



 CENKOS

Cenkos Securities plc
Annual Report 2009

Highlights

Financial highlights

- Revenues up by 64% to £46.5 million (2008: £28.3 million).
- Operating profit before non-recurring items increased by 170% to £10.8 million (2008: £4.0 million).
- Operating profit increased by 48% to £5.9 million (2008: £4.0 million).
- Profit before tax and non-recurring items increased by 122% to £11.3 million (2008: £5.1 million).
- Profit before tax increased by 47% to £7.5 million (2008: £5.1 million).
- Diluted earnings per share before non-recurring items up by 133% to 11.4p (2008: 4.9p).
- Diluted earnings per share after non-recurring items up by 27% to 6.2p (2008: 4.9p)
- The business has generated net cash flow of £28.1 million (2008: £1.6 million) from operating activities resulting in a year-end cash balance of £20.0 million (2008: £6.3 million).
- £10.6 million was received by the Group on 17 July 2009 from the paying up of previously partly paid shares. This increased the Group's regulatory capital by £8.3 million and so enabled it to more fully distribute retained earnings at the interim stage.
- The Board proposes a final dividend of 5p per share compared to last year's final dividend of 5p per share. This makes a total dividend of 20p.

Business highlights

- Continued success in attracting new institutional and corporate clients helping to grow the Cenkos franchise.
- Taking advantage of the unsettled market conditions and concerns with the banking sector in order to recruit high quality individuals to our existing teams.
- The successful establishment during the year of a credit markets team.
- We continue to raise funds for our clients even though conditions in equity capital markets continue to be very fragile – total of £951 million raised in the year (2008: £509 million).
- In February 2010 the Company was appointed sole UK bookrunner and UK listing sponsor to the Anthony Bolton-managed Fidelity China Special Situations Fund.

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Officers and professional advisers

Directors

John Hodson (Chairman)

Andy Stewart (Non-executive Deputy Chairman)

Simon Melling (Chief Executive Officer)

Paul Roy (Non-executive Director)

Jeff Hewitt (Non-executive Director)

Peter Sullivan (Non-executive Director)

Secretary

Stephen Doherty

Registered Office

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Bankers

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Solicitors

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10 Snow Hill
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Auditors

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

Registrars

Capita Registrars
The Registry
34 Beckenham Road
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The board of directors

John Hodson (63)

Chairman

John was appointed Chairman of the Company in September 2006. He 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 Officer of Singer & Friedlander Group, before leaving in 2004. He currently holds a number of non-executive directorships.

John is a member of the Audit, Remuneration and Nomination Committees.

Andy Stewart (58)

Non-executive Deputy Chairman

Andy is the founder shareholder of the Company and served as Chief Executive Officer from incorporation till 1 July 2009. Andy 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. Andy 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 Officer of Chase Manhattan Securities until the launch of Collins Stewart.

Simon Melling (49)

Chief Executive Officer

Simon was appointed Chief Executive Officer on 1 July 2009. He previously held the role of Group Finance Director and Chief Operating Officer, to which he was appointed in September 2006 when he joined the Company. He 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 2001.

Paul Roy (62)

Non-executive Director

Paul has been a Non-executive Director since the Company commenced trading in April 2005. He has over 35 years' experience in the banking and securities industry. He is a founder partner of NewSmith Capital Partners and was previously Co-President of Merrill Lynch's Global Markets and Investment Banking division with 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. He is also Chairman of the British Horseracing Authority and a member of the Horserace Betting Levy Board and Chairman of New River Retail Limited.

Paul is a member of the Audit, Remuneration and Nomination Committees.

Jeff Hewitt (62)

Non-executive Director

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

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

The board of directors continued

Peter Sullivan (61)

Non-executive Director

Peter was appointed a Non-executive Director of the Company in June 2008. He was the Chief Executive Officer of Standard Chartered Bank (Hong Kong) Limited and was responsible for the bank's daily business and operations. He was also General Manager of Standard Chartered for the Philippines, Australia and joint ventures in China. 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 J P Morgan Indian Investment Trust plc, AXA Asia Pacific Holdings, Techtronic Industries Limited and Smartone/Vodafone Limited.

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

Chairman's statement

I am pleased to announce a strong performance by Cenkos Securities plc (the "Company") and its subsidiaries (together the "Group") in the year to 31 December 2009. The result represents a very significant recovery from the previous year. Whilst there has been improvement generally, with the economy creeping out of recession and rises in most stock market indices, for most of the year we are reporting on, the market conditions have been at best fragile.

Global stock markets have risen significantly during the year but this has been driven on low volumes and possibly anticipates significant increases in corporate earnings that will be slow to come through. As a result investors remain nervous and exceptionally averse to risk. Good companies are still finding it difficult to raise funds either from the debt or equity markets. In the United Kingdom, there are major concerns over levels of government debt and its effect on future growth prospects. We have also moved into a period of political uncertainty, which will only be removed by the expected general election in May 2010. This means that confidence has stabilised at higher levels than last year but remains weak.

The lack of confidence affects the markets in which Cenkos operates. However, even under these challenging conditions we were able to raise much needed capital for our clients. This is illustrated by the fact that during the year we raised £951 million (2008: £509 million) for them. We believe that our ability to perform in this area is based on our very strong links with the institutional investor community, aligned with a deep understanding of our corporate client base.

I am pleased to say that during the year we have continued to capitalise on our position in the market and as a result have been able to attract high quality individuals. We believe these individuals will fit in well with the Cenkos culture and add value to the Group, thus enabling us to grow and diversify our income streams. During the year we have not changed our basic remuneration policy. Unlike a number of other finance sector organisations, we have not given any bonus guarantees. We continue to believe that bonuses have to be justified by the individual's actual performance and contribution to the Group. This approach to remuneration does not open us up to an increase in the Group's risk profile, as we do not take on long term liabilities and only pay bonuses when the Group is in receipt of the cash proceeds of a transaction. Whilst continuing to adhere to the basic principle that the largest proportion of remuneration should be variable, we of course have to ensure that we still attract and retain high quality individuals.

I have been the Chairman of the Company for the past four years and I have informed the Board that I wish to stand down at the end of the AGM. The Board have accepted this and Peter Sullivan will take over my position from that date. Andy Stewart, the founder of your Company, has also decided to move to non-executive Deputy Chairman of your Company with immediate effect. The Board has instigated a search for additional non-executive directors to add to the resources available for the management of the Company as it continues to grow.

I am pleased to announce that the Board proposes a final dividend of 5p per share compared to last year's final dividend of 5p per share. This makes a total dividend of 20p 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.

John Hodson

Chairman

25 February 2010

Business and financial review

We are very pleased to state that, due to our robust business model and the quality, dedication and experience of our employees, we have performed strongly, being profitable throughout the whole of the year. This has been achieved by being able to raise money for our corporate clients even in the bleak early months of the year and has continued strongly in the slightly more benign conditions later in the year. This performance is demonstrated by the fact that during 2009 Cenkos was ranked 3rd in terms of secondary funds raised on AIM as Nomad, with only JP Morgan Cazenove and KBC Peel Hunt being placed higher. This is, in my view, a remarkable achievement for a company that is less than five years old.

Total revenue for the period was up 64% to £46.5 million (2008: £28.3 million), which, given the prevailing economic climate, is a very strong result and bodes well for our future development. A number of our competitors, both independents and subsidiaries or divisions of banks, have not fared as well as we have through the recent downturn. This puts us in a strong position to continue our organic growth by adding high quality individuals to our existing teams as well as recruiting new teams with complementary income streams and who are seeking the entrepreneurial ethos of Cenkos. Any expansion will only take place in areas that we understand and with which we are familiar.

The table below shows a breakdown of revenue by segment.

	2009 £000's	2008 £000's
Corporate Broking and Advisory	35,837	21,159
Institutional Equities	4,706	3,320
Fund and Wealth Management	5,915	3,796
	<hr/> 46,458	<hr/> 28,275

Corporate broking and advisory

This business segment includes the results of our small/mid cap, investment funds and credit market activities, including the results of our market making capability carried on to support these areas. The segment's revenue is made up of placing commission on fund raisings, corporate finance fees and retainer income, market making profits and commissions on secondary market transactions. Revenue was up 69% from £21.2 million to £35.8 million and profits were up 60 per cent. from £10.1 million to £16.1 million.

While strong, the results have inevitably been affected by the general lack of equity capital-raising activity. We are therefore pleased to announce that our clients raised through equity issues a total of £951 million (2008: £509 million). These issues were secondary market transactions, which is not surprising given the almost total lack of primary market activity. During the year we continued to increase the number of retained corporate clients and investment funds. The Group was nominated adviser or corporate broker/financial adviser to 105 companies or trusts (2008: 103) as at 31 December 2009, with a market capitalisation of £13.4 billion (2008: £13.0 billion). In the year we also maintained the amount of M&A corporate finance fees as opposed to those related to placings, being involved in 19 transactions (2008: 13).

Our investment funds team provides a broad range of services to investment companies including primary and secondary sales, market making, research, corporate broking and corporate finance advice. Their sales team services both institutional and wealth manager clients. Its secondary activities have remained robust despite thin trading volumes, but primary sales opportunities have all but disappeared as investors have shunned new issues in favour of trading existing investment companies rated at discounts to net asset values. However, in February 2010 we were appointed sole UK bookrunner and sponsor to Fidelity China Special Situations Fund. This Fund is targeting a capital raising of £630 million. Their corporate finance team has been involved heavily in restructuring work and in various equity alternative issues including investment company subscription shares and convertible bonds.

The Group continues to undertake market making activities in order to support the other services it provides to its clients. The Group makes markets in the securities of all the companies where it has a broking relationship. During the year we have taken the active decision to commit less of the Group's capital to this activity, which has reduced our market risk exposure significantly without adversely affecting the revenue generated. The Group does not engage in proprietary trading and applies position limits and monitoring procedures to ensure controls. The Group does from time to time take stock in lieu of fees and the market movement on these items is also included in this income stream.

During the year we recruited an experienced team of credit market experts. The team delivers a professional execution service to financial institutions. It focuses on structured products such as residential mortgage bonds, collateralised loan obligations and the financial and corporate bond markets. All transactions are carried out on an agency basis. The team joined us in April 2009 and made a positive contribution to the Group during the year.

Institutional Equities

The Institutional Equities team based in London provides research-driven investment recommendations to institutional clients. While many of our clients continue to pay for our research services directly, more are choosing to transact business through Cenkos as well. The demise of the trading capacity of the large international houses has levelled the playing field for other firms; what matters to institutional investors is being able to get their trades executed (this is no longer the domain of the larger broking firms). In the same way that Cenkos specialises in researching certain areas of the market, we now specialise in facilitating business in these same areas.

The year saw us adding expertise in technology, building and construction as well as strengthening our retail team. We now cover research in the areas of business services, retail, food retail, technology and building/construction and look to add to that capability when the opportunity arises. These additions saw the Company increase revenues in this segment by 42% from £3.3 million to £4.7 million. Due to the significant investment in high quality individuals in this area, the segmental profit has remained at £1.9 million. This reflects the inevitable time lag between individuals joining and being fully productive.

Our execution business within this segment is strictly focused on client facilitation. We do not engage in proprietary trading. We believe that the continued organic growth of this area will enhance Cenkos' overall service to its expanding client base. It is also important to point out that the department's income also increases the proportion of recurring revenue coming into the Group.

Fund and Wealth Management

Our offshore fund and wealth management services are 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 are offered, from fully discretionary to execution only, to high net worth individuals, financial intermediaries and institutions. The team recruited in the second half of 2008 has been successfully integrated. We are in the process of building an offshore asset management business, which made a positive contribution to the full year, having launched a number of funds. The business during the year has grown both in terms of the number of clients and funds managed. These now stand at 1,669 (2008: 1,150) and £779.4 million (2008: £476 million) respectively.

The onshore fund management business is provided by Cenkos Fund Management Limited, a 45% owned subsidiary. This operation has an investment management agreement with an AIM-quoted fund. The fund specialises in investing principally in unquoted companies where we see an exit route within six to thirty six months. A significant amount of the fund is invested and the company made a positive contribution to the Group during the year.

As a result of the significant progress made in this area, segmented revenue has increased by 55% to £5.9 million (2008: £3.8 million) and principally due to the operational gearing in these activities segmented profits have increased by 250% to £1.4 million (2008: £0.4 million).

Business and financial review continued

Income Statements

We set out below an extract from the income statements shown on page 30. This extract allows, in my view, a better understanding of the underlying performance of the Group as it removes the effects of the various transactions related to the paying-up and placing with institutions of a large number of our partly paid B shares, and the implementation of the Compensatory Award Plan 2009 as set out in Note 8.

	2009 £000's	2008 £000's
Revenue	46,458	28,275
Administrative expenses	(35,616)	(24,317)
Operating profit	10,842	3,958
Investment income – interest receivable	764	1,277
Finance costs – interest payable	(258)	(111)
Profit before tax	11,348	5,124

As can be seen, the Group's revenue was £46.5 million compared to last year's £28.3 million, representing an increase of 64%. Profits before tax and non-recurring items are up 122% from £5.1 million to £11.3 million. As mentioned in the Chairman's statement, this has been earned during a year of considerable uncertainty and when the UK economy has been in recession.

Cenkos continues to pursue a policy of maintaining a low fixed cost base and a remuneration policy of low basic salaries and rewarding net income generation. Our headcount has increased during the period and most of those recruits have been income generating. Due to the implementation of the Compensatory Award Plan 2009 included in staff cost within administrative expenses is the bonus paid to option holders, which amounts to £2.3 million. This bonus is linked to dividends so is entirely dependent on the after tax profits of the Group and therefore totally variable.

