proposed as ordinary resolutions:

- 11.** **That** the Company be and is hereby generally and unconditionally authorised for the purpose of the Act to make market purchases (as defined in section 163 of the Act) of ordinary shares of 1 pence 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 5,350,999 (representing approximately 9.9 per cent of the Company's issued ordinary share capital at the date of this resolution);
- 11.2** the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 1 pence per share, being the nominal amount thereof;
- 11.3** the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be, for so long as the ordinary shares of the Company are dealt in on AIM, 5 per cent. above the average price at which deals are done in the ordinary shares taken from the AIM appendix to The London Stock Exchange Daily Official List for the five business days before the purchase is made and, if at any time the ordinary shares become listed on the Official List of the Financial Services Authority and traded on the London Stock Exchange's market for listed securities, an amount equal to 5 per cent. above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made;
- 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.

- 12. That**, pursuant to section 9 of the Act, the Articles of Association of the Company be amended by deleting the current definition of “B Share Event” and substituting it with the following new definition:

B Share Event the earlier of (i) immediately prior to completion of an agreement or agreements for a Sale, in accordance with the terms of any such agreement(s); (ii) the proposing in writing (including by means of a circular to shareholders) by the Company to holders of Shares of any class of any scheme of arrangement, reconstruction or amalgamation as a result of which the Company would come under the control of any person (iii) any person becoming bound or entitled to acquire Shares of any class under Sections 974 to 991 of the Companies Act 2006 (or any statute or statutory provision which modifies, re-enacts or extends such provisions); and (iv) provided no Insolvency Event shall have occurred prior to such date, 1 July 2013.

- 13. That** rule 3 in the 2006 Long Term Incentive Plan be deleted in its entirety.

- 14. That** rule 3 in the 2006 Company Share Option Plan be deleted in its entirety

By order of the Board

Stephen Doherty

Company Secretary

8 April 2009

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 place. A proxy need not be a member or the Company.
2. To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. 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 not less than 48 hours before the meeting (or any adjournment thereof) at the offices of the Company's registrars, Capita Registrars, PO Box 25, Beckenham, Kent BR3 4BR. Completion of the form of proxy will not prevent you from attending and voting in person.
3. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General 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.
4. 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 & 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 of AGM. 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.

Notice of annual general meeting continued

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & 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)(a) of the Uncertificated Securities Regulation 2001.

5. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company as at 6.00 p.m. on 19 May 2009 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 6.00 p.m. on the day preceding the date fixed for the adjourned Meeting. 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.
6. In the case 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.
7. The following documents are available for inspection at the registered office of the Company, 6.7.8 Tokenhouse Yard, London EC2R 7AS, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Meeting:
 - (a) copies of service contracts between the Directors and the Company or its subsidiary undertakings; and
 - (b) the Articles of Association of the Company referred to in resolution 12 above (together with a copy of such Articles of Association marked to show the proposed changes).
8. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representatives, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of the procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

Explanatory notes to the notice of annual general meeting

Resolution 1 – Company’s annual report and accounts 2008 (ordinary resolution)

Company law requires the Directors to present to the Annual General Meeting the Annual Accounts, the Directors’ Report and the auditors’ report on those accounts.

Resolution 2 – Final dividend (ordinary resolution)

The payment of a final dividend of 5 pence per share in respect of the year ended 31 December 2008, which is recommended by the Board, requires the approval of the shareholders at the Annual General Meeting.

Resolutions 3 and 4 – Re-election of directors (ordinary resolutions)

The existing articles of association of the Company (the ‘Articles’) require certain of the Directors to retire by rotation at each Annual General Meeting. At the Annual General Meeting, each of Andrew Stewart and Paul Roy will retire and offer themselves for re-election. Resolutions 3 and 4 propose their respective re-elections.

Resolutions 5 and 6 – Election of directors (ordinary resolutions)

The existing Articles require that each of Jeff Hewitt and Peter Sullivan retire at the conclusion of the Annual General Meeting because each of them has been appointed as a Director by the Board of Directors since the conclusion of the previous Annual General Meeting of the Company. Resolutions 5 and 6 propose their respective elections.

Resolutions 7 and 8 – Re-appointment of auditors and determination of their remuneration (ordinary resolutions)

The Company is required to appoint auditors at each Annual General Meeting at which accounts are presented, to hold office until the conclusion of the next such meeting. The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditors, Deloitte LLP, on behalf of the Board, who now propose their reappointment as the auditors 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 80 of the Companies Act 1985 (the ‘Act’) to allot shares up to a maximum aggregate nominal value of £484,383.52 being approximately 66.66 per cent of the nominal value of the issued share capital of the Company as at 8 April 2009, (being the latest practical date prior to the publication of the report and accounts) including the 18,614,300 B shares of 1 pence each in the capital of the Company (the ‘B Shares’) which were then in issue). £242,191.76 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 2010. The Directors have no present intention of exercising such authority.

