Cenkos Securities plc
Annual Report 2011

Summary information

Financial highlights

	31 December 2011	31 December 2010
Revenue from continuing operations	**£43.7m**	£58.5m
Underlying operating profit from continuing operations*	**£5.7m**	£11.7m
Operating profit from continuing operations	**£5.7m**	£6.4m
Profit before tax from continuing operations	**£6.0m**	£6.6m
Basic and diluted earnings per share from continuing operations	**5.6p**	5.0p
Basic and diluted earnings per share from continuing and discontinued operations	**5.2p**	5.2p
Dividends per share (interim and proposed final)	**5p**	8p
Capital resources in excess of Pillar 1 and 2 regulatory capital requirements	**£7.7m**	£7.7m

Business highlights

Funds raised for clients	**£838 million**	£1.44 billion
Nominated adviser or corporate broker/financial adviser to	**111 companies**	104 companies
Funds raised since period end	**£158 million for 9 clients**	

* The Group uses a non-Generally Accepted Accounting Practice ("non-GAAP") financial measure, "underlying operating profit from continuing operations", in addition to those reported under IFRS. This is since this gives a clearer picture of the underlying financial and operating performance of the Group, for example by adjusting for the impact of significant "one-off" income or expenses.

Contents

Officers and professional advisers

Directors
Peter Sullivan (Chairman)

Jim Durkin (Chief Executive Officer)

Jeff Hewitt (Non-executive Director)

David Henderson (Non-executive Director)

Company Secretary
Stephen Doherty

Company Number
05210733

Registered Office
6.7.8 Tokenhouse Yard
London
EC2R 7AS

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

Financial Calendar

March	Year end results announced
May	Final dividend paid
September	Half year results announced
November	Interim dividend paid

Solicitors
Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF

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

Nominated Advisor & Broker
HSBC
8 Canada Square
London
E14 5HQ

The board of directors of Cenkos Securities plc ("Cenkos" or the"Company")

Peter Sullivan (63)
Non-executive Chairman

Peter was appointed a non-executive Director of the Company in June 2008 and was appointed Chairman of the Company in March 2010. 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 Transaction Services for Citibank Europe, Middle East and Africa. He is chairman of HCL plc and is also a non-executive Director of JP Morgan Indian Investment Trust plc, Techtronic Industries Limited, Bankers Investment Trust plc, Axa China Region and sits on the Board of Axa Asia.

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

Jim Durkin (52)
Chief Executive Officer

Jim was appointed as an executive Director and to the position of Chief Executive Officer of the Company in December 2011. Jim has more than 25 years experience in the securities industry. During this time he has originated and executed corporate finance transactions across a range of industries including insurance, property, financials and utilities. Jim joined the Company as Head of Corporate Broking in March 2005. He was subsequently appointed as an executive Director of the Company in October 2006. Jim relinquished his position as an executive Director in November 2009 to concentrate on his corporate broking role within the Company.

Jeff Hewitt (64)
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, Foreign & Colonial Investment Trust plc and Sweett Group plc. He is also the external Chairman of the Audit & Risk Committee of the John Lewis Partnership and Chairman of Electrocomponents Pension Trustees.

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

David Henderson (63)
Non-executive Director

David was appointed a non-executive Director of the Company in July 2010. After qualifying as a Chartered Accountant, David joined Morgan Grenfell where he worked for ten years in London and New York in the International Banking division. In 1984 he joined Russell Reynolds, where he worked until 1995 as a Managing Director specialising in financial services executive recruitment. In 1995 he joined the Board of Kleinwort Benson Group plc as Personnel Director and was appointed Chief Executive of its private banking business in 1997, a position he held until he became Chairman in 2004. Following the sale of Kleinwort Benson Private Bank in 2009, David became a Special Advisor to the bank where he continues to support a number of senior client relationships. David is also a non-executive Director of HCL plc, Novae Group plc, Majedie Investments plc and MM & K Limited.

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

Strategy

Cenkos was founded in 2005 and has, over the past six years, established a successful platform that has been profitable in every year of its existence and delivered a strong dividend stream. The Company's prime strategy is to build from this base to become the principal UK institutional broker to growth companies based in the UK and abroad. Cenkos aims to achieve this through:

- Successful fund raising and advice to clients through an innovative and entrepreneurial approach;
- Delivering sustainable, diversified and growing income streams;
- Operating a transparent and meritocratic model for staff;
- Adding high quality individuals to the teams; and
- Managing costs and risks carefully,

thereby providing shareholder value through share price growth and a strong dividend yield.

Chief executive officer's report

I am pleased to report that, despite the difficult economic conditions that prevailed during the period, Cenkos and its subsidiaries (together the "Group") remained profitable in both the first and second half of 2011. This has been achieved against a backdrop of fragile and volatile equity markets. Cenkos' robust business model ensures a low fixed cost base and a remuneration structure highly geared to performance. We have a positive cash cycle and a limited exposure to credit and market risk. This, combined with the high quality, dedication and experience of our employees, has enabled the Group to produce this performance.

Despite difficult markets, the Group has continued to raise equity capital for its corporate clients with the result that we are now one of the leading brokers in London for growth companies. In May 2011 Cenkos was voted "Alternative Investment Market (AIM) broker of the year" at the Growth Company Awards 2011. Cenkos remains highly placed in its chosen markets, as noted in Morningstar Professional Services Rankings Guide for Q1 2012, where Cenkos was ranked first in terms of nominated advisers (Nomad) to the top 50 and top 100 companies listed on AIM.

Financial results

After a strong first half in 2011, the second half was far more challenging as the economic slowdown started to have an impact on financial markets. I am therefore pleased that we remained profitable in the second half even at this historically low level of corporate activity on AIM.

Total revenue from continuing operations for the year decreased by 25% to £43.7 million (2010: £58.5 million). This is against a market backdrop of a 39% year on year fall to £4.3bn in the total money raised by all companies on AIM in 2011, with new issues by all companies on AIM falling by as much as 50% on the levels seen in 2010 (source: LSE AIM factsheet December 2011). This fall in deal flow has materially impacted the industry's profitability. A number of our competitors have been acquired by larger partners, or have chosen to close their broking businesses altogether. This turmoil has provided us with a window of opportunity to win new clients and add high quality individuals to our existing teams.

Revenues from Fund and Wealth Management also fell when compared to last year. Our offshore Fund and Wealth Management business (Cenkos Channel Islands) experienced lower stock broking revenues in the second half of the year. We are currently undertaking a strategic review of this business. Our onshore fund management business also experienced decreased revenues. A decision to sell this business was made in 2011 and the sale completed in February 2012, hence their results are shown as discontinued operations.

The Group's underlying cost base fell by £8.8m (19%) in the period, mainly reflecting a fall in performance-related pay, driven by lower net revenues.

Profit before tax from continuing operations was £6.0 million (2010: £6.6 million). This 9% fall reflected the fall in revenues noted above, offset by falls in performance-related pay and the fact that the significant "one-off" costs from continuing operations experienced in 2010 (noted on page 10) did not reoccur in 2011.

Cenkos continues to maintain a firm control over risk, enjoys healthy cash levels and remains well capitalised against regulatory requirements.

People

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

During the year there were a number of changes to the Board. On 4 July Oliver Ellingham, a non-executive Director of the Company, stepped down from the Board due to other business commitments. Simon Melling stepped down from the position of Chief Executive Officer on 13 December 2011 and resigned as a Director on 16 December 2011. The Board would like to thank Oliver and Simon for their contributions to the Company. Following an executive search and a review of the Company's executive structure, I was appointed to the Board and to the position of Chief Executive Officer on 13 December 2011.

Chief executive officer's report continued

Dividend

As we have consistently stated, we only intend to retain sufficient capital and reserves to meet the Group's regulatory capital and cash requirements, after taking account of the likely future working capital requirements of the Group. Since our flotation onto AIM in October 2006, we have paid a total of 64 pence in dividends.

The Board proposes a final dividend of 1p per share (2010: 4p). This makes a total dividend of 5p for the year (2010: 8p).

Subject to approval at the Annual General Meeting to be held on 10 May 2012, the final dividend will be paid on 15 May 2012 to all shareholders on the register at 13 April 2012.

Outlook

Whilst not immune to events in the general economy, our pipeline remains strong and we have made an encouraging start to 2012. Since 31 December 2011, we have undertaken a number of corporate and issuance transactions and raised £158 million for our clients.

Jim Durkin
Chief Executive Officer

15 March 2012

Forward-looking statements

These financial statements contain forward-looking statements with respect to the financial condition, results, operations and businesses of the Group. 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.

Business review

Key performance indicators (KPIs)

The Group’s principal KPIs include, but are not limited to, measures such as:

- the Group’s overall profit before tax, the revenue and profitability of each business segment, cost management, earnings per share;
- our corporate client base (e.g. Nomad/broker appointments), the aggregate funds raised for clients; and
- various key risk indicators, including regulatory ratios and cash flow measures.

Commentary on KPIs is included in this Business Review and in the Financial Review in this Annual Report.

Corporate Broking and Advisory

This business segment includes the results of our growth company and investment funds activities, including the results of our market making capability that supports these areas. Revenue in this segment 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 down 25% to £35.2 million (2010: £46.7 million) due largely to fewer placings taking place in 2011 and a combination of both lower transactional volumes and more turbulent trading conditions experienced by our market making operations. Corporate finance revenues fell from £36.4 million in 2010 to £25.8 million in 2011 and corporate broking and market making fees fell from £9.2 million in 2010 to £6.7 million in 2011. The segment result before unallocated administrative expenses was down 14% to £16.2 million (2010: £18.9 million) as set out in note 3 to the financial statements.

In our core market, AIM, the total value of all primary admissions to AIM fell from £1,219 million in 2010 to £609 million in 2011, and subsequent placings on AIM fell from £5,738 million to £3,660 million in 2011(source: LSE AIM factsheet December 2011). Against this backdrop, we are pleased to announce that during the year we completed 23 transactions (excluding investment funds) raising a total of £550 million (2010: £833 million), which included three primary issues.

As at 31 December 2011, the Group was nominated adviser, broker or financial adviser to 111 companies or trusts (2010: 104). In the period we also completed 21 “merger and acquisition” corporate finance transactions (2010: 17). This performance is particularly encouraging as it was achieved during a period of limited transactional revenue and continued competitive pressure. Our broking teams cover a wide range of sectors. We have been ranked highly by Morningstar Professional Services Rankings Guide for Q1 2012, where we were the top Nomad by number of clients for the Oil & Gas sector, and ranked second for both the Telecommunications and Financial sectors.

Some of the transactions we were involved in are noted below:

In February 2011, Cenkos acted as nominated adviser and broker to OPG Power Ventures plc in its £60 million placing to fund capacity expansion. Cenkos acted as nominated adviser, sole book runner and joint broker to Providence Resources plc, an oil and gas company, in raising approximately £41 million.

In May 2011, Cenkos acted as financial adviser, sponsor and broker to Stobart Group Limited in its placing and open offer to raise £120 million to fund the company’s expansion strategy.

In July 2011, Cenkos acted as Nomad and sole broker to Smart Metering Systems plc in connection with its placing and admission to AIM with a market capitalisation of £50 million.

In August 2011 Cenkos helped NewRiver Retail Limited raise £42.5 million in a share placing. This was used to acquire four retail properties for approximately £68 million.

In November 2011, Cenkos acted as sponsor and joint broker to Assura Group in its £35 million rights issue.

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. Some of the transactions we were involved in are noted below:

In February 2011, Cenkos acted as the sole book runner and financial adviser on a further £166 million equity issue for the Anthony Bolton-managed Fidelity China Special Situations plc. Since its flotation on the London Stock Exchange in April 2010, this company has now raised a total of £676 million of equity with Cenkos.

Business review continued

In April 2011, Cenkos acted as listing sponsor and sole placing agent for the £50 million launch of The Diverse Income Trust plc, a main market London-listed investment trust managed by Gervais Williams.

These transactions helped bring the total raised for investment funds in 2011 to £288 million including £166 million for Fidelity China Special Situations (2010: £609 million, including £460 million for Fidelity China Special Situations).

The Group makes markets in the securities of all the companies where it has a broking relationship to support the other services it provides to its clients. During the period, we expanded our market making service and our equity desk now covers 207 companies and our investment trust desk 129. Despite this increase in coverage, we continue to actively restrict the amount of capital committed to this activity to limit the market risk exposure without adversely affecting the revenue generated. The Group does not engage in proprietary trading and applies position limits and monitoring procedures to ensure it controls the risks taken. The Group does from time to time take shares in lieu of fees and the market movement on these items is also included in this income stream.

Institutional Equities

The Institutional Equities team provides research-driven investment recommendations to institutional clients. Whilst many of our clients continue to pay for our research services directly, more are choosing to transact business through Cenkos as well.

Institutional Equities suffered a decline in revenues in comparison with the same period last year. Market volumes were running at 30% below the levels of 2010, however, we continue to look to grow the business. Recruiting has been somewhat challenging given that rival firms were offering guaranteed packages, but Cenkos refuses to change its business model and will only take on people who embrace our transparent, performance-driven culture. We believe that Cenkos has a good reputation in secondary equities, but lacks scale. The impending shake-out amongst market practitioners should give us the opportunity to rectify this and we added two new sales people and one new analyst in 2011.

Revenues for Institutional Equities dropped by 56% to £2.2m (2010: £5.0m), although secondary income fell by a smaller amount, 43%, and the segment result was £0.5m (2010: £1.5m). We are pleased to have made a profit under such market conditions, but are disappointed not to have done better. Nevertheless, we will continue to invest and use this turbulent period to improve the service we provide to our clients.

Our execution business 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.

Fund and Wealth Management

Our offshore fund and wealth management services are provided by our 50% owned Guernsey based subsidiary Cenkos Channel Islands and its own Channel Island based subsidiaries (together the "Cenkos Channel Islands Group"). Varying levels of stock broking services are offered, from fully discretionary to execution only, to high net worth individuals, financial intermediaries and institutions. In addition to stockbroking offices in both Guernsey and Jersey, Cenkos Channel Islands also offers segregated investment management services as well as managing the unitised Cenkos Channel Islands Investment Fund range of funds, which launched a third sub-fund during the year.

