



 CENKOS

Cenkos Securities plc
Annual Report 2007

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Highlights

Financial highlights

- Revenue up 65% to £53.8 million (2006: £32.7 million).
- Profit before tax for the year is up 14% to £23.8 million (2006: £20.8 million) based on the Consolidated Income Statement.
- Profit before tax for the year is up 81% to £23.5 million (2006: £13.0 million) based on the pro forma Consolidated Income Statement set out in the Financial Review.
- Underlying diluted EPS up 26% to 20.4p per share from 16.2p per share. This figure has been adjusted for the non-recurring items so as to give a better view of the Group's performance on an on-going basis (see note 11).
- Diluted EPS up 40% to 22.6p per share from 16.2p per share.
- Other gains of £1.7 million have been recognised in the accounts relating to the profit on the part disposal of our Guernsey based subsidiary.
- The Board proposes a final dividend of 12p per share. This makes a total dividend of 22p for the year and reflects the Company's dividend policy of only retaining further profits when the Board considers that attractive investment opportunities have been identified, which should be financed by the Group's internal resources.

Business highlights

- Continued success in attracting new institutional and corporate clients.
- The new teams recruited in the second half of 2006 have made a significant contribution to the present set of results.
- The successful flotation of our Guernsey based subsidiary on the Channel Island stock exchange and part disposal of our holding in this company.
- The establishment of a fund management operation and recruitment of a team charged with setting up a private client operation in Jersey.
- Delaying tactics by target company forced us to withdraw from a bid for Close Brothers Group plc.

Andrew Stewart – Chief Executive Officer commented:

“This set of strong results clearly demonstrates that the Cenkos business model works and whilst successfully expanding our Group we have managed to maintain the partnership ethos throughout all the businesses.

Whilst the markets in which we operate are difficult at the moment, the skill and commitment of our employees reduce the impact of these conditions and indeed give rise to opportunities.”

Officers and professional advisers

Directors

John Hodson (Chairman)

Andrew Stewart (Chief Executive Officer)

James Durkin (Executive Director)

Simon Melling (Executive Director)

Paul Roy (Non-executive Director)

Secretary

Stephen Doherty

Registered office

6.7.8 Tokenhouse Yard
London
EC2R 7AS

Bankers

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

Solicitors

Travers Smith
10 Snow Hill
London
EC1A 2AL

Auditors

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

Registrars

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

The board of directors

John Hodson

Independent Chairman and Chairman of Nominations Committee

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

Andrew Stewart

Chief Executive Officer

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

Simon Melling

Group Finance Director and Chief Operating Officer

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

James Durkin

Executive Director

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

Paul Roy

Non-executive Director, Chairman of the Remuneration Committee and acting Chairman of the Audit Committee

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

Chairman's statement

It gives me great pleasure to announce a very strong set of results for the year ended 31 December 2007. This is the first full year of trading since we floated on the Alternative Investment Market (AIM) in October 2006. Revenue has increased by 65% from £32.7 million to £53.8 million. This increase is more impressive given that the comparison is made against a thirteen month period and that it was achieved whilst the problems of the "credit crunch" were significantly affecting the markets in which we operate. The strength of these results I believe reflect the fact that by the addition of high quality new teams in the latter part of 2006 and 2007, we have diversified our earnings. This also bodes well for the future. These teams include ones specialising in investment funds, small cap companies, institutional equities, fund management in the UK and wealth management in Jersey. During the year our teams completed 36 transactions raising some £1.7 billion of funds for our clients. These fund raisings covered a number of industry sectors including media, clean energy, technology and investment funds.

At 31 December 2007 we had a client base which includes 72 (2006: 53) listed companies with a combined market capitalisation of approximately £10.2 billion (2006: £8.0 billion). This represents a net increase of 19 clients during the year. It is very much the Group's intention to continue to enlarge this base by adding good quality businesses that meet our strict take on procedures. The present downturn in markets in our view increases our ability to recruit further teams who have proven track records and who will respond to the Cenkos environment.

In the second half of the year we, along with our partner Landsbanki Islands hf, mounted a much publicised bid for Close Brothers Group plc. We spent a considerable amount of time in putting this offer together and I am pleased to report it had the full support of both our equity and debt providers. Our approach was welcomed by a number of significant shareholders in and employees of Close Brothers Group plc. We were therefore extremely disappointed that the transaction could not be completed and we note the movement in Close Brothers Group plc's shares since our withdrawal. We will continue to look for other businesses where there can be significant shareholder value creation by implementing the Cenkos business model within the target companies.

At the time of announcing our interim results to 30 June 2007 I discussed the uncertainty caused by concerns over the US sub-prime market, a market to which we have no direct exposure. In most people's views general market conditions have deteriorated further since I made these comments. Whilst Cenkos is not immune from these uncertainties and the resulting lack of confidence within the investor community, we have an exciting pipeline which, allied with our low fixed cost base and an overall remuneration package heavily skewed towards performance, we are in a better position than most to deal with such events.

As I have mentioned before, the Directors intend to retain sufficient profits to meet the Group's regulatory capital requirements and intend only to retain further profits when they consider that attractive investment opportunities have been identified, which should be financed by the Group's internal resources. The Board is proposing a final dividend of 12p per share which equals a total dividend of 22p per share. If approved at the Company's AGM on 27 May 2008 we intend paying this dividend on 5 June 2008 to all shareholders on the register at 9 May 2008. In the view of your Board, after this distribution, the Group still has sufficient funds to pursue its growth strategy and meet its regulatory capital obligations.

John Hodson

Chairman

20 March 2008

Financial review

In order to provide greater clarity with respect to the 2007 and 2006 performance, set out below is unaudited pro forma financial information. The pro forma statement of profits has been prepared to illustrate the effect on the profits of the Group if all individual members of Cenkos Securities LLP had been employed by the Group during the period to 31 December 2006 and year to 31 December 2007. On the basis of these pro forma figures, revenue in the year ended 31 December 2007 rose by 65% to £53.8 million (13 month period to 31 December 2006: £32.7 million) and profit before tax increased by 81% to £23.5 million (13 month period to 31 December 2006: £13.0 million).

	Pro forma unaudited	
	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Continuing operations		
Revenue	53,791,053	32,670,329
Administrative expenses	(33,960,937)	(20,477,994)
Operating profit	<u>19,830,116</u>	<u>12,192,335</u>
Investment revenues – interest receivable	1,997,303	811,526
Finance costs – interest payable	(13,686)	(13,740)
Other gains and losses	1,708,518	–
Profit before tax	<u>23,522,251</u>	<u>12,990,121</u>
Tax	(7,056,863)	(3,978,747)
Profit for the period	<u>16,465,388</u>	<u>9,011,374</u>
Attributable to:		
Equity holders of the parent	16,551,534	9,011,374
Minority interests	(86,146)	–
	<u>16,465,388</u>	<u>9,011,374</u>
Earnings per share		
Basic	<u>22.8p</u>	<u>16.2p</u>
Diluted	<u>22.6p</u>	<u>16.2p</u>

In the statements for each period the administrative expenses have been increased by the amount of the minority interest related to Cenkos LLP (31 December 2007: £296,167, 31 December 2006: £7,762,584) as this would be the estimated increase in the Group's costs if all members of Cenkos LLP were to be employed by the Group. On 31 December 2007 the final partner resigned and was employed by Cenkos Securities plc.

Financial review continued

We are delighted by this year's performance with earnings being up 83% to £16.5 million from £9.0 million. The table below sets out the various income streams which make up our total revenue.

	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Placing fees	32,146,030	21,408,581
Corporate finance fees	10,109,268	4,362,676
Commission income	7,679,972	2,210,026
Market making	1,969,021	3,415,943
Wealth management	1,886,762	1,273,103
	<u>53,791,053</u>	<u>32,670,329</u>

This table demonstrates the point made in the Chairman's statement concerning the growing diversification of income and whilst placing fees are still a major component of our revenue, M&A Corporate Finance fees and commission income from secondary trading have grown significantly. The Board is proposing a final dividend of 12p per share. The level of dividend payout reflects the policy set by the Board which was set out in our last annual report and accounts.

Corporate broking and advisory

We have seen another year of growth, not only in turnover but also in the number of transactions completed and funds raised. We continue to grow the number of retained corporate clients and have a clear defined strategy in place to attract new clients. The Group was nominated adviser or corporate broker to 45 (2006: 32) companies as at 31 December 2007. During the year, the Group also raised some £1.1 billion (2006: £0.8 billion) for its clients. During the year we have continued to add staff to these teams which we believe will enable us to organically grow this revenue area.

Institutional equities

The institutional equities team currently provides research driven investment recommendations to institutional clients. At present, the team has particular expertise in the business services and consumer sectors, having recruited professionals who were previously top ranked analysts in these sectors. Given that this activity is affected by the move to unbundled services it is encouraging to note that the research produced is perceived by clients to be important to them and a number have now elected to pay for research separately in addition to paying commission. The success of this team has contributed to the significant increase in commission income during the year.

Market making

The Group has market making capabilities to support the other services that it provides to its clients. The Group makes markets in the securities of all companies where it has a broking relationship, its strategy being to take small positions in a wide range of stocks, thereby providing liquidity. The Group does not engage in propriety trading and, applies a range of position limits and monitoring procedures to any positions taken. By following this strategy we have not experienced significant losses on our market making positions as a result of the recent instability in world stock markets.