Partly paid shares

As set out in our admission document and subsequent financial statements the partly paid B shares held by employees amounted to 18.7 million shares at 31 December 2008. On 17 July 2009 10.6 million shares were paid up, resulting in a cash inflow of £10.5 million. The shares under the terms of the original subscription agreement were converted into ordinary shares and listed. The resulting shares were placed with a number of institutions. The selling employees were granted options over the Company's shares, with the exercise price being the price at which the institutions bought the converted shares. The employees also are entitled to receive a cash bonus equivalent to the dividend stream they would have received. As a result of these transactions our regulatory capital has increased by £8.3 million and we have surplus operational capital.

Balance Sheet and Cash Flow

As mentioned above, during the year we have reduced the amount of capital that we have committed to our market making activities. This has led to net trading investments being reduced by 31% from £8.9 million to £6.1 million. The available-for-sale investments item is represented by our 3.2% holding in the share capital of PLUS Markets Group plc. We currently hold very healthy cash levels at £20.0 million (2008: £6.3 million). The year saw us produce a net cash flow from operating activities of £30.7 million (2008: £6.0 million). This reflects higher cash profits after adjusting for non cash share-based payments as well as our trade and other receivables being reduced by the receipt in July of £10.6 million from our partly paid B shares as explained above.

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 share 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. The Group has to retain sufficient capital to satisfy the UK Financial Services Authority's capital requirements. These requirements vary from time to time depending on the business conducted by the Group. As at 31 December 2009 the Group had a solvency ratio of 204% (2008: 194%), based upon audited profits.

During the year we have fully implemented the new Internal Capital Adequacy Assessment Process (ICAAP) regime. Our ICAAP has now been fully reviewed and is considered sufficiently robust by the FSA. The ICAAP process involved financial modelling of Cenkos' business model and subjecting it to a number of stress scenarios to ensure that the Group holds sufficient capital to weather most storms.

Dividend

As we have always stated, we only intend to retain sufficient capital and reserves to meet the Group's regulatory capital and operational cash requirement. The Board is therefore proposing to pay a final dividend of 5p per share reflecting the Company's dividend policy and the performance of the Group in the six months from 1 July to 31 December 2009. If approved at the Company's Annual General Meeting on 29 March 2010, the dividend will be paid on 1 April 2010 to all shareholders on the register at 5 March 2010.

People

Whilst the market in which we operate remains unsettled, the continued professionalism of our employees has enabled us to achieve the strong performance for the year. We are proud to lead a Group of such dedicated and talented individuals. Their skill, commitment and determination will provide us with a solid platform on which to build our franchise.

We are today announcing a number of changes to the Board. John Hodson has signified that he wishes to step down as Chairman at the end of the Company's forthcoming Annual General Meeting. We would like to thank him for guiding Cenkos through its first years as a public company and for his personal support to me as Finance Director and as the new CEO. We are pleased that Peter Sullivan has agreed to take on John's role and our executive team and I look forward to working with Peter to build on past successes. Andy Stewart has decided to move to a non-executive role, as he wishes to devote more time to his family, following his son Paul's tragic accident, as well as to his charitable foundation activities. Without Andy there would be no Cenkos and we know that everyone in the Company will join in expressing their gratitude for his vision and determination.

Jimmy Durkin left the Board of the Company on 25 November 2009 and we would like to take this opportunity to thank him for all his efforts during the years he served as a Director. We are very pleased to state that Jimmy continues to work for the Company and we are sure he will continue to make a valuable contribution to the Group.

Principal risks and controls

The principal risks and uncertainties currently faced by the Group are outlined below. The risks outlined are those that the Group believes have the potential to have a significant detrimental impact on its financial performance and future prospects. These risks should not be regarded as a comprehensive list of all the risk and uncertainties the Group may potentially face, which could adversely impact its performance.

Business and financial review continued

Economic conditions

The Group is generally dependent on the health of the financial markets and in particular the economic conditions in the UK. The impact of poor economic conditions on the Group's clients and markets has the potential to adversely impact on the Group's financial performance and prospects. Specific examples that could affect the Group include a reduced level of securities trading as well as a general decline in the number of new or secondary fundraising issues. The Group has a business model that seeks to minimise the resulting impact of such scenarios by continually reviewing its cost base and more importantly by having a flexible remuneration structure which is predominantly geared to financial performance resulting in the Group having a low fixed remuneration cost base.

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. The Group also aims to demonstrate the highest level of integrity in all of its activities and Group Compliance as well as the Executive Management Committee instils awareness in all employees of the need to display the highest ethical standards and confidentiality in all the work that they undertake for the Group.

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 employees. Failure to recruit or retain such employees could significantly affect the performance of the Group. The Group seeks to minimise this risk by rewarding employees through an overall remuneration package that is heavily geared towards performance and share-based payments that align the interests of the employees and shareholders.

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. The Group has adopted a formal approach to operational risk event reporting, which involves the identification of an event, assessment of its materiality, analysis of the cause, the establishment of remedial action required and escalation to the Chief Executive Officer and the Risk and Compliance Committee. During this process Group Compliance and senior management closely ensure that this process is followed and that any significant operational risks and their controls are continually reviewed and assessed and where applicable corrective action plans are put in place.

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. These limits are reviewed on a continuous basis by the Chief Executive Officer and also by the Group Risk and Compliance Committee.

Liquidity risk

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 significant liquidity mismatches, financial liabilities are on the whole short-term and the Group has sufficient cash retained to cover all these liabilities.

Business continuity risk

There is a risk that any incident that the Group is affected by, directly or indirectly such as terrorism, disruption to utilities and services, office closures or pandemic occurrences, could cause possible damage to the Group's infrastructure or effect key employees, which in turn could affect the Group's reputation or cause financial loss. The Group has in place controls to maintain the integrity and efficiency of its systems, while ensuring the sustainability of its operations despite a significant disruption. The Group continuously reviews its business continuity planning and has disaster recovery facilities in place in order to mitigate any substantial disruption to its operations.

Outlook

We do not anticipate that the present global conditions will change significantly in the near future. From a UK perspective the consensus view is that 2010 will be a difficult year with uncertainties over the effect of the forthcoming General Election, withdrawal of quantitative easing and potential inflationary pressures leading to raised interest rates. As the financial performance of 2009 demonstrates, we are able to grow our business even in challenging economic times.

We have made a satisfactory start to the year and have undertaken a number of corporate and issuance transactions, raising over £119 million for our clients. We believe that Cenkos is well positioned to expand its franchise so as to take advantage of more benign markets when they return.

Simon Melling

Chief Executive Officer

25 February 2010

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.

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2009.

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 broking and advisory, institutional equities and fund and wealth management. The Company carries out all the activities with the exception of fund and wealth management, which are undertaken by Cenkos Channel Islands Limited and Cenkos Fund Managers 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 30.

An interim dividend of 15p per share was paid to shareholders on 6 November 2009 for the period up to 30 June 2009 (2008: 5p per share).

The Directors recommend the payment of a final dividend of 5p per share in respect of the year ended 31 December 2009 (2008: 5p per share). Subject to approval at the Annual General Meeting to be held on 29 March 2010, the dividend will be paid on 1 April 2010.

Directors

The names of the Directors of the Company appear on page 2. The Directors have served throughout the year. Jimmy Durkin served as a Director of the Company until 25 November 2009.

No director is currently due to retire by rotation.

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 2009 the issued share capital of the Company was £727,359 (2008: £726,647). This comprised 66,787,651 (2008: 54,050,495) ordinary shares of 1p each, which are admitted to trading on AIM and 5,948,269 (2008: 18,614,300) 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. Under the terms of the issue, the holders of the B shares paid the full nominal value and were required to pay a further amount (the "required premium") that 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 12,666,031 B shares of 1p each were converted into 12,666,031 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 2009	31 December 2008	Percentage interest as at 31 December 2009*
Andy Stewart	Beneficial	16,166,670	16,166,670	22.25%
	Non-Beneficial **	500,000	500,000	0.69%
Jeff Hewitt	Beneficial	2,830	—	—

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

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

Andy Stewart and Jeff Hewitt 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 26 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 25 February 2010 and 31 December 2009:

Registered holder	Number and class of shares	Percentage interest as at 25 February 2010 and 31 December 2009*
Invesco Limited	11,113,869 ordinary shares	15.27%
Cenkos Securities (Trustees) Limited**	6,686,600 consisting of 738,330 ordinary and 5,948,270 B shares	9.19%
Paul Hodges	5,665,000 ordinary shares	7.79%
Jimmy Durkin	5,625,000 ordinary shares	7.73%
Prudential plc (group of companies)	4,000,000 ordinary shares	5.49%
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.

Employee benefit trust

The Group currently operates an Employee Benefit Trust, Cenkos Securities EBT, which administers the Company's share schemes. At 31 December 2009, the Trust held 1,428,750 ordinary shares (2008: nil).

Directors' report continued

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 formula based profit sharing bonuses and share option arrangements.

Charitable and political donations

During the year the Group made charitable donations amounting to £9,400 (2008: £14,191). The Group did not make any political donations during the year (2008: £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 31 December 2009 based on the average monthly outstanding Group creditor balances, was 14 days (2008: 12 days).

Trade receivables policy

The Group's trade receivables policy is set out in note 16 on page 58.

Directors and Officers liability insurance

The Company purchases and maintains liability insurance for its Directors and Officers as permitted by the Companies Act 2006.

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 11. In addition, note 25 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 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. A stress test of these basic assumptions has been undertaken 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 fixed 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 even if the current economic outlook deteriorates 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 418 of the Companies Act 2006.

Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors and 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 29 March 2010 at 12.00 noon. A copy of the Notice of Annual General Meeting together with an explanation of the resolutions to be proposed are set out on pages 70 to 80.

This report was approved by the Board of Directors on 25 February 2010 and signed on its behalf by:

Stephen Doherty

Company Secretary

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union [and Article 4 of the IAS Regulation] and have also chosen to prepare the parent Company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in 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; and
- make an assessment of the Company's ability to continue as a going concern.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This Statement was approved by the Board of Directors on 25 February 2010 and signed on its behalf by:

Simon Melling

Chief Executive Officer

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, in so far 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 significant 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

As at 31 December 2009 the Board consisted of two executive and four non-executive Directors. The Directors contribute a range of complementary skills, knowledge and experience. Details of the individual Directors and their biographies are set out on page 3 and 4. On 1 July 2009 Andy Stewart relinquished the position of Chief Executive Officer and was appointed to the position of Deputy Executive Chairman and Simon Melling who previously held the position of Group Finance Director was appointed Chief Executive Officer. On 25 November 2009 Jimmy Durkin left the Board. No other changes to the composition of the Board were made during the year.

As set out on page 5 in the Chairman's Statement John Hodson will stand down as Chairman of the Company following the Annual General Meeting on 29 March 2010. Also on this date Peter Sullivan will be appointed as Chairman to the Company. Andy Stewart moved to the position of Non-executive Deputy Chairman on 25 February 2010.

The composition of the Board ensures that no single individual or group of individuals is able to dominate the decision-making process.

Roles of Chairman and Chief Executive Officer

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

Chairman

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 Officer is Simon Melling. He is responsible for the day-to-day management and the executive leadership of the business. His other responsibilities include the progress and development of objectives for the Group, managing the Group's risk exposure, implementing the decisions of the Board and ensuring effective communication with shareholders and the regulatory bodies.

Deputy Chairman

The Deputy Chairman is Andy Stewart.

Corporate governance report continued

Non-executive Directors

As well as the Non-executive Chairman the Board also 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.

Independence

The Board is of the opinion that each Non-executive Director acts in an independent and objective manner. The Board's opinion was determined by considering for each Non-executive Director whether he is independent in character and judgement, his conduct at Board and Committee meetings, whether he has any interests that may give rise to an actual conflict of interest and whether he acts in the best interests of the Company and its shareholders at all times.

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. No Director is currently due to retire by rotation.

Board meetings and information to the Board

The Board has regular scheduled meetings. During the year there were six scheduled Board meetings and six ad hoc Board meetings were called to deal with specific time-critical business matters or to deal with operational issues.

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.

Attendance at meetings

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee*
Total number of meetings in the year	12	4	2	1
John Hodson	12	4	2	1
Simon Melling	11	–	–	–
Andy Stewart	12	–	–	–
Paul Roy	11	3	2	1
Jeff Hewitt	12	4	2	1
Peter Sullivan	12	4	2	1
Jimmy Durkin**	8	–	–	–

* 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 during the year.

** Jimmy Durkin was a member of the Board until 25 November 2009.

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

A Board evaluation was not undertaken during the year. However, it is envisaged that a review of the Board will take place in 2010.

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 Non-executive Directors. Jeff Hewitt undertook the chairmanship of the Committee. The Committee usually meets four times a year. Other Directors, members of staff, internal auditors and the external auditors are invited to attend these meetings, as appropriate.

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 and plans for mitigating these risks;
- review of the Group's financial statements, reports and announcements and the accounting policies that underline 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 auditors.

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.