Resolution 10 – Disapplication of pre-emption rights (special resolution)

Resolution 10 which will be proposed as a special resolution, seeks authority to issue equity securities of the Company for cash without application of the pre-emption rights provided by section 89 of the Act up to an aggregate nominal value of £36,332.40 being approximately 5% of the Company’s issued share capital as at 8 April 2009 (being the latest practicable date prior to the publication of the Report and Accounts), including the B Shares which were in the issue). The resolution also disapplies the statutory pre-emption provisions in connection with pre-emptive offerings, for example, rights issues 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. This authority will expire at the end of the Annual General Meeting of the Company in 2010.

Explanatory notes to the notice of annual general meeting continued

Resolution 11 – Authority to purchase company’s own ordinary shares (special resolution)

Resolution 11 to be proposed at the Annual General Meeting seeks authority from holders of ordinary shares of 1 pence each in the capital of the Company (‘ordinary shares’) 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 in issue as at 8 April 2009. The maximum price payable for the purchase by the Company of its own ordinary shares will be limited to 5% above the average of the middle market quotations of the Company’s ordinary shares, as derived from the AIM appendix to The London Stock Exchange Daily Official List, for the five business days prior to the purchase. The minimum price payable by the Company for the purchase of its own ordinary shares will be 1 pence per share (being the amount equal to 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.

Options to subscribe for up to 2,250,048 ordinary shares have been granted and are outstanding as at 8 April 2009 (being the latest practicable date prior to publication of this document) representing 4.16% of the issued ordinary share capital at that date. If the Directors were to exercise in full the power for which they are seeking authority under resolution 11, the options outstanding as at 8 April 2009 would represent 4.62% of the ordinary share capital in issue following such exercise.

Resolution 12 – Amendment to the current definition of B share event (special resolution)

The Remuneration Committee is seeking to provide greater flexibility for the holders of B shares in the capital of the Company (each of whom is employed by the Company and therefore integral to the success of the Company) by extending the “long stop date” for the payment of the Required Premium (essentially the outstanding call payable on the B Shares, as defined in the Articles). A “B Share Event” is defined as essentially being the earlier to occur of a sale of the Company and, provided no insolvency event has occurred prior to such date, 1 July 2011 (the ‘Long Stop Date’).

The Long Stop Date as currently set occurs in a little over two years. Should a sale of the Company not occur prior to this date, the Required Premium on the B Shares will be payable to the Company on 1 July 2011. In light of the current financial turmoil, it is considered that the Long Stop Date should be extended to 1 July 2013.

Resolutions 13 and 14 – Amendment to rule 3 of the LTIP and CSOP (ordinary resolutions)

The Remuneration Committee would like to propose that the “Individual Limits” in the rules of the 2006 Long Term Incentive Plan (the ‘LTIP’) and the Company Share Option Plan (the ‘CSOP’) be deleted. The Remuneration Committee is seeking to achieve the following objectives:

- Use the LTIP and CSOP in a flexible way in order to appropriately remunerate and motivate existing employees; and
- Ensure that the LTIP and CSOP are attractive remuneration tools in order to recruit and retain future employees.

The current rules for the LTIP and CSOP restrict the granting of awards and options, such that no employee may be granted an award or option with a market value on the date of grant that is more than 100 per cent of basic salary in any financial year (when aggregated with all other awards or options granted to him in that financial year). In exceptional circumstances an award or option may be granted to an employee with a market value on the date of grant that is up to 200 per cent of basic salary in a financial year (when aggregated with all other awards or options granted to him in that financial year).

The remuneration model for employees of the Company is heavily weighted towards incentivisation through bonuses with the basic salaries of employees deliberately set at a relatively low level. In order to seek to maximise the returns to shareholders the remuneration model has also been devised to align the interests of employees with those of shareholders (such as the granting of awards under the LTIP and options over shares in the Company under the CSOP). It is the view of the Remuneration Committee that the limitations imposed by rule 3 of the LTIP and the CSOP (as currently drafted) are unduly restrictive, especially in the case of attracting prospective employees to the group. By amending the current rules, it is the view of the Remuneration Committee that this would provide much more flexible and attractive remuneration tools in order to recruit and retain future employees of the requisite quality.

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