Investment funds

In 2006, the Group recruited an Investment Funds Team. This team provides a broad range of services including corporate broking, corporate finance, market making, and sales, with a sole focus on investment funds. They act as counterparty for a large number of investment fund investors, and have a detailed knowledge of their asset allocation strategies enabling successful secondary distributions and primary sales. The Group currently makes markets in approximately 200 (2006: 200) investment fund securities, and by 31 December 2007, the Group had been appointed as corporate broker to 27 (2006: 14) investment funds raising over £0.6 billion (2006: £0.1 billion), having completed 7 (2006: 2) transactions.

Offshore wealth management and stockbroking services

Offshore wealth management and stockbroking services are primarily provided through Cenkos Channel Islands Limited, a 50% owned subsidiary based in Guernsey. Varying levels of stockbroking services, from discretionary to execution-only, are provided primarily to high net-worth individuals, and also to financial intermediaries and institutions. The business during the year has grown both in terms of the number of clients and funds managed. These now stand at 530 (2006: 272) and £186 million (2006: £147 million) respectively. We have now opened up an office in Jersey servicing the stockbroking requirements of high net worth private clients on that Island. The office is staffed by experienced professionals recruited from Rathbones and we are in the process of recruiting a further team of brokers.

In addition to the significant progress made during the year, we successfully floated the company on the Channel Island Stock Exchange. We feel that this is an important step in the history of the company as it has created the only quoted broker on the islands, serving the needs of that community. It also shows how we enable the worker-owners of the business to be incentivised in a way that aligns their interests with the shareholders. During the process of listing, we took the opportunity to realise some of the value that had been created and reduced our holding from 75% to 50%.

Fund management business

During the year through a subsidiary, Cenkos Fund Management Ltd, we set up a fund management business. This operation already has an investment management agreement with an AIM quoted fund, which has a market capitalisation of circa £60 million. The fund, The Rapid Realisations Fund Ltd, specialises in making investments in pre-ipo companies. The team we have recruited to run this business has a well established track record in this particular area. Whilst we believe that this business will be a valuable contributor to the Group in the future it is unlikely to make a positive contribution to the Group until 2008.

Balance sheet

As can be seen from the balance sheet, the investment fund team uses (and will continue to use) significant levels of capital to take positions in the shares of quoted investment funds. These positions primarily facilitate institutional client trading and support the strategies of its investment fund clients. As the investment funds business grows, the level of capital used is expected to increase.

As mentioned before, during the year, we have increased the amount of secondary trading we undertake. This has caused a significant increase in both our trade receivables and payables. The amounts included represent outstanding trades at the balance sheet date. The balance sheet also shows a healthy increase in our cash resources, especially given the increase in secondary trading positions.

People

We have continued to invest in our staff whilst maintaining a tight control over our overhead base and are looking to acquire further high quality teams and businesses. Like our present teams, we believe that these teams should be rewarded by a mixture of bonus and equity based payments that align their interests with those of our shareholders. We have assembled an excellent team and I would like to thank them all for their achievements and hard work. We have made a commitment to grow the business and we look forward to their continued support.

Close Brothers Group plc ('Close')

In November 2007 we, together with our partners Landsbanki Islands hf made an indicative cash offer at a substantial premium to the then share price for the entire equity of Close, as we believed a new incentivisation of the management of the subsidiaries would lead to creating value and removing excessive costs. The directors of the company refused to meet with us in spite of engaging with other parties who had not launched any bid at any price.

Financial review continued

In January 2008, in spite of the turbulent markets we had the consideration firmly in place to increase our bid. It quickly became obvious that in the period from November that some Close directors had sought to undermine the Cenkos approach with many of their staff to enable them to continue to dismiss the approach and had little intention of pursuing this to a conclusion.

I am saddened by the total reluctance of Close to even talk to us whilst this was clearly against the expressed wishes of a significant number of their shareholders.

We are a small Company without large corporate overhead departments and therefore conducted a considerable amount of work on this takeover internally. The majority of our 'costs' were personal ones but that said we incurred fees relating to the bid of approximately £841,000 which have been fully expensed in 2007.

Outlook

Whilst the markets in which we operate are difficult at the moment, the skill and commitment of our employees reduce the impact of these conditions and indeed give rise to opportunities and this is reflected in an encouraging pipeline. We will continue to expand our corporate client base and believe that our ability to attract high quality individuals will serve the Group well in its objective of being a first class, relationship based stockbroking business.

Andrew Stewart

Chief Executive Officer

20 March 2008

Directors' report

The Directors present their report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 31 December 2007.

Principal activities

The Cenkos Group is an independent, specialist institutional securities group, focused on UK small and mid-cap companies and investment funds. The Group's principal activities currently comprise corporate finance, corporate broking, institutional equities, market making, and high net-worth private client stockbroking. The Parent carries out all the activities with the exception of the last.

Business review and future developments

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

Results and dividends

The Consolidated Income Statement for the year is set out on page 24.

An interim dividend of 10p per ordinary share was paid to shareholders on 1 November 2007 (2006: 10p per ordinary share).

The Directors recommend the payment of a final dividend of 12p per ordinary share in respect of the year ended 31 December 2007 (2006: £nil). Subject to approval at the Annual General Meeting to be held on 27 May 2008, the dividend will be paid on 5 June 2008.

Directors

The names of the Directors of the Company appear on page 2. The Directors have served throughout the year.

Anthony Hobson served as a Director of the Company until his resignation from the Board on 31 October 2007.

In accordance with the Company's Articles of Association, John Hodson and Simon Melling will retire by rotation at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election.

Directors' interest

The interests in the share capital of the Company of those persons who were Directors of the Company during the year is set out on page 20 within the Directors' Remuneration Report.

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 2007 the issued share capital of the Company was £725,936. This comprised of 53,909,370 ordinary shares of 1p each which are admitted to trading on AIM, and 18,684,300 B shares of 1p each which are not admitted to trading on AIM. All shares have equal voting rights.

During the year 2,130,000 B shares of 1p each were converted into 2,130,000 ordinary shares of 1p each.

Directors' report continued

Significant shareholdings

In addition to the current Directors' interests shown on page 20, the Directors have been notified that the following shareholders had interests in 3% or more of the Company's share capital at 20 March 2008 and 31 December 2007.

Registered holder	Number of and class of share	Percentage interest as at 20 March 2008 and 31 December 2007*
Cenkos Securities (Trustees) Limited**	19,672,630 – consisting of 988,330 ordinary and 18,684,300 B shares	27.10%
Paul Hodges	5,665,000 ordinary shares	7.80%
Amvescap plc	4,449,000 ordinary shares	6.13%
Charlie Ricketts†	2,833,550 B shares	3.90%
Nick Wells	2,500,000 ordinary shares	3.44%

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

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

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

Employee share trust

The Group currently operates an Employee Benefit Share Trust, Cenkos Securities EBT, which administers the Cenkos Securities plc share schemes as Trustee. At 31 December 2007, the Trust held no shares (2006: £nil).

Employment policies

The Group's employment policies are based on a commitment to equal opportunities from the selection and recruitment process through to training, development, appraisal and promotion. Also, employees are encouraged to participate in the success of the Group through a performance based incentive scheme incorporating bonus and share option arrangements. Employees are kept informed of progress at regular review meetings.

Charitable and political donations

During the year the Group made charitable donations amounting to £16,280 (2006: £21,390). The Group did not make any political donations (2006: £nil).

Trade payment policy

It is the Group's policy to settle debts with its creditors on a timely basis, taking into consideration the terms and conditions offered by each supplier. The number of supplier days outstanding at the year end, based on the average monthly outstanding Group creditor balances, was 9 days (2006: 5 days).

Directors' and officers' liability insurance

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

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

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

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and in accordance with Section 385 of the Companies Act 1985 a resolution to reappoint Deloitte & Touche 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 27 May 2008 at 12.00 noon. A copy of the Notice of Annual General Meeting together with an explanation of the resolutions to be proposed is shown on pages 54 to 60.

Approved by the Board of Directors on 20 March 2008 and signed on its behalf by:

Stephen Doherty

Company Secretary

Statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985.

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

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

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

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

Corporate governance report

Introduction

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

The role of the board

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

The composition of the board

The Board currently consists of three executive and two non-executive directors, whose biographies can be found on page 3.

Chairman

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

Chief Executive

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

Roles of Chairman and Chief Executive Officer

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

Non-executive Director

The Board currently has one independent Non-executive Director. The independent director brings independent judgement, knowledge and experience to the Board.

Senior Independent Director

The Board has agreed not to appoint a Senior Independent Director. Given the size of the organisation and the policy of active dialogue 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.

Corporate governance report continued

Election and re-election of directors

In accordance with the Company's Articles of Association, the directors are obliged to retire by rotation and are eligible for re-election at the third Annual General Meeting after the Annual General Meeting at which they were elected. Any Director appointed by the Board holds office only until the next Annual General Meeting, when he is eligible for election. At the forthcoming Annual General Meeting John Hodson and Simon Melling will seek re-election to the Board.

Board meetings and information to the board

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

Attendance at meetings

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee*
Total number of meetings in the year	10	3	3	–
John Hodson	10	3	3	–
Simon Melling	10	–	–	–
Paul Roy	9	3	3	–
Andrew Stewart	10	–	–	–
James Durkin	10	–	–	–
Anthony Hobson (served as a Director of the Company until 31 October 2007)	5	3	3	–

* During the year the Nomination Committee did not meet, however all the duties performed by this Committee were undertaken by the full Board within the normal scheduled Board meetings.