In discharging their duties during the year the Committee undertook the following tasks:

- reviewed the Company's Interim and Annual Results Announcements and the Annual Report and Accounts, respectively. On both occasions, the Committee received reports from the auditors identifying any accounting or judgmental issues thereon, requiring attention;
- reviewed reports from management which addressed the appropriateness of the production of the financial statements on a going concern basis;
- reviewed reports from the Chief Financial Officer on identified accounting or judgmental issues;
- at each meeting reviewed both the risk management process operated by Group management designed to identify the key risks and how those risks were being managed;
- at each meeting received reports from the Group Compliance Officer on the compliance activities for that respective period together with key performance indicators;
- considered, reviewed and approved to the Board the Supervisory Review and Evaluation Process and the Internal Capital Adequacy Assessment Process, that are required by the Company's regulator, the FSA;

Corporate governance report continued

- considered reports on the issue of research notes, business continuity planning, accounting policies and on segmental reporting in particular IFRS 8 Operating Segments;
- considered reports on a review of the governance and risk management process within the Company;
- considered the level of audit fees and non-audit fees and the provisions of such services;
- reviewed and agreed the internal audit plan; and
- at each of the meetings the Committee received reports from the internal auditors on their audit reviews. During the year this included reviews on Cenkos Channel Islands Operations, Limits and Positions, and Oversight activities in relation to Fraud, Operations and Financial Management Information.

The Committee also 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 Company's auditors were appointed as the auditors to Cenkos Channel Islands Limited.

Towards the end of 2008 the Committee reviewed whether there was a need for a dedicated internal audit 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 function is established. Following this, in January 2009 the Board appointed KPMG to provide an internal audit function 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 23 to 27.

Nomination Committee

The Nomination Committee, which comprises the Non-executive Directors, was chaired by John Hodson until 26 January 2010, when Peter Sullivan agreed to undertake the Chairmanship. It considers appointments to the Board and is responsible for nominating candidates to fill Board vacancies and for making recommendations on the Board composition.

The Committee formally met once during the year. However, during the year the Board also undertook a number of duties that would have normally been undertaken by the Committee. This included reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board. Where appropriate the Committee will use external advisors to facilitate searches for potential candidates and a wide range of backgrounds will be 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 the Chief Executive Officer, 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.

New business committee

The Committee, which is chaired by the Chief Executive Officer, is responsible for the management and quality of new business taken on.

Risk and compliance committee

The Committee is chaired by the Chief Executive Officer and meets monthly to monitor, review and manage the market, credit, operational and regulatory risks within the business. This Committee reports to the 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 Officer 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 the views of management, the cost effectiveness, objectivity and a review of the principal findings arising from the inspection of the auditors' carried out by the Audit Inspection Unit of the Financial Reporting Council.

The annual appointment of the 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 is responsible for identifying, evaluating and managing significant risks faced by the Group and it acknowledges that it is responsible for the Group's system of internal controls and for setting the control framework including financial, operational, compliance controls and risk management systems and for reviewing the effectiveness of these systems. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. As such it can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board, through the Audit Committee, reviewed the effectiveness of the system of internal control in February 2010. The Audit Committee considered the progress that had been made during the year ended 31 December 2009 and assessed the status of the Group's system of internal control framework and it also considered how risks are identified, monitored, mitigated and reported throughout the Group. Following this review the Audit Committee agreed that the internal control framework continued to provide reasonable assurances that appropriate internal controls are in place. Accordingly the Board confirms that throughout the year ended 31 December 2009 and up to the approval date of these Financial Statements there had been an on-going process of identifying, evaluating and managing significant risks faced by the Group.

Corporate governance report continued

The following is a summary of the internal control framework that was in place during 2009.

- In December 2008 the Group established the Group Risk and Compliance committee. This committee's overall purpose is to assist the Chief Executive Officer in the discharge of his responsibility for the group wide management of risk and regulatory compliance; he is assisted by senior management and the Group Compliance Officer. The committee's role is to monitor, review and evaluate the risks and the controls that are in place across the businesses and where appropriate take action to address any weaknesses in the controls. In considering these risks the Committee also considers the Risk Management programme for the Group as well as issues that could affect the significant and principal risks faced by the Group. The Committee is chaired by the Chief Executive Officer and during the year met on a monthly basis. Reports and issues from these meetings are reported to the Audit Committee on a quarterly basis and to the Board at each of its scheduled meetings.
- As part of the overall control framework in place, during the year the Board approved a revised Risk Management programme. This programme required the senior management to take responsibility for the identification and evaluation of significant risks applicable to their areas of business, together with the design and operation of suitable internal controls. The senior management is required to review the risks within their own business areas on at least a quarterly basis. This review would include detailing any additional risks, any changes to the existing risks within their business, detailing the controls in place and any corrective actions that are required to take place. Group Compliance monitors this programme through its quarterly compliance testing process. A review of the effectiveness of the Risk Assessment and Management Programme is included in the annual compliance monitoring programme for the Audit Committee.
- During the year the Chief Financial Officer and the Group Compliance Officer carried out an in depth review and assessment of each of the risks faced by the Group and the internal controls that were in place to mitigate those risks as part of the process in approving the Internal Capital Adequacy Assessment Process. The Board reviewed and considered the risks and controls in relation to this approval process.
- In January 2009 the Board agreed that a dedicated internal audit function be established. Accordingly this function was outsourced to KPMG. On appointment a three year audit programme was approved. Three reviews were undertaken during the year on Limits and Processes, the Cenkos Channel Islands Operations and Oversight activities in relation to Fraud, Operations and Financial Management Information. As part of the internal audit process KPMG reports directly to the Chief Executive Officer and communicates directly with the Chairman of the Audit Committee. The internal auditors also report and attend at each Audit Committee meeting.
- At each Audit Committee and Board Meeting a report is submitted from Group Compliance detailing any risk issues that had been identified during the period together with a schedule of key risk indicators. Any immediate issues relating to risk are immediately escalated to the Board by the Chief Executive Officer.

This report was approved by the Board of Directors on 25 February 2010 and signed on its behalf by:

Stephen Doherty
Company Secretary

Directors' remuneration report

Introduction

Whilst the Group is not obliged to comply with the Directors' Remuneration Report Regulations 2002, the Directors have agreed to produce a report in the spirit of those regulations and to disclose information relating to the current Directors. The report is not intended to comply with the relevant provisions of Schedule 8 to the Accounting Regulations under the Companies Act 2006 and is not subject to audit. However, the Remuneration Committee has agreed that in the interests of good corporate governance, a resolution will be proposed at the forthcoming Annual General Meeting for the shareholders to receive the Directors' remuneration report for the year ended 31 December 2009.

Remuneration Committee

Membership of the Remuneration Committee is limited to Non-executive Directors. The current members are Jeff Hewitt, John Hodson, Paul Roy and Peter Sullivan. Paul Roy was the Chairman of the Committee until 26 January 2010, when Jeff Hewitt was appointed to the position of Chairman.

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

Advice

During the year the Committee received advice on the Company's remuneration structure from Kepler Associates.

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 senior 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 and retain individuals of the highest calibre and reward them such that they are motivated 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 senior management and employees, and as such the rewards of Executive Directors are aligned with those of shareholders.

The Group operates in an arena where it is common practice to pay significant variable remuneration. However, the Group's policy is to pay large awards only where it can be demonstrated that individual and team performances have increased the profitability of the business and the return to shareholders. This is operated through a formula-based profit sharing arrangement for senior management. These profit sharing arrangements compensate for basic salaries, which are capped at relatively modest levels. The current Executive Directors do not participate in the current arrangement concerning a formula-based profit sharing arrangement.

Directors' remuneration continued

Towards the end of the year a review of the Company's senior management remuneration was undertaken by Kepler Associates. The remuneration structure had not been reviewed since the Company's admission to AIM in 2006 and, while many aspects of the structure continue to serve the Company well, the Committee believes that a number of changes would improve effectiveness and strengthen shareholder alignment. Following this review (which also took into account the recent publication of the FSA's Code on Remuneration) it is envisaged that a number of changes to the remuneration structure will take place in 2010, including:

- a revision of the current formula-based profit sharing arrangements, to provide tiered levels of profit sharing so that exceptional performance is appropriately incentivised; and
- the introduction of a group profit sharing pool which will fund annual grants of performance-based equity incentives.

Implementation of the proposed changes could increase the compensation to revenue ratio depending on the level of revenue generated by the tiered structure, but the overall benefits of the scheme to shareholders are believed to be positive. In line with best practice and to reinforce its commitment to transparency for shareholders, the Committee is advising shareholders of these amendments to the senior management remuneration arrangements.

Components of Executive Directors' remuneration

Basic salary

The policy is to provide basic salaries, which are set 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 Jimmy Durkin's (who was a member of the Board until 25 November 2009). His performance-related award was paid entirely under a formula based profit sharing arrangement and was thus directly linked to the performance of his team as well as his personal performance.

In determining the level of award to the remaining Executive Directors, 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 performance of individual Directors within their areas of responsibility as well as a review of comparable market data.

Following the appointment of Simon Melling as Chief Executive Officer, a review of the role and responsibilities of the Chief Executive Officer is being undertaken. As part of the review, specific targets and objectives will be set each year with effect from 2010. This will also be taken into account when assessing the annual performance award for the year ended 31 December 2010.

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 2009 £ 000's	Annual performance award 2009 £ 000's	Benefits in kind 2009 £ 000's	Cash bonus in respect of options held* 2009 £ 000's	Total 2009 £ 000's	Total 2008 £ 000's
Simon Melling*	138	700	1	85	924	399
Andy Stewart**	50	–	2	–	52	301
Jimmy Durkin****	46	922	1	–	969	608
John Hodson*	50	–	4	120	174	155
Paul Roy	35	–	–	–	35	35
Jeff Hewitt***	35	–	–	–	35	18
Peter Sullivan***	35	–	–	–	35	18
	389	1,622	8	205	2,224	1,534

* 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.

** Andy Stewart had previously proposed that were the Remuneration Committee otherwise to consider it appropriate to make an award to him, instead of making such an award to him, that a corresponding amount might be donated to The Andy Stewart Charitable Foundation (the 'Foundation') the beneficiaries of which are all charitable organisations and in the past have included such charities as The Spinal Injuries Association, The Spinal Trust, The Children's Liver Disease Foundation, Children with Leukemia, Help for Heroes and Racing Welfare. The Board has agreed that a charitable donation of £250,000 will be made to the Foundation in 2010.

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

**** Jimmy Durkin was a member of the Board until 25 November 2009.

Pension arrangements

The Company does not operate a pension scheme.

Directors' service contracts

No Executive 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 ("LTIP") and a Company Share Option Plan ("the CSOPs") together referred to as ("the Schemes"). During the year awards over a total of 3,420,000 shares were granted under the LTIP scheme. 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 Executive Directors. Any grant of options is at the discretion of the Committee and takes into account individual performance and responsibilities. Where appropriate, a grant of options may incorporate a performance condition.

Directors' remuneration continued

During the year the Board approved a Compensatory Award Plan 2009 (the "CAP"). Prior to the Company's shares being admitted to trading on AIM a limited number key employees of the Group acquired B shares in the capital of the Company (the "B shares"). The B shares were not admitted to trading on AIM. The individuals were only required to pay the nominal value of the shares, as the shares were offered on a partly-paid basis. Holders of the B shares were required to pay the balance of the subscription price at a later date or on the occurrence of certain events. Upon payment of the subscription price the B shares convert automatically into ordinary shares and are admitted to trading on AIM. Due to the rights attaching to the B shares and the terms on which they were acquired, they ceased to have the original incentivisation and motivational effect following the collapse in global financial markets in late 2008 and a corresponding fall in the share price of the Company. In July 2009, the Board informally consulted the Company's significant shareholders in order to discuss possibilities of remedying this situation in light of the fact that the employees concerned were key to the ongoing and future success of the Company's business. As a consequence, the Board established the CAP in order to provide a fresh incentivisation arrangement. As part of the incentivisation arrangement, B shareholders were invited to either transfer their shares to the Cenkos Securities EBT or have their shares placed in the market. As a consequence they received "compensatory awards" under the CAP. The CAP is based on the LTIP but does not contain certain features: in particular, individual limits, performance conditions and vesting provisions. The absence of these provisions is due to the fact that the B shares did not contain such features, and so it was the intention of the Board to mirror the rights and restrictions of the B shares as closely as possible with the awards under the CAP. No Executive Director participates in the CAP. A resolution to ratify the CAP will be proposed at the Annual General Meeting.

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 2009	31 December 2008	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
	1,000,000	–	169.5p	09.10.2009	09.10.2012	09.04.2013

The options granted on 23 October 2006, prior to the Company's admission to AIM were not granted under the terms and conditions of the Company's LTIP scheme.

On 9 October 2009 the Committee awarded Simon Melling 1,000,000 options under the LTIP. These awards were granted with a performance condition, which specifies that the Company's total shareholder returns must exceed 5% per annum over a three-year period for the award to vest.

In accordance with the terms of the grant of the above 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 by Directors are shown on page 25 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 Executive Directors 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. No increases were made to the Non-executive Directors' fees during 2009. However, in January 2010 the fees were reviewed and the Executive Directors agreed to increase the base fee for non-executive Directors to £45,000 and

to implement an additional fee of £5,000 for each Non-executive Director who acts as the Chairman of the Audit, Remuneration and Nomination Committees, respectively. This was the first increase in the fees since the Company's admission to AIM in 2006.

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 the Chairman, John Hodson.