The offshore asset management business has continued to grow and has made a positive contribution to the Group's results, with 2,643 clients (2010: 2,197) and £964 million funds under management (2010: £1.10 billion). Lower stockbroking revenues in the second half of the year compared with the same period in 2010 meant that overall revenues fell 7% to £6.3m (2010: £6.8m).

The onshore fund management business is provided by Cenkos Fund Managers Limited, a subsidiary 70% owned by Cenkos Fund Management Limited, which is a 65% owned subsidiary of Cenkos Securities plc. This operation has an investment management agreement with an AIM-quoted fund. The fund has been put into run off and although investment management fees continue to be generated, these are declining over time. A decision was made by the Board to sell this business to local management in November 2011 and this sale was completed on 1 February 2012. The results for the year of this business, and the loss on sale, are shown as "discontinued operations" and the comparative results for 2010 have also been restated accordingly. 2010 results for Cenkos Fund Managers Limited included £0.7 million in performance fees that did not re-occur in 2011, and a reduction in the net asset value of the fund it advises has lead to reduced investment management fees in 2011.

The segment result from continuing operations (Cenkos Channel Islands Group) decreased by 41% to £0.9 million (2010: £1.5 million) due to lower income and increased costs reflecting further investment in the business.

Financial review

Income statement

We set out below a schedule which re-analyses information included in the statutory income statement. The Group uses a non-Generally Accepted Accounting Practice ("non-GAAP") financial measure, "underlying operating profit," in addition to those reported under IFRS. This gives a clearer picture of the underlying financial and operating performance of the Group, as it removes the "one-off" costs we incurred in 2010: namely the re-organisation of the Edinburgh office; redundancy costs associated with the closure of the Credit Markets operation; aborted acquisition costs and the net cost of settlement of litigation with a sub-broker. These adjusting items amounted to £5.3 million in 2010.

Total Group revenue from continuing operations was £43.7 million compared to £58.5 million last year, a decrease of 25%. There were no significant "one-off costs" in 2011, and therefore, despite a large fall in revenues, our operating profit from continuing operations only fell 12% to £5.7m. Our earnings per share from continuing operations increased by 13% to 5.6p.

	2011			2010		
	Underlying 'non-GAAP' income statement £ 000's	Adjusting items £ 000's	GAAP income statement £ 000's	Underlying 'non-GAAP' income statement £ 000's	Adjusting items £ 000's	GAAP income statement £ 000's
Continued operations						
Revenue	43,704	–	43,704	58,531	–	58,531
Administrative expenses (2010 restated)	(38,003)	–	(38,003)	(46,833)	–	(46,833)
One-off costs in 2010 noted above (re-organisation of Edinburgh office, closure of Credit Markets operations, aborted acquisition costs and sub-broker litigation)	–	–	–	–	(5,254)	(5,254)
Operating profit from continuing operations	5,701	–	5,701	11,698	(5,254)	6,444
Investment income – interest receivable	325	–	325	454	–	454
Finance costs – interest payable	(9)	–	(9)	(1)	–	(1)
(Loss)/gain on sale of available-for-sale financial asset	–	–	–	(294)	–	(294)
Profit before tax from continuing operations	6,017	–	6,017	11,857	(5,254)	6,603
Tax	(1,549)	–	(1,549)	(3,916)	1,753	(2,163)
Profit for the year from continuing operations	4,468	–	4,468	7,941	(3,501)	4,440
Discontinued operations						
(Loss)/ profit after tax for the year from operations discontinued in 2011	–	(457)	(457)	–	384	384
Profit for the year	4,468	(457)	4,011	7,941	(3,117)	4,824
Attributable to:						
Equity holders of the parent	4,168	(457)	3,711	6,843	(3,117)	3,726
Non-controlling interests	300	–	300	1,098	–	1,098
	4,468	(457)	4,011	7,941	(3,117)	4,824
Earnings per share from continuing operations						
Basic	6.3p		5.6p	9.4p		5.0p
Diluted	6.3p		5.6p	9.3p		5.0p
Earnings per share from continuing and discontinued operations						
Basic and diluted	5.8p		5.2p	9.6p		5.2p

Underlying results for 2010 have been restated for operations discontinued in 2011. Administrative expenses are shown after charging £2.4 million relating to staff bonuses resulting from the Compensatory Award Phantom Dividend Plan 2009 (2010: £2.1 million). Payments under this scheme are only triggered by the payment of a dividend to ordinary shareholders. This charge was excluded from underlying operating profit shown in our 2010 Annual Report. For consistency, the comparator for underlying profit shown in the financial highlights for 2010 has been restated for this.

The reduction in underlying operating margins to 13% from 20% reflects a number of factors. We have seen a change in the mix in revenue by team, with large falls in corporate activity on AIM, therefore lowering our fees generated on placings and corporate finance advice. In addition, our back office costs have remained relatively static as these costs already reflect what we believe we need to spend to operate and control a business of our size and complexity. The largest fall in our cost base was due to lower performance-based pay on the back of lower revenues. We endeavour to remunerate our staff to a level which not only retains but also motivates them to behave in line with the longer-term growth objectives of the Company. We continue to pursue a policy of maintaining a low fixed cost base and a remuneration policy of low basic salaries and rewarding net income generation.

Underlying operating profit from continuing operations fell by 51% to £5.7 million (2010: £11.7 million). This fall is primarily due to a large fall in revenue across all segments, offset by a decrease in performance-related pay.

Operating profit from continuing operations fell by 12% to £5.7m (2010: £6.4 million). In 2010 this was after charging for a number of significant "one-off" items which have not re-occurred in 2011.

Profit before tax from continuing operations fell by 9% to £6.0 million (2010: £6.6 million). This decrease is due to the factors noted above and that 2010's results also included a £0.3 million loss on sale of the Company's remaining holding in PLUS Markets Group plc.

The tax charge for the year from continuing operations was £1.5 million (2010: £2.2 million), which equates to an effective rate of tax of 26% (2010: 33%).

Basic and diluted earnings per share for the year from continuing operations are 5.6p (2010: 5.0p).

Financial position and cash flow

As mentioned above, we continue to manage the amount of capital committed to our market making activities closely and consequently have net trading investments of £7.7 million (2010: £7.5 million).

We currently hold healthy cash levels at £14.0 million (2010: £28.5 million). Our cash holdings include £0.5 million held on trust for creditors as a result of the cancellation of our share premium account in 2010 (2010: £5m held on trust for creditors). The year to 31 December 2011 saw an outflow of cash from operating activities of £7.8 million against an inflow of £15.6 million in 2010. The outflow in 2011 reflects a number of factors including the payment of the second interim and final dividend in respect of 2010, the settlement of litigation with a sub-broker and the payment of accrued 2010 performance related pay (reflecting the materially higher revenues of that year).

The Group retains 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 2011, Cenkos had a solvency ratio based on capital resources against Pillar 1 capital requirement of 227% (2010: 212%) based on audited profits and a capital resources surplus (including £0.5m held on trust for creditors) of £7.7 million (2010: £7.7 million) in excess of our Pillar 1 and 2 regulatory capital requirements.

Principal risks and uncertainties

The principal risks and uncertainties currently faced by the Group, and how these are managed, are outlined below. The fundamental risk to the Group is that Cenkos' income is dependent on the health of financial markets and in particular the economic conditions of the UK.

Notwithstanding this risk, the remaining risks outlined below 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 risks and uncertainties that the Group may potentially face, which could adversely impact its performance.

As part of general corporate governance requirements, Cenkos has a risk framework covering all aspects of its risks. This enables it to identify, assess and manage its key risks. Cenkos' senior management review and evaluate the business processes and associated risks within each area of the firm's business, identifying and assessing the mitigating controls and procedures in place as well as the action plan to address any weaknesses in control. This framework includes a formal approach to 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, the Group Risk and Compliance Committee and Audit Committee as required, within an overall framework and associated risk appetite that is set by the Board.

This framework and associated reporting and stress testing form the basis of the Group's Individual Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment process (ILAA). The Pillar 3 disclosures which the firm is required to make under FSA regulations concerning the Group's capital, risk exposures and risk assessment processes are disclosed on Cenkos' Website.

The risk framework is supported and validated by a dedicated internal audit function which is outsourced to KPMG LLP. A three-year internal audit programme has been approved by the Audit Committee and is progressing to plan.

In addition to the economic risks noted above, the key risk areas that could impact the Group's future performance, and how they are managed, are categorised as follows:

- reputational risk;
- operational risk, including regulatory risk, people risk and litigation risk;
- credit risk; and
- market risk and liquidity risk.

Reputational risk

The Group believes that one of the greatest risks it faces 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 a high level of integrity in all of its activities. The Executive Management Committee as well as Group Compliance 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.

Operational risk

Operational risk is the risk that the Group suffers a loss directly or indirectly from inadequate or failed internal processes, people, systems, or external events. Group Compliance and senior management closely ensure that the risk framework is working well and that any significant operational risks and their controls are continually reviewed, tested and assessed and, where applicable, corrective action plans are put in place. There is also an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, including fraud. Cenkos' low cost and responsive business model relies on consistent delivery from its key suppliers for its trading systems (primarily Fidessa) and settlements (Pershing). Cenkos maintains regular dialogue and meetings with these vendors and the risk framework ensures there is the necessary oversight of the risks associated with outsourcing.

The Group continuously reviews its business continuity plans, and has disaster recovery facilities in place in order to mitigate any substantial disruption to its operations. This was reviewed by our internal audit team in May 2011 and in February 2012 the Company's annual Business Continuity Plan was tested. No issues of concern were raised in respect of this test.

Other specific operational risks that are material to the Group's performance are regulatory risk, people risk and litigation risk. These are commented on in more detail below.

Regulatory risk

The Company and its principal subsidiaries are regulated entities. The Board, Executive Management Committee and Group Compliance have established a strong culture of regulatory and legal compliance throughout the Group. There is strict adherence to applicable regulation, focusing particularly on our ongoing obligations and responsibilities as an AIM nominated advisor (Nomad) and a UK Listing Authority (UKLA) Sponsor. Cenkos continues to focus heavily on prudential risks to ensure the appropriate systems and controls, reporting, capital and liquidity requirements are in place to meet the ongoing obligations of an FSA regulated (BIPRU Investment) firm.

During the year a number of reviews were undertaken, specifically focusing on regulatory reporting, controls around operations and market making limit setting and monitoring.

People risk

The Group's employees are its greatest asset and the future success of the Group depends on Cenkos' ability to attract and retain high quality employees. Failure to recruit or retain such employees could significantly affect the performance of the Group. Cenkos seeks to minimise this risk by creating the right culture and working environment and by rewarding employees through an overall remuneration package that is geared towards performance and share-based payments that aims to align the interests of the employees and shareholders. People risk is also mitigated via a succession planning process overseen by the Remuneration Committee.

Litigation risk

There is always a risk that some form of litigious action may be taken against the Group. Before any decision to enter into litigation is made the Board, senior management and the Group's legal advisers will review all aspects of the case to assess and consider if it is in the best interests of the Group and ultimately the shareholders to either instigate proceedings or defend itself against litigation.

Credit risk

The Group faces limited credit risks in the normal course of business as its market making activities are carried out on a delivery versus payment basis. Hence any counterparty exposure here will manifest itself as either an operational risk (in the form of settlement risk), or a market risk in terms of an underlying exposure to equities. See also note 26 to the financial statements on financial instruments. Although Cenkos' transaction fees are generally paid out of the proceeds of any funds raised, Cenkos faces some credit risk in respect of collecting fees due for other advice provided, such as Nomad fees. Overdue fees are reviewed regularly and appropriate action taken to ensure recoverability.

Market risk

The Group is exposed to market risk arising from its short-term positions in predominantly market making stocks in AIM listed companies. To mitigate this risk 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. See also note 26 to the financial statements on financial instruments. Some AIM listed stocks are subject to low levels of underlying liquidity. For comments on Cenkos' equity price sensitivity, see note 26 of the financial statements.

Principal risks and uncertainties continued

Liquidity risk

The Group is also exposed to liquidity risk being that it is unable to fund its commitments as and when they arise. To mitigate this 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 Board has oversight and approves the liquidity risk management framework and ILAA at least annually. 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 17 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. See also note 26 to the financial statements on financial instruments.

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.

Cenkos continues to focus heavily on prudential risks to ensure the appropriate systems and controls and reporting requirements are in place to meet the obligations of a BIPRU Investment firm. Financial risks are discussed in more detail in note 26 to the financial statements and include capital, equity price risk, credit risk and liquidity risk.

Changes in Cenkos' risk profile in 2011 and 2012

In terms of material risks that have changed during the period from 1 January 2011 to the date of signing of this report, the economic outlook has been depressed, which may lead to a continuation of the slowdown in primary and secondary fundraising seen in the second half of 2011. This could impact Cenkos' revenues in 2012.

As noted in the 'People' section of the Chief Executive Officer's report, there have been a number of Board changes in 2011. Jim Durkin's transition from senior management to Chief Executive Officer was helped by the fact that he has been working for Cenkos since it was founded, and that he was previously a Board member.

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2011.

Principal activities

Cenkos is 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 wealth management, which is undertaken by Cenkos Channel Islands Limited.

Business review and future developments

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

Results and dividends

The consolidated results for the year are set out in the Consolidated income statement on page 33.

An interim dividend of 4p per share was paid to shareholders on 11 November 2011 (2010: total interim dividends of 4p per share). The Directors recommend the payment of a final dividend of 1p per share in respect of the year ended 31 December 2011 (2010: final dividend of 4p per share). Subject to approval at the Annual General Meeting to be held on 10 May 2012, the dividend will be paid on 15 May 2012.

Directors

The names of the Directors of the Company appear on page 3. The Directors have served throughout the year with the exception of Jim Durkin who has served as a member of the Board since his appointment on 13 December 2011, and Oliver Ellingham and Simon Melling, who had served until their resignations from the Board on 4 July and 16 December 2011 respectively.

In accordance with current best practice, the Board has decided that all the serving Directors should be subject to an annual re-election to the Board. Jim Durkin, having been appointed to the Board since the last Annual General Meeting, will offer himself for election to the Board.

Share capital

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

As at 31 December 2011 the issued share capital of the Company was £727,712 (2010: £727,712). This comprised 68,598,553 (2010: 68,311,224) ordinary shares of 1p each, which are admitted to trading on AIM and 4,172,617 (2010: 4,459,946) B shares of 1p each, which are not admitted to trading on AIM. All shares have equal voting rights.