Support to the board

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

Board performance evaluation

The Board does not feel that at this stage of the Group's current development of the need to undertake a formal performance evaluation of the Board or its Committees; however this will continue to be reviewed annually.

Board committees

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

Audit committee

The Audit Committee comprises all the Non-executive Directors. Until his resignation from the Board on 31 October 2007 Anthony Hobson chaired the Committee. After this date Paul Roy undertook the chairmanship of the Committee.

This Committee has the following responsibilities:

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

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

The Committee usually meets four times a year. Other Directors, members of staff and the external auditors are invited to attend these meetings, as appropriate. The Committee reports to the Board on the Company'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 have 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.

Due to the size of the Group, the monitoring of the Group's activities by the compliance department and the hands-on approach by the executive directors, the Board does not feel the need to establish a dedicated internal audit function at the present time; however this will continue to be reviewed annually.

Remuneration committee

Full details of the composition and work of the Remuneration Committee is provided in the Directors' Remuneration Report on pages 18 to 21.

Nominations committee

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

During the year the committee did not meet, however the full Board reviewed the structure, size and composition (including the skills, knowledge and experience of the Board) and considered appointments to the Board. Where appropriate the Committee uses external advisors to facilitate searches for potential candidates, and a wide range of backgrounds are considered for appointment to the Board.

Corporate governance report continued

Shareholder relations

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

Auditor's independence

The Audit Committee and the external auditors, Deloitte & Touche 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 Cenkos Securities plc.

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

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

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

Internal control and risk management

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

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

Market risk exposure

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

Foreign currency and interest rate risk

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

Reputational risk

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

Operational risk

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

Employee risk

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

Business continuity risk

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

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

Going concern

After making enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing financial statements.

This report was approved by the Board of Directors on 20 March 2008 and signed on its behalf by:

Stephen Doherty

Company Secretary

Directors' remuneration report

Introduction

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

Remuneration committee

Membership of the Remuneration Committee is limited to Non-executive Directors only. The present members are Paul Roy and John Hodson. Anthony Hobson served as a member of the Committee until 31 October 2007. Paul Roy is the Chairman of the Committee.

The Committee meets as and when required in order to ensure that it discharges its duties in determining the remuneration policy for the Company. During the year, the Committee engaged MCG Consulting, to advise them on certain aspects of remuneration of the Executive Directors including a market review of remuneration packages.

Duties of the committee

The main duties of the Committee are to:

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

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

Remuneration policy

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

The Group operates in the investment banking and equities arena where it is common practice to pay substantial bonuses to those whose performance is outstanding. This compensates for basic salaries which are capped at relatively modest levels and for the risk of little or no bonus in the event of difficult market conditions.

Components of remuneration

Basic salary

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

Annual performance awards

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

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

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

Benefits

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

Directors' remuneration

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

	Basic salary or fees £ 000's	Annual performance award £ 000's	Benefits in kind £ 000's	Cash bonus in respect of options held* £ 000's	Total 2007 £ 000's	Total 2006 £ 000's
Andrew Stewart	50	2,000	1	–	2,051	2,176
James Durkin**	50	2,110	1	–	2,161	8
Simon Melling***	125	500	1	43	669	175
John Hodson†	50	–	2	60	112	21
Paul Roy	35	–	–	–	35	9
Anthony Hobson††	32	–	1	3	36	9
	342	4,610	6	106	5,064	2,398

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

** Prior to joining the Board James Durkin was a partner in Cenkos LLP and in this capacity received a profit share of £2,394,950. He joined the Board on 31 October 2006.

*** Simon Melling joined the Board on 4 September 2006.

† John Hodson joined the Board on 29 August 2006.

†† Anthony Hobson joined the Board on 4 October 2006 and resigned from the Board on 31 October 2007.

Pension arrangements

The Company does not operate a pension scheme.

Directors' remuneration report continued

Directors' service contracts

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

Long term incentives

The Company has established a Long Term Incentive Plan and a Company Share Option Plan ('the Schemes'), but as at the date of this report, no grants have been made under either of these Schemes. The Committee has responsibility for supervising the Schemes and the grant of options under its terms. The Company's policy is to use the Schemes to attract and retain key senior employees including the Executive Directors. Any grant of options is at the discretion of the Committee and will take into account individual performance and responsibilities. Where appropriate, a grant of options may incorporate a performance criteria.

Directors' interests in share options

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

Name of director	31 December 2007	Options granted in the year	Options exercised in the year	Options lapsed in the year	31 December 2006	Exercise price	First possible exercise date	Expiry date
John Hodson	600,000	–	–	–	600,000	70.9p	23.10.2006	23.10.2011
Simon Melling	427,046	–	–	–	427,046	140.5p	23.10.2006	23.10.2011
Anthony Hobson	–	–	–	28,469	28,469	140.5p	23.10.2006	23.10.2011

The above options held were not granted under the terms and conditions of the Company's Long Term Incentive Plan or the Company Share Option Plan. These options were granted to the Directors before the Company's admission to AIM in 2006.

In accordance with the terms and conditions of the grant of these options the option holder has the right to receive a cash bonus equal to the amount of any dividend per share declared by the Company multiplied by the number of shares in respect of which the option subsists. The amounts received are shown in the Directors Remuneration table on page 19.

During the year an ex-gratia payment of £30,700 was made to Anthony Hobson in respect of his lapsed options.

Directors' interests in ordinary shares

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

Name of director	Class of ownership	31 December 07	31 December 06	Percentage interest as at 31 December 07
Andrew Stewart*	Beneficial	16,166,670	16,666,670	22.27%
	Non-beneficial	500,000		0.69%
James Durkin**	Beneficial	5,625,000	5,625,000	7.75%
Paul Roy†	Non-beneficial	–	5,416,670	–

* During the year Andrew Stewart transferred 500,000 of his ordinary shares to The Andrew Stewart Charitable Trust. Andrew is a trustee of this Charitable Trust.

** As at 31 December 2006, 1,875,000 of these ordinary shares were held by NewSmith Capital Partners but were subject to an option that had been granted to James Durkin. The option agreement was agreed at the time of the Company's admission to AIM. During the year this option was exercised and the title of those shares were transferred to James Durkin.

† The shares were held by NewSmith Capital Partners at 31 December 2006, of which Paul Roy is a limited partner. The shares were subject to an option agreement that was agreed at the time of the Company's admission to AIM to certain senior executives of the Company. During the year these options were exercised and the title of those shares were transferred to those senior executives of the Company.

Non-executive directors

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

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

Non-executive Directors are reimbursed all reasonable expenses incurred solely in relation to their duties as a Non-executive Director. The Company provides life and healthcare cover to John Hodson and also provided healthcare cover to Anthony Hobson until 31 October 2007.

This report was approved by the Board of Directors on 20 March 2008 and signed on its behalf by:

Paul Roy

Chairman – Remuneration Committee

Independent auditors' report to the members of Cenkos Securities plc

We have audited the Group and Parent Company financial statements (the 'financial statements') of Cenkos Securities plc for the year ended 31 December 2007, which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

20 March 2008

Consolidated income statement for the year ended 31 December 2007

	Note	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Revenue	3	53,791,053	32,670,329
Administrative expenses		(33,664,770)	(12,715,410)
Operating profit		<u>20,126,283</u>	<u>19,954,919</u>
Investment income – interest receivable	4	1,997,303	811,526
Finance costs – interest payable	5	(13,686)	(13,740)
Other gains and losses	8	1,708,518	–
Profit before tax	7	23,818,418	20,752,705
Tax	9	(7,056,863)	(3,978,747)
Profit for the period		<u>16,761,555</u>	<u>16,773,958</u>
Attributable to:			
Equity holders of the parent		16,551,534	9,011,374
Minority interests		210,021	7,762,584
		<u>16,761,555</u>	<u>16,773,958</u>
Earnings per share			
Basic	11	22.8p	16.2p
Diluted	11	22.6p	16.2p

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

The profit attributable to the Company in the year ended 31 December 2007 was £16,571,015 (13 month period ended 31 December 2006, £8,762,275).

Consolidated balance sheet as at 31 December 2007

	Note	31 December 2007 £	31 December 2006 £
Non-current assets			
Property, plant and equipment	12	943,602	737,174
Available for sale investments	13	3,543,111	3,229,164
Deferred tax asset	19	320,996	158,356
		<u>4,807,709</u>	<u>4,124,694</u>
Current assets			
Trading investments – long positions	15	26,597,490	13,123,643
Trade and other receivables	16	56,762,723	39,620,045
Cash and cash equivalents	17	16,244,160	9,780,584
		<u>99,604,373</u>	<u>62,524,272</u>
Total assets		<u>104,412,082</u>	<u>66,648,966</u>
Current liabilities			
Trading investments – short positions	15	(11,802,867)	(5,127,238)
Trade and other payables	18	(46,761,366)	(26,968,091)
		<u>(58,564,233)</u>	<u>(32,095,329)</u>
Net current assets		<u>41,040,140</u>	<u>30,428,943</u>
Non-current liabilities			
Deferred tax liabilities	19	(761,216)	(669,032)
Total liabilities		<u>(59,325,449)</u>	<u>(32,764,361)</u>
Net assets		<u>45,086,633</u>	<u>33,884,605</u>
Equity			
Share capital	20	725,936	725,936
Share premium account		22,699,777	22,733,114
Available for sale reserve		1,776,171	1,556,408
Retained earnings		19,632,501	8,843,146
Equity attributable to equity holders of the parent		<u>44,834,385</u>	<u>33,858,604</u>
Minority interests		<u>252,248</u>	<u>26,001</u>
Total equity		<u>45,086,633</u>	<u>33,884,605</u>