This report was approved by the Board of Directors on 25 February 2010 and signed on its behalf by:

Jeff Hewitt

Chairman of the Remuneration Committee

Independent auditors' report to the members of Cenkos Securities plc

We have audited the financial statements of Cenkos Securities plc for the year ended 31 December 2009 which comprise the Group Income Statement, the Group and Parent Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Simon Hardy (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

London, UK

25 February 2010

Consolidated income statement for the year ended 31 December 2009

1 January 2009 to 31 December 2009					1 January 2008 to 31 December 2008 £ 000's
	Note	Before non- recurring item £ 000's	Non- recurring item (note 8) £ 000's	After non- recurring item £ 000's	
Revenue	3	46,458	–	46,458	28,275
Administrative expenses		(35,616)	(4,987)	(40,603)	(24,317)
Operating profit		10,842	(4,987)	5,855	3,958
Investment income – interest receivable	4	764	1,139	1,903	1,277
Finance costs – interest payable	5	(258)	–	(258)	(111)
Profit before tax	7	11,348	(3,848)	7,500	5,124
Tax	9	(2,553)	84	(2,469)	(1,404)
Profit for the year		8,795	(3,764)	5,031	3,720
Attributable to:					
Equity holders of the parent		8,258	(3,764)	4,494	3,545
Minority interests		537	–	537	175
		8,795	(3,764)	5,031	3,720
Earnings per share					
From continuing operations					
Basic	11	11.40p		6.20p	4.88p
Diluted	11	11.36p		6.18p	4.88p

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 2009 was £3,671,410
(31 December 2008: £3,337,910).

Consolidated statement of comprehensive income for the year ended 31 December 2009

	1 January 2009 to 31 December 2009			1 January 2008 to 31 December 2008
	Before non-recurring item £ 000's	Non-recurring item (note 8) £ 000's	After non-recurring item £ 000's	£ 000's
Profit for the year	8,795	(3,764)	5,031	3,720
Available-for-sale financial assets:				
Gains/(losses) arising during the year	195	–	195	(2,780)
Tax relating to losses on available-for-sale financial assets	–	–	–	761
Other comprehensive income for the year	195	–	195	(2,019)
Total comprehensive income for the year	8,990	(3,764)	5,226	1,701
Attributable to:				
Equity holders of the parent	8,453	(3,764)	4,689	1,526
Minority interests	537	–	537	175
	8,990	(3,764)	5,226	1,701

Company statement of comprehensive income for the year ended 31 December 2009

	1 January 2009 to 31 December 2009			1 January 2008 to 31 December 2008
	Before non-recurring item £ 000's	Non-recurring item (note 8) £ 000's	After non-recurring item £ 000's	£ 000's
Revenue	40,668	–	40,668	24,480
Administrative expenses	(31,076)	(4,987)	(36,063)	(20,876)
Operating profit	9,592	(4,987)	4,605	3,604
Investment income – interest receivable	767	1,139	1,906	1,234
Finance costs – interest payable	(450)	–	(450)	(103)
Profit before tax	9,909	(3,848)	6,061	4,735
Tax	(2,474)	84	(2,390)	(1,397)
Profit for the year	7,435	(3,764)	3,671	3,338
Available-for-sale financial assets:				
Gains/(losses) arising during the year	195	–	195	(2,780)
Tax relating to losses on available-for-sale financial assets	–	–	–	761
Other comprehensive income for the year	195	–	195	(2,019)
Total comprehensive income for the year attributable to the owners of the Company	7,630	(3,764)	3,866	1,319

Consolidated balance sheet as at 31 December 2009

	Note	31 December 2009 £ 000's	31 December 2008 £ 000's	31 December 2007 £ 000's
Non-current assets				
Property, plant and equipment	12	872	1,111	944
Available-for-sale investments	13	511	763	3,543
Deferred tax asset	19	227	67	321
		<u>1,610</u>	<u>1,941</u>	<u>4,808</u>
Current assets				
Trading investments – long positions	15	8,153	11,392	26,597
Trade and other receivables	16	36,357	41,493	56,763
Cash and cash equivalents	17	19,994	6,337	16,244
		<u>64,504</u>	<u>59,222</u>	<u>99,604</u>
Total assets		<u>66,114</u>	<u>61,163</u>	<u>104,412</u>
Current liabilities				
Trading investments – short positions	15	(2,058)	(2,506)	(11,803)
Trade and other payables	18	(35,251)	(23,430)	(46,761)
		<u>(37,309)</u>	<u>(25,936)</u>	<u>(58,564)</u>
Net current assets		<u>27,195</u>	<u>33,286</u>	<u>41,040</u>
Non-current liabilities				
Deferred tax liabilities	19	–	–	(761)
Total liabilities		<u>(37,309)</u>	<u>(25,936)</u>	<u>(59,325)</u>
Net assets		<u>28,805</u>	<u>35,227</u>	<u>45,087</u>
Equity				
Share capital	20	727	727	726
Share premium account		22,700	22,700	22,700
Own shares	21	(2,037)	–	–
Revaluation reserve		(48)	(243)	1,776
Retained earnings		<u>6,626</u>	<u>11,614</u>	<u>19,633</u>
Equity attributable to equity holders of the parent		<u>27,968</u>	<u>34,798</u>	<u>44,835</u>
Minority interests		<u>837</u>	<u>429</u>	<u>252</u>
Total equity		<u>28,805</u>	<u>35,227</u>	<u>45,087</u>

The financial statements were approved by the Board of Directors and authorised for issue on 25 February 2010.
They were signed on its behalf by:

John Hodson
Chairman

Simon Melling
Chief Executive Officer

Company balance sheet as at 31 December 2009

	Note	31 December 2009 £ 000's	31 December 2008 £ 000's	31 December 2007 £ 000's
Non-current assets				
Property, plant and equipment	12	791	983	904
Available-for-sale investments	13	511	763	3,543
Deferred tax asset	19	227	67	321
Investments in subsidiary undertakings	14	256	266	208
		<u>1,785</u>	<u>2,079</u>	<u>4,976</u>
Current assets				
Trading investments – long positions	15	8,153	11,392	26,597
Trade and other receivables	16	28,502	27,934	54,646
Cash and cash equivalents	17	18,546	6,397	14,558
		<u>55,201</u>	<u>45,723</u>	<u>95,801</u>
Total assets		<u>56,986</u>	<u>47,802</u>	<u>100,777</u>
Current liabilities				
Trading investments – short positions	15	(2,058)	(2,506)	(11,803)
Trade and other payables	18	(26,174)	(10,917)	(43,589)
		<u>(28,232)</u>	<u>(13,423)</u>	<u>(55,392)</u>
Net current assets		<u>26,969</u>	<u>32,300</u>	<u>40,409</u>
Non-current liabilities				
Deferred tax liabilities	19	–	–	(761)
Total liabilities		<u>(28,232)</u>	<u>(13,423)</u>	<u>(56,153)</u>
Net assets		<u>28,754</u>	<u>34,379</u>	<u>44,624</u>
Equity				
Share capital	20	727	727	726
Share premium account		22,700	22,700	22,700
Revaluation reserve		(48)	(243)	1,776
Retained earnings		5,375	11,195	19,422
Total equity		<u>28,754</u>	<u>34,379</u>	<u>44,624</u>

The financial statements were approved by the Board of Directors and authorised for issue on 25 February 2010.
They were signed on its behalf by:

John Hodson
Chairman

Simon Melling
Chief Executive Officer

Consolidated cash flow statement for the year ended 31 December 2009

	Note	1 January 2009 to 31 December 2009 £ 000's	1 January 2008 to 31 December 2008 £ 000's
Profit for the year		5,031	3,720
Adjustments for:			
Finance income		(1,645)	(1,165)
Tax expense		2,470	1,404
Depreciation of property, plant and equipment	12	327	341
Share-based payment expense		5,572	928
Operating cash flows before movements in working capital		11,755	5,228
Decrease in net trading investments		2,791	5,909
Decrease in trade and other receivables		4,560	15,198
Increase/(decrease) in trade and other payables		11,565	(20,358)
Net cash flow from operating activities		30,671	5,977
Interest paid		(258)	(111)
Tax paid		(2,358)	(4,272)
Net cash flow from operating activities		28,055	1,594
Investing activities			
Interest received		1,946	1,348
Net proceeds from the part disposal of a subsidiary		6	–
Purchase of property, plant and equipment	12	(88)	(508)
Proceeds from the sale of available-for-sale investments	13	447	–
Net cash flows from investing activities		2,311	840
Financing activities			
Dividends paid	10	(14,547)	(12,344)
Distributions made to minority interests		(125)	–
Acquisition of own shares	21	(2,037)	1
Increase in investment in subsidiary		–	(20)
Issue of capital by subsidiary to minority interests		–	22
Net cash used in financing activities		(16,709)	(12,341)
Net increase/(decrease) in cash and cash equivalents		13,657	(9,907)
Cash and cash equivalents at beginning of year		6,337	16,244
Cash and cash equivalents at end of year		19,994	6,337

Company cash flow statement for the year ended 31 December 2009

	Note	1 January 2009 to 31 December 2009 £ 000's	1 January 2008 to 31 December 2008 £ 000's
Profit for the year		3,671	3,338
Adjustments for:			
Finance income		(1,456)	(1,131)
Tax expense		2,390	1,397
Depreciation of property, plant and equipment	12	267	291
Share-based payment expense		5,582	869
Operating cash flows before movements in working capital		10,454	4,764
Decrease in net trading investments		2,791	5,909
(Increase)/decrease in trade and other receivables		(1,144)	26,640
Increase/(decrease) in trade and other payables		14,992	(29,698)
Net cash flow from operating activities		27,093	7,615
Interest paid		(450)	(103)
Tax paid		(2,269)	(4,266)
Net cash flow from operating activities		24,374	3,246
Investing activities			
Interest received		1,950	1,306
Purchase of property, plant and equipment	12	(75)	(370)
Proceeds from the sale of available-for-sale investments	13	447	–
Net cash flows from investing activities		2,322	936
Financing activities			
Dividends paid	10	(14,547)	(12,344)
Proceeds from issue of equity shares		–	1
Net cash used in financing activities		(14,547)	(12,343)
Net increase/(decrease) in cash and cash equivalents		12,149	(8,161)
Cash and cash equivalents at beginning of year		6,397	14,558
Cash and cash equivalents at end of year		18,546	6,397

Consolidated statement of changes in equity for the year ended 31 December 2009

	Equity attributable to equity holders of the Parent							Total £ 000's
	Share capital £ 000's	Share premium £ 000's	Own shares £ 000's	Available- for-sale reserve £ 000's	Retained earnings £ 000's	Total £ 000's	Minority Interests £ 000's	
At 1 January 2008	726	22,700	–	1,776	19,633	44,835	252	45,087
Profit for the year	–	–	–	–	3,545	3,545	–	3,545
Other comprehensive income for the year	–	–	–	(2,019)	–	(2,019)	–	(2,019)
Total comprehensive income for the year	–	–	–	(2,019)	3,545	1,526	–	1,526
Shares issued	1	–	–	–	–	1	–	1
Interest acquired by minority interest	–	–	–	–	–	–	22	22
Increase of investment in subsidiary	–	–	–	–	–	–	(20)	(20)
Profit allocated to minority interests	–	–	–	–	–	–	175	175
Credit to equity for equity-settled share-based payments	–	–	–	–	928	928	–	928
Deferred tax on share-based payments	–	–	–	–	(148)	(148)	–	(148)
Dividends paid	–	–	–	–	(12,344)	(12,344)	–	(12,344)
At 31 December 2008	727	22,700	–	(243)	11,614	34,798	429	35,227
Profit for the year	–	–	–	–	4,494	4,494	–	4,494
Other comprehensive income for the year	–	–	–	195	–	195	–	195
Total comprehensive income for the year	–	–	–	195	4,494	4,689	–	4,689
Profit allocated to minority interests	–	–	–	–	–	–	537	537
Own shares acquired in the year	–	–	(2,037)	–	–	(2,037)	–	(2,037)
Interest acquired by minority interest	–	–	–	–	9	9	(4)	5
Credit to equity for equity-settled share-based payments	–	–	–	–	5,040	5,040	–	5,040
Deferred tax on share-based payments	–	–	–	–	16	16	–	16
Dividends paid	–	–	–	–	(14,547)	(14,547)	(125)	(14,672)
At 31 December 2009	727	22,700	(2,037)	(48)	6,626	27,968	837	28,805

Company statement of changes in equity for the year ended 31 December 2009

	Share capital £ 000's	Share premium £ 000's	Available- for-sale reserve £ 000's	Retained earnings £ 000's	Total £ 000's
At 1 January 2008	726	22,700	1,776	19,422	44,624
Profit for the year	–	–	–	3,337	3,337
Other comprehensive income for the year	–	–	(2,019)	–	(2,019)
Total comprehensive income for the year	–	–	(2,019)	3,337	1,318
Shares issued	1	–	–	–	1
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
Profit for the year	–	–	–	3,671	3,671
Other comprehensive income for the year	–	–	195	–	195
Total comprehensive income for the year	–	–	195	3,671	3,866
Credit to equity for equity-settled share-based payments	–	–	–	5,040	5,040
Deferred tax on share-based payments	–	–	–	16	16
Dividends paid	–	–	–	(14,547)	(14,547)
At 31 December 2009	727	22,700	(48)	5,375	28,754

Notes to the financial statements for the year ended 31 December 2009

1. Accounting policies

General information

Cenkos Securities plc is a Company incorporated in the United Kingdom under the Companies Act 2006 (Company Registration No. 05210733). 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 2006 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 following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

IAS 1 (revised 2007) Presentation of Financial Statements

IAS 1(2007) has introduced a number of changes in the format and content of the financial statements. In addition, the revised Standard has required the presentation of a third balance sheet at 31 December 2009 because the entity has applied certain changes in accounting policies retrospectively (see below).

IFRS 8 Operating Segments

IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 3).