The B shares were issued on a partly-paid basis to certain employees prior to the Company's admission and trading on AIM in October 2006. Holders of the B shares are required to pay a further amount (the "required premium") 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 will be admitted to trading on AIM. During the year, following the payment of the required premium, 287,329 B shares with a nominal value of 1p each were converted into 287,329 ordinary shares with a nominal value of 1p each.

No options over ordinary shares in the Company were exercised during the year (2010: 35,250).

Directors' report continued

Directors' interests in ordinary shares

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

Name of Director	31 December 2011	31 December 2010 or date of appointment if later	Percentage interest as at 31 December 2011*
Jim Durkin **	5,675,000	5,675,000	7.80%
Jeff Hewitt	17,480	17,480	0.02%
David Henderson	30,000	–	0.04%

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

** Jim Durkin was appointed to the Board on 13 December 2011

The Directors have 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

No Director has any interest in options over ordinary shares in the Company as at 31 December 2011.

Directors' and Officers' liability insurance

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

Significant shareholdings

In addition to the current Directors' interests shown above, the Directors have been notified by the following companies and individuals that they had interests in 3% or more of the Company's share capital at 15 March 2012 and 31 December 2011:

Holder	Number of and class of share	Percentage interest as at 15 March 2012 and 31 December 2011*
Invesco Limited	11,113,869 ordinary shares	15.27%
Andy Stewart **	8,859,964 ordinary shares	12.18%
Prudential plc (group of companies)	6,000,000 ordinary shares	8.24%
Paul Hodges	5,801,750 ordinary shares	7.97%
Jim Durkin	5,675,000 ordinary shares	7.80%
Cenkos Securities (Trustees) Limited ***	4,690,947 consisting of: 518,330 ordinary and 4,172,617 B shares	6.45%
Nicholas Wells	2,550,000 ordinary shares	3.50%

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

** 300,000 shares are held in The Andrew Stewart Charitable Trust. Andy Stewart is a trustee of this Charitable Trust and therefore has a non-beneficial interest in these shares.

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

Employee benefit trust

The Company has established an employee benefit trust in respect of the Company's share schemes, which is funded by the Company and has the power to acquire shares from the Company or in the open market to meet the Group's future obligations under its share schemes. At 31 December 2011, the employee benefit trust held 1,583,750 ordinary shares representing 2.18% (2010: 1,518,750 ordinary shares representing 2.08%) of the Company's issued share capital for an aggregate consideration of £2,190,009 (2010: £2,147,134).

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 payments and share option arrangements.

Charitable and political donations

During the year the Group made charitable donations of £nil (2010: £250,000 to the Andy Stewart Charitable Foundation). The Group did not make any political donations during the year (2010: £nil).

Supplier 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 2011, based on the average monthly outstanding Group creditor balances, was 16 days (2010: 15 days).

Principal risks and uncertainties

The major risks to which the Group is exposed, along with the controls in place to minimise these risks, are described on pages 12 to 14.

Going Concern

As shown in note 1 of the financial statements, the Directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

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

During the year, following a tendering exercise, Ernst & Young LLP were appointed as the auditors of the Company. Further details on the tendering process in respect of the appointment of the external auditors are set out on pages 23 to 24. Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to appoint Ernst & Young 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 10 May 2012 at 12.00 noon. A copy of the Notice of Annual General Meeting together with an explanation of the resolutions to be proposed is set out on pages 76 to 80.

This report was approved by the Board of Directors on 15 March 2012 and signed on its behalf by:

Stephen Doherty

Company Secretary

15 March 2012

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 incorporates the Chief Executive Officer's report, Business Review, Financial Review and principal risks and uncertainties on pages 5 to 14) 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 15 March 2012 and signed on its behalf by:

Jim Durkin

Chief Executive Officer

15 March 2012

Corporate governance report

Introduction

Whilst Cenkos (being an AIM quoted company) is not required to comply with the UK Corporate Governance Code ("the Code") the Directors do, however, fully support high standards of corporate governance and intend to comply with the Code, in so far as practicable given the Group's size. In this respect, the Directors consider that the Group has applied the principles and complied with the provisions of the Code, with the exception of the appointment of a senior independent Director and undertaking an annual evaluation of its Board and committees during the year. Further details are set out within the Corporate Governance Report. The information in the Corporate Governance Report is not subject to audit.

The role of the Board

The Directors collectively bring a broad range of business experience to the Board and this is considered essential for the effective management of the Group. The Board is responsible for strategic and major operational issues affecting the Group. It reviews financial performance, regulatory compliance and monitors key performance indicators and will consider any matters of significance to the Group including corporate activity. Certain matters can only be decided by the Board and these are contained in the schedule of matters reserved to the Board. The Board also delegates certain responsibilities to committees of the Board; the Board reviews the decisions of these committees at each of its meetings. The day-to-day management of the Group's business is delegated to the Chief Executive Officer and he is assisted by the Executive Management Committee of the Company.

The composition of the Board

The Board currently consists of one executive and three non-executive Directors. The Directors contribute a range of complementary skills, knowledge and experience. The composition of the Board ensures that no single individual or group of individuals is able to dominate the decision-making process.

Details of the individual Directors and their biographies are set out on page 3.

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 Peter Sullivan. 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

Simon Melling served as the Chief Executive Officer throughout the year until his resignation from the position on 13 December 2011. Simon Melling subsequently resigned from his position as a Director of the Company on 16 December 2011. On 13 December 2011 Jim Durkin was appointed as the Chief Executive Officer. 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 regulatory bodies.

Non-executive Directors

As well as the non-executive Chairman the Board also has two non-executive Directors. The non-executive Directors bring independent judgement, knowledge and experience to the Board.

Corporate governance report continued

Senior independent Director
The Board has agreed not to appoint a senior independent Director. Given the size of the Group 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 current best practice, the Board has decided that all serving Directors should be subject to an annual re-election. Any Director appointed by the Board during the year holds office only until the next Annual Board Meeting when he is eligible for election.

Board meetings and information to the Board

Before each Board meeting the Directors receive comprehensive papers and reports on the issues to be discussed at the meeting. In addition to Board papers, Directors are provided with relevant information between meetings. Any Director wishing to do so may take independent professional advice at the expense of the Company. All Directors are able to consult with the Company Secretary who is responsible for ensuring that Board procedures are followed.

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

Attendance at meetings

The attendance in the year of the Directors at Board and principal committee meetings is shown below. The maximum number of meetings in the year when this individual was a Board member is shown in brackets.

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Chairman:				
Peter Sullivan	14(14)	4(4)	6(6)	3(3)
Chief Executive Officer:				
Simon Melling[1]	11(11)	n/a	n/a	n/a
Jim Durkin[2]	1(1)	n/a	n/a	n/a
Non-executive Directors:				
Jeff Hewitt	14(14)	4(4)	6(6)	3(3)
David Henderson	14(14)	3(4)	6(6)	3(3)
Oliver Ellingham[3]	7(7)	2(2)	2(3)	–

1. Simon Melling was a member of the Board until 16 December 2011.
2. Jim Durkin was appointed to the Board on 13 December 2011.
3. Oliver Ellingham was a member of the Board until 4 July 2011.

Induction and professional development

On joining the Board all new Directors, both executive and non-executive, receive an induction that is tailored to their specific requirements and that includes meetings with senior management. Additional business updates on particular issues are arranged as appropriate. New Board members are encouraged to attend relevant training programmes as part of their continuing professional development programmes and role as FSA Approved Persons.

Board evaluation

Given the search and selection process that was undertaken in the second half of the year in respect of the Chief Executive Officer's position, and due to the number of changes to the Board during the year, it was decided to postpone the 2011 Board evaluation process until the new Chief Executive Officer has settled into his role.

Board committees

The Board has a supporting committee structure in line with the 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 and is chaired by Jeff Hewitt. As shown in his biography on page 3, as well as being a qualified accountant he is also an experienced Audit Committee chair. The committee usually meets four times a year. The Chief Executive Officer, senior management including the Chief Financial Officer, 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;
- assessing the Group's financial risks and plans for mitigating these risks;
- reviewing the Group's financial statements, reports and announcements and the accounting policies that underline them, on behalf of the Board;
- recommending to the Board any proposed changes to the appointment and remuneration of the external auditors;
- monitoring of the independence of the external auditors and the establishment of a policy for their use for non-audit work; and,
- 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 its duties during the year, the committee undertook the following tasks:

- reviewed the Company's Interim and Annual Results Announcements and the Annual Report, respectively. On both occasions, the committee received reports from the external auditor identifying any accounting or judgmental issues 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 issues, particularly areas of judgment;
- at each meeting, reviewed both the risk management process operated by the Company (designed to identify the key risks) and how those risks were being managed;
- at each meeting, received reports from the Head of Compliance on the compliance activities for that respective period together with key risk indicators;
- considered, reviewed and approved to the Board the Internal Liquidity Adequacy Assessment Process and the Internal Capital Adequacy Assessment Process;
- reviewed the Company's operational risk assessment, Senior Management Arrangements, Systems and Control Risk Management Programme and the Pillar 1 capital calculation;
- considered reports on the effectiveness of Chinese walls, conflicts policy, the Bribery Act, and related party transactions;

Corporate governance report continued

- 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;
- reviewed progress against the internal audit plan, ensuring timely closure of any issues raised; 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 the corporate finance function, business continuity management, regulatory reporting and decision making reporting, as well as the operations function including limits and breach reporting.

An internal audit function, outsourced to KPMG LLP, provides further independent assurances over the adequacy and effectiveness of the systems of internal control throughout the business and ensures that the Group's approach to continuous improvement is maintained.

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, and in line with best practice, the Company put its external audit out to tender. After a rigorous selection process, the Audit Committee recommended, and the Board appointed, Ernst & Young LLP as its external auditors in July 2011. A number of audit firms were selected to tender for the external audit, (including the incumbent) based on their relevant audit experience of similar companies. A sub-committee of the Audit Committee was established to run the tender process, with the final evaluation being made by the Audit Committee. In addition to reviewing each audit firm's formal tender responses, the tender sub-committee and Audit Committee also undertook detailed interviews with each of the firms. The evaluation criteria included:

- evaluating the proposed audit team including their insight and experience;
- assessing the firm's understanding of the Group's business, its opportunities, challenges and issues, and the financial services industry more generally;
- looking at the firm's pro-activity and innovation, service approach and ability to add value;
- examining the firm's approach to independence and potential conflicts of interest, reviewing any dependencies or sensitivities; and
- considering the overall audit cost and value for money.

The Audit Committee's recommendation was then discussed and evaluated by the Board before a final decision was made. There were no contractual obligations that acted to restrict the Audit Committee's choice of external auditors. Although the Company has no formal policy on the rotation of its external auditors, the external auditor's performance will be evaluated annually by the Audit Committee.

Remuneration Committee
Full details of the composition and work of the Remuneration Committee is provided in the Directors' Remuneration Report on pages 26 to 30.

Nomination Committee
The Nomination Committee, which comprises the non-executive Directors, is chaired by Peter Sullivan. The committee has responsibility for considering the size, structure and composition of the Board of the Company, for reviewing senior management succession plans and for making appropriate recommendations in respect of appointments to the Board.

The committee formally met three times 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.

The committee has established a process for Board appointments that it considers to be formal, rigorous and transparent. During the search for a new Chief Executive Officer, the committee used the services of Odgers Berndtson. Odgers Berndtson has no other connection with the Company. The committee also undertook a number of meetings with the senior management of the Company. In recommending Jim Durkin to be appointed as the new Chief Executive Officer of the Company, the committee assessed his skills, experience and knowledge and took account of his overall contribution to the Group over the previous six years. The committee also took into account his relationship with shareholders of the Company.

Management Committees

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

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 Chief Executive Officer and the heads of each fee-earning team.

New Business Committee

The committee, which is chaired by the Chief Executive Officer, is responsible for the management, quality and risks associated with taking on new corporate finance clients and new business.

Risk and Compliance Committee

The committee is chaired by the Chief Executive Officer and meets monthly to monitor, review and manage the key 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 twenty one 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, Ernst & Young 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. As outlined on page 22, during the year the Audit Committee put its external audit out to tender and after a rigorous selection process the Audit Committee recommended, and the Board approved Ernst & Young LLP as its external auditors to the Company in July 2011.

Corporate governance report continued

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 to the financial statements.

Internal control and risk management

The Board is responsible for the overall adequacy of the Group's system of internal controls. Its role includes setting the risk management framework (including financial, operational, compliance controls and risk management systems), and for reviewing the effectiveness of this framework. It also identifies, evaluates and manages the significant risks faced by the Group. 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 March 2012. The Audit Committee considered the progress that had been made during the year ended 31 December 2011 and assessed the status of the Group's risk management framework and associated internal controls. 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 assurance that appropriate internal controls are in place. Accordingly the Board confirms that throughout the year ended 31 December 2011, 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.

The following is a summary of the internal control framework that was in place during 2011.

- The Group has an established 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 Head of Compliance. 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 Company's risk management programme as well as issues that could affect the key risks faced by the Group. The committee is chaired by the Chief Executive Officer and meets monthly. Reports and issues from these meetings are reported to the Board at each of its scheduled meetings and to the Audit Committee on a quarterly basis.
- Each of the control function areas (such as compliance, finance, operations and information technology) is responsible for setting policies and procedures to define the standards to which Cenkos operates, within a risk appetite set by the Board.
- As part of the overall control framework in place, the Board oversees the risk assessment and management programme. This programme requires 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. Senior management reviews the risks within their own business areas on at least a quarterly basis. This review includes detailing any additional risks, any changes to the existing risks within their business, the controls in place and any corrective actions that are required. The compliance function monitors this programme through a 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.
- Risks associated with taking on new corporate finance clients or new types of business are reviewed by the New Business Committee.
- During the year the finance and compliance teams 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. The results of this were then fed into the Internal Capital Adequacy Assessment Process and Individual Liquidity Adequacy Assessment Process. The Audit Committee and Board reviewed and approved these processes.