The financial statements were approved by the Board of Directors on 20 March 2008 and signed on its behalf by:

Andrew Stewart

Chief Executive Officer

Simon Melling

Group Finance Director

Company balance sheet as at 31 December 2007

	Note	31 December 2007 £	31 December 2006 £
Non-current assets			
Property, plant and equipment	12	903,763	704,625
Available for sale investments	13	3,543,111	3,229,164
Deferred tax asset	19	320,996	158,356
Investments in subsidiary undertakings	14	207,920	114,613
		<u>4,975,790</u>	<u>4,206,758</u>
Current assets			
Trading investments – long positions	15	26,597,490	12,773,643
Trade and other receivables	16	54,644,827	45,265,981
Cash and cash equivalents	17	14,558,336	9,461,457
		<u>95,800,653</u>	<u>67,501,081</u>
Total assets		<u>100,776,443</u>	<u>71,707,839</u>
Current liabilities			
Trading investments – short positions	15	(11,802,867)	(5,127,238)
Trade and other payables	18	(43,588,927)	(32,286,082)
		<u>(55,391,794)</u>	<u>(37,413,320)</u>
Net current assets		40,408,859	30,087,761
Non-current liabilities			
Deferred tax liabilities	19	(761,216)	(667,032)
Total liabilities		<u>(56,153,010)</u>	<u>(38,080,352)</u>
Net assets		<u>44,623,433</u>	<u>33,627,487</u>
Equity			
Share capital	20	725,936	725,936
Share premium account		22,699,777	22,733,114
Available for sale reserve		1,776,171	1,556,408
Retained earnings		19,421,549	8,612,029
Total equity		<u>44,623,433</u>	<u>33,627,487</u>

The financial statements were approved by the Board of Directors on 20 March 2008 and signed on its behalf by:

Andrew Stewart

Chief Executive Officer

Simon Melling

Group Finance Director

Consolidated cash flow statement for the year ended 31 December 2007

	1 January 2007 to 31 December 2007	1 December 2005 to 31 December 2006
	£	£
Operating activities		
Profit for the period	16,761,556	16,773,958
Adjustments for:		
Net finance income	(1,983,617)	(797,786)
Tax expense	7,056,863	3,978,747
Depreciation of property, plant and equipment	227,546	133,552
Other gains and losses	(1,708,517)	–
Share based payment expense	1,349,126	372,832
Operating cash flows before movements in working capital	<u>21,702,957</u>	<u>20,461,303</u>
Increase in net trading investments	(6,798,218)	(7,973,865)
Increase in trade and other receivables	(17,056,353)	(14,198,456)
Increase in trade and other payables	18,573,611	13,452,715
Distributions to ex members of a subsidiary	(208,500)	(7,762,584)
Net cash flow from operating activities before tax and interest	<u>16,213,497</u>	<u>3,979,113</u>
Interest paid	(13,686)	(13,605)
Taxation paid	(5,942,443)	(2,891,208)
Net cash generated from operating activities	<u>10,257,368</u>	<u>1,074,300</u>
Investing activities		
Interest received	1,911,625	535,729
Net proceeds from the part disposal of subsidiary	2,021,261	–
Purchase of property, plant and equipment	(433,974)	(506,281)
Net cash generated in investing activities	<u>3,498,912</u>	<u>29,448</u>
Financing activities		
Dividends paid	(7,259,367)	(4,822,834)
Proceeds from issue of equity shares	–	1,612,147
Fees related to issue of equity shares	(33,337)	–
Redemption of preference shares	–	(400,000)
Issue of capital by subsidiary to minority interests	–	26,000
Net cash used in financing activities	<u>(7,292,704)</u>	<u>(3,584,687)</u>
Net increase/(decrease) in cash and cash equivalents	6,463,576	(2,480,939)
Cash and cash equivalents at beginning of period	<u>9,780,584</u>	<u>12,261,523</u>
Cash and cash equivalents at end of period	<u>16,244,160</u>	<u>9,780,584</u>

Company cash flow statement for the year ended 31 December 2007

	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Operating activities		
Profit for the period	16,571,699	8,762,275
Adjustments for:		
Net finance income	(1,954,497)	(749,944)
Tax expense	6,946,906	3,908,774
Depreciation of property, plant and equipment	205,430	116,140
Other gains and losses	(1,996,261)	–
Share based payment expense	1,231,469	353,223
Operating cash flows before movements in working capital	<u>21,004,746</u>	<u>12,390,468</u>
Increase in net trading investments	(7,148,218)	(7,623,865)
Increase in trade and other receivables	(9,269,509)	(17,920,167)
Increase in trade and other payables	10,129,699	16,994,317
Net cash flow from operating activities before tax and interest	<u>14,716,718</u>	<u>3,840,753</u>
Interest paid	(8,075)	–
Taxation paid	(5,812,648)	(2,883,208)
Net cash generated from operating activities	<u>8,895,995</u>	<u>957,545</u>
Investing activities		
Interest received	1,876,895	474,284
Net proceeds from the part disposal of subsidiary	2,021,261	–
Purchase of property, plant and equipment	(404,568)	(490,883)
Capitalisation of subsidiaries	–	(75,000)
Net cash generated from/(used in) investing activities	<u>3,493,588</u>	<u>(91,599)</u>
Financing activities		
Dividends paid	(7,259,367)	(4,822,834)
Proceeds from issue of equity shares	–	1,612,147
Fees related to issue of equity shares	(33,337)	–
Redemption of preference shares	–	(400,000)
Net cash used in financing activities	<u>(7,292,704)</u>	<u>(3,610,687)</u>
Net increase/(decrease) in cash and cash equivalents	5,096,879	(2,744,741)
Cash and cash equivalents at beginning of period	<u>9,461,457</u>	<u>12,206,198</u>
Cash and cash equivalents at end of period	<u>14,558,336</u>	<u>9,461,457</u>

Consolidated statement of changes in equity for the year ended 31 December 2007

	Equity attributable to equity holders of the parent						Minority interests £	Total equity £
	Share capital £	Share premium account £	Available for sale reserve £	Retained earnings £	Total £			
At 1 December 2005	440,283	3,962,551	2,325,452	4,281,774	11,010,060	6,001	11,016,061	
Shares issued	285,653	20,819,945	–	–	21,105,598	–	21,105,598	
Capital contributed by minority interest	–	–	–	–	–	26,000	26,000	
Profit for the period	–	–	–	9,011,374	9,011,374	–	9,011,374	
Profit allocated to minority interests	–	–	–	–	–	7,762,584	7,762,584	
Distribution of profit to minority interest	–	–	–	–	–	(7,762,584)	(7,762,584)	
Transfer of amounts to payables on retirement of minority interest members	–	–	–	–	–	(6,000)	(6,000)	
Revaluation of available-for-sale investments	–	–	(1,098,634)	–	(1,098,634)	–	(1,098,634)	
Reversal of deferred tax liability on revaluation of available-for-sale investments	–	–	329,590	–	329,590	–	329,590	
Credit to equity for equity settled share based payments	–	–	–	372,832	372,832	–	372,832	
Share issue costs taken through premium	–	(2,049,382)	–	–	(2,049,382)	–	(2,049,382)	
Dividends paid	–	–	–	(4,822,834)	(4,822,834)	–	(4,822,834)	
At 31 December 2006	725,936	22,733,114	1,556,408	8,843,146	33,858,604	26,001	33,884,605	
Interest acquired by minority interest	–	–	–	–	–	313,393	313,393	
Profit for the year	–	–	–	16,551,534	16,551,534	–	16,551,534	
Profit allocated to minority interests	–	–	–	–	–	210,021	210,021	
Distribution of profit to minority interest	–	–	–	–	–	(208,500)	(208,500)	
Transfer of amounts to payables on retirement of minority interest members	–	–	–	–	–	(88,667)	(88,667)	
Revaluation of available-for-sale investments	–	–	313,947	–	313,947	–	313,947	
Deferred tax liability on revaluation of available-for-sale investments	–	–	(94,184)	–	(94,184)	–	(94,184)	
Credit to equity for equity settled share based payments	–	–	–	1,349,126	1,349,126	–	1,349,126	
Deferred Tax on share based payments	–	–	–	148,062	148,062	–	148,062	
Share issue costs taken through premium	–	(33,337)	–	–	(33,337)	–	(33,337)	
Dividends paid	–	–	–	(7,259,367)	(7,259,367)	–	(7,259,367)	
At 31 December 2007	725,936	22,699,777	1,776,171	19,632,501	44,834,385	252,248	45,086,633	

Company statement of changes in equity for the year ended 31 December 2007

	Share capital £	Share premium account £	Available for sale reserve £	Retained earnings £	Total £
At 1 December 2005	440,283	3,962,551	2,325,452	4,299,756	11,028,042
Shares issued	285,653	20,819,945	–	–	21,105,598
Profit for the period	–	–	–	8,762,275	8,762,275
Revaluation of available-for-sale investments	–	–	(1,098,634)	–	(1,098,634)
Reversal of deferred tax liability on revaluation of available-for-sale investments	–	–	329,590	–	329,590
Credit to equity for equity settled share based payments charge	–	–	–	353,223	353,223
Credit to equity for fixed asset investments made in subsidiary	–	–	–	19,609	19,609
Share issue costs taken through premium	–	(2,049,382)	–	–	(2,049,382)
Dividends paid	–	–	–	(4,822,834)	(4,822,834)
At 31 December 2006	725,936	22,733,114	1,556,408	8,612,029	33,627,487
Profit for the year	–	–	–	16,571,699	16,571,699
Revaluation of available-for-sale investments	–	–	313,947	–	313,947
Deferred tax liability on revaluation of available-for-sale investments	–	–	(94,184)	–	(94,184)
Credit to equity for equity settled share based payments	–	–	–	1,349,126	1,349,126
Deferred tax on share based payments	–	–	–	148,062	148,062
Share issue costs taken through premium	–	(33,337)	–	–	(33,337)
Dividends paid	–	–	–	(7,259,367)	(7,259,367)
At 31 December 2007	725,936	22,699,777	1,776,171	19,421,549	44,623,433

Notes to the financial statements for the year ended 31 December 2007

1. Accounting policies

General information

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

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for use in the European Union. Up until 30 November 2005, the Group prepared its financial statements under UK Generally Accepted Accounting Principles ('UK GAAP'). From 1 December 2005, the Group consolidated financial statements are prepared in accordance with IFRS and International Financial Reporting Interpretations Committee ('IFRIC') interpretations adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS, with the prior period being presented on the same basis.