IFRS 7 Improving Disclosure about financial instruments

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

At the date of 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 1 (amended)/IAS 27 (amended) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

IFRS 3 (revised 2008) Business Combinations

IAS 27 (revised 2008) Consolidated and Separate Financial Statements

IAS 28 (revised 2008) Investments in Associates

IFRIC 17 Distributions of Non-cash Assets to Owners

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 individual income statement and related notes are published for the Company as provided by the exemption under section 408 of the Companies Act 2006.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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 11. In addition, note 25 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 at the time of approving the financial statements the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook and that the Company and 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

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

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' (FVTPL), 'available-for-sale', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Notes to the financial statements continued

1. Accounting policies (continued)

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.

Financial assets are classified as financial assets at 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 profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Available-for-sale investments

Listed shares held by the Group that are traded in an active market are classified as available-for-sale investments and are initially measured at fair value, including transaction costs. At each reporting date, these investments are measured at their fair values and the resultant gains and losses, after adjusting for taxation, are recognised directly in 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 period.

Trade and other receivables

Market and client receivables are measured at fair value. Unpaid share premium and loans due from staff are initially measured at fair value and measured at amortised cost at each subsequent reporting date. All other debtors are measured at amortised cost using the effective interest method, less any impairment. Appropriate allowance for estimated irrecoverable amounts is recognised in the profit or loss 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.

Impairment of financial assets

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

Cash and cash equivalents

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

Derecognition of financial assets

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of disposal in the near future; or
- it is part of an identified portfolio of financial instruments that the 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 profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

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

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

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

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

Derecognition of financial liabilities

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

Equity instruments

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

Notes to the financial statements continued

1. Accounting policies (continued)

Derivative financial instruments

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

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

Provisions

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

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

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet 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 held as fixed assets 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.

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 balance sheet date.

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 fees for corporate finance advisory services which are taken to the income statement when the services are performed. 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

IFRS 8 requires that an entity disclose financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments. These operating segments are identified on the basis of internal reports that are regularly reviewed by the Chief Executive Officer to allocate resources and to assess performance. Using the Group's internal management reporting as a starting point the reporting segments set out in note 3 have been identified.

Notes to the financial statements continued

1. Accounting policies (continued)

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. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

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 three 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 judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The 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 24.

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 has 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 25 and provides for amounts it considers irrecoverable.

3. Business and geographical segments

Adoption of IFRS 8, Operating Segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

Products and services from which reportable segments derive their revenues

In prior years, segment information reported externally was analysed on the basis of business segments and geographical location. However, information reported to the Chief Executive Officer for the purposes of resource allocation and assessment by segment performance is more specifically focussed on the nature of product and services for each type of activity. Based on this, the Group has identified three reportable segments and the following products and services provided by these segments:

Corporate Broking and Advisory

This segment provides corporate finance, corporate broking and market making services to small to mid cap companies and investment funds.

Institutional Equities

The institutional equities team provides research driven investment recommendations and execution capabilities to institutional clients.

Notes to the financial statements continued

3. Business and geographical segments (continued)

Fund and Wealth Management

Offshore wealth management and stockbroking services are primarily provided through Cenkos Channel Islands Limited.

Our fund management business is primarily provided by Cenkos Fund Management Limited.

An analysis of the Group's revenue and result by reportable segment is as follows:

	1 January 2009 to 31 December 2009			
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Group Total £ 000's
Segment revenues and results				
Corporate finance	25,157	–	5	25,162
Corporate broking & market making	9,114	–	–	9,114
Research fees & commission	1,566	4,706	–	6,272
Management fees & stockbroking services	–	–	5,910	5,910
Segment revenue	35,837	4,706	5,915	46,458
Administrative expenses	(19,778)	(2,850)	(4,540)	(27,168)
Segment results	16,059	1,856	1,375	19,290
Unallocated administrative expenses				(13,435)
Operating profit				5,855
Investment income – interest receivable				1,903
Finance costs – interest payable				(258)
Profit before tax				7,500
Tax				(2,469)
Profit for the year				5,031

	As at 31 December 2009					
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Segment Total £ 000's	Unallocated £ 000's	Group Total £ 000's
Other segment information						
Assets	9,688	–	11,230	20,918	45,196	66,114
Liabilities	(2,058)	–	(9,080)	(11,138)	(26,171)	(37,309)
Depreciation and amortisation	–	–	60	60	267	327
Additions to non-current assets	–	–	13	13	75	88

Segment assets have been allocated on the basis of the internal reports received by the Chief Executive Officer for the purposes of monitoring segment performance and allocating resources between segments.

	1 January 2008 to 31 December 2008			
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Group Total £ 000's
Segment revenues and results				
Corporate finance	20,272	–	161	20,433
Corporate broking & market making	(434)	–	–	(434)
Research fees & commission	1,322	3,320	–	4,642
Management fees & stockbroking services	–	–	3,634	3,634
Segment revenue	21,160	3,320	3,795	28,275
Administrative expenses	(11,103)	(1,454)	(3,441)	(15,998)
Segment results	10,057	1,866	354	12,277
Unallocated administrative expenses				(8,319)
Operating profit				3,958
Investment income – interest receivable				1,277
Finance costs – interest payable				(111)
Profit before tax				5,124
Tax				(1,404)
Profit for the year				3,720

	As at 31 December 2008					
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Segment Total £ 000's	Unallocated £ 000's	Group Total £ 000's
Other segment information						
Assets	12,895	–	14,525	27,420	33,743	61,163
Liabilities	(2,506)	–	(13,435)	(15,941)	(9,995)	(25,936)
Depreciation and amortisation	–	–	50	50	291	341
Additions to non-current assets	–	–	139	139	369	508

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit earned by each segment without allocation of the central administration costs, investment revenue and finance costs, and income tax expense. This is the measure reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

Notes to the financial statements continued

3. Business and geographical segments (continued)

An analysis of the Group's revenue by geographical location is as follows:

Geographical information

	1 January 2009 to 31 December 2009			1 January 2008 to 31 December 2008		
	United Kingdom £ 000's	Channel Islands £ 000's	Group Total £ 000's	United Kingdom £ 000's	Channel Islands £ 000's	Group Total £ 000's
Revenue ^(a)	41,839	4,619	46,458	25,411	2,864	28,275
Non-current assets	802	70	872	1,003	108	1,111

(a) Revenues are attributed on the basis of the entities' location.

Major customers

The revenue generated from no one particular customer amounted to more than 10% of the Group's total revenue.

4. Investment income – interest receivable

	1 January 2009 to 31 December 2009 £ 000's	1 January 2008 to 31 December 2008 £ 000's
Interest income generated from:		
Bank deposits	74	457
Other loans and receivables	1,829	820
	<u>1,903</u>	<u>1,277</u>

Interest income generated from other loans and receivables includes the recognition of the unwinding of the discount factor applied to the partly paid B shares, which amounted to £1,808,484 (2008: £794,885).

5. Finance costs – interest payable

	1 January 2009 to 31 December 2009 £ 000's	1 January 2008 to 31 December 2008 £ 000's
Interest on bank overdrafts and loans	<u>258</u>	<u>111</u>

6. Staff costs

	1 January 2009 to 31 December 2009 £ 000's	1 January 2008 to 31 December 2008 £ 000's
Staff costs comprise:		
Wages and salaries	21,445	13,811
Social security costs	3,007	1,802
Share-based payments	5,784	1,125
	<u>30,236</u>	<u>16,738</u>

The Group does not operate any pension schemes.

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

	2009 No.	2008 No.
Corporate finance	11	10
Corporate broking	71	59
Administration	41	28
	<hr/> 123	<hr/> 97
	<hr/> £ 000's	<hr/> £ 000's
The total emoluments of the highest paid director serving during the year were:	969	608

Details of the remuneration of key management personnel are set out in note 26.

7. Profit for the year

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

	1 January 2009 to 31 December 2009 £ 000's	1 January 2008 to 31 December 2008 £ 000's
Operating lease rentals	626	625
Auditors' remuneration (refer to analysis below)	171	114
Depreciation of property, plant and equipment	327	341
Staff costs (see note 6)	30,236	16,738
Change in fair value of financial assets designated as at fair value through profit or loss	(320)	503
Costs associated with aborted takeover bid	–	100
	<hr/> £ 000's	<hr/> £ 000's
The analysis of auditors' remuneration is as follows:		
Fees payable to the Company's auditors for the audit of the Group's annual accounts and consolidation	102	86
Fees payable to the Company's auditors for other services:		
– the audit of the Company's subsidiaries, pursuant to legislation	41	13
Total Audit Fees	<hr/> 143	<hr/> 99
– other services, pursuant to legislation		
Half-year review	28	15
	<hr/> 171	<hr/> 114

A description of the work of the Audit Committee is set out on pages 19 and 20 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.

Notes to the financial statements continued

8. Non-recurring item

Changes to the B share employee incentive scheme

	1 January 2009 to 31 December 2009 £ 000's	1 January 2008 to 31 December 2008 £ 000's
Charge relating to the extension of repayment terms of the remaining B share loans	532	—
Fair value of options awarded under the Compensatory Award Plan 2009	4,455	—
Administrative expenses	4,987	—
Credit relating to the acceleration of the discount due to the early repayment of the B share loans where the shares were either placed or transferred to the EBT	(1,139)	—
Investment income – interest receivable	(1,139)	—
	3,848	—

The following events occurred during the current year in relation to the B shares:

- on 21 May 2009, at the AGM, the Company resolved to extend the repayment term of the unpaid share premium and loans due from staff from 1 July 2011 to 1 July 2013;
- on 17 July 2009 the loans relating to 10.6 million B shares were repaid and the shares listed; and
- on 22 October 2009, the loans relating to a further 1.43 million shares were repaid and the shares transferred to the Cenkos Securities EBT ("EBT").

These changes to the expected cash flows have been reflected in the adjustments made to the carrying amount of the loans as at 31 December 2009 and result in a credit of £1,139,005 from the acceleration of the discount due to the early repayment of the loans relating to the shares listed and a debit of £532,404 from the extension of the repayment term of the remaining loans.

The events detailed above were the result of three options offered to the holders of B shares. These were to:

1. Continue to hold some or all of their B shares.
2. Transfer a portion of their converted B shares to the EBT, after settling the loan associated with the unpaid portion of the shares.
3. Place some or all of the converted B shares to third-party institutional investors, after settling the loan associated with the unpaid portion of the shares.

Where a B shareholder either transferred the converted B shares to the EBT or placed them with the third-party institutional investor, they became eligible for an award under the Compensatory Award Plan 2009 and entitled to a cash bonus under the Compensatory Award Phantom Dividend Plan 2009.

The Compensatory Award Plan 2009 entitled the B shareholder to an award of options equivalent to the number of B shares transferred or placed at the transfer or placing price. These options are detailed below:

	Date of Grant and Vesting	Date of expiry	Remaining contractual life, months	2009 Number of share options	Exercise price in (£)
Granted under the Compensatory Award Plan 2009 for shares placed	Jul-09	Ju-19	114	9,378,870	1.15
Granted under the Compensatory Award Plan 2009 for shares transferred	Oct-09	Oct-19	117	1,428,750	1.69
				<u>10,807,620</u>	

The Group uses the Monte Carlo Simulation model to estimate the fair value of the options. The inputs to the model are as follows:

	2009 £
Expected volatility	30%
Expected share price growth	5%
Discount rate	<u>25%</u>

Expected volatility was determined by calculating the 20-day moving average of the share price since flotation. 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.

These options vest immediately, so the estimated fair value of £4,454,457 is recognised as an expense, at the date of grant, by the Group. Note 24 Share-based payments gives full details of all the options issued during the year.

The Compensatory Award Phantom Dividend Plan 2009 entitles the B shareholder to a cash bonus equivalent to the amount of any dividend per share that the Company pays to ordinary shareholders multiplied by the number of share options awarded under the Compensatory Award Plan 2009. This bonus is charged as an expense from the date of approval of a dividend by the Board.

Notes to the financial statements continued

9. Tax

The tax charge comprises:

	1 January 2009 to 31 December 2009			1 January 2008 to 31 December 2008
	Before non-recurring item £ 000's	Non-recurring item £ 000's	After non-recurring item £ 000's	£ 000's
Current tax				
United Kingdom corporation tax at 28% (2008 – 28.5%) based on the profit for the year	2,967	–	2,967	1,391
Overseas tax charge borne by subsidiaries operating in other jurisdictions	–	–	–	6
Adjustment in respect of prior period				
United Kingdom corporation tax	(345)	–	(345)	(99)
Overseas tax charge borne by subsidiaries operating in other jurisdictions	(9)	–	(9)	–
Total current tax	2,613	–	2,613	1,298
Deferred tax				
Credit on account of timing differences	(60)	(84)	(144)	–
Charge on account of timing differences	–	–	–	106
Total deferred tax (refer note 19)	(60)	(84)	(144)	106
Total tax on profit on ordinary activities	2,553	(84)	2,469	1,404

The tax charge for the year differs from that resulting from applying the standard rate of UK corporation tax of 28% (2008: 28.5%) to the profit before tax for the reasons set out in the following reconciliation.