- Internal audit services are provided by KPMG. A rolling three-year audit programme is approved annually by the Audit Committee on a risk based approach. Reviews were undertaken during the year on business continuity management, the finance function and the operations function. As part of the internal audit process, KPMG reports directly to the Audit Committee and they also liaise directly with the Chief Executive Officer and finance function. The internal auditors also attend and report back at each Audit Committee meeting.
- At each Audit Committee and Board Meeting a report is submitted from the compliance function 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 15 March 2012 and signed on its behalf by:

Stephen Doherty

Company Secretary

15 March 2012

Directors' remuneration report

Introduction

Whilst the Group is not obliged to comply with the Directors' Remuneration Report Regulations, 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 2011.

Remuneration Committee

Membership of the Remuneration Committee is limited to non-executive Directors. The current members are David Henderson, Jeff Hewitt, and Peter Sullivan. Oliver Ellingham was a member until his resignation from the Board on 4 July 2011. David Henderson was the Chairman of the committee throughout the year.

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 benchmarking of the former Chief Executive Officer's remuneration from MCG Consulting and on the FSA Remuneration Code from Ashurst LLP.

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

The committee reports to the Board on all those 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 its duties during the year the committee undertook the following tasks. It:

- reviewed the senior management remuneration and received reports from the Chief Executive Officer on senior management's remuneration, including that of key management considered to be related parties (see note 27 of the financial statements);
- undertook a review of the Company's Long Term Incentive Plan, including the number of options that had been awarded and the effect on the dilution limits. It also considered how to incentivise existing employees;
- received a benchmarking report from MCG Consulting in respect of the former Chief Executive Officer's remuneration;
- reviewed the performance of the Chief Executive Officer for 2011;
- considered the new Chief Executive Officer's remuneration and approved a number of personal and financial objectives in respect of the setting of the Chief Executive Officer's performance award for 2012;

- undertook a review of the Company's remuneration policies;
- received a presentation from Ashurst LLP on the FSA's Remuneration Code; and
- considered and approved the Company's disclosures in respect of the FSA's Remuneration Code.

Remuneration policy

An integral aspect of the Company's business model is its approach to remuneration of employees. Remuneration consists of fixed and performance-related pay based on a profit sharing arrangement for each revenue generating team. The profit sharing arrangement compensates for moderately low base salaries. The performance related aspect reflects the success or failure of the Company's targets and objectives and is substantially reflective of the Group's financial performance. The Company has a policy to attract and retain individuals of the highest calibre and reward them so that they are motivated to grow the value of the business, thereby maximising shareholder return.

The profit sharing model that is in place for revenue generating teams is currently based on a percentage of revenues made by the team, after relevant costs have been deducted and general business risk factors taken into account. Following a review of the overall profitability of the Company, it was agreed to reduce the percentage of the revenue made by the revenue generating teams within its profit sharing model for 2011. The decision to reduce the percentage within the profit sharing model demonstrates the flexibility of the Company's remuneration model to take account of current market conditions.

The current and former Chief Executive Officer's discretionary pay is not based on the current arrangement concerning a formula-based profit sharing arrangement.

Components of Chief Executive Officer's remuneration for 2011

Base salary and benefits

The policy in 2011 was to provide regular remuneration through a base fixed salary at a level both appropriate to the position of a Chief Executive Officer, and comparable to the Company's peers. The Company also provided the former Chief Executive Officer with benefits, which consisted of healthcare cover and life assurance cover. These were provided on the same basis as those available to all other employees.

Annual performance awards

The discretionary annual performance award is a significant variable component of the Chief Executive Officer's overall remuneration. The annual performance award is at the discretion of the committee. In determining the level of award to the Chief Executive Officer, 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 the Chief Executive Officer against a number of financial and personal objectives that are set each year.

The committee agreed that, following the announcement in July 2011 which informed the market that the former Chief Executive Officer would be leaving the Group, it was inappropriate to award an annual performance award to him for 2011.

The committee did however note that Simon Melling, the former Chief Executive Officer, had remained in his post throughout almost all of 2011 while the search and selection of a new Chief Executive Officer for the Group was being undertaken. Accordingly, once the new Chief Executive Officer was appointed, it was felt appropriate to make a payment to Simon Melling to compensate him for the loss of office. A payment of £71,000 was made in this respect, together with a contractual payout of £50,000 in respect of a payment in lieu of notice being made.

Directors' remuneration report continued

Chief Executive Officer remuneration for 2012

The committee has considered the key elements of the remuneration for 2012 in respect of the current Chief Executive Officer. His base salary has been set at £100,000 per annum. This is consistent with the Company's goal of containing its fixed costs, and rewarding its employees in line with performance. The committee has agreed to retain the discretionary annual performance award as set out previously. In assessing the level of award, consideration will be given to the performance of the Chief Executive Officer based on a number of financial and personal objectives that have been set by the committee. As well as the financial performance of the Company, these will include personal objectives set around the strategic development of the Group, leadership and culture, operational performance and risk management, Board and governance effectiveness, and the external interface with shareholders and other key stakeholders.

In early 2013, the committee will consider how successful the Chief Executive Officer has been in achieving the objectives set and ensuring that the relevant targets have been met. The committee will then assess the level (if any) of the discretionary annual performance award that should be awarded. The maximum award entitlement if all the objectives and targets are achieved will be capped at four times base salary. The capped maximum entitlement will only be varied in exceptional circumstances, such as there being an exceptional return to shareholders or a significant increase in the profitability of the Company.

Directors' remuneration

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

	Basic salary or fees £000's	Annual performance award £000's	Benefits in kind £000's	Cash bonus in respect of options held* £000's	Compensation for loss of office	Payment in lieu of notice	Total 2011 £000's	Total 2010 £000's
Simon Melling*(1)	190	–	3	143	71	50	457	1,002
Jim Durkin(2)	–	–	–	–	–	–	–	–
Peter Sullivan	80	–	–	–	–	–	80	72
Jeff Hewitt	50	–	–	–	–	–	50	53
David Henderson(3)	50	–	–	–	–	–	50	31
Oliver Ellingham(4)	23	–	–	–	–	–	23	20
Andy Stewart(5)	–	–	–	–	–	–	–	44
John Hodson(6)	–	–	–	–	–	–	–	14
Paul Roy(7)	–	–	–	–	–	–	–	37
	393	**–**	**3**	**143**	**71**	**50**	**660**	**1,273**

* In accordance with the terms and conditions of the grant of options that had previously been made to Simon Melling, he had the right to receive a cash bonus equal to the amount of any dividend per share declared by the Company multiplied by the number of options held.

1. Simon Melling was a member of the Board until 16 December 2011
2. Jim Durkin was appointed to the Board on 13 December 2011. He received no salary as a Board member in 2011
3. David Henderson served as a member of the Board since 20 July 2010
4. Oliver Ellingham served as a member of the Board from 23 July 2010 until 4 July 2011
5. Andy Stewart was a member of the Board until 20 July 2010
6. John Hodson was a member of the Board until 29 March 2010
7. Paul Roy was a member of the Board until 30 September 2010

Pension arrangements

The Company does not operate a pension scheme on behalf of its employees. It does, however, provide access to a Company designated stakeholder pension scheme.

Directors' service contracts

Simon Melling was employed on a rolling service contract which was subject to three months notice by either party; there was no provision for sums to be paid on termination. Jim Durkin is employed on a rolling service contract which is subject to six months notice and which has no provision for sums to be paid on termination. Copies of Directors' service contracts will be available for review at the Annual General Meeting on 10 May 2012.

Long term incentives

The Company has established a Long Term Incentive Plan ("LTIP"), a Company Share Option Plan ("CSOP"), and the Compensatory Award Plan 2009 (collectively known as "the Schemes"). During the year options over a total of 150,000 (2010: 1,858,333) ordinary shares were granted under the Schemes. During the year the committee also agreed to award 5,790,000 options of ordinary shares at the next permissible open period. However, as at 31 December 2011 these awards had not been formerly granted. These awards will be granted at the next possible opportunity. 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. 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' interests in share options

No Director had any interest in options over ordinary shares in the Company as at 31 December 2011. The under mentioned former Director had interests in options over ordinary shares in the Company during the year as shown below:

Name of Director	Held at 1 January 2011	Lapsed during the year	Held at 31 December 2011	Exercise price	Grant date	Earliest exercise date	Last exercise date	Date lapsed
Simon Melling*	427,046	427,046	–	140.5p	23.10.2006	15.04.2008	23.10.2011	23.10.2011
	1,000,000	1,000,000	–	169.5p	09.10.2009	09.10.2012	09.04.2013	16.12.2011

* Simon Melling resigned as a director of the Company on 16 December 2011.

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 Schemes. These options were not exercised by the expiry date and subsequently lapsed.

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 specified that the Company's total shareholder returns must exceed 5% per annum over a three-year period for the award to vest. Following the resignation of Simon Melling from the Board on 16 December 2011, these options automatically lapsed.

At 31 December 2011 the mid market price of the Company's ordinary shares was 67.5p. The highest daily closing price during the year was 112.5p and the lowest daily share price was 54.0p.

In accordance with the terms of the grant of the above options, the option holder had the right to receive a cash bonus equal to the amount of any dividend per share declared by the Company, multiplied by the number of options held. The amount received by Simon Melling is shown on page 28 in the Directors' remuneration table.

Non-executive Directors

Each non-executive Director has a letter of appointment. Non-executive Directors are subject to annual re-election and are not subject to serving a fixed term. There are no specific contractual provisions for non-executive Directors to receive compensation upon early termination.

Directors’ remuneration report continued

Fees for the Chairman and the non-executive Directors are determined by the Chief Executive Officer and are also benchmarked against fees paid by other listed Companies of a similar size and complexity. Non-executive Directors do not participate in decisions concerning their own fees. Fees are reviewed annually, although it is anticipated that, in the absence of any significant market movement, fees will remain unchanged for two years. Non-executive Directors received annual fees of £45,000 each together with an additional fee of £5,000 if they acted as the Chairman of the Audit or Remuneration Committee. The Chairman’s fees have been set at £80,000 per annum.

Non-executive Directors are reimbursed all reasonable expenses incurred solely in relation to their duties as non-executive Directors.

FSA Remuneration Code

The committee considered the FSA Remuneration Code during the year. Information on the remuneration arrangements of senior management and other employees whose activities have a material impact on the Company’s risk profile (“Code Staff”) is set out below.

Information concerning the decision-making process used for determining the remuneration policy, including the composition and the mandate of the Remuneration Committee, and the committee’s approach to linking pay and performance is set out in pages 26 to 27.

	2011	2010
Fixed remuneration (£’000)	654	473
Variable remuneration (£’000)	6,212	6,079
Total remuneration (£’000)	6,866	6,552
Number of staff	12	11

During the year the committee approved the disclosures required by the FSA Remuneration code. A copy of these disclosures is available on the Company’s website: www.cenkos.com.

This report was approved by the Board of Directors on 15 March 2012 and signed on its behalf by:

David Henderson

Chairman of the Remuneration Committee

15 March 2012

Independent auditor's report

We have audited the financial statements of Cenkos Securities plc for the year ended 31 December 2011 which comprise the Group Income Statement, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 29. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2011 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;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report continued

Matters on which we are required to report by exception

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

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

Paul Sater (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London, UK

15 March 2012

Consolidated income statement for the year ended 31 December 2011

	Notes	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Revenue	3	43,704	58,531
Administrative expenses		(38,003)	(52,087)
Operating profit		5,701	6,444
Investment income – interest receivable	4	325	454
Loss on sale of available–for–sale financial assets		–	(294)
Interest expense	5	(9)	(1)
Profit before tax	7	6,017	6,603
Tax	8	(1,549)	(2,163)
Profit for the year from continuing operations		4,468	4,440
Discontinued operations			
(Loss)/profit from discontinued operations	9	(457)	384
Profit for the year		4,011	4,824
Attributable to:			
Equity holders of the parent		3,711	3,726
Non-controlling interests		300	1,098
		4,011	4,824
Earnings per share			
From continuing operations			
Basic	11	5.64p	4.99p
Diluted	11	5.64p	4.96p
From continuing and discontinued operations			
Basic	11	5.21p	5.24p
Diluted	11	5.21p	5.21p

The notes on pages 41 to 75 form an integral part of these financial statements.

The profit attributable to the Company in the year ended 31 December 2011 was £3,933,666 (31 December 2010: £3,382,141).

Consolidated statement of comprehensive income for the year ended 31 December 2011

	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Profit for the year	4,011	4,824
Available-for-sale financial assets:		
Gains arising during the year	–	48
Other comprehensive income for the year	–	48
Total comprehensive income for the year	4,011	4,872
Attributable to:		
Equity holders of the parent	3,711	3,774
Non-controlling interests	300	1,098
	4,011	4,872

The notes on pages 41 to 75 form an integral part of these financial statements.

