2018 Cenkos Securities plc
Interim Report

About Cenkos

Cenkos Securities plc* is an independent, specialist institutional stockbroking company.

We act as a nominated adviser, sponsor, broker and financial advisor to a range of companies and investment funds, at all stages of their growth and across all sectors. We concentrate on companies that seek admission of their shares to trading on AIM or the Main Market of the London Stock Exchange ("LSE") and companies that are already quoted on those markets. We seek long-term relationships with our clients throughout the various stages of their development. Our ethos is to focus on understanding our clients' financing needs to deliver good outcomes for them.

Cenkos' shares were admitted to trading on AIM in 2006. The Company is authorised and regulated by the Financial Conduct Authority ("FCA") and is a member of the LSE. It has offices in London and Edinburgh.

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

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Chief Executive's statement

Continuing operations

	30 June 2018	30 June 2017
Revenue	£18.1m	£29.2m
Profit before tax	£0.5m	£4.6m
Profit after tax	£0.3m	£3.7m
Cash	£21.7m	£19.8m
Net assets	£26.3m	£27.7m
Basic Earnings per share	0.6p	6.7p
Interim dividend per share	2.0p	4.5p

Continuing and discontinued operations

	30 June 2018	30 June 2017
Profit after tax	£0.3m	£3.3m
Basic earnings per share	0.6p	6.1p

Following my appointment as Chief Executive in August 2017, we have focused on our core business, closing our Singapore office, and are in the process of acquiring a team of Nomad advisers from Smith and Williamson. A strategic review of our front and back office capabilities has been started together with a review of the markets we serve. The exercise, initiated in Q3 2017, was undertaken in the context of the introduction of the Market Abuse Regulations (MAR), MiFiD II, the Criminal Finances Act (CFA), General Data Protection Regulation (GDPR), and, of course, with the Senior Managers and Certification Regime (SM&CR) on the horizon. Our Board recognises the increasing complexity of the financial markets and the demands, correctly, placed upon us by our customers, regulators and the public.

The strategic reviews sought to put in place appropriate front and back office structures with systems and controls to provide good client outcomes in a way that can be clearly demonstrated. The costs associated with transforming Cenkos are included below under administrative expenses. The two-year transition program of refreshing our brand values; focusing on strengthening our core competencies; and undertaking opportunistic acquisitions to complement our core business is well under way.

Interim management report

Performance

Revenues of £18.1m in the first half of 2018 have been disappointing compared to the same time last year (£29.2m) and our internal targets. There are several reasons for this:

- Cenkos, predominantly, earns commission and corporate finance fees from primary and secondary fund raisings. The 2017 first half results benefited from revenues of £10.6m from a single client transaction whilst in 2018 the highest value transaction was £2.4m. This difference accounted for much of the shortfall.
- Transaction rates were slow in Q1 2018 but have begun to gather pace in Q2 2018.

Chief Executive's statement

A summary of the revenue streams in H1 2018 v H1 2017 is set out below:

Revenue streams

	Six months ended 30 June 2018 £000's	Six months ended 30 June 2017 £000's
Corporate finance	11,925	21,209
Nomad and broking	2,552	2,610
Research	1,538	1,741
Execution	2,085	3,689
	18,100	29,249

Corporate finance

Corporate finance fees decreased by 44% to £11.9 million (H1 2017: £21.2 million) as a number of transactions which were expected to complete in the first half slipped in to the second half and the 2017 first half results benefited from revenues of £10.6 million from a single client transaction.

During H1 2018, we completed 15 transactions (H1 2017: 19 transactions) of which 3 were IPOs (H1 2017: 2 IPOs) and raised £666 million (H1 2017: £982 million) for our corporate and investment trust clients.

Deals of note which completed during the period include the secondary raisings of £170 million for Breedon Group plc and £51.5 million for Restore plc.

Nomad and broking

Nomad and broking retainer fees were flat at £2.6 million (H1 2017: £2.6 million).

As at 30 June 2018, Cenkos' client base was made up of 116 (H1 2017: 120) companies and investment trusts of which 80 (H1 2017: 73) were clients whose shares were admitted to trading on the AIM market and 36 (H1 2017: 42) clients were main market listed.

We remain ranked as one of the leading brokers in London for growth companies, as demonstrated by Adviser Rankings Limited's July 2018 'AIM Adviser Rankings Guide' where we were ranked number 2 Nominated Adviser by total number of AIM clients and for 'Consumer Goods' clients. We were also ranked first for 'Consumer Services' by number of clients and first for 'Industrials' clients by both number of clients and client market capitalisation.

Research

Research fees and commission decreased by 12% to £1.5 million (H1 2017: £1.7 million) following the roll out of MiFID II which came into effect from 3 January 2018, requiring the unbundling of research and commission payments. There remains a level of uncertainty in the market as the full impact of the legislation affects product offerings and pricing models, however we produce research covering 130 companies and 8 sectors and since the beginning of the year 57 institutional clients have signed up to take this research.

Execution

Execution gains decreased by 43% to £2.1 million (H1 2017: £3.7 million) largely due to gains made on shares and options in lieu of fees in 2017.