Adoption of new and revised standards

In the current year, the Group has adopted IFRS 7: Financial Instruments Disclosures, which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see note 23).

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

IFRS 8 – Operating Segments

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

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

The principal accounting policies adopted are set out below.

Basis of consolidation

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

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

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

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

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

Notes to the financial statements continued

1. Accounting policies (continued)

Financial instruments

Trading investments

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

Derivative financial instruments

The Group has no significant exposure to derivative financial instruments but will occasionally enter into futures 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 profit or loss immediately.

Financial assets

Investments are recognised and derecognised on trade date when the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe 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.

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

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the Group acquires the financial asset principally for the purpose of selling in the near term, the financial asset is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short term profit taking as well as all derivatives that are not designated and effective hedging instruments. Financial assets at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 23.

Available for sale investments

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

Trade and other receivables

Market debtors are measured at fair value. All other debtors are measured at amortised cost. 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.

Trade and other payables

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet 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.

With the exception of available-for-sale equity instruments, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

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.

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. Fair value is determined in the manner described in note 23.

Other financial liabilities

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.

Notes to the financial statements continued

1. Accounting policies (continued)

Derecognition of financial liabilities

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

Equity instruments

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Gains and losses arising during the period on transactions denominated in foreign currencies are treated as normal items of income and expenditure in the income statement.

Investments in subsidiary undertakings

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

Operating leases

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

Property, plant and equipment

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

Leasehold improvements	Ten years
Fixtures and fittings	Three years
IT equipment	Three years

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

Cash and cash equivalents

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable 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 balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be

available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

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

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

Revenue recognition

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

Revenue comprises fees for corporate finance advisory services which are taken to the income statement when the services are performed. Revenue also comprises profits on dealing operations, being gains less losses on shares, arrived at after taking into account attributable dividends and directly related interest, together with commission income receivable.

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

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

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

Segment reporting

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

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 and adjusted for the effect of non market-based vesting conditions.

Notes to the financial statements continued

2. Critical accounting judgement and key sources of estimation uncertainty

a) Equity-settled share-based payments

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

b) Valuation of investments

Trading investments include options over securities which have been received as consideration for corporate finance services rendered. The fair value of these investments have been calculated by reference to a Monte Carlo simulation model. Inputs into the model are based on management's best estimates of appropriate volatility, discount rate and share price growth, which are referred to in note 22.

c) Bad debt policy

The Group regularly reviews all outstanding balances and provides for amounts it considers irrecoverable.

3. Business and geographical segments

The Directors consider that there is only one activity undertaken by the Group, that being investment banking. The majority of this activity is undertaken in the United Kingdom.

4. Investment income – interest receivable

	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Interest income generated from:		
Bank deposits	584,357	535,866
Other loans and receivables	1,412,946	275,660
Total Interest revenue	<u>1,997,303</u>	<u>811,526</u>

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

5. Finance costs – interest payable

	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Interest on bank overdrafts and loans	<u>13,686</u>	<u>13,740</u>

6. Staff costs

	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Staff costs comprise:		
Wages and salaries	25,371,088	8,430,140
Social security costs	2,461,708	976,386
IFRS 2 share based payments	1,349,126	372,832
	<u>29,181,922</u>	<u>9,779,358</u>

The Group does not operate any pension schemes.

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

	2007 No.	2006 No.
Corporate finance	9	7
Corporate broking	42	23
Administration	19	10
	<hr/> 70	<hr/> 40

	2007 £	2006 £
The total emoluments of the highest paid Director were:	<hr/> 2,161,000	<hr/> 2,176,000

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

7. Profit for the period

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

	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Operating lease rentals	624,367	219,594
Auditors' remuneration (refer to analysis below)	139,000	133,000
Depreciation of property, plant and equipment	227,546	133,552
Staff costs (see note 6)	29,181,922	9,779,358
Change in fair value of financial assets designated as at fair value through (profit) or loss	699,174	(642,569)
Costs associated with aborted takeover bid	841,313	–
Gain from disposal of employee B shares	(803,593)	–
	<hr/>	<hr/>

The analysis of auditors' remuneration is as follows:

	£	£
Fees payable to the Group's auditor for the audit of the Group's annual accounts and consolidation	75,000	65,000
Fees payable to the Group's auditor for other services:		
The audit of the Group's subsidiaries, pursuant to legislation	10,000	8,000
Other services, pursuant to legislation	15,000	5,000
Tax services	39,000	55,000
	<hr/> 139,000	<hr/> 133,000

In addition to the above, during 2006, fees of £300,000 were paid to the Group's auditors for work performed in relation to the flotation of Cenkos Securities plc on AIM. These fees formed part of the £2,049,382 flotation costs, and were taken directly to share premium account as share issue costs. A description of the work of the Audit Committee and an explanation of how auditors' objectivity and independence is safeguarded when non-audit services are provided by the auditors, is set out on pages 15 and 16 within the Corporate Governance Report.

Notes to the financial statements continued

7. Profit for the period (continued)

Disposal of employee B shares

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

8. Other gains and losses

	1 January 2007 to 31 December 2007	1 December 2005 to 31 December 2006		
	Revenue £	Expenses £	Net gain £	Net gain £
Gain on part disposal of a subsidiary	2,150,161	(441,643)	1,708,518	–

Part disposal of subsidiary

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

	15 November 2007 £	11 December 2007 £	31 December 2007 £
Non-current assets	18,187	17,227	15,616
Current assets	2,813,102	3,160,526	2,227,040
Cash and cash equivalents	1,369,761	1,057,469	1,125,295
Current liabilities	(3,524,976)	(3,561,251)	(2,734,561)
Net assets at date of disposal and year end	676,074	673,971	633,390
	15 November 2007 £	11 December 2007 £	Total 2007 £
Share of net assets disposed	218,387	94,356	312,743
Fees related to disposal	–	128,900	128,900
Cost of sale	218,387	223,256	441,643
Gain on disposal	531,613	1,176,905	1,708,518
Total consideration	750,000	1,400,161	2,150,161
Satisfied by cash	750,000	1,400,161	2,150,161
Net cash inflow arising on disposal: Cash consideration	750,000	1,400,161	2,150,161

9. Tax

The tax charge comprises:

	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Current tax		
United Kingdom corporation tax at 30% (2006: 30%) based on the profit for the period	7,071,441	4,091,258
Adjustment in respect of prior period	–	43,845
Total current tax	<u>7,071,441</u>	<u>4,135,103</u>
Deferred tax		
Credit on account of timing differences	(14,578)	(158,356)
Charge on account of timing differences	–	2,000
Total deferred tax (refer note 19)	<u>(14,578)</u>	<u>(156,356)</u>
Total tax on profit on ordinary activities	<u>7,056,863</u>	<u>3,978,747</u>

The tax charge for the period differs from that resulting from applying the standard rate of UK corporation tax of 30% to the profit before tax for the reasons set out in the following reconciliation.

	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Profit on ordinary activities before tax	<u>23,818,418</u>	<u>20,752,705</u>
Tax on profit on ordinary activities at the UK corporation tax rate of 30% (2006: 30%)	7,145,525	6,225,812
Tax effect of:		
Depreciation in excess of capital allowances	1,801	(22,990)
Expenses that are not deductible in determining taxable profits	595,504	91,161
Different tax rates of subsidiaries operating in other jurisdictions	(13,294)	(31,632)
Income not subject to corporation tax	(733,850)	(2,327,449)
Adjustment for IFRS 2 relating to staff options	21,905	–
Adjustment for IFRS 2 relating to staff options due to tax rate change	3,436	–
Adjustment for loss relief not claimed	35,836	–
Adjustment in respect of prior period	–	43,845
Tax expense for the period	<u>7,056,863</u>	<u>3,978,747</u>

In addition to the amount charged to the income statement, deferred tax relating to the fair value of the Group's available for sales investments amounting to £94,184 (2006: £329,590 credited directly to equity) has been charged directly to equity.