Consolidated statement of financial position as at 31 December 2011

	Notes	31 December 2011 £ 000's	31 December 2010 £ 000's
Non-current assets			
Property, plant and equipment	12	1,133	931
Deferred tax asset	20	97	123
Trade and other receivables	16	3,839	4,448
		5,069	5,502
Current assets			
Financial assets	15	10,263	10,962
Trade and other receivables	16	21,800	27,142
Cash and cash equivalents	17	14,010	28,468
		46,073	66,572
Total assets		51,142	72,074
Current liabilities			
Financial liabilities	15	(2,539)	(3,481)
Trade and other payables	18	(23,518)	(41,338)
		(26,057)	(44,819)
Net current assets		20,016	21,573
Total liabilities		(26,057)	(44,819)
Net assets		25,085	27,255
Equity			
Share capital	21	728	728
Own shares	22	(2,190)	(2,147)
Retained earnings		25,142	27,134
Equity attributable to equity holders of the parent		23,680	25,715
Non-controlling interests		1,405	1,540
Total equity		25,085	27,255

The notes on pages 41 to 75 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 15 March 2012. They were signed on its behalf by:

Peter Sullivan
Chairman

15 March 2012

Jim Durkin
Chief Executive Officer

15 March 2012

Registered Number: 05210733

Company statement of financial position as at 31 December 2011

	Notes	31 December 2011 £ 000's	31 December 2010 £ 000's
Non-current assets			
Property, plant and equipment	12	776	853
Deferred tax asset	20	97	123
Investments in subsidiary undertakings	14	256	256
Trade and other receivables	16	3,839	4,448
		4,968	5,680
Current assets			
Financial assets	15	10,210	10,160
Trade and other receivables	16	19,104	22,738
Cash and cash equivalents	17	11,088	26,295
		40,402	59,193
Total assets		45,370	64,873
Current liabilities			
Financial liabilities	15	(2,539)	(3,481)
Trade and other payables	18	(18,354)	(35,165)
		(20,893)	(38,646)
Net current assets		19,509	20,547
Total liabilities		(20,893)	(38,646)
Net assets		24,477	26,227
Equity			
Share capital	21	728	728
Retained earnings		23,749	25,499
Total equity		24,477	26,227

The notes on pages 41 to 75 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 15 March 2012. They were signed on its behalf by:

Peter Sullivan
Chairman

15 March 2012

Jim Durkin
Chief Executive Officer

15 March 2012

Registered Number: 05210733

Consolidated cash flow statement for the year ended 31 December 2011

	Notes	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Profit for the year		4,011	4,824
Adjustments for:			
Net finance income	4, 5	(315)	(454)
Loss on sale of available-for-sale financial asset		–	294
Tax expense	8	1,549	2,318
Depreciation of property, plant and equipment	12	362	346
Profit on sale of fixed assets		(1)	–
Attributable tax expense from discontinued operations	9	(105)	–
Fair value less costs to sell discontinued operations		296	–
Non-controlling interests adjustment for discontinued operations		(162)	–
Shares and options received in kind		(607)	(1,143)
Share-based payment expense		195	570
Operating cash flow before movements in working capital		5,223	6,755
Decrease/(Increase) in net trading investments		365	(243)
Decrease/(Increase) in trade and other receivables		6,138	5,157
(Decrease)/Increase in trade and other payables		(17,376)	6,425
Net cash flow from operating activities		(5,650)	18,094
Interest paid		(9)	(1)
Tax paid		(2,172)	(2,543)
Net cash flow from operating activities		(7,831)	15,550
Investing activities			
Interest received		124	65
Acquisition of interest in a subsidiary by a subsidiary		(8)	–
Net proceeds from the sale of fixed assets		5	–
Purchase of property, plant and equipment	12	(568)	(405)
Proceeds from the sale of available-for-sale financial asset	13	–	265
Net cash flow from investing activities		(447)	(75)
Financing activities			
Dividends paid	10	(5,699)	(6,416)
Distributions made to non-controlling interests		(345)	(395)
Payments in relation to pre-IPO share options		(69)	(81)
Proceeds from issue of equity shares		–	1
Acquisition of own shares	22	(43)	(110)
Acquisition of own shares by a subsidiary		(24)	–
Net cash used in financing activities		(6,180)	(7,001)
Net (decrease)/increase in cash and cash equivalents		(14,458)	8,474
Cash and cash equivalents at beginning of year		28,468	19,994
Cash and cash equivalents at end of year		14,010	28,468

The notes on pages 41 to 75 form an integral part of these financial statements.

Company cash flow statement for the year ended 31 December 2011

	Notes	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Profit for the year		3,933	3,382
Adjustments for:			
Net finance income		(366)	(494)
Loss on sale of available-for-sale financial asset			294
Tax expense		1,537	2,158
Depreciation of property, plant and equipment	12	279	279
Shares and options received in kind		(608)	(1,143)
Share-based payment expense		111	530
Operating cash flow before movements in working capital		4,886	5,006
Decrease/(Increase) in net trading investments		(384)	559
Decrease/(Increase) in trade and other receivables		4,500	1,705
(Decrease)/Increase in trade and other payables		(16,232)	9,354
Net cash flow from operating activities		(7,230)	16,624
Interest paid		(10)	(10)
Tax paid		(2,115)	(2,408)
Net cash flow from operating activities		(9,355)	14,206
Investing activities			
Interest received		118	115
Purchase of property, plant and equipment	12	(202)	(341)
Proceeds from the sale of available-for-sale financial asset	13	–	265
Net cash flow from investing activities		(84)	39
Financing activities			
Dividends paid	10	(5,699)	(6,416)
Payments in relation to pre-IPO share options		(69)	(81)
Proceeds from issue of equity shares		–	1
Net cash used in financing activities		(5,768)	(6,496)
Net (decrease)/increase in cash and cash equivalents		(15,207)	7,749
Cash and cash equivalents at beginning of year		26,295	18,546
Cash and cash equivalents at end of year		11,088	26,295

The notes on pages 41 to 75 form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2011

	Equity attributable to equity holders of the parent							
	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	Non-controlling interests £ 000's	Total £ 000's
At 1 January 2010	727	22,700	(2,037)	(48)	6,626	27,968	837	28,805
Profit for the year	–	–	–	–	3,726	3,726	1,098	4,824
Other comprehensive income for the year	–	–	–	48	–	48	–	48
Total comprehensive income for the year	–	–	–	48	3,726	3,774	1,098	4,872
Shares issued	1	–	–	–	–	1	–	1
Cancellation of share premium account	–	(22,700)			22,700	–	–	–
Own shares acquired in the year	–	–	(110)	–	–	(110)	–	(110)
Credit to equity for equity-settled share-based payments	–	–	–	–	570	570	–	570
Payments in relation to pre-IPO share options	–	–	–	–	(81)	(81)	–	(81)
Deferred tax on share-based payments	–	–	–	–	9	9	–	9
Dividends paid	–	–	–	–	(6,416)	(6,416)	(395)	(6,811)
At 31 December 2010	728	–	(2,147)	–	27,134	25,715	1,540	27,255
Profit for the year	–	–	–	–	3,711	3,711	300	4,011
Total comprehensive income for the year	–	–	–	–	3,711	3,711	300	4,011
Own shares acquired in the year	–	–	(43)	–	–	(43)	–	(43)
Increase in investment in subsidiary	–	–	–	–	(62)	(62)	54	(8)
Subsidiary's acquisition of own shares	–	–	–	–	–	–	(24)	(24)
Share of profit/(loss) from discontinued operation attributable to non-controlling interests	–	–	–	–	–	–	(162)	(162)
Credit to equity for equity-settled share-based payments	–	–	–	–	153	153	42	195
Payments in relation to pre-IPO share options	–	–	–	–	(69)	(69)	–	(69)
Deferred tax on share-based payments	–	–	–	–	(26)	(26)	–	(26)
Dividends paid	–	–	–	–	(5,699)	(5,699)	(345)	(6,044)
At 31 December 2011	728	–	(2,190)	–	25,142	23,680	1,405	25,085

The notes on pages 41 to 75 form an integral part of these financial statements.

Company statement of changes in equity for the year ended 31 December 2011

	Share capital £ 000's	Share premium £ 000's	Available-for-sale reserve £ 000's	Retained earnings £ 000's	Total £ 000's
At 1 January 2010	727	22,700	(48)	5,375	28,754
Profit for the year	–	–	–	3,382	3,382
Other comprehensive income for the year	–	–	48	–	48
Total comprehensive income for the year	–	–	48	3,382	3,430
Shares issued	1	–	–	–	1
Cancellation of share premium account	–	(22,700)	–	22,700	–
Credit to equity for equity-settled share-based payments	–	–	–	530	530
Payments in relation to pre-IPO share options	–	–	–	(81)	(81)
Deferred tax on share-based payments	–	–	–	9	9
Dividends paid	–	–	–	(6,416)	(6,416)
At 31 December 2010	728	–	–	25,499	26,227
Profit for the year	–	–	–	3,933	3,933
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	3,933	3,933
Credit to equity for equity-settled share-based payments	–	–	–	111	111
Payments in relation to pre-IPO share options	–	–	–	(69)	(69)
Deferred tax on share-based payments	–	–	–	(26)	(26)
Dividends paid	–	–	–	(5,699)	(5,699)
At 31 December 2011	728	–	–	23,749	24,477

The notes on pages 41 to 75 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2011

1. Accounting policies

General information

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

Prior year comparatives have been amended to conform to the presentation in the current period, due to the discontinued operation as required by IFRS 5, in the Consolidated income statement, Consolidated statement of financial position, Company statement of financial position, Consolidated cash flow statement and Company cash flow statement. This includes reclassifying from current assets to non-current assets the loans due in respect of the partly paid B shares, as the amounts are due for repayment in July 2013.

Basis of accounting

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

Adoption of new and revised standards

During the year, a number of amendments to IFRS became effective and were adopted by the Group, none of which had a material impact on the Group's net cash flows, financial position, consolidated statement of comprehensive income or earnings per share.

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.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling party's share of changes in equity since the date of the combination. Losses applicable to the Non-controlling party in excess of the Non-controlling party's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the Non-controlling party 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 a year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The Company continues to consolidate the Cenkos Channel Islands Group on the basis of the ownership of 50% of the voting shares and the control it exerts over the subsidiaries.

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 Review and the Financial Review on pages 7 to 11. In addition, note 26 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.

Notes to the financial statements continued

1. Accounting policies (continued)

The Directors have considered forecasts taking account of the current uncertain market conditions which demonstrate that the Group can continue to operate within its own resources without recourse to the banking facilities available to it (see note 17). 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 financial statements of the Group and the Company.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position 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 "at fair value through profit or loss" (FVTPL), "held to maturity" "available-for-sale"", and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

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 as FVTPL and hedging instruments. Financial assets at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised in the income statement. The net gain or loss recognised in the income statement incorporates any dividend or interest earned on the financial asset.

Held to maturity investments

Debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

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 debtors are measured at fair value. Unpaid share premium and loans due from staff are initially measured at fair value and revalued to amortised cost at each subsequent reporting date. All other debtors are measured at amortised cost 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.

Notes to the financial statements continued

1. Accounting policies (continued)

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.

De-recognition of financial liabilities

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

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 income statement 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the statement of comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

Foreign currencies

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

Investments in subsidiary undertakings

Investments held as fixed assets are stated at cost, less any provision for 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. Where a rent free period or discount is negotiated it is amortised over the period of the lease.

Property, plant and equipment

Property, plant and equipment 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:	Remaining term of lease
Fixtures and fittings:	Three years
IT equipment:	Three years

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

Notes to the financial statements continued

1. Accounting policies (continued)

Taxation

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to 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 contractual entitlement is met. Revenue also comprises profits on dealing operations, being gains less losses, both realised and unrealised, on financial assets, 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.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based payments. The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The 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 reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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 25.

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. The volatility input has been calculated based on the volatility of historic share price movements.

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 16, and provides for amounts it considers irrecoverable.

d) Provisions and contingent liabilities

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation. Details of the judgements and estimates made by the Directors are set out in note 19. These judgements and estimates are based on a detailed consideration of the issues and relevant legal advice, leading to an assessment of the probability of litigation and subsequent cash outflow.

Contingent liabilities are set out in note 28.

e) Consolidated financial statements

The Company continues to consolidate the Cenkos Channel Islands Group on the basis of the ownership of 50% of the voting shares, the dispersed nature of other shareholders and the on-going business relationship with the entity.

f) Related party disclosures

The compensation of the key management personnel of the Group (including the Directors) and their interests in the shares and options over the shares of Cenkos Securities plc are set out in note 27. Key management personnel comprise Board members of the Group and members of the Group's Executive Management Committee who exert significant influence over the financial and operating policies of the Group.

Notes to the financial statements continued

3. Business and geographical segments

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 Officer to monitor segment performance and to allocate resources between segments.

Services from which reportable segments derive their revenues

Based on its internal management reporting, the Group has identified three reportable segments and the following services provided by these segments:

Corporate Broking and Advisory

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

Institutional Equities

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

Fund and Wealth Management

Offshore wealth management and stockbroking services are provided through the Cenkos Channel Islands Group.

The onshore fund management business is provided by Cenkos Fund Management Limited. This onshore business has been classified as a discontinued operation – see note 9.

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

	1 January 2011 to 31 December 2011				
	Corporate Broking and Advisory £ 000's	**Institutional Equities £ 000's**	**Fund and Wealth Management £ 000's**	**Less: Discontinued Operations* £ 000's**	**Group Total £ 000's**
Segment revenues and results					
Corporate finance	25,754	239	–	–	25,993
Corporate broking & market making	6,666	548	–	–	7,214
Research fees & commission	2,760	1,394	–	–	4,154
Management fees & stockbroking services	–	–	6,745	(402)	6,343
Segment revenue	35,180	2,181	6,745	(402)	43,704
Administrative expenses	(18,995)	(1,638)	(6,226)	780	(26,079)
Segment results	16,185	543	519	378	17,625
Unallocated administrative expenses					(11,924)
Operating Profit					**5,701**
Investment income – interest receivable					325
Finance costs – interest payable					(9)
Profit before tax					**6,017**
Tax					(1,549)
Loss after tax for the year from discontinued operations (in Fund and Wealth Management)*					(457)
Profit for the year					4,011

* See note 9 for details. Loss after tax for the current year from discontinued operations is arrived at after reviewing the carrying value of Cenkos Fund Managers Limited.

	1 January 2011 to 31 December 2011					
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Less: Discontinued Operations* £ 000's	Unallocated £ 000's	Group Total £ 000's
Other segment information:						
Assets	13,475	–	8,141	(300)	29,826	51,142
Liabilities	(2,539)	–	(4,984)	4	(18,538)	(26,057)
Depreciation and amortisation	21	4	85	(1)	253	362
Additions to non-current assets	–	–	368	–	200	568

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 2010 to 31 December 2010				
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Less: Discontinued Operations* £ 000's	Group Total £ 000's
Segment revenues and results					
Corporate finance	36,356	–	5	–	36,361
Corporate broking & market making	9,188	–	–	–	9,188
Research fees & commission	1,189	4,955	–	–	6,144
Management fees & stockbroking services	–	–	8,614	(1,776)	6,838
Segment revenue	46,733	4,955	8,619	(1,776)	58,531
Administrative expenses	(27,862)	(3,421)	(6,572)	1,237	(36,618)
Segment results	18,871	1,534	2,047	(539)	21,913
Unallocated administrative expenses					(15,469)
Operating Profit					6,444
Investment income – interest receivable					454
Loss on sale of available-for-sale financial asset					(294)
Finance costs – interest payable					(1)
Profit before tax					6,603
Tax					(2,163)
Profit after tax for the year from discontinued operations (in Fund and Wealth Management)*					384
Profit for the year					4,824

Notes to the financial statements continued

3. Business and geographical segments (continued)

	1 January 2010 to 31 December 2010					
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Less: Discontinued Operations* £ 000's	Unallocated £ 000's	Group Total £ 000's
Other segment information:						
Assets	13,254	–	8,317	–	50,503	72,074
Liabilities	(3,481)	–	(5,832)	–	(35,506)	(44,819)
Depreciation and amortisation	27	6	66	–	247	346
Additions to non-current assets	–	–	44	–	361	405

*See note 9 for details.