	1 January 2009 to 31 December 2009			1 January 2008 to 31 December 2008
	Before non-recurring item £ 000's	Non-recurring item £ 000's	After non-recurring item £ 000's	£ 000's
Profit on ordinary activities before tax	11,349	(3,848)	7,501	5,124
Tax on profit on ordinary activities at the UK corporation tax rate of 28% (2008: 28.5%)	3,178	(1,077)	2,101	1,460
Tax effect of:				
Depreciation in excess of capital allowances	18	–	18	25
Expenses that are not deductible in determining taxable profits	374	1,396	1,770	411
Different tax rates of subsidiaries operating in other jurisdictions	(280)	–	(280)	(150)
Income not subject to corporation tax	(307)	(319)	(626)	(396)
Adjustment for IFRS2 relating to staff options	(60)	(84)	(144)	106
Tax effect of utilisation of losses not previously recognised	(25)	–	(25)	47
Adjustment in respect of prior period	(345)	–	(345)	(99)
Tax expense for the year	2,553	(84)	2,469	1,404

In addition to the amount credited to the income statement, deferred tax relating to the fair value of the Group's available-for-sale investments amounting to nil has been credited directly to equity (2008: £761,216 charged directly to equity) and deferred tax relating to share-based payments amounting to £15,639 has been credited directly to equity (2008: £148,062 charged directly to equity).

	1 January 2009 to 31 December 2009			1 January 2008 to 31 December 2008
	Before non-recurring item £ 000's	Non-recurring item £ 000's	After non-recurring item £ 000's	£ 000's
Arising on unrealised gain on available-for-sale investment	–	–	–	(761)
Arising on share-based payments	16	–	16	(148)
Total income tax recognised directly in equity	16	–	16	(909)

Notes to the financial statements continued

10. Dividends

Amounts recognised as distributions to equity holders in the year:

	1 January 2009 to 31 December 2009 £ 000's	1 January 2008 to 31 December 2008 £ 000's
Final dividend for the year ended 31 December 2008 of 5p (December 2007: 12p) per share	3,637	8,711
Interim dividend for the period to 30 June 2009 of 15p (June 2008: 5p) per share	10,910	3,633
	<u>14,547</u>	<u>12,344</u>

A final dividend of 5p per share has been proposed for the year ended 31 December 2009 (31 December 2008: 5p).

11. Earnings per share

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

	1 January 2009 to 31 December 2009			1 January 2008 to 31 December 2008
	Before non- recurring item £ 000's	Non- recurring item £ 000's	After non- recurring item £ 000's	£ 000's
Earnings				
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	8,258	(3,764)	4,494	3,545
Effect of dilutive potential ordinary shares:				
Share options	–	–	–	–
Earnings for the purposes of diluted earnings per share	<u>8,258</u>	<u>(3,764)</u>	<u>4,494</u>	<u>3,545</u>

	No.	No.
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	72,442,817	72,616,990
Effect of dilutive potential ordinary shares:		
Share options	<u>234,906</u>	<u>95,060</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>72,677,723</u>	<u>72,712,050</u>

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 year 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. On 22 October 2009, 1,428,750 shares were transferred to the Cenkos Securities EBT. These shares are held by the trust in treasury and have been included in the weighted average number of shares calculation up to this date.

12. Property, plant and equipment

Group	Leasehold improvements £ 000's	Fixtures and fittings £ 000's	IT equipment £ 000's	Total £ 000's
Cost				
At 31 December 2007	816	72	467	1,355
Additions	222	131	155	508
At 31 December 2008	1,038	203	622	1,863
Additions	–	3	85	88
At 31 December 2009	1,038	206	707	1,951
Accumulated depreciation				
At 31 December 2007	(129)	(26)	(256)	(411)
Charge for the year	(143)	(51)	(147)	(341)
At 31 December 2008	(272)	(77)	(403)	(752)
Charge for the year	(132)	(56)	(139)	(327)
At 31 December 2009	(404)	(133)	(542)	(1,079)
Net book value				
At 31 December 2009	634	73	165	872
At 31 December 2008	766	126	219	1,111
At 31 December 2007	687	46	211	944
Company				
	Leasehold improvements £ 000's	Fixtures and fittings £ 000's	IT equipment £ 000's	Total £ 000's
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
Additions	–	3	72	75
At 31 December 2009	1,021	132	562	1,715
Accumulated depreciation				
At 31 December 2007	(123)	(17)	(226)	(366)
Charge for the year	(136)	(36)	(119)	(291)
At 31 December 2008	(259)	(53)	(345)	(657)
Charge for the year	(126)	(38)	(103)	(267)
At 31 December 2009	(385)	(91)	(448)	(924)
Net book value				
At 31 December 2009	636	41	114	791
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

	% of the share capital of Plus Markets Group plc	Number of shares held of Plus Markets Group plc	Group and Company 2009 £ 000's	Group and Company 2008 £ 000's	Group and Company 2007 £ 000's
Opening balance (at fair value)	5.70%	17,939,800	763	3,543	3,229
Fair value changes credited/(charged) to reserves			195	(2,780)	314
Disposal of shares	-2.53%	(7,969,046)	(447)	–	–
Closing balance (at fair value)	3.17%	9,970,754	511	763	3,543

As at 31 December 2009, this investment represents 3.17% of the ordinary share capital of Plus Markets Group plc. The fair value of this investment is based on their quoted market price.

14. Investments in subsidiaries

	Shares in subsidiary undertakings		
	2009 £ 000's	2008 £ 000's	2007 £ 000's
Company			
Cost			
At 1 January	266	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	(10)	58	117
At 31 December	256	266	208

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

	Country of registration and operation	Principal activity	Proportion of ordinary shares and voting rights held
Direct holdings			
Cenkos Channel Islands Limited	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	92%
Cenkos Channel Islands Investment Management Limited	Guernsey	Provision of investment services	100%
Cenkos Channel Islands Services 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.

The assets and liabilities of Cenkos Securities EBT are included in the Group's balance sheet.

15. Trading investments

	Group			Company		
	2009 £ 000's	2008 £ 000's	2007 £ 000's	2009 £ 000's	2008 £ 000's	2007 £ 000's
Long positions						
Fair value	8,153	11,392	26,597	8,153	11,392	26,597
Short positions						
Fair value	(2,058)	(2,506)	(11,803)	(2,058)	(2,506)	(11,803)
Net position	6,095	8,886	14,794	6,095	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. The fair values of these securities are based on quoted market prices. The management of risk resulting from these positions are set out in note 25.

Notes to the financial statements continued

16. Trade and other receivables

	Group			Company		
	2009	2008	2007	2009	2008	2007
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Market and client receivables	28,023	21,956	38,070	18,992	8,724	35,081
Amounts owed by group undertakings	–	–	–	2,100	590	984
Unpaid share capital and loans due from staff	4,928	16,711	16,077	4,928	16,711	16,077
Other receivables	1,358	503	315	917	497	311
Prepayments and accrued income	2,048	2,323	2,301	1,565	1,412	2,193
	36,357	41,493	56,763	28,502	27,934	54,646

The average credit period taken is 30 days (2008: 50 days, 2007: 21 days). A provision of £273,937 (2008: £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 trade receivables. 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 cash flows.

The Group has no significant concentration of credit risk, other than those covered in note 25. In addition, the risk associated with these financial assets is further discussed in note 25.

17. Cash and cash equivalents

	Group			Company		
	2009	2008	2007	2009	2008	2007
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Cash and cash equivalents	19,994	6,337	16,244	18,546	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 25).

18. Trade and other payables

	Group			Company		
	2009	2008	2007	2009	2008	2007
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Trade creditors	22,158	16,809	28,139	14,148	5,503	25,563
Amounts owed to group undertakings	–	–	–	18	40	1
Corporation tax payable	1,501	1,245	4,219	1,467	1,201	4,176
Accruals and deferred income	10,036	5,057	13,952	9,335	3,931	13,486
Other creditors	1,556	319	451	1,207	242	363
	35,251	23,430	46,761	26,174	10,917	43,589

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

Undrawn borrowing facilities

At 31 December 2009, the Group had an undrawn borrowing facility of up to £5 million (2008: £10 million, 2007: £10 million). The facility is secured against the Group's investments and the actual amount available is the lower of £5 million, 12 months rolling pre-tax profit derived from the internal management accounts and the value of the Group's investments after applying various haircuts. This facility is due to be renewed at the end of April 2010.

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	Unrealised gains on investments	Total	Short-term timing difference	Unrealised gains on investments	Total
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
At 31 December 2007	321	(761)	(440)	321	(761)	(440)
Charge to income	(106)	–	(106)	(106)	–	(106)
(Charge)/credit to equity	(148)	761	613	(148)	761	613
At 31 December 2008	67	–	67	67	–	67
Credit to income (refer note 9)	144	–	144	144	–	144
Credit to equity	16	–	16	16	–	16
At 31 December 2009	227	–	227	227	–	227

Notes to the financial statements continued

20. Share capital

	Group and Company 2009 £ 000's	Group and Company 2008 £ 000's	Group and Company 2007 £ 000's
Authorised:			
179,185,700 (2008: 179,185,700) ordinary shares of 1p each	1,792	1,792	1,792
20,814,300 (2008: 20,814,300) B shares of 1p each	208	208	208
	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Allotted:			
66,787,651 (2008: 54,050,495) ordinary shares of 1p each fully paid	668	541	539
5,948,269 (2008: 18,614,300) B shares of 1p each, fully paid	59	186	187
	<u>727</u>	<u>727</u>	<u>726</u>

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 plan.

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

1 January 2009 to 31 December 2009

On 8 April 2009, 71,125 ordinary shares of 1p each were issued following the exercise of 71,125 options in accordance with the pre 2006 share option plan.

On 15 April 2009, 40,000 B shares of 1p each were converted with 40,000 ordinary shares of 1p each.

On 21 May 2009, 100,428 B shares of 1p each were converted into 100,428 ordinary shares of 1p each.

On 17 July 2009, 10,571,033 B shares of 1p each were converted into 10,571,033 ordinary shares of 1p each.

On 22 October 2009, 1,428,750 B shares of 1p each were converted into 1,428,750 ordinary shares of 1p each.

On 11 December 2009, 525,820 B shares of 1p each were converted into 525,820 ordinary shares of 1p each.

The ordinary shares are admitted to trading on AIM. The B shares are not admitted to trading on AIM. 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 of the B shares. Upon payment of the required premium the B shares convert automatically into ordinary shares and are admitted to trading on AIM. All shares have equal voting rights.

21. Own shares

The Group has established an employee benefit Trust, the Cenkos Securities EBT ("EBT"). It is funded by the Group and has the power to acquire shares in the open market and from the Group's employees. These shares represent the cost of shares in Cenkos Securities plc transferred from the employees in settlement of their loan associated with these shares (see note 8). As at 31 December 2009, the EBT owned 1,428,750 ordinary 1p shares (2008: nil) with a market value of £1,688,782 as at 31 December 2009 (2008: £nil)

	2009		2008	
	Number of shares	Cost £ 000's	Number of shares	Cost £ 000's
At 1 January	–	–	–	–
Acquired during the year	1,428,750	2,037	–	–
At 31 December	1,428,750	2,037	–	–

22. Contingent liabilities

Crema v Cenkos Securities plc

During the reporting period, a sub-broker instigated proceedings against Cenkos Securities plc for payment of a commission he claimed was due to him for assisting Cenkos in introducing investors to an investee company. The claim amounts to £882,000 plus interest. Cenkos has robustly defended the claim on the basis that it has not been paid by the investee company and therefore under the terms of the agreement with the sub-broker is not liable to pay the sub-broker. In the same proceedings the sub-broker also advanced an alternative claim that Cenkos was negligent in failing to take steps to ensure that it was paid by the investee company. Cenkos has also robustly defended this alternative claim.

The case went to trial in the High Court in London from 1st to 8th February 2010 and judgment is anticipated in March/April 2010. After taking legal advice, the Directors are of the opinion that the basis of the claim is without foundation and other than Cenkos' legal costs incurred to date, no further provision has been made.

Bank Payroll Tax

The Directors believe that Cenkos as an independent stockbroker is not the intended target of the Bank Payroll Tax ("BPT") and when finally drafted the clauses mentioned by the HMRC to remove brokers such as Cenkos from its scope will be included.

We, therefore do not believe that Cenkos will be a taxable company. However, we do recognise that final legislation has not been drafted and further changes to policy may occur before it becomes law in 2010.

If Cenkos were to be classed as a taxable company, based on the current draft legislation, then the company's liability to BPT based on its discretionary bonus is expected to be around £500,000.

23. Operating lease arrangement

The Group as lessee

At the balance sheet 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	
	2009 £ 000's	2008 £ 000's	2009 £ 000's	2008 £ 000's
Within one year	593	623	493	535
In the second to fifth years inclusive	2,156	2,441	1,904	2,096
After five years	39	553	39	553

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

24. 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

A number of options were granted prior to the Company's admission to AIM. These options are exercisable at a price agreed in accordance with the rules of the scheme on the date of grant. The vesting date for 50% of the options was from the date of publication of the Company's Annual Report and Accounts for the financial year ended 31 December 2007 (this was 15 April 2008) and in respect of the remaining 50% of the options the vesting date was from the publication of the Company's Annual Report and Accounts for the financial year ended 31 December 2008 (this was 22 April 2009). If the option remains unexercised after 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.