Administrative expenses

Administrative expenses of £17.7m in H1 2018 have decreased by almost a third from £24.7m in H1 2017. Staff costs make up over 70% of the cost base and within this, discretionary performance-related pay is a significant part. The significant levels of discretionary performance-related pay, having fallen, highlights the resilience of Cenkos' business model and its capacity to withstand market and other shocks.

Administrative expenses	Six months ended 30 June 2018 £000's	Six months ended 30 June 2017 £000's
Staff costs	12,982	19,241
Other administrative expenses	4,692	5,460
	17,674	24,701

Front office staff costs, before discretionary performance-related pay, have fallen by over 15% in H1 2018 compared to the same period last year reflecting the actions taken from the front office review. Front office discretionary performance-related pay has fallen sharply, reflecting lower revenues.

Back office staff costs, before discretionary performance-related pay, rose by 7% in H1 2018 over the same period in 2017, reflecting investment in senior management (with pay structures less oriented to bonuses based upon revenues), a revised three lines of defence compliance model and investment in project management capability to deliver the various statutory and regulatory initiatives, such as CFA, GDPR and SM&CR in addition to various internal projects. The investment in these areas have led to significant reductions in other non-staff-related administrative expenses, where efficiencies have more than off-set this investment through the period.

Other administrative expenses have fallen from £5.5m to £4.7m just over 14% reflecting lower use of regulatory and other consultancies to deliver day to day compliance, legal and project work.

Profit and Earnings per share

Profit before tax on continuing operations decreased by 90% to £0.5 million (H1 2017: £4.6 million) and profit after tax on continuing and discontinued operations decreased by 90% to £0.3 million (H1 2017: £3.3 million). Our basic earnings per share ("EPS") on continuing and discontinued operations decreased by 90% to 0.6p (H1 2017: 6.1p).

Financial position

The consolidated statement of financial position shows a fall in the net assets to £26.3m as at 30 June 2018 from £27.7m as at 30 June 2017. This is due, mainly, to a reduction in net trading investments resulting from the sale of shares received in lieu of fees, an increase in trade and other receivables reflecting the movement in trade and client receivables, a fall in trade and other payables reflecting a lower accrual for performance related pay and an increase in cash.

The increase in cash resulted from the net cash inflow from operating activities due to profits generated and the movements in working capital being partially offset by dividends paid and the acquisition of own shares into treasury and by the Cenkos Securities plc Employee Benefit Trust ('EBT').

Net assets summary

	30 June 2018 £ 000's	30 June 2017 £ 000's
Non-current assets	1,191	1,275
FVOCI financial assets	164	142
Other current financial assets	10,334	19,868
Other current financial liabilities	(3,451)	(2,609)
Net trading investments	7,047	17,401
Trade and other receivables	40,039	38,726
Trade and other payables – current & non-current	(43,658)	(49,447)
Cash and cash equivalents	21,722	19,778
	26,341	27,733

Dividend and capital

Cenkos' dividend policy as stated in the 2017 Annual Report is to use earnings and cash flow to underpin shareholder returns through a combination of dividend payments and share buy backs into treasury. Our goal is to pay a stable ordinary dividend, reinvest in the firm and return excess cash to shareholders subject to capital and liquidity requirements and the prevailing market conditions and outlook. As at 30 June 2018, Cenkos had a capital resources surplus of £12.0 million (30 June 2017: £7.8 million) above the pillar 1 regulatory capital requirements reflecting retained earnings from the prior year.

The Board proposes an interim dividend of 2.0p per share. The payment of this interim dividend will trigger payments to staff under the CAP of £0.2 million in H2 2018 (H2 2017: £0.5 million). The dividend will be paid on 2 November 2018 to all shareholders on the register at 5 October 2018.

Acquisition of the Nomad business of Smith & Williamson

As previously announced, Cenkos has entered into an agreement to acquire the Nominated Adviser and Corporate Broker business of Smith & Williamson. The transaction is expected to complete by November 2018, following the undertaking of due diligence on existing clients of the Business which may transfer as part of the transaction. As a result of the acquisition, a team of 6 will join Cenkos' Corporate Finance department with effect from completion of the transaction.

Outlook

We have made a good start to the second half of the year with several transactions announced in July and August and more to come later in the year and beyond.

Responsibility statement

We confirm that to the best of our knowledge:

a) The condensed set of financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of Cenkos Securities plc and the undertakings included in the consolidation taken as a whole as at 30 June 2018; and

b) The interim management report includes a fair review of the development and performance of the business and the position of Cenkos Securities plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Group faces.

Forward-looking statements

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

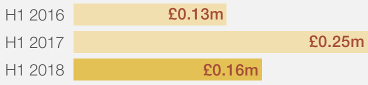
Anthony Hotson
Chief Executive Officer
17 September 2018

Key performance indicators

FY 2018 progress

Revenue per head

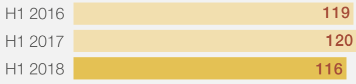
The total revenue expressed as a ratio to the total (Full Time Equivalent) number of employees.