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 parent's 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.

An analysis of the Group's revenue and result on continuing operations by geographical location is as follows:

Geographical information

	1 January 2011 to 31 December 2011			1 January 2010 to 31 December 2010		
	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)	37,361	6,343	43,704	51,688	6,843	58,531
Non-current assets	1,133	–	1,133	875	56	931

(a) Revenues are attributed on the basis of the entities' location. All discontinued operations were located in the United Kingdom.

Major clients

No revenue from one particular client amounted to more than 10% of the Group's total revenue.

4. Interest income

	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Interest income generated from:		
Cash and cash equivalents	62	47
Held to maturity investments	22	19
Trade and other receivables	241	388
	325	454

Interest income generated from trade and other receivables includes the recognition of the unwinding of the discount factor applied to loans due from staff related to the issue of the partly paid B shares, which amounted to £209,513 (2010: £387,720).These loans were fair valued when granted and the discount factor unwinds over the period until they are due to be repaid (see note 26).

5. Interest expense

	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Interest on bank overdrafts and loans	9	1

6. Staff costs

	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Staff costs comprise:		
Wages and salaries	24,479	31,702
Social security costs	2,804	4,075
IFRS 2 share based payments	259	489
	27,542	36,266

The Company does not operate a pension scheme on behalf of its employees. It does, however, provide access to a Company designated stakeholder pension scheme.

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

	2011 No.	2010 No.
Corporate finance	18	12
Corporate broking	75	85
Administration	44	42
	137	139

	£ 000's	£ 000's
The total emoluments of the highest paid Director serving during the year were:	457	1,002

Details of the remuneration of key management personnel are set out in note 27. Details of the Directors remuneration is set out in the Directors' Remuneration Report on page 28.

Notes to the financial statements continued

7. Profit for the year

Profit for the year has been arrived at after charging:

	Continuing operations		Discontinued operations		Total	
	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Operating lease rentals	703	676	23	–	726	676
Auditors' remuneration (refer to analysis below)	138	539	5	5	143	544
Depreciation of property, plant and equipment	362	346	1	–	363	346
Staff costs (see note 6)	27,542	36,266	672	–	28,214	36,266
Change in fair value of financial assets designated as at FVTPL	323	108	–	–	323	108
Costs associated with aborted takeover bid	–	1,285	–	–	–	1,285

	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
The analysis of auditors' remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Group's annual accounts and consolidation	112	112
Fees payable to the Company's auditor for other services:		
– The audit of the Company's subsidiaries, pursuant to legislation	5	41
– Fees payable to other auditors for the audit of the Company's subsidiaries, pursuant to legislation	42	–
Total Audit Fees	159	153
– Other services, pursuant to legislation: half year review	18	43
– Fees paid to the predecessor auditor for corporate finance services (associated with aborted takeover bid)	–	348
– Fees payable to other auditors for the half year review of the Company's subsidiaries, pursuant to legislation	14	–
	32	391
	191	544

A description of the work of the Audit Committee is set out on pages 21 to 22 within the Corporate Governance Report and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

8. Tax

The tax charge comprises:

	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Current tax		
United Kingdom corporation tax at 26.5% (2010: 28%) based on the profit for the year	1,473	2,200
Overseas tax charge born by subsidiaries operating in other jurisdictions	12	5
Adjustment in respect of prior period		
United Kingdom corporation tax at 26.5% (2010: 28%)	63	–
Total current tax	1,548	2,205
Deferred tax		
Credit on account of temporary differences	(94)	–
Charge on account of temporary differences	95	113
Total deferred tax (refer note 20)	1	113
Total tax on profit on ordinary activities	1,549	2,318
The tax expense in the income statement is disclosed as follows:		
Income tax expense on continuing operations	1,549	2,163
Income tax (credit)/expense on discontinued operations	(105)	155
	1,444	2,318

The tax charge for the year differs from that resulting from applying the standard rate of UK corporation tax of 26.5% (2010: 28%) to the profit before tax for the reasons set out in the following reconciliation.

	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Profit before tax from continuing operations	6,017	6,603
(Loss)/profit from discontinued operations before tax	(378)	539
Profit before tax from continuing and discontinued operations	5,639	7,142
Tax on profit on ordinary activities at the UK corporation tax rate of 26.5% (2010: 28%)	1,494	2,000
Tax effect of:		
Expenses that are not deductible in determining taxable profits	172	443
Non-allowable loss on sale of available-for-sale financial asset	–	294
Different tax rates of subsidiaries operating in other jurisdictions	(226)	(419)
Income not subject to corporation tax	(61)	–
Expenses not allowable on disposal of discontinued operations	(13)	–
Adjustment for loss relief not claimed	15	–
Adjustment in respect of prior period	63	–
Tax expense for the year	1,444	2,318

The prior year figures have been restated due to updated disclosure requirements. This change does not impact the primary statements.

Notes to the financial statements continued

8. Tax (continued)

In addition to the amount charged to the income statement, deferred tax relating to share-based payments amounting to £25,992 has been charged directly to equity (2010: £10,353 credited directly to equity).

	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Deferred tax		
Arising on share-based payments	(26)	10
Total income tax recognised directly in equity	(26)	10

9. Discontinued operations

In 2012, the Group disposed of its entire holding in Cenkos Fund Managers Limited, which carried out all of the Group's onshore fund management activity. This operation has an investment management agreement with an AIM-quoted fund. The fund has been put into run off and although investment management fees continue to be generated, Cenkos Fund Managers Limited made a loss in 2011. The disposal was effected in order to remove the impact of future losses from the Group. The decision to dispose of Cenkos Fund Managers Limited was taken in November 2011 and as at 31 December 2011, Cenkos Fund Managers Limited was classified as held for sale and as a discontinued operation, given it was a separate major line of business. The disposal was completed on 1 February 2012, at which date control of Cenkos Fund Managers Limited passed to the acquirer for the consideration of £1.

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

	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Revenue	402	1,776
Administrative expenses	(780)	(1,237)
Profit before tax	(378)	539
Income tax (credit)/expense	105	(155)
Loss on disposal of discontinued operations	(184)	–
Net loss attributable to discontinued operations (attributable to the owners of the Company)	(457)	384

The major classes of assets and liabilities of Cenkos Fund Managers Limited as at 31 December 2011 were as follows:

	31 December 2011 £ 000's
Property, plant and equipment	1
Deferred tax asset	105
Trade and other receivables	194
Trade and other payables	(4)
Fair value less costs to sell	(296)
Assets held for resale	–

10. Dividends

	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2010 of 4p (December 2009: 5p) per share	2,849	3,565
Interim dividend for the period to 30 June 2011 of 4p (June 2010: 2p) per share	2,850	1,425
Interim dividend for the period to 30 November 2011 of nil (November 2010: 2p) per share	–	1,426
	5,699	6,416

A final dividend of 1 pence per share has been proposed for the year ended 31 December 2011 (2010: 4p).

11. Earnings per share

	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Earnings from continuing and discontinued operations		
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	3,711	3,726
Effect of dilutive potential ordinary shares:		
Share options	–	–
Earnings for the purpose of diluted earnings per share	3,711	3,726
	No.	**No.**
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	71,250,584	71,164,543
Effect of dilutive potential ordinary shares:		
Share options	–	401,417
Weighted average number of ordinary shares for the purpose of diluted earnings per share	71,250,584	71,565,960

The weighted average number of shares considered for the current period also includes the total number of B shares, even though they are partly paid shares, as these shares are entitled to a full dividend payout.

On 22 October 2009, 1,428,750 shares were transferred to the Cenkos Securities Employee Benefit Trust (CSEBT). On 31 March 2010 it acquired a further 90,000 shares, on 20 December 2011 a further 20,000 shares and on 21 December 2011 a further 45,000 shares. These shares are held by the trust in treasury and have been excluded from the weighted average number of shares calculation up to this date.

Notes to the financial statements continued

11. Earnings per share (continued)

	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Earnings from continuing operations		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	3,711	3,726
Adjustment to exclude parent share of discontinued operation	308	(174)
Earnings from continuing operations for the purpose of basic earnings per share excluding discontinued operations	4,019	3,552
Effect of dilutive potential ordinary shares:		
Share options	–	–
Earnings from continuing operations for the purpose of diluted earnings per share excluding discontinued operations	4,019	3,552

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Earnings from discontinued operations		
Basic	(0.43)p	0.24p
Diluted	(0.43)p	0.24p

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 2009	1,038	206	707	1,951
Additions	260	20	125	405
At 31 December 2010	1,298	226	832	2,356
Additions	301	79	188	568
Disposals	–	(27)	–	(27)
At 31 December 2011	1,599	278	1,020	2,897
Accumulated depreciation				
At 31 December 2009	(404)	(133)	(542)	(1,079)
Charge for the year	(172)	(57)	(117)	(346)
At 31 December 2010	(576)	(190)	(659)	(1,425)
Charge for the year	(206)	(33)	(123)	(362)
Disposals	–	23	–	23
At 31 December 2011	(782)	(200)	(782)	(1,764)
Net book value				
At 31 December 2011	817	78	238	1,133
At 31 December 2010	722	36	173	931

Company

	Leasehold improvements £ 000's	Fixtures and fittings £ 000's	IT equipment £ 000's	Total £ 000's
Cost				
At 31 December 2009	1,021	132	562	1,715
Additions	240	8	93	341
At 31 December 2010	1,261	140	655	2,056
Additions	39	20	143	202
At 31 December 2011	1,300	160	798	2,258
Accumulated depreciation				
At 31 December 2009	(385)	(91)	(448)	(924)
Charge for the year	(166)	(37)	(76)	(279)
At 31 December 2010	(551)	(128)	(524)	(1,203)
Charge for the year	(181)	(11)	(87)	(279)
At 31 December 2011	(732)	(139)	(611)	(1,482)
Net book value				
At 31 December 2011	568	21	187	776
At 31 December 2010	710	12	131	853

Notes to the financial statements continued

13. Available-for-sale financial assets

	Group and Company	
	2011 **£ 000's**	**2010** **£ 000's**
Opening balance (at fair value)	–	511
Fair value changes credited to reserves	–	48
Disposal of shares	–	(559)
Closing balance (at fair value)	–	–

During the prior year, the Group disposed of its entire investment in the ordinary share capital of Plus Markets Group plc.

14. Investments in subsidiaries

	Shares in subsdiary undertakings	
	2011 **£ 000's**	**2010** **£ 000's**
Company		
Cost		
At 1 January	256	256
At 31 December	256	256

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%
Indirect holdings			
Huntress (CI) Nominees Limited	Guernsey	Nominee company	100%
Cenkos Jersey Limited	Jersey	Provision of investment services	100%
Cenkos Channel Islands Investment Management Limited	Guernsey	Provision of investment services	100%
Cenkos Channel Islands Services Limited	Guernsey	Services company	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 statement of financial position.

The assets and liabilities of CSEBT are included in the Group's statement of financial position.

* Holding disposed of on 1 February 2012

15. Financial assets and liabilities

	Group		Company	
	2011 £ 000's	2010 £ 000's	2011 £ 000's	2010 £ 000's
Financial assets at FVTPL				
Trading investments carried at fair value	9,952	10,348	9,899	9,546
Derivative financial assets	103	443	103	443
	10,055	10,791	10,002	9,989
Held to maturity investments carried at amortised cost	208	171	208	171
	10,263	10,962	10,210	10,160
Financial liabilities at FVTPL				
Contractual obligation to acquire securities	(2,539)	(3,481)	(2,539)	(3,481)
Total	(2,539)	(3,481)	(2,539)	(3,481)

The trading investments carried at fair value included above under Financial Assets at FVTPL and Financial liabilities at FVTPL include long positions and short position (contractual obligations to acquire securities), respectively, 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 26. The Group's trading investments carried at fair value, under Financial assets at FVTPL, have been used as a security with respect to the undrawn borrowing facility of £5 million. For more details, refer to note 17.

Derivative financial assets include options over the shares of client companies taken in lieu of fees. These options are valued at each period end using the Monte Carlo simulation model. The inputs to the model include expected volatility derived from the underlying share price, expected share price growth and discount rate. A 20% discount to the quoted market price was applied to the share price used in the valuation model to reflect the size of the tranches of share options and the liquidity in the shares.

Held to maturity investments carried at amortised cost represent convertible bonds in Providence Resources plc taken by the Company in lieu of fees. These bonds are denominated in Euros, have a 12% coupon rate and their carrying amount approximates their fair value.

Notes to the financial statements continued

16. Trade and other receivables

	Group		Company	
	2011 £ 000's	2010 £ 000's	2011 £ 000's	2010 £ 000's
Non-current assets				
Unpaid share capital and loans due from staff	3,839	4,448	3,839	4,448
Current assets				
Market and client receivables	18,845	23,919	14,680	18,623
Amounts owed by group undertakings	–	–	2,152	2,003
Prepayments and accrued income	2,340	2,261	1,665	1,512
Other receivables	615	962	607	600
	21,800	27,142	19,104	22,738

The average credit period taken is 38 days (2010: 22 days). A specific provision of £17,312 (2010: £444,427) has been made against the full amount of specific market and client receivables deemed to be doubtful. The amount charged to the income statement for bad or doubtful debts is £57,484 (2010: credit of £77,349).

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

Unpaid share capital and loans due from staff include loans made to certain employees related to the issue of partly paid B shares referred to in the Directors' Report on page 15.

Credit risk

The Group's principal financial assets are bank balances and cash (see 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 statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentration of credit risk, other than those covered in note 26. In addition, the risk associated with these financial assets is further discussed in note 26.

17. Cash and cash equivalents

	Group		Company	
	2011 £ 000's	2010 £ 000's	2011 £ 000's	2010 £ 000's
Cash and cash equivalents	14,010	28,468	11,088	26,295

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 26).

The cash balance includes £0.5 million (2010: £5 million) held in trust against liabilities still in existence, identified at the time of the reorganisation of the firm's share capital and reserves in 2010 (see note 23).