Compensatory Award Plan 2009

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

Details of the share options outstanding during the year in respect of all the above plans are as follows:

	2009		2008	
	Number of shares options	Weighted average exercise price £'s	Number of shares options	Weighted average exercise price £'s
Outstanding at beginning of year	2,250,048	1.20	1,240,131	0.87
Granted during the year	14,227,620	1.23	1,081,042	1.49
Exercised during the year	(71,125)	0.01	(71,125)	0.01
Lapsed during the year	—	—	—	—
Outstanding and exercisable at the end of the year	<u>16,406,543</u>	1.23	<u>2,250,048</u>	1.20

	Date of grant	Vesting date	Date of Expiry	Remaining contractual life, months	2009 Number of shares options	2008 Number of shares options
Options exercisable at £0.01 per share	Oct-06	Mar-08	Nov-11	23	35,250	106,375
Options exercisable at £0.71 per share	Oct-06	Mar-08	Oct-11	22	600,000	600,000
Options exercisable at £1.41 per share	Oct-06	Mar-08	Oct-11	22	462,631	462,631
Options exercisable at £1.92 per share	Mar-08	Mar-11	Sept-11	21	516,042	516,042
Options exercisable at £1.09 per share	Sep-08	Sep-11	Mar-12	29	375,000	375,000
Options exercisable at £1.10 per share	Sep-08	Sep-11	Mar-12	29	165,000	165,000
Options exercisable at £1.18 per share	Sep-08	Sep-11	Mar-12	29	25,000	25,000
Options exercisable at £0.71 per share	Mar-09	Mar-12	Sept-12	33	500,000	–
Options exercisable at £1.00 per share	Mar-09	Mar-12	Sept-12	33	625,000	–
Options exercisable at £1.01 per share	Mar-09	Mar-12	Sept-12	33	250,000	–
Options exercisable at £1.02 per share	Mar-09	Mar-12	Sept-12	33	500,000	–
Options exercisable at £1.15 per share	Jul-09	Jul-09	Jul-19	115	9,378,870	–
Options exercisable at £1.38 per share	Oct-09	Oct-12	Jan-13	37	250,000	–
Options exercisable at £1.43 per share	Oct-09	Oct-12	Jan-13	37	170,000	–
Options exercisable at £1.69 per share	Oct-09	Oct-09	Oct-19	118	1,428,750	–
Options exercisable at £1.70 per share	Oct-09	Oct-12	Jan-13	37	1,125,000	–
Options exercisable at the end of 31 December					<u>16,406,543</u>	<u>2,250,048</u>

The options outstanding at 31 December 2009 have a weighted average exercise price of £1.23 (2008: £1.20) and a weighted average remaining contractual life of 9 years (2008: 6 years). At the date of grant, they had an estimated fair value of £6,589,645.

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

	2009	2008
Expected volatility	30%	30%
Expected share price growth	5%	5%
Discount rate	<u>25%</u>	<u>25%</u>

Expected volatility was based on the 20-day moving average of the Cenkos share price over the period from flotation. 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 £4,678,674 (2008: £329,787) related to equity-settled share-based payment transactions with regard to issue of share options and other share-based payment expenses of £1,105,904 (2008: £794,885) with regard to the interest component of loans given to employees for subscribing to the Group's issue of B class shares during the year.

Notes to the financial statements continued

25. 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 2009, the Group had a solvency ratio of 204% (2008: 194%). This is based upon audited profits, which at the time excluded those generated during 2009.

Externally imposed capital requirement

The Group has to retain sufficient capital to satisfy the UK 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. The Pillar 3 disclosures can be found on the Company's website at www.cenkos.com.

Significant accounting policies

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

Categories of financial instruments

	Carrying value	
	2009	2008
	£ 000's	£ 000's
Financial assets		
Fair value through profit and loss (FVTPL):		
Held for trading	8,153	11,392
Designated as FVTPL:		
Loans and receivables (including cash and cash equivalents)	52,945	45,004
Available-for-sale financial assets	511	763
Financial liabilities		
Fair value through profit and loss (FVTPL):		
Held for trading	2,058	2,506
Designated as FVTPL:	–	–
Amortised cost	23,715	17,128

Financial risk management objectives

The Chief Executive Officer monitors and manages 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 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 2009 would have been £0.61 million higher/lower (2008: £0.89 million higher/lower) due to change in the value of FVTPL held for trading investments; and
- other equity reserves would have increased/decreased by £51,000 (2008: increased/decreased by £76,000) 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 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 principal to a trade; rather the Group's exposure lies only with Pershing – a wholly owned subsidiary of the Bank of New York, a AA (2008: AA) rated bank. In addition, in circumstances in which the Group does act as principal, when acting as a market maker, the counterparty will normally be 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 2013. As at the reporting date these had a carrying value of between 73p and 89p per share, whilst the Company's share price was 118p. 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 no shares with a negative intrinsic value (2008: 505,000), which amounted to £ nil (2008: £118,915).

Notes to the financial statements continued

25. Financial instruments (continued)

The Group does not have any significant credit risk exposure to any single counterparty with the exception of Pershing and HSBC.

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 Chief Executive Officer. 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.

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 table includes both interest and principal cash flows. The tables also detail the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets 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 2009					
Available-for-sale investments	Non-interest bearing		–	511	511
Trading Investments – long positions	Non-interest bearing		8,153	–	8,153
Trade and other receivables	Non-interest bearing		31,429	–	31,429
Trading Investments – short positions	Non-interest bearing		(2,058)	–	(2,058)
Trade and other payables	Non-interest bearing		(35,251)	–	(35,251)
Trade and other receivables	Fixed interest rate instruments	5%	–	4,928	4,928
Cash and cash equivalents	Variable interest rate instruments	0.25%	19,994	–	19,994
			22,267	5,439	27,706

		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

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	
	2009 £ 000's	2008 £ 000's	2009 £ 000's	2008 £ 000's
Financial assets				
Loans and receivables	4,928	16,711	5,287	17,963

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	2009 Total £ 000's
Financial assets at FVTPL:				
Non-derivative financial assets held for trading	8,153	–	–	8,153
Available-for-sale financial assets	–	511	–	511
Total	8,153	511	–	8,664
Financial liabilities at FVTPL:				
Non-derivative financial liabilities held for trading	2,058	–	–	2,058

Notes to the financial statements continued

25. Financial instruments (continued)

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

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 to occur. It generally does not mean that there is absolutely no market data available upon which to base a determination of fair value (historical data may, for example, be used). Furthermore, the assessment of hierarchy level is based on the lowest level of input that is significant to the fair value of the financial instrument.

The valuation models used where quoted market prices are not available incorporate certain assumptions that 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.

26. 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 2009 to 31 December 2009 £ 000's	1 January 2008 to 31 December 2008 £ 000's
Emoluments	2,224	1,534

There were no Directors who were members of a defined benefit or a defined contribution pension scheme as at the period end (2008: nil).

Remuneration of the highest paid Director

	£ 000's	£ 000's
Emoluments	969	608

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 2009	31 December 2008	31 December 2009 ^(a)
Andy Stewart	Beneficial	16,166,670	16,166,670	22.27%
	Non-beneficial ^(b)	500,000	500,000	0.69%
Jeff Hewitt	Beneficial	2,830	–	0.00%

(a) Percentage of the Company's ordinary and B shares combined.

(b) 500,000 shares are held in The Andy Stewart Charitable Foundation. Andy Stewart is a trustee of this charitable foundation and therefore has a non-beneficial interest in the shares.

Directors' interests in share options

	2009		2008	
	Number of shares options	Weighted average exercise price (in £)	Number of shares options	Weighted average exercise price (in £)
Outstanding at beginning of year	1,027,046	£0.9984	1,027,046	£0.9984
Granted during the year	1,000,000	£1.6950	–	–
Exercised during the year	–	–	–	–
Lapsed during the year	–	–	–	–
Outstanding and exercisable at the end of the year	2,027,046	£0.9984	1,027,046	£0.9984

The options were granted during the year on 9 October 2009. None of the Directors exercised options over the shares during the year (2008: nil) and none lapsed (2008: nil).

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 29 March 2010 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 an ordinary resolution, save for resolution 7 which will be proposed as a special resolution:

1. **That** the Company's Annual Accounts for the year ended 31 December 2009, together with the Directors' Report and the Auditors' Report on those accounts, be received.
 2. **That** the Company's Directors' Remuneration Report for the year ended 31 December 2009 be received.
 3. **That** a final dividend of 5 pence per share for the year ended 31 December 2009 as recommended by the Directors be declared payable on 1 April 2010 to shareholders on the register at the close of business on 5 March 2010.
 4. **That** Deloitte LLP be reappointed as auditors to the Company until the conclusion of the next Annual General Meeting of the Company.
 5. **That** the Directors be authorised to fix the auditors' remuneration.
 6. **That** for the purposes of Section 551 of the Companies Act 2006 (the 'Act') (and so that expressions used in this resolution shall bear the same meanings as in the said Section 551):
 - 6.1. the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and grant such subscriptions and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £242,428.82 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 2011 (unless previously revoked or varied by the Company in general meeting); and further
 - 6.2. the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by them up to an aggregate nominal amount of £484,857.64 during the period expiring at the conclusion of the Annual General Meeting of the Company to be held in 2011 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;
 - 6.3. the Company be and is hereby authorised to make, prior to the expiry of such period, any offer or agreement that would or might require such shares or rights to be allotted or granted after the expiry of the said period and the Directors may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution;
- so that all previous authorities of the Directors pursuant to Section 80 of the Companies Act 1985 be and are hereby revoked.
7. **That**, subject to the passing of Resolution 6 set out in the Notice convening this meeting, the Directors be and are empowered in accordance with Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by that Resolution as if Section 561 (1) and sub-sections (1) – (6) of Section 562 of the Act did not apply to any such allotment, provided that the power conferred by this Resolution shall be limited to:

- 7.1.** the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of any authority granted under resolution 6.2 by way of a rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
- 7.2.** the allotment (otherwise than pursuant to sub-paragraph 7.1 above) of equity securities up to an aggregate nominal value not exceeding £36,367.96,

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 2011, but shall extend to the making, before such expiry of an offer or agreement that would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred had not expired.

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 10, 11 and 12 which will be proposed as ordinary resolutions.

- 8. That** the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Act to make market purchases (as defined in section 693 of the Act) of ordinary shares of 1 penny each in the capital of the Company ('ordinary shares') provided that:
 - 8.1.** the maximum number of ordinary shares hereby authorised to be purchased is 6,611,977 (representing approximately 9.9% of the Company's issued ordinary shares at the date of this resolution);
 - 8.2.** the minimum price (exclusive of expenses) that may be paid for such ordinary shares is 1 penny per share, being the nominal amount thereof;
 - 8.3.** the maximum price (exclusive of expenses) that may be paid for such ordinary shares shall be an amount equal to the higher of (i) 5% above the average of the middle market quotations for such shares taken from the AIM Appendix to The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the trading venue where the purchase is carried out;
 - 8.4.** 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
 - 8.5.** 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.
- 9. That** the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the Articles of Association of the Company as deemed to be altered by virtue of Section 28 of the Act.

Notice of annual general meeting continued

10. **That** the Compensatory Award Plan 2009 (which provides for the grant of unapproved options), implemented by the Directors on 17 July 2009 (the “**CAP**”), be and is hereby ratified.
11. **That** the dilution limits in certain employee share incentive plans operated by the Company be and are hereby amended as follows:
 - 11.1. that the limit of 10 per cent. in rule 4.1 in the 2006 Long Term Incentive Plan is replaced by a limit of 15 per cent.; and
 - 11.1. that the limit of 10 per cent. in rule 4.1 in the 2006 Company Share Option Plan is replaced by a limit of 15 per cent.
12. **That** the rules relating to the dilution limits in certain employee share incentive plans operated by the Company be and are hereby amended (with effect from 17 July 2009) in order to exclude awards granted under the Compensatory Award Plan 2009 as follows:
 - 12.1. rule 4.1.2 in the 2006 Long Term Incentive Plan be replaced with: “issued or remaining capable of being issued pursuant to options or awards made in the period of ten years ending on that date under any other discretionary share scheme (except the Compensatory Award Plan 2009) adopted by the Company”; and
 - 12.2. rule 4.1.2 in the 2006 Company Share Option Plan be replaced with: “issued or remaining capable of being issued on the exercise of options or awards granted in the period of ten years ending on that date under any other discretionary share scheme (except the Compensatory Award Plan 2009) adopted by the Company”.

By order of the Board

Stephen Doherty

Company Secretary

25 February 2010

Registered office:
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Notes:

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

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

Appointment of a proxy through CREST will not prevent a member from attending and voting in person.

6. Pursuant to section 360B of the Companies Act 2006 (the "Act") and regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company as at 6.00pm on 27 March 2010 shall be entitled to attend and vote at the 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 6.00pm 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.
7. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
8. Copies of the 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. service contracts between the Directors and the Company or its subsidiary undertakings;
 - b. a copy of the articles of association proposed to be adopted pursuant to Resolution 9, together with a copy of the existing articles of association of the Company marked up to show the proposed changes to be adopted in accordance with Resolution 9.

Explanatory notes to the notice of annual general meeting

Resolution 1 – Company’s annual report and accounts 2009 (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 – Company’s directors’ remuneration report (ordinary resolution)

Whilst the Company is not obliged to comply with the Directors’ Remuneration Report Regulations 2002, the Directors have agreed to produce a report in the spirit of those regulations and to disclose information relating to the current Directors. The Remuneration Committee considers that in the interests of good corporate governance, the Company should present the Directors’ Remuneration Report for the year ended 31 December 2009 to the Annual General Meeting.

Resolutions 3 – Final dividend (ordinary resolution)

The payment of a final dividend of 5 pence per share in respect of the year ended 31 December 2009, which is recommended by the Board, requires the approval of the shareholders at the Annual General Meeting.

Resolutions 4 and 5 – Reappointment 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 5 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 6 – Authority to allot shares (ordinary resolution)

Resolution 6 asks shareholders to grant the Directors authority under section 551 of the Companies Act 2006 (the ‘Act’) to allot shares or grant subscription or conversion rights as are contemplated by section 551 (a) and (b) of the Act respectively up to a maximum aggregate nominal value of £484,857.64, being approximately 66% of the nominal value of the issued share capital of the Company as at 25 February 2010 (being the latest practical date prior to the publication of the Annual Report and Accounts), including the 5,948,269 B shares of 1 penny each in the capital of the Company (the ‘B Shares’) which were then in issue. £242,428.82 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 2011. The Directors have no present intention of exercising such authority.