Notes to the financial statements continued

10. Dividends

Amounts recognised as distributions to equity holders in the period:

	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Interim dividend for the year ended 31 December 2007 of 10p (31 December 2006: 100p) per share	7,259,367	4,822,834

Proposed final dividend for the year ended 31 December 2007 of 12p (2006: nil) per share.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

11. Earnings per share

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

	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	16,551,534	9,011,374
Effect of dilutive potential ordinary shares:		
Share options	–	–
Earnings for the purposes of diluted earnings per share	16,551,534	9,011,374

	1 January 2007 to 31 December 2007 No.	1 December 2005 to 31 December 2006 No.
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	72,593,670	55,503,588
Effect of dilutive potential ordinary shares:		
Share options	520,806	57,870
Weighted average number of ordinary shares for the purpose of diluted earnings per share	73,114,476	55,561,458

The denominators for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the sub-division of shares on 31 October 2006. The weighted average number of shares considered for the current period also includes the total number of B shares, even though they are partly paid shares, as these shares are entitled to a full dividend payout.

In the calculation above earnings includes non-recurring items. In the view of the Board, these items should be excluded to present the true on-going earnings of the Group. The table below shows the results of this adjustment:

	1 January 2007 to 31 December 2007	1 December 2005 to 31 December 2006
Underlying earnings		
Earnings for the purposes of basic and diluted earnings per share	16,551,534	9,011,374
Other gains and losses	(1,708,518)	–
Gain from disposal of employee B shares	(803,593)	–
Costs associated with aborted takeover bid	841,313	–
Underlying earnings for the purposes of underlying basic and diluted earnings per share	<u>14,880,736</u>	<u>9,011,374</u>
Underlying EPS		
Basic	20.5p	16.2p
Diluted	<u>20.4p</u>	<u>16.2p</u>

12. Property, plant and equipment

Group	Leasehold improvements £	Fixtures and fittings £	IT equipment £	Total £
2007				
Cost				
At 31 December 2006	535,480	36,235	349,631	921,346
Additions	280,564	36,254	117,156	433,974
At 31 December 2007	<u>816,044</u>	<u>72,489</u>	<u>466,787</u>	<u>1,355,320</u>
Accumulated depreciation				
At 31 December 2006	(52,840)	(15,886)	(115,446)	(184,172)
Charge for the period	(76,201)	(10,508)	(140,837)	(227,546)
At 31 December 2007	<u>(129,041)</u>	<u>(26,394)</u>	<u>(256,283)</u>	<u>(411,718)</u>
Net book value				
At 31 December 2007	<u>687,003</u>	<u>46,095</u>	<u>210,504</u>	<u>943,602</u>
At 31 December 2006	<u>482,640</u>	<u>20,349</u>	<u>234,185</u>	<u>737,174</u>

Notes to the financial statements continued

12. Property, plant and equipment (continued)

Company	Leasehold improvements £	Fixtures and fittings £	IT equipment £	Total £
2007				
Cost				
At 31 December 2006	535,480	16,056	314,044	865,580
Additions	275,684	24,305	104,579	404,568
At 31 December 2007	811,164	40,361	418,623	1,270,148
Accumulated depreciation				
At 31 December 2006	(52,840)	(8,332)	(99,783)	(160,955)
Charge for the period	(70,130)	(8,815)	(126,485)	(205,430)
At 31 December 2007	(122,970)	(17,147)	(226,268)	(366,385)
Net book value				
At 31 December 2007	688,194	23,214	192,355	903,763
At 31 December 2006	482,640	7,724	214,261	704,625

13. Available for sale investments

	Group and Company	
	2007 £	2006 £
Opening balance (at fair value)	3,229,164	4,327,797
Fair value gains/(losses)	313,947	(1,098,633)
Closing balance (at fair value)	3,543,111	3,229,164

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

14. Investments in subsidiary undertakings

Company	Shares in subsidiary undertakings	
	2007 £	2006 £
Cost		
At 31 December 2006	114,613	20,004
Additions:		
Further capital subscribed in Cenkos Channel Islands Limited	–	74,998
Capital subscribed in Cenkos Securities (Trustees) Limited	–	2
Capital subscribed in Cenkos Fund Management Limited	650	–
Part disposal of shares in Cenkos Channel Islands Limited	(25,000)	–
Capital contribution in respect of share based payments in Cenkos Channel Islands Limited	117,657	19,609
At 31 December 2007	207,920	114,613

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

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

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

15. Trading investments

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Long positions				
Fair value	26,597,490	13,123,643	26,597,490	12,773,643
Short positions				
Fair value	11,802,867	5,127,238	11,802,867	5,127,238

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

Notes to the financial statements continued

16. Trade and other receivables

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Market and client receivables	38,069,823	19,954,083	35,081,375	19,139,692
Amounts owed by group undertakings	–	–	984,152	6,547,268
Unpaid share capital and loans due from staff	16,076,537	17,719,730	16,076,537	17,719,730
Other receivables	315,753	269,850	310,076	268,850
Prepayments and accrued income	2,300,610	1,676,382	2,192,687	1,590,441
	56,762,723	39,620,045	54,644,827	45,265,981

The average credit period taken is 9 days (2006: 5 days). No provision has been made for irrecoverable amounts (2006: £46,000).

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

Credit risk

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

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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

17. Cash and cash equivalents

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Cash and cash equivalents	16,244,160	9,780,584	14,558,336	9,461,457

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

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

18. Trade and other payables

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Trade payables	28,139,372	12,835,607	25,562,828	11,946,205
Amounts owed by Group undertakings	–	–	650	9,169,098
Corporation tax payable	4,218,572	3,087,573	4,175,513	3,026,675
Accruals and deferred income	13,951,827	7,872,977	13,485,930	7,656,275
Other payables	451,595	3,171,934	364,006	487,829
	46,761,366	26,968,091	43,588,927	32,286,082

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

Undrawn borrowing facilities

At 31 December 2007, the Group had available £10 million (2006: nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

19. Deferred tax

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

	Group			Company		
	Short term timing difference £	Unrealised gains on investments £	Total £	Short term timing difference £	Unrealised gains on investments £	Total £
At 31 December 2006	158,356	(669,032)	(510,676)	158,356	(667,032)	(508,676)
Credit to income (refer note 9)	14,578	2,000	16,578	14,578	–	14,578
Credit/(charge) to equity	148,062	(94,184)	53,878	148,062	(94,184)	53,878
At 31 December 2007	320,996	(761,216)	(440,220)	320,996	(761,216)	(440,220)

Notes to the financial statements continued

20. Share capital

	Group and Company	
	2007 £	2006 £
Authorised:		
179,185,700 (2006: 179,185,700) ordinary shares of 1p each	1,791,857	1,791,857
20,814,300 (2006: 20,814,300) B shares of 1p each	208,143	208,143
	2,000,000	2,000,000
Allotted:		
53,909,370 (2006: 51,779,370) ordinary shares of 1p each fully paid	539,093	517,793
18,684,300 (2006: 19,777,100) B shares of 1p each, fully paid	186,843	197,771
Nil (2006: 1,037,200) B shares of 1p each, unpaid	–	10,372
	725,936	725,936

1 December 2005 to 31 December 2006

On 9 February 2006, a further 20,000 ordinary shares of 10p each were issued at a premium of 90p each for cash.

On 1 March 2006, a further 400,000 ordinary shares of 10p each were issued at a premium of 90p each in exchange for the redemption of 400,000 preference shares.

At 5 June 2006, the authorised share capital of the Company was increased by £400,000 to £1,800,000 pursuant to the creation of an additional 4,000,000 ordinary shares of 10p each.

On 5 June 2006, 2,000,000 authorised but unissued existing ordinary shares were redesignated as B shares.

On 5 June 2006, the authorised share capital of the company was increased by £100,000 to £1,900,000 pursuant to the creation of an additional 1,000,000 B shares.

On 20 June 2006, 108,833 ordinary shares of 10p each were issued at a premium of £2.40 each under five interest free loans, repayable in equal annual amounts on the anniversary of date of purchase.

On 19 July 2006, 715,000 B shares of 10p each were issued at a premium of £8.65 each.

On 17 August 2006, 935,555 ordinary shares of 10p each were issued at a premium of £10.53 each.

On 22 August 2006, 75,000 B shares of 10p each were issued at a premium of £10.53 each.

On 13 September 2006, 10,000 ordinary shares of 10p each were issued at a premium of £0.90 each.

On 20 September 2006, 142,875 B shares of 10p each were issued at a premium of £14.07 each.

On 4 October 2006, 58,334 B shares of 10p each were issued at a premium of £9.05 each.

On 19 October 2006, the authorised share capital of the company was reduced by £400,000 to £1,500,000 pursuant to the cancellation of 400,000 authorised but unissued preference shares.

On 19 October 2006, 213,000 B shares of 10p each were issued at a premium of £1.395 each.

On 19 October 2006 a written resolution was passed; it was resolved that conditional upon admission to the AIM, to subdivide each ordinary A share into ten ordinary shares and each B share into ten B shares, to cancel the authorised but unissued existing B shares, and to increase the authorised share capital from £1,308,143 to £2,000,000 by the creation of 59,185,700 ordinary shares.

On 31 October 2006, 17,793,600 ordinary shares of 1p each were issued at a premium of £1.395 each.

25,000 ordinary shares of 10p each, unpaid at 30 November 2005, were paid up during the period.

1 January 2007 to 31 December 2007

On 21 September 2007, 2,130,000 B shares of 1p each were converted into 2,130,000 ordinary shares of 1p each. 1,037,200 B shares of 1p each unpaid at 31 December 2006 were paid during the year.

21. Operating lease arrangement**The Group as lessee**

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

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Within one year	584,236	474,630	523,696	446,655
In the second to fifth years inclusive	2,232,727	2,074,754	2,090,491	2,004,816
After five years	1,088,887	1,545,379	1,088,887	1,545,379

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

22. Share-based payments**Equity-settled share option scheme**

The Group has a share option scheme for all employees of the Group. Options are exercisable at a price agreed upon in the share option agreement on the date of grant. The vesting period is 18 months for 50% of the options and 30 months for the remaining 50%. If the option remain unexercised after a period of 5 years from the date of grant, the options expire. If the option holder ceases to be an employee or office holder within the Group before the options vest, the options will lapse on the date of such cessation.