17. Cash and cash equivalents (continued)

Undrawn borrowing facilities

At 31 December 2011, the Group had an undrawn borrowing facility of up to £5 million (2010: £5 million). The facility is secured against the Group's trading investments carried at fair value, under Financial assets at FVTPL. The actual amount available is the lower of £5 million, the pre-tax profit derived from the last audited accounts or the value of the Group's trading investments carried at fair value, under Financial assets at FVTPL (see note 15) after applying various haircuts. This facility is due to be renewed at the end of April 2012.

Other guarantees and charges

On 9 February 2007, Cenkos Securities plc and Cenkos Nominee UK Limited gave HSBC Bank plc an unlimited and multilateral guarantee. In addition, HSBC holds a debenture including a fixed charge over all present freehold and leasehold property; a first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and a first floating charge over all assets and undertakings both present and future, dated 8 March 2007.

18. Trade and other payables

	Group		Company	
	2011 £ 000's	**2010 £ 000's**	**2011 £ 000's**	**2010 £ 000's**
Trade creditors	12,654	18,220	8,656	13,009
Amounts owed to group undertakings	–	–	–	610
Corporation tax payable	541	1,163	526	1,104
Accruals and deferred income	9,373	19,420	8,640	18,357
Other creditors	950	2,535	532	2,085
	23,518	41,338	18,354	35,165

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

The fall in trade creditors reflects a number of factors including the payment of the second interim and final dividend in respect of 2010, the settlement of litigation with a sub-broker and the payment of accrued 2010 performance related pay (reflecting the materially higher revenues of that year).

19. Provisions and accruals

A provision was set up in 2010 for legal fees on a case concerning litigation with a sub-broker, which was determined in 2011. The provision was utilised in 2011 when the case was settled in full.

A cash-settled shadow equity scheme was set up in 2009 for the Cenkos team based in Edinburgh. The Company re-organised this office in the second half of 2010 resulting in the cessation of this arrangement and a number of staff leaving the Company. A provision for this re-organisation was established in 2010 to cover any resultant liabilities. The Company is currently in dispute with a former member of staff. After taking legal advice, the Directors are of the opinion that appropriate accruals have been made in these financial statements for any potential liability. A breakdown of the amount accrued has not been given as any additional disclosure could, in the opinion of the Directors, prove seriously prejudicial to the interests of the Group.

Notes to the financial statements continued

20. Deferred tax

Deferred tax arises in respect of unrealised gains on short term temporary 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 and Company	
	Short-term timing difference £ 000's	Total £ 000's
At 31 December 2009	227	227
(Charge) to income (refer to note 8)	(113)	(113)
Credit to equity	9	9
At 31 December 2010	123	123
Credit on account of temporary differences	94	94
Charge on account of temporary differences	(94)	(94)
Charge to equity	(26)	(26)
At 31 December 2011	97	97

A reduction in the UK corporation tax rate from 28% to 26% was substantively enacted in March 2011 and was effective from 1 April 2011. A further reduction from 26% to 25% was substantively enacted in July 2011 and will be effective from 1 April 2012. Accordingly, these rates have been applied in the measurement of the Group's deferred tax asset as at 31 December 2011.

In addition, the Government announced its intention to further reduce the UK corporation tax rate to 24% from 1 April 2013 and to 23% from 1 April 2014. Since these rates have not been substantively enacted at the reporting date they are not reflected in the closing deferred tax balance.

21. Share capital

	Group and Company 2011 £ 000's	Group and Company 2010 £ 000's
Authorised:		
179,185,700 (2010 – 179,185,700) ordinary shares of 1p each	1,792	1,792
20,814,300 (2010 – 20,814,300) B shares of 1p each	208	208
	2,000	2,000
Allotted:		
68,598,553 (2010: 68,311,224) ordinary shares of 1p each, nominal capital fully paid	686	684
4,172,617 (2010: 4,459,946) B shares of 1p each, nominal capital fully paid	42	44
	728	728

21. Share capital (continued)

1 January 2010 to 31 December 2010

On 8 March 2010, 1,287,000 B shares of 1p each were converted with 1,287,000 ordinary shares of 1p each.

On 12 April 2010, 94,299 B shares of 1p each were converted into 94,299 ordinary shares of 1p each.

On 24 May 2010, 35,250 ordinary shares of 1p each were issued following the exercise of 35,250 options in accordance with the pre 2006 share option plan.

On 17 August 2010, 85,470 B shares of 1p each were converted into 85,470 ordinary shares of 1p each.

On 22 December 2010, 21,554 B shares of 1p each were converted into 21,554 ordinary shares of 1p each.

1 January 2011 to 31 December 2011

On 4 February 2011, 21,056 B shares of 1p each were converted into 21,056 ordinary shares of 1p each.

On 28 April 2011, 42,112 B shares of 1p each were converted into 42,112 ordinary shares of 1p each.

On 23 November 2011, 224,161 B shares of 1p each were converted into 224,161 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 to certain employees prior to the Company's admission and trading on AIM in October 2006. Holders of the B shares paid up the nominal capital and 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.

22. Own shares

During 2009, the Group established an employee benefit trust, CSEBT. It is funded by the Group and has the power to acquire Cenkos Securities plc shares. These shares represent the cost of 1,428,750 shares in Cenkos Securities plc acquired from employees in 2009, a further 90,000 shares purchased during 2010 and 65,000 shares during 2011. These purchases are for use by the CSEBT to satisfy future share option obligations as and when they arise. As at 31 December 2011, CSEBT owned 1,583,750 ordinary 1p shares (2010: 1,518,750) with a market value of £1,013,600 (2010: £1,685,813).

	2011		2010	
	Number of shares	**Cost £ 000's**	**Number of shares**	**Cost £ 000's**
At 1 January	1,518,750	2,147	1,428,750	2,037
Acquired during the year	65,000	43	90,000	110
At 31 December	1,583,750	2,190	1,518,750	2,147

Notes to the financial statements continued

23. Share premium

	Group and Company 2011 £ 000's	Group and Company 2010 £ 000's
At 1 January	–	22,700
Cancellation of share premium account	–	(22,700)
At 31 December	–	–

On 17 November 2010, the court approved the cancellation of the Company's entire share premium account, which has been used to provide distributable reserves for the Company.

24. Operating lease arrangement

The Group as lessee

At the reporting date, the Group and Company 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	
	2011 £ 000's	2010 £ 000's	2011 £ 000's	2010 £ 000's
Within one year	611	568	481	493
In the second to fifth years inclusive	1,613	2,048	1,001	1,451
After five years	519	468	–	–

Operating lease payments represent rentals payable by the Group and Company for office properties and leases. They are negotiated for an average term of seven and a half years and rentals are fixed for an average of four years.

25. Share-based payments

Equity-settled share option scheme

The Group has a pre-IPO share option scheme, a Company Share Option Plan ("CSOP"), a Long-Term Incentive Plan ("LTIP") and a Compensatory Award Plan 2009 for all employees of the Group.

Pre-IPO share option scheme

Options were exercisable at a price agreed in accordance with the rules of the scheme on the date of grant. The vesting period for the options was from the publication of the Company's Annual Report and Accounts for the financial period ended 31 December 2008. As the option remained unexercised after a period of 5 years from the date of grant (23 October 2011), the options expired.

CSOP

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

25. Share-based payments (continued)

LTIP

The Company has established a Long Term Incentive Plan ("LTIP").The measurement period in respect of a performance condition is 36 months after the grant date and the vesting period is a further 6 months after this date. If a call has not been made in respect of the vested options within this period 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 vest, the option will lapse on the date of such cessation.

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

	2011		2010	
	Number of shares options	Weighted average exercise price (in £)	Number of shares options	Weighted average exercise price (in £)
Outstanding at beginning of year	17,354,629	1.24	16,406,646	1.23
Granted during the year	150,000	0.95	2,458,233	1.24
Exercised during the year	–	–	(35,250)	0.01
Lapsed during the year	(3,452,009)		(1,475,000)	
Outstanding and exercisable at the end of the year	14,052,620	1.21	17,354,629	1.24

Notes to the financial statements continued

25. Share-based payments (continued)

	Date of grant	Vesting date	Date of Expiry	Remaining contractual life, months	2011 Number of shares options	2010 Number of shares options
Options exercisable at £0.71 per share	Oct-06	Mar-08	Oct-11	–	–	600,000
Options exercisable at £1.41 per share	Oct-06	Mar-08	Oct-11	–	–	462,634
Options exercisable at £1.92 per share	Mar-08	Mar-11	Sep-11	–	–	516,042
Options exercisable at £1.09 per share	Sep-08	Sep-11	Mar-12	–	–	375,000
Options exercisable at £1.10 per share	Sep-08	Sep-11	Mar-12	–	–	165,000
Options exercisable at £0.71 per share	Mar-09	Mar-12	Sep-12	9	500,000	500,000
Options exercisable at £1.00 per share	Mar-09	Mar-12	Sep-12	9	275,000	275,000
Options exercisable at £1.01 per share	Mar-09	Mar-12	Sep-12	9	250,000	250,000
Options exercisable at £1.15 per share	Jul-09	Jul-09	Jul-19	91	9,378,870	9,378,870
Options exercisable at £1.38 per share	Oct-09	Oct-12	Jan-13	13	250,000	250,000
Options exercisable at £1.43 per share	Oct-09	Oct-12	Jan-13	13	170,000	170,000
Options exercisable at £1.69 per share	Oct-09	Oct-09	Oct-19	94	1,428,750	1,428,750
Options exercisable at £1.70 per share	Oct-09	Oct-12	Jan-13	13	125,000	1,125,000
Options exercisable at £1.12 per share	Mar-10	Mar-13	Sep-13	–	–	333,333
Options exercisable at £1.24 per share	Mar-10	Mar-13	Sep-13	21	275,000	275,000
Options exercisable at £1.28 per share	Mar-10	Mar-13	Sep-13	21	825,000	825,000
Options exercisable at £1.44 per share	Mar-10	Mar-13	Sep-13	21	250,000	250,000
Options exercisable at £1.03 per share	Nov-10	Nov-13	May-14	29	175,000	175,000
Options exercisable at £0.95 per share	Mar-11	Mar-14	Sep-14	31	150,000	–
Options exercisable at the end of 31 December					14,052,620	17,354,629

The options outstanding at 31 December 2011 have a weighted average exercise price of £1.21 (2010: £1.24) and a weighted average remaining contractual life of 6 years (2010: 6 years). At the date of grant, they had an average estimated fair value of £4,999,667 (2010: £6,269,505).

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

	2011	2010
Expected volatility	30%	30%
Expected share price growth	5%	5%
Discount rate	25%	25%

25. Share-based payments (continued)

Expected volatility was based on the 20-day moving average of the Cenkos Securities plc 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. A 20% discount to the quoted market price was applied to the share price used in the valuation model to reflect the size of the tranches of share options and the liquidity in the shares.

During the year, the Group recognised expenses of £195,939 (2010: £375,264) related to equity-settled share-based payment transactions with regard to issue of share options and other share-based payment expenses of £63,375 (2010: £194,454) relating to the distribution of shares in Cenkos Channel Islands Limited to employees of the Cenkos Channel Islands Group by the Cenkos Channel Islands Employee Benefit Trust.

26. Financial Instruments

Capital risk management

The Group manages capital to ensure that entities in the Group will be able to continue as a going concern while aiming to maximise 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 2011, Cenkos Securities plc had a solvency ratio of 227% (2010: 212%).

Externally imposed capital requirement

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

Significant accounting policies

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

Categories of financial instruments

	Carrying value	
	2011 £ 000's	**2010 £ 000's**
Financial assets at fair value through profit and loss (FVTPL)		
Trading investments carried at fair value	9,952	10,348
Derivative financial assets	103	443
Held to maturity investments carried at amortised cost	208	171
Financial liabilities at fair value through profit and loss (FVTPL)		
Contractual obligation to acquire securities	2,539	3,481
Financial liabilities held at amortised cost		
Amortised cost	23,517	41,338

Notes to the financial statements continued

26. Financial instruments (continued)

Financial risk management objectives

The Group's 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 Chief Executive Officer and senior management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Interest rate risk management

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

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

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate assets, the analysis is prepared based on the average rate due on the asset or liability through the year. A 10 basis points increase or decrease is used when reporting interest rate risk internally to senior management and represents management's assessment of reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2011 would increase/decrease by £0.01 million (2010: increase/decrease by £0.02 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate instruments; and
- other comprehensive income would increase/decrease by £0.01 million (2010: increase/decrease by £0.02million)

Equity price risks

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

Equity price sensitivity analysis

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

If equity prices had been 10% higher/lower:

- net profit for the year ended 31 December 2011 would have been £0.76 million higher/lower (2010: £0.75 higher or lower) due to change in the value of FVTPL held-for-trading investments.

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

Foreign currency risk

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

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure and other reasons. The exposure of the Group to its counterparties is closely monitored and the limits set to minimise the concentration of risks, ensuring this does not exceed 25% of the Company's regulatory capital.

The vast majority of the Group's credit risk arises from the settlement of security transactions. However, the settlement model primarily used by the Group does not expose the Group to a risk as a principal to a trade. Rather, the Group's exposure lies solely with Pershing Securities Limited, a wholly owned subsidiary of the Bank of New York Mellon Corporation, a AA (2010: AA) rated bank. In addition, in circumstances in which the Group does act as principal, when acting as a market maker, the counterparty will normally be an FSA regulated market counterparty, rather than a corporate or individual trader.

Cash resources also give rise to potential credit risk. The Group's cash balances are held with HSBC Bank plc ("HSBC"), Royal Bank of Scotland International Limited and Santander UK plc. The banks with which the Group deposits money are reviewed on an annual basis by the Board and are required to have at least an investment grade credit rating. To limit the concentration risk in relation to cash deposits, the maximum amount which may be deposited with any one financial institution is set at 25% of the Company's regulatory capital.

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

In 2006, the Company issued various tranches of partly paid B shares to a number of employees serving with the Company at that time. 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 80p and 98p per share, whilst the Company's share price was 64p. 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. The company has a legally enforceable contract with each individual who holds these partly paid B shares. Under the terms of this, the partly paid B shares are held as collateralised security against the loan.

The Group does not have any significant credit risk exposure to any single counterparty with the exception of Pershing, HSBC, Royal Bank of Scotland International Limited and Santander UK plc.