Resolution 7 – Disapplication of pre-emption rights (special resolution)

Resolution 7, 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 561 (1) and subsections (1) to (6) of Section 562 of the Act up to an aggregate nominal value of £36,367.96, being approximately 5% of the Company’s issued share capital as at 25 February 2010 (being the latest practicable date prior to the publication of the Annual Report and Accounts), including the B shares that were then in 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 that might arise. This authority will expire at the end of the Annual General Meeting of the Company in 2011.

Resolution 8 – Authority to purchase company’s own ordinary shares (special resolution)

Resolution 8 to be proposed at the Annual General Meeting seeks authority from shareholders for the Company to make market purchases of its own ordinary shares, such authority being limited to the purchase of 9.9% of the ordinary shares of 1 penny each in issue as at 25 February 2010. The maximum price payable for the purchase by the Company of its own ordinary shares will be limited to the higher of 5% above the average of the middle market quotations of the Company’s ordinary shares, as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange, for the five business days prior to the purchase and the higher of the price of the last independent trade of an ordinary share and the

highest current independent bid for an ordinary share as derived from the trading venue where the purchase is carried out. The minimum price payable by the Company for the purchase of its own ordinary shares will be 1 penny per 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 15,308,662 ordinary shares have been granted and are outstanding as at 25 February 2010 (being the latest practicable date prior to publication of this document) representing 21.05% 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 8, the options outstanding as at 25 February 2010 would represent 23.36% of the ordinary share capital in issue following such exercise.

Resolution 9 – Adoption of new articles of association (special resolution)

Resolution 9 is required to adopt new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles") primarily to take account of the implementation on 1 October 2009 of the last parts of the Act and also the coming into force of The Companies (Shareholders' Rights) Regulations 2009.

The principal changes introduced in the New Articles are summarised in the Schedule to this notice. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Act or conform the language of the New Articles with that used in the model articles for public companies set out in secondary legislation have not been noted in Schedule 1. The New Articles showing all the changes to the Current Articles are available for inspection, as noted on page 73 of this document.

Resolution 10 – Ratification of The Compensatory Award Plan 2009 (ordinary resolution)

A new Compensatory Award Plan 2009 was adopted by the Board on 17 July 2009 (the "CAP").

By way of background, prior to the Company's shares being admitted to trading on AIM ("Pre-IPO") key employees of the group acquired B shares in the capital of the Company (the "B shares"). The B shares were not admitted to trading on AIM. At the time of acquiring B shares, individuals were only required to pay the nominal value of the shares, as the shares were offered on a partly-paid basis. Holders of the B shares were required to pay the balance of the subscription price (the "Required Premium") at a later date, on the occurrence of certain events (such as a sale of the Company). Upon payment of the Required Premium the B shares convert automatically into ordinary shares and are admitted to trading on AIM. Due to the rights attaching to the B shares and the terms on which they were acquired, they ceased to have the original incentivisation and motivational effect following the collapse in global financial markets in late 2008 and a corresponding fall in the share price of the Company. In July 2009, the Board informally consulted the Company's significant shareholders in order to discuss possibilities of remedying this situation in light of the fact that the employees concerned were key to the ongoing and future success of the Company's business.

As a consequence, the Board established the CAP in order to provide a fresh incentivisation arrangement. As part of the incentivisation arrangement, B shareholders were invited to either transfer their shares to the Cenkos Securities EBT ("EBT") or have their shares placed in the market. As a consequence they received "compensatory awards" under the CAP. The CAP is based on the Company's Long Term Incentive Plan (established in 2006) but does not contain certain features: in particular, individual limits, performance conditions and vesting provisions. The absence of these provisions is due to the fact that the B shares did not contain such features, and so it was the intention of the Board to mirror the rights and restrictions of the B shares as closely as possible with awards under the CAP. The exercise price of the compensatory awards made under the CAP corresponds to the price at which the shares were either placed in the market or transferred to the EBT.

Key employees who chose to participate in the CAP received (i) a number of compensatory options (over ordinary shares in the capital of the Company) under the CAP equal to the number of B shares they held and (ii) an award under the "Phantom Dividend Bonus Plan" - which was implemented in order to provide for a cash bonus payment equal to the dividend the individual would have received as a B shareholder. In addition to the cash bonus in lieu of dividends, individuals will also be entitled to receive a tax equalisation payment (which will reflect the differential between the employment tax for which he will be liable on receipt of the cash bonus, and the tax which would have been payable had he received an actual dividend).

A summary of the key provisions of the CAP is set out in Schedule 2.

Explanatory notes to the notice of annual general meeting continued

Resolution 11 – Amendment to the Dilution Limits in the LTIP and CSOP (ordinary resolution)

The Remuneration Committee is seeking to increase the Dilution Limit in the 2006 Long Term Incentive Plan (the “LTIP”) and the Company Share Option Plan (the “CSOP”) to 15 per cent. in order to provide greater flexibility for incentivisation.

Under the current rules for the LTIP and CSOP, no awards or options may be granted if awards or options have been granted over 10 per cent. of the issued share capital of the Company in the previous ten years (under any discretionary share incentive arrangement). For the purposes of calculating this figure, only subsisting awards or options which have been granted over new shares since the Company’s shares were admitted to trading on AIM are taken into account. In addition, subject to Resolution 12 being approved, compensatory awards made under the CAP may be excluded when calculating this figure (see below).

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 under the CSOP).

It is the view of the Remuneration Committee that the limitation imposed by rule 4 of the LTIP and the CSOP (as currently drafted) is unduly restrictive. By amending the current rules, it is the view of the Remuneration Committee that this would provide much more flexibility in order to incentivise, recruit and retain future employees.

It is proposed that the Dilution Limit is increased to 15 per cent. in order to reflect the remuneration strategy of the Company and in light of the awards which were made under the LTIP in 2009.

Resolution 12 – Amendment to the rules of the LTIP and CSOP (ordinary resolution)

As stated in Resolution 11 (above), under the current rules for the LTIP and CSOP, no awards or options may be granted if awards or options have been granted over 10 per cent. of the issued share capital of the Company in the previous ten years (under any discretionary share incentive arrangement) (the “Dilution Limits”). Subject to Resolution 11 being approved, the Dilution Limits will be increased to 15 per cent.

For the purposes of calculating the available headroom in the Dilution Limits when granting awards or options, only subsisting awards or options which have been granted over new shares since the Company’s shares were admitted to trading on AIM are taken into account. It is the view of the Remuneration Committee that awards granted under the CAP to former B shareholders should not be taken into account when calculating the Dilution Limit.

The arrangements relating to the issue of the B shares to key employees were implemented prior to the Company’s shares being admitted to trading on AIM (the “IPO”). At the time of the IPO the B shares accounted for 28 per cent. of the issued share capital of the Company. Whilst the B shares were not admitted to trading on AIM, they have enjoyed the same economic benefits as those applying to ordinary shares which were admitted to trading on AIM as part of the IPO. Hence the B shares effectively diluted the ordinary shares for all intents and purposes. Consequently, as the compensatory awards made under the CAP (see Resolution 10 above) effectively replaced the B shares formerly held by the relevant key employees, any ordinary shares issued pursuant to the compensatory awards should be excluded from the calculation of the Dilution Limits. For the sake of completeness, had such awards under the CAP been made pre-IPO, the awards would not have been included for the purposes of calculating the dilution limits under the LTIP or CSOP.

It is therefore proposed that awards granted under the CAP to former B shareholders should not be taken into account when calculating the Dilution Limits with effect from 17 July 2009 (being the date on which the CAP was established by the Company).

Schedule 1

Explanatory Notes of Principal Proposed Changes to the Company's Articles of Association

1. The Company's Objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which were contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in a company's articles of association but the company can remove some of these provisions by special resolution.

The Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause which, by virtue of the Companies Act 2006, is to be treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 9 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability and the location of the Company's registered office, the New Articles also contain express provisions reflecting these statements.

2. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

3. Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

4. Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

5. Redeemable shares

Under the Companies Act 1985 if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

6. Authority to purchase own shares, consolidate and sub-divide shares, and reduces share capital

Under the Companies Act 1985 a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

Explanatory notes to the notice of annual general meeting continued

7. Use of seals

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

8. Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

9. Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies set out in secondary legislation.

10. Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The Current Articles have been amended to reflect these changes.

11. Chairman's casting vote

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

12. Notice of general meetings

The Companies Act 2006 reduced the minimum notice period for general meetings (other than annual general meetings) to 14 clear days (subject to any longer period provided in the articles). The articles had previously been amended conditionally to pre-empt this change and, now that it has come into force, the wording in the Articles has been changed to reflect that the relevant provisions are now in force.

13. Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

14. Indemnities for directors

The Companies Act 2006 enables directors of pension trustee companies to obtain an indemnity from a company in limited circumstances and enables companies to provide funding for directors undergoing a regulatory investigation or action and the New Articles have been amended to take advantage of this.

15. General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies set out in secondary legislation.

Schedule 2

Summary of the Compensatory Award Plan 2009 ("CAP")

1. Eligibility

All bona fide employees (including executive directors of the Company or of any subsidiary) are eligible to participate in the CAP.

2. Grant of Awards

Awards may be granted during the period of (i) 42 days from when the CAP, or any amendment to the CAP, has effect; (ii) 42 days from the announcement of the results for a financial year or the announcement of the interim results for a financial year; (iii) 42 days from the commencement of an eligible employee's employment with the group; and (iv) 42 days commencing on the day immediately following the occurrence of an event which in the opinion of the Remuneration Committee or the Trustee (the "Grantor"), is an exceptional event relating to or affecting the group.

No awards may be granted if the Grantor is restricted by statute, order or regulation (for example, such as the prohibition on share dealings during a close period or the Company's internal share deal rulings) for making awards within any such period. No awards may be granted more than ten years after the adoption of the CAP.

Awards may be granted over newly-issued ordinary shares, treasury shares or ordinary shares purchased in the market.

Awards are not transferable (other than on death) without the consent of the Grantor. No payment will be required for the grant of an award.

3. Call Price

The price at which a participant may acquire ordinary shares on the call of an award shall be determined by the Grantor on the date of grant, but shall not be less than the nominal value of a share.

4. Scheme Limits

The number of ordinary shares over which (or in respect of which) awards may be granted under the CAP on any date shall be limited so that the total number of ordinary shares issued and issuable in respect of awards granted in any ten year period under the CAP is restricted to 20% of the Company's issued ordinary shares calculated at the relevant time.

For the purposes of these limits, no account will be taken of awards which have lapsed, been surrendered or otherwise become incapable of exercise. However, account shall be taken of shares for which the Trustee has the right to subscribe in order to satisfy the awards, and account shall also be taken of any treasury shares that have been or are to be used to satisfy any awards.

5. Vesting of Awards

A participant may call for an award at any time on or after the date of grant.

6. Manner of Call

Within 30 days of the receipt of a call notice for an award, together with a payment (or arrangements to pay) for the aggregate call price due and a payment (or arrangements to pay) for any income tax and employee's national insurance contributions due, the ordinary shares in respect of which a call for an award has been made must be issued by the Company or the Company must procure their transfer (which for the purposes of the CAP includes the transfer of shares out of treasury) to the participant and shall issue a definitive certificate in respect of the ordinary shares allotted or transferred. Ordinary shares issued or transferred by the Company on the call of awards will rank *pari passu* with existing ordinary shares.

Explanatory notes to the notice of annual general meeting continued

7. Termination of Employment

Awards granted under the CAP will normally lapse on cessation of employment. However, if a participant is a “good leaver”, i.e. if he dies or leaves employment through injury, disability, redundancy or retirement, or where a participant leaves employment of the group by reason of his employing company ceasing to be a member of the group, or if the Grantor (in their absolute discretion) determine, then the participant (or his personal representatives as appropriate) may call for the award.

If a participant ceases employment in any circumstances other than the “good leaver” in the circumstances referred to above, then ordinarily all awards will lapse on cessation.

8. Change of Control

If a change of control event occurs, such as a takeover, reconstruction (but not including an internal reorganisation) or voluntary winding-up of the Company, the participant will have a specific number of days in which to make a call. In the event that no such call is made, the subsisting award will lapse.

9. Variation of Share Capital

In the event of a capitalisation issue or offer by way of rights (including an open offer), or upon any consolidation, sub-division or reduction or other variation of the Company's capital, the number of ordinary shares subject of an award and/or the call price may be adjusted in such manner as the Remuneration Committee shall in its opinion consider fair and reasonable provided that the call price remains at least equal to the nominal value of an ordinary share. If the call price would otherwise fall below the nominal value, the Company may capitalise reserves to the extent that it is lawful to pay up additional shares for allotment to option holders.

10. Amendments in General

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

- 10.1 no amendment may be made to the CAP which would materially prejudice the interests of participants in relation to awards already granted to them under the CAP unless the consent of such participant has been obtained; and
- 10.2 all amendments to the advantage of participants to the provisions relating to the definition of “eligible employee”, limits on the number of shares subject to the CAP, the maximum entitlement of any one participant or the basis for determining a participant's entitlement to the terms of shares to be provided an adjustment therefore, if any, in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital or any other variation of capital will require the prior consent of the Company in general meeting unless there are minor amendments to benefit the administration of the CAP or to obtain or maintain favourable tax exchange control or regulatory treatment for participants, the Company or a member of the group.

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