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

	2007		2006	
	Number of shares options	Weighted average exercise price £	Number of shares options	Weighted average exercise price £
Outstanding at beginning of year	1,233,350	0.91	–	–
Granted during the year	–	–	1,233,350	0.91
Exercised during the year	–	–	–	–
Lapsed during the year	(28,469)	–	–	–
Outstanding and exercisable at the end of the year	1,204,881		1,233,350	
Options exercisable at £0.01 per share	142,250		142,250	
Options exercisable at £0.709 per share	600,000		600,000	
Options exercisable at £1.405 per share	462,631		491,100	
Options exercisable at the end of the year	1,204,881		1,233,350	

The options outstanding at 31 December 2007 have a weighted average exercise price of £0.91 and a weighted average remaining contractual life of 5 years from the date of grant. The current options outstanding were granted on 23rd October 2006. The aggregate of the estimated fair value of the options granted on those dates is £875,260.

Notes to the financial statements continued

22. Share-based payments (continued)

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

	2007 £	2006 £
Weighted average share price	1.405	1.405
Expected volatility	35%	35%
Expected share price growth	5%	5%
Discount rate	25%	25%

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

During the period, the Group recognised expenses of £365,252 (2006: £97,172) related to equity settled share-based payment transactions with regard to issue of share options and other share-based payment expenses of £1,412,946 (2006: £275,660) with regard to the interest component on loans given to staff for subscribing to the Group's issue of B shares during the period.

23. Financial instruments

Capital risk management

The Group manages capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents and 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 this on an ongoing basis.

Externally imposed capital requirement

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

Significant accounting policies

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

Categories of financial instruments

	Carrying value	
	2007 £	2006 £
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	26,597,490	13,123,643
Designated as FVTPL	–	–
Loans and receivables (including cash and cash equivalents)	70,390,520	47,454,397
Available-for-sale financial assets	3,543,111	3,229,164

	Carrying value	
	2007	2006
	£	£
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	11,802,867	5,127,238
Designated as FVTPL	–	–
Amortised cost	46,761,366	26,968,091

Financial risk management objectives

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

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

Interest rate risk management

The Group is not exposed to interest rate risk as entities in the Group do not borrow funds or run interest rate mismatches.

Other price risks

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

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower:

- net profit for the year ended 31 December 2007 would have been £1.71 million higher or £1.64 million lower (2006: 1.091 million higher or £1.07 million lower) due to change in the value of FVTPL held-for-trading investments; and
- other equity reserves would increase/decrease by £354,000 (2006: increase/decrease by £323,000) for the Group as a result of the changes in fair value of available-for-sale shares.

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

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

Foreign currency risk

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

Notes to the financial statements continued

23. Financial instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. These parties may default on their obligations due to the bankruptcy, lack of liquidity, operational failure and other reasons. The vast majority of the Groups credit risk arises from the settlement of security transactions. However, the settlement model primarily used by the Group, does not expose the Group to a risk as a principle to a trade; rather the Group's exposure lies only with Pershing – a wholly owned subsidiary of the Bank of New York, a AAA rated bank. In addition, in circumstances in which the Group does act as principal, when acting as a market maker, the counterparty will normally be a FSA regulated market counterparty, rather than a corporate or individual trader.

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

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

In 2006 we issued partly paid B shares to a number of our employees. The carrying value of the unpaid portion is included in financial assets. The recoverability of these amounts due is reviewed on a quarterly 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 are greater than the value at which they were issued. At the reporting date, the Company's share price was 223p and the average price at which the B shares were issued was 102p thus the Company's share price could fall by 54% before there is a risk of default.

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

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk management

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

Liquidity and Interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows. The tables also detail the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

		Weighted average effective interest rates	Less than 1 month £	5+ years £	Total £
31 December 2007					
Trading investments – long positions	Non-interest bearing		26,597,490	–	26,597,490
Trade and other receivables	Non-interest bearing		40,686,186	–	40,686,186
Trading investments – short positions	Non-interest bearing		(11,802,867)	–	(11,802,867)
Trade and other payables	Non-interest bearing		(46,761,366)	–	(46,761,366)
Trade and other receivables	Fixed interest rate instruments	5%	–	16,076,537	16,076,537
Cash and cash equivalents	Variable interest rate instruments	5%	16,244,160	–	16,244,160
			<u>24,963,603</u>	<u>16,076,537</u>	<u>41,040,140</u>

		Weighted average effective interest rates	Less than 1 month £	5+ years £	Total £
31 December 2006					
Trading investments – long positions	Non-interest bearing		13,123,643	–	13,123,643
Trade and other receivables	Non-interest bearing		21,900,315	–	21,900,315
Trading investments – short positions	Non-interest bearing		(5,127,238)	–	(5,127,238)
Trade and other payables	Non-interest bearing		(26,968,091)	–	(26,968,091)
Trade and other receivables	Fixed interest rate instruments	5%	–	17,719,730	17,719,730
Cash and cash equivalents	Variable interest rate instruments	5%	9,780,584	–	9,780,584
			<u>12,709,213</u>	<u>17,719,730</u>	<u>30,428,943</u>

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	
	2007 £	2006 £	2007 £	2006 £
Financial assets				
Loans and receivables	16,076,537	17,719,730	15,816,624	17,392,615

Notes to the financial statements continued

24. Related party transactions

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

Remuneration of key management personnel

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

	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Emoluments	5,064,000	2,398,000

The above emoluments, for the period to 31 December 2006, do not include an amount of £2,394,950 paid to James Durkin during the period prior to his joining the Board, towards his profit share in his capacity as a partner of Cenkos LLP. He joined the Board on 31 October 2006.

There were no Directors who were members of a defined benefit pension scheme as at the period end (2006: nil).

Remuneration of the highest paid Director

	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Emoluments	2,161,000	2,176,000

Directors' interests in ordinary shares of Cenkos Securities plc

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

Name of director	Class of ownership	Percentage interest as at		
		31 December 07	31 December 06	31 December 07
Andrew Stewart*	Beneficial	16,166,670	16,666,670	22.27%
	Non-beneficial	500,000	–	0.69%
James Durkin**	Beneficial	5,625,000	5,625,000	7.75%
Paul Roy†	Non-beneficial	–	5,416,670	–

* During the year Andrew Stewart transferred 500,000 of his ordinary shares to The Andrew Stewart Charitable Trust. Andrew is a trustee of this Charitable Trust."

** As at 31 December 2006, 1,875,000 of these ordinary shares were held by NewSmith Capital Partners but were subject to an option that had been granted to James Durkin. The option agreement was agreed at the time of the Company's admission to AIM. During the year this option was exercised and the title of those shares were transferred to James Durkin.

† These shares were held by NewSmith Capital Partners, of which Paul Roy is a limited partner. The shares were subject to an option agreement that was agreed to at the time of the Company's admission to AIM to certain senior executives of the Company. During the year these options were exercised and the title of those shares were transferred to those senior executives of the Company.

Directors' interests in share options

	2007		2006	
	Number of shares options	Weighted average exercise price £	Number of shares options	Weighted average exercise price £
Outstanding at beginning of period	1,055,515	1.0093	–	–
Granted during the period	–	–	1,055,515	1.0093
Exercised during the period	–	–	–	–
Lapsed during the year	(28,469)	–	–	–
Outstanding and exercisable at the end of the period	1,027,046	1.0093	1,055,515	1.0093

The above options were granted on 23 October 2006. None of the Directors exercised options over the shares during the period (2006: nil). During the year as a result of Anthony Hobson's resignation, his options over shares in the Group lapsed.

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 27 May 2008 at 12.00 noon for the transaction of the following business:

Ordinary business

As ordinary business to consider and, if thought fit, to pass the following resolutions each of which will be proposed as an ordinary resolution, save for resolution 8, which will be proposed as a special resolution:

1. **That** the Company's annual accounts for the year ended 31 December 2007, together with the Directors' report and the auditors' report on those accounts, be received.
2. **That** a final dividend of 12p per share for the year ended 31 December 2007 as recommended by the Directors be declared payable on 5 June 2008 to shareholders on the register on 9 May 2008.
3. **That** John Hodson be re-elected as Director.
4. **That** Simon Melling be re-elected as Director.
5. **That** Deloitte & Touche LLP be re-appointed as auditors to the Company until the conclusion of the next Annual General Meeting of the Company.
6. That the Directors be authorised to fix the auditors' remuneration.
7. That for the purposes of section 80 of the Companies Act 1985 (the 'Act') (and so that expressions used in this resolution shall bear the same meanings as in the said section 80):
 - 7.1 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities up to a maximum nominal amount of £239,559.11 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 2009 (unless previously revoked or varied by the Company in general meeting); and
 - 7.2 the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution;

so that all previous authorities of the Directors pursuant to the said section 80 be and are hereby revoked.
8. **That** subject to the passing of resolution 7 set out in the notice convening this Meeting, the Directors be and are empowered in accordance with section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash, pursuant to the authority conferred on them to allot relevant securities (as defined in section 80 of the Act) by that resolution as if section 89(1) and sub-sections (1) – (6) of section 90 of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:
 - 8.1 the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the 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
 - 8.2 the allotment (otherwise than pursuant to sub-paragraph 8.1 above) of equity securities up to an aggregate nominal value not exceeding £36,296.84,

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 2009, but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred had not expired.