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.

Notes to the financial statements continued

26. Financial Instruments (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board. It has, however, delegated day to day management to the Chief Executive Officer. 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 17 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 material liquidity mismatches, financial liabilities are on the whole short-term and the Group has sufficient liquid assets to cover all of these liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial 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.

31 December 2011		**Weighted average effective interest rates**	**Less than 1 month £ 000's**	**Less than 1 year £ 000's**	**1-5 years £ 000's**	**Total £ 000's**
Trade and other receivables	Fixed interest rate instruments	5.00%	–	–	3,839	3,839
Held to maturity investments	Fixed interest rate instruments	12.00%	–	208	–	208
Financial assets at FVTPL	Non-interest bearing		9,952	–	103	10,055
Trade and other receivables	Non-interest bearing		21,800	–	–	21,800
Cash and cash equivalents	Fixed interest rate instruments	2.10%	3,000	–	–	3,000
Cash and cash equivalents	Fixed interest rate instruments	1.40%	3,000	–	–	3,000
Cash and cash equivalents	Variable interest rate instruments	0.25%	8,010	–	–	8,010
Financial liabilities at FVTPL	Non-interest bearing		(2,539)	–	–	(2,539)
Trade and other payables	Non-interest bearing		(23,518)	–	–	(23,518)
			19,705	208	103	20,016

31 December 2010		Weighted average effective interest rates	Less than 1 month £ 000's	Less than 1 year £ 000's	1-5 years £ 000's	Total £ 000's
Trade and other receivables	Fixed interest rate instruments	5.00%	–	–	4,448	4,448
Held to maturity investments	Fixed interest rate instruments	12.00%	–	–	171	171
Financial assets at FVTPL	Non-interest bearing		10,348	–	443	10,791
Trade and other receivables	Non-interest bearing		27,142	–	–	27,142
Cash and cash equivalents	Variable interest rate instruments	0.25%	28,468	–	–	28,468
Financial liabilities at FVTPL	Non-interest bearing		(3,481)	–	–	(3,481)
Trade and other payables	Non-interest bearing		(41,338)	–	–	(41,338)
			21,139	–	614	21,753

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	
	2011 £ 000's	2010 £ 000's	2011 £ 000's	2010 £ 000's
Non-current assets:				
Loans and receivables	3,839	4,448	3,929	4,653
Other non-current assets	1,230	1,054	1,230	1,054
	5,069	5,502	5,159	5,707
Financial assets at FVTPL	10,055	10,791	10,055	10,791
Held to maturity investments	208	171	208	171
Trade and other receivables	21,800	27,142	21,800	27,142
Cash and cash equivalents	14,010	28,468	14,010	28,468
	46,073	66,572	46,073	66,572
Financial liabilities at FVTPL	(2,539)	(3,481)	(2,539)	(3,481)
Trade and other payables	(23,518)	(41,338)	(23,518)	(41,338)
	(26,057)	(44,819)	(26,057)	(44,819)

Notes to the financial statements continued

26. Financial Instruments (continued)

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; and

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);

2011	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
Financial assets at FVTPL				
Derivative financial assets	–	103	–	103
Non-derivative financial assets held for trading	9,952	–	–	9,952
	9,952	103	–	10,055
Held to maturity investments	208	–	–	208
	10,160	103	–	10,263
Financial liabilities at FVTPL				
Non-derivative financial liabilities held for trading	2,539	–	–	2,539

2010	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
Financial assets at FVTPL				
Derivative financial assets	–	443	–	443
Non-derivative financial assets held for trading	10,348	–	–	10,348
	10,348	443	–	10,791
Held to maturity investments	171	–	–	171
	10,519	443	–	10,962
Financial liabilities at FVTPL				
Non-derivative financial liabilities held for trading	3,481	–	–	3,481

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

27. 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.

There have been no significant changes in related party transactions during the year ended 31 December 2011 aside from the Chief Executive Officer's pay. On 1 January 2011, the annual basic salary of the previous Chief Executive Officer, Simon Melling, was increased from £150,000 to £200,000. The 1,427,046 options held by Simon Melling lapsed as a result of his resignation on 16 December 2011. The current Chief Executive Officer was appointed on 13 December 2011, and received no basic salary for this role in respect of 2011.

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

	1 January 2011 to 31 December 2011 £ 000's	**1 January 2010 to 31 December 2010 £ 000's**
Aggregate emoluments	5,904	4,633

There were no Directors who were members of any Company pension scheme as at the period end (2010: none).

Notes to the financial statements continued

27. Related party transactions (continued)

Related party interests in ordinary and B shares of Cenkos Securities plc

	31 December 2011 No.	31 December 2010 No.
Number of shares	14,679,362	14,601,113
Percentage interest	20%	20%

Related party interests in share options

	1 January 2011 to 31 December 2011		1 January 2010 to 31 December 2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at beginning of the year	4,220,874	1.33	4,220,874	1.33
Lapsed during the year	(1,427,046)	–	–	–
Outstanding at the end of the year	2,793,828	1.18	4,220,874	1.33

Remuneration of the highest paid Director

	1 January 2011 to 31 December 2011 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Emoluments	457	1,002

Among the Group's transactions with key management personnel as of 31 December 2011 were loans of £501,135 relating the B shares in the Company (2010: £697,310). There were no other outstanding balances or bad debt provisions for any related party balances as at 31 December 2011, and no related party transactions have been written off during the period (2010: nil).

Transactions with related parties are made at arm's length. Transactions or balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and, in accordance with IAS 24, are not disclosed in this note.

All related parties are the same for the Group and the Parent Company apart from intercompany balances which are disclosed below.

Related party balances between the Company and other group entities

	31 December 2011 £ 000's	31 December 2010 £ 000's
Cenkos Channel Islands Limited	52	108
Cenkos Securities Employee Benefit Trust	2,100	2,002
Cenkos Fund Managers Limited	(164)	(609)
Cenkos Fund Management Limited	(1)	(1)

28. Contingent liabilities

During the reporting period, certain underlying clients of a 50% owned subsidiary, Cenkos Channel Islands Limited (CCIL), had exposure to MF Global UK Limited when that company entered the Special Administration Regime on 31 October 2011 and this exposure still remains unsettled. Further details of the exposures have not been given as any additional disclosures could, in the opinion of the Directors of both CCIL and the Company, prove seriously prejudicial to the interests of CCIL and its clients due to the ongoing special administration process. Based on information received to date, the Boards of both CCIL and the Company are currently of the view that the situation should be resolved without a material impact on the financial or trading position of CCIL or the Group.

29. Subsequent events

The Group's onshore fund management business, Cenkos Fund Managers Limited, was sold on 1 February 2012. As a decision to sell this business was made in November 2011, this has been treated as a discontinued operation in these financial statements. Aside from this, there have been no events subsequent to the year-end which have had a material impact on the estimates and provisions made within these financial statements.

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 10 May 2012 at 12.00 noon (the 'Meeting') for the transaction of the following business:

To consider and, if thought fit, to pass the following Resolutions, each of which will be proposed as an ordinary resolution, save for Resolutions 10 and 11, each of which will be proposed as a special resolution:

1. **That** the Company's Annual Reports for the year ended 31 December 2011, together with the Directors' report and the auditors' report on the financial statements, be received.

2. **That** the Directors' Remuneration Report for the year ended 31 December 2011 be received.

3. **That** a final dividend of 1 pence per share for the year ended December 2011 as recommended by the Directors be declared payable on 15 May 2012 to shareholders on the register at the close of business on 13 April 2012.

4. **That** Jeff Hewitt be re-elected as a Director of the Company.

5. **That** Jim Durkin, who has been appointed as a Director of the Company since the last Annual General Meeting, be elected as a Director of the Company.

6. **That** Gerry Aherne, who has been appointed as a Director of the Company since the last Annual General Meeting, be elected as a Director of the Company.

7. **That** Ernst & Young LLP who have been appointed as auditors to the Company since the last Annual General meeting, be appointed as auditors to the Company until the conclusion of the next Annual General Meeting of the Company.

8. **That** the Directors be authorised to fix the auditors' remuneration.

9. **That** for the purposes of Section 551 of the Companies Act 2006 (the 'Act') (and so that expressions used in this Resolution shall bear the same meanings as in the said Section 551):

9.1. the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and grant such 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 £242,546.31 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 2013 (unless previously revoked or varied by the Company in general meeting); and further

9.2. the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in Section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by them up to an aggregate nominal amount of £242,546.31 during the period expiring at the conclusion of the Annual General Meeting of the Company to be held in 2013 subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory;

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

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

10. **That,** subject to the passing of Resolution 9 set out in the Notice convening the Meeting, the Directors be and are empowered in accordance with Section 570 of the 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:

10.1. the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of any authority granted under Resolution 9.2 by way of a rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

10.2. the allotment (otherwise than pursuant to sub-paragraph 10.1 above) of equity securities up to an aggregate nominal value not exceeding £36,385.58.

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 2013, 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.

11. **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:

11.1. the maximum number of ordinary shares hereby authorised to be purchased is 6,809,062 (representing approximately 9.9% of the Company's issued ordinary shares at the date of this Resolution);

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

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

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

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

By order of the Board

Stephen Doherty
Company Secretary

4 April 2012

Registered office:
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Notice of Annual General Meeting continued

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his/her place. A proxy need not be a member or the Company.
2. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
3. To appoint a proxy you may use the Form of Proxy enclosed with this Notice. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 12.00 noon on 8 May 2012 (being not less than 48 hours before the Meeting) 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 Regulations 2001 (as amended).

   Appointment of a proxy through CREST will not prevent a member from attending and voting in person.
6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only shareholders registered in the register of members of the Company as at 6.00pm on 8 May 2012 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. As at 4 April 2012 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 68,778,405 ordinary shares and 3,992,765 B shares, carrying one vote each. Therefore, the total voting rights in the Company as at 4 April 2012 are 72,771,170.

Explanatory notes to the notice of Annual General Meeting

Resolution 1 – Company's annual report and accounts 2011 (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 2011 to the Annual General Meeting.

Resolution 3 – Final dividend (ordinary resolution)

The payment of a final dividend of 1 pence per share in respect of the year ended 31 December 2011, which is recommended by the Board, requires the approval of the shareholders at the Annual General Meeting.

Resolution 4 – Re-election of director (ordinary resolutions)

In accordance with recommended best practice the Company has agreed that all serving directors should submit themselves for re-election each year. At the Annual General Meeting, Jeff Hewitt, will retire and submit himself for re-election. Resolution 4 proposes his re-election as a Director.

As announced by the Company on 4 April 2012, Peter Sullivan and David Henderson are retiring from the Board at the conclusion of the Annual General Meeting. Consequently they are not submitting themselves for re-election.

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

The Articles require that Jim Durkin and Gerry Aherne retire at the conclusion of the Annual General Meeting because they have been appointed, in accordance with the Articles, as Directors by the Board of Directors since the conclusion of the previous Annual General Meeting of the Company. Resolutions 5 & 6 proposes their election as Directors.

Resolutions 7 and 8 – Appointment of auditors and determination of their remuneration (ordinary resolutions)

The Company is required to appoint auditors at each Annual General Meeting at which accounts are presented, to hold office until the conclusion of the next such meeting. During the year, following a recommendation from the Audit Committee, the Board Appointed Ernst & Young LLP as the auditors to the Company. The Board now proposes that Ernst & Young LLP be appointed as the auditors of the Company. Resolution 8 authorises the Directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors. In practice, the Audit Committee will consider the audit fees for recommendation to the Board.

Resolution 9 – Authority to allot shares (ordinary resolution)

Resolution 9 asks shareholders to grant the Directors authority under Section 551 of 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 £485,092.62, being approximately 66% of the nominal value of the issued share capital of the Company as at 4 April 2012 (being the latest practical date prior to the publication of the Annual Report and Accounts), including the 3,992,765 B shares of 1 penny each in the capital of the Company (the 'B Shares') which were then in issue. £242,546.31 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 2013. The Directors have no present intention of exercising such authority. The Resolution replaces a similar resolution passed the Annual General Meeting held in 2011.

Explanatory notes to the notice of Annual General Meeting continued

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

If the Directors wish to allot new shares or other equity securities for cash or sell any shares which the Company holds in treasury following a purchase of its own shares pursuant to the authority in Resolution 11 below (or otherwise), the Act requires that such shares or other equity securities are offered first to existing shareholders in proportion to their existing holding. Resolution 10 asks shareholders to grant the Directors authority to allot equity securities for cash up to an aggregate nominal value of 36,385.58 (being 5% of the Company's issued share capital as at 4 April 2012) without first offering the securities to existing shareholders. The Resolution also disapplies the statutory pre-emption provisions in connection with a rights issue, but only in relation to the amount permitted under Resolutions 9.1 and/or 9.2, and allows the Directors, in the case of a rights issue, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems which might arise. The authority will expire at end of the Annual General Meeting of the Company in 2013. The Resolution replaces a similar resolution passed at the Annual General Meeting of the Company held in 2011.

Resolution 11 – Authority to purchase the Company's own ordinary shares (special resolution)

Resolution 11 to be proposed at the Annual General Meeting seeks authority from shareholders for the Company to make market purchases of its own ordinary shares, such authority being limited to the purchase of 9.9% of the ordinary shares of 1 penny each in issue as at 4 April 2012. 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 nominal value of an ordinary share). The authority to purchase the Company's own ordinary shares will only be exercised if the Directors consider there is likely to be a beneficial impact on the earnings per ordinary share and that it is in the best interests of the Company at the time. This Resolution renews a similar resolution passed at the Annual General Meeting held in 2011. The Company is allowed to hold in treasury any shares purchased by it using its distributable profits. Such shares will remain in issue and capable of being re-sold by the Company or used in connection with certain of its share schemes. The Company would consider, at the relevant time, whether it was appropriate to take advantage of this ability to hold the purchased shares in treasury.

Options to subscribe for up to 14,052,620 ordinary shares have been granted and are outstanding as at 4 April 2012 (being the latest practicable date prior to publication of this document) representing 19.31% of the issued ordinary share capital at that date. If the Directors were to exercise in full the power for which they are seeking authority under Resolution 11, the options outstanding as at 4 April 2012 would represent 21.30% of the ordinary share capital in issue following such exercise.

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