Special business

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

- 9.** That the Company be and is hereby generally and unconditionally authorised for the purpose of the Act to make market purchases (as defined in section 163 of the Act) of ordinary shares of 1p each in the capital of the Company ('ordinary shares') provided that:
- 9.1** the maximum number of ordinary shares hereby authorised to be purchased is 5,337,027 (representing approximately 9.9 per cent of the Company's issued ordinary share capital at the date of this resolution);
- 9.2** the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 1p per share, being the nominal amount thereof;
- 9.3** the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be, for so long as the ordinary shares of the Company are dealt in on AIM, 5% above the average price at which deals are done in the ordinary shares taken from the AIM appendix to The London Stock Exchange Daily Official List for the five business days before the purchase is made and, if at any time the ordinary shares become listed on the Official List of the Financial Services Authority and traded on the London Stock Exchange's market for listed securities, an amount equal to 5% above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made;
- 9.4** 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
- 9.5** 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.
- 10.** That, pursuant to section 9 of the Act, the Articles of Association of the Company be altered by:
- 10.1** deleting the present Article 145.1 and substituting the following new Article 145.1 therefore:
- "145.1 may be a party to or otherwise directly or indirectly interested in:
- 145.1.1 any transaction or agreement with the Company or in which the Company is otherwise interested; or
- 145.1.2 a proposed transaction or arrangement with the Company;"
- 10.2** deleting the present Article 145.4 and substituting the following new Article 145.4 therefore:
- "145.4 may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director,
- save that with effect from the date on which sections 177 and 182 of the 2006 Act shall come into effect, a Director shall, subject to sub-section 177(6) of the 2006 Act, be required to disclose all interests whether or not material in any transaction or arrangement referred to in Article 145.1 and the declaration of interest must (in the case of a transaction or arrangement referred to in Article 145.1.1) and may, but need not, (in the case of a transaction or arrangement referred to in Article 145.1.2) be made:
- 145.4.1 at a meeting of the Directors; or
- 145.4.2 by notice to the Directors in accordance with:
- (a) Section 184 of the 2006 Act (notice in writing); or
- (b) Section 185 of the 2006 Act (general notice).";

Notice of annual general meeting continued

10.3 inserting the following new Article 145A:

“Directors’ interests other than in relation to transactions or arrangements with the Company

145A.1 For the purposes of section 175 of the 2006 Act, the Directors shall have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under that Section to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. For these purposes references to a conflict of interest includes a conflict of interest and duty and a conflict of duties. This Article does not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company.

145A.2 Authorisation of a matter under this Article shall be effective only if:

145A.2.1 the matter in question shall have been proposed in writing (giving full particulars of the relevant situation) for consideration at a meeting of the Directors, in accordance with the Board’s normal procedures or in such other manner as the Directors may approve;

145A.2.2 any requirement as to the quorum at the meeting of the Directors at which the matter is considered is met without counting the Director in question and any other interested Director (together the “Interested Directors”); and

145A.2.3 the matter was agreed to without the Interested Directors voting or would have been agreed to if the votes of the Interested Directors had not been counted.

145A.3 Any authorisation of a matter pursuant to this Article shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.

145A.4 Any authorisation of a matter under this Article shall be subject to such terms as the Directors may determine, whether at the time such authorisation is given or subsequently, and may be terminated by the Directors at any time. Such terms may include, without limitation, terms that the relevant Directors:

145A.4.1 will not be obliged to disclose to the Company or use for the benefit of the Company any confidential information received by him otherwise than by virtue of his position as a Director, if to do so would breach any duty of confidentiality to a third party;

145A.4.2 may be required by the Company to maintain in the strictest confidence any confidential information relating to the Company which also relates to the situation as a result of which the conflict arises (“the conflict situation”);

145A.4.3 may be required by the Company not to attend any part of a meeting of the Directors at which any matter which may be relevant to the conflict situation is to be discussed, and not to view any board papers relating to such matters; and

145A.4.4 shall not be obliged to account to the Company for any remuneration or other benefits received by him in consequence of the conflict situation.

A Director shall comply with any obligation imposed on him by the Directors pursuant to any such authorisation.

145A.5 A Director shall not, save as otherwise agreed by him, be accountable to the Company for any benefit which he (or a person connected with him) derives from any matter authorised by the Directors under this Article and any contract, transaction or arrangement relating thereto shall not be liable to be avoided on the grounds of any such benefit.

145A.6 The provisions of this Article shall take effect on 1 October 2008 or any later date on which section 175 of the 2006 Act comes into effect.”; and

- 10.4** deleting the words “Part VI of the Act” in Article 146.4 and substituting the words “Part 22 of the 2006 Act”; and
- 10.5** inserting, in the first line of Article 147 between the words “145” and “and 146”, the words “,145A”.

By order of the Board

Stephen Doherty

Company Secretary

4 April 2008

Registered office:
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his place. A proxy need not be a member of the Company.
2. To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited not less than 48 hours before the meeting (or any adjournment thereof) at the offices of the Company’s registrars, Capita Registrars, PO Box 25, Beckenham, Kent BR3 4BR. Completion of the form of proxy will not prevent you from attending and voting in person.
3. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a ‘CREST Proxy Instruction’) must be properly authenticated in accordance with Euroclear UK & Ireland’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer’s agent, (ID RA10) by the latest time for receipt of proxy appointments specified in this Notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

Notice of annual general meeting continued

5. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company as at 6 p.m. on 25 May 2008 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 6 p.m. on the day preceding the date fixed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
6. In the case 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.
7. The following documents are available for inspection at the registered office of the Company, 6.7.8 Tokenhouse Yard, London EC2R 7AS, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Meeting:
 - (a) copies of service contracts between the Directors and the Company or its subsidiary undertakings; and
 - (b) the Articles of Association of the Company referred to in resolution 10 above (together with a copy of such Articles of Association marked to show the proposed changes).

Explanatory notes to the notice of annual general meeting

Resolution 1 – Company’s annual report and accounts 2007 (ordinary resolution)

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

Resolution 2 – Final dividend (ordinary resolution)

The payment of a final dividend of 12 pence per share in respect of the year ended 31 December 2007, which is recommended by the Board, requires the approval of the shareholders at the Annual General Meeting.

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

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

Resolutions 5 and 6 – Re-appointment of auditors and determination of their remuneration (ordinary resolutions)

The Company is required to appoint auditors at each Annual General Meeting at which accounts are presented, to hold office until the conclusion of the next such meeting. The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditors, Deloitte & Touche LLP, on behalf of the Board, who now propose their reappointment as auditors of the Company. Deloitte & Touche LLP has advised of its willingness to stand for reappointment as the auditor of the Company. Resolution 6 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 7 – Authority to allot shares (ordinary resolution)

Resolution 7 asks shareholders to grant the Directors authority under section 80 of the Companies Act 1985 (the ‘1985 Act’) to allot shares up to a maximum aggregate nominal value of £239,559.11 (being approximately 1/3 of the nominal value of the issued share capital of the Company as at 4 April 2008, (being the latest practical date prior to the publication of the Report and Accounts) including the 18,684,300 B ordinary shares of 1p each in the capital of the Company (the ‘B Shares’) which were then in 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 2009. The Directors have no present intention of exercising such authority.

Resolution 8 – Disapplication of pre-emption rights (special resolution)

Resolution 8, which will be proposed as a special resolution, seeks authority to issue equity securities of the Company for cash without application of the pre-emption rights provided by section 89 of the 1985 Act up to an aggregate nominal value of £36,296.84 (being approximately 5% of the Company’s issued share capital as at 4 April 2008 (being the latest practicable date prior to the publication of the report and accounts), including the B Shares which were then in issue). The resolution also disapplies the statutory pre-emption provisions in connection with pre-emptive offerings, for example, rights issues and allows the Directors, in the case of a rights issue, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems which might arise. This authority will expire at the end of the Annual General Meeting of the Company in 2009.

Explanatory notes to the notice of annual general meeting continued

Resolution 9 – Authority to purchase company’s own ordinary shares (special resolution)

Resolution 9 to be proposed at the Annual General Meeting seeks authority from holders of ordinary shares of 1p each in the capital of the Company ('ordinary shares') for the Company to make market purchases of its own ordinary shares, such authority being limited to the purchase of 9.9% of the ordinary shares in issue as at 4 April 2008. The maximum price payable for the purchase by the Company of its own ordinary shares will be limited to 5% above the average of the middle market quotations of the Company's ordinary shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days prior to the purchase. The minimum price payable by the Company for the purchase of its own ordinary shares will be 1p per share (being the amount equal to the nominal value of an ordinary share). The authority to purchase the Company's own ordinary shares will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per ordinary share and that it is in the best interests of the Company at the time.

Options to subscribe for up to 1,204,881 ordinary shares have been granted and are outstanding as at 4 April 2008 (being the latest practicable date prior to publication of this document) representing 2.24% 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 9, the options outstanding as at 4 April 2008 would represent 2.48% of the ordinary share capital in issue following such exercise.

Resolution 10 – Director’s authorisation of conflicts of interest – amendment to the articles (special resolution)

The Companies Act 2006 (the '2006 Act') sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The 2006 Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The insertion of Article 145A into the Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the Articles should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

The proposed changes to the Articles will only be effective when the relevant provisions of the 2006 Act come into force, which is expected to take place on 1 October 2008.

London

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