- A disappointing first half compared with the same period last year with a number of transactions slipping into H2 2018.
- The 2017 first half results benefited from revenues of £10.6m from a single client transaction whilst in H1 2018 the highest value transaction was £2.4m.

Corporate client base

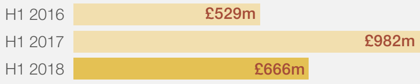
The total number of corporate clients.



- Slight reduction in the number of clients following the loss of, mutually agreed, mandates.
- Expected increase by the end 2018 following the purchase of Smith & Williamson's Nomad business.

Funds raised for corporate clients

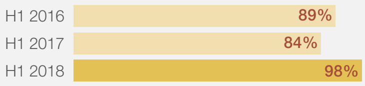
The total funds raised.



- The 15 transactions completed in H1 2018, although smaller in number than H1 2017, on average raised £44.4 million compared to £32.7 million in H1 2017 after adjusting for one large transaction in 2017.

Administrative expenses to revenue

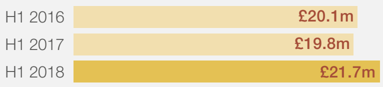
The ratio of costs to total revenue.



- Reflects the investment in senior management, a revised three lines of defence compliance model and investment in project management capability to deliver the various statutory and regulatory initiatives, such as CFA, GDPR and SM&CR in addition to various internal projects.

Cash on the balance sheet

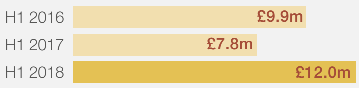
Cash balances.



- Strong cash balances reflect the positive cash cycle inherent in the business model.

Regulatory surplus over CRD IV Pillar 1 requirements

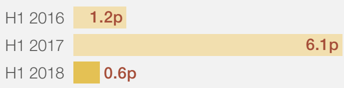
Capital surplus over CRD IV Pillar 1 requirements



- Regulatory surpluses,remain solid calculated using the standard method prescribed in CRD IV.

Basic earnings per share

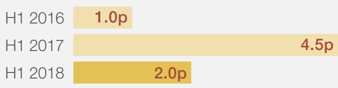
Ratio of post-tax earnings to the weighted average number of shares.



- Profitable every year since formation in 2005, reflecting the resilience of the business model.

Interim dividend per share

The amount per ordinary share in respect of the period.



- Paid an interim and final dividend every year since its IPO.

Condensed consolidated income statement

for the six months ended 30 June 2018

	Notes	Unaudited Six months ended 30 June 2018 £ 000's	Unaudited Six months ended 30 June 2017 £ 000's	Audited Year ended 31 December 2017 £ 000's
Continuing operations				
Revenue	2	18,100	29,249	59,504
Administrative expenses		(17,674)	(24,701)	(49,528)
Operating profit		426	4,548	9,976
Investment income – interest income		38	8	23
Profit before tax from continuing operations		464	4,556	9,999
Tax	3	(123)	(904)	(1,815)
Profit after tax from continuing operations		341	3,652	8,184
Discontinued operations				
Loss after tax from discontinued operations	4	–	(331)	(973)
Profit after tax		341	3,321	7,211
Attributable to:				
Equity holders of Cenkos Securities plc		341	3,321	7,211
From continuing operations				
Basic earnings per share	6	0.6p	6.7p	15.0p
Diluted earnings per share	6	0.6p	6.7p	15.0p
From continuing and discontinued operations				
Basic earnings per share	6	0.6p	6.1p	13.2p
Diluted earnings per share	6	0.6p	6.1p	13.2p

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2018

	Unaudited Six months ended 30 June 2018 £ 000's	Unaudited Six months ended 30 June 2017 £ 000's	Audited Year ended 31 December 2017 £ 000's
Profit	341	3,321	7,211
Amounts that will be recycled to income statement in future periods			
Loss on FVOCI financial asset	(36)	(164)	(133)
Reclassification from FVOCI to FVTPL	(29)	–	–
Tax on FVOCI financial asset	7	32	26
Exchange differences on translation of foreign operations	–	(3)	(105)
Other comprehensive losses	(58)	(135)	(212)
Total comprehensive income	283	3,186	6,999
Attributable to:			
Equity holders of Cenkos Securities plc	283	3,186	6,999

Condensed consolidated statement of financial position

as at 30 June 2018

	Notes	Unaudited 30 June 2018 £000's	Unaudited 30 June 2017 £000's	Audited 31 December 2017 £000's
Non-current assets				
Property, plant and equipment	7	569	386	525
Deferred tax asset	12	622	889	738
		1,191	1,275	1,263
Current assets				
Trade and other receivables	8	40,039	38,726	20,798
FVOCI financial assets		164	142	250
Other current financial assets	9	10,334	19,868	10,615
Cash and cash equivalents	10	21,722	19,778	36,829
		72,259	78,514	68,492
Total assets		73,450	79,789	69,755
Current liabilities				
Trade and other payables	11	(43,582)	(48,763)	(36,300)
Other current financial liabilities	9	(3,451)	(2,609)	(3,341)
		(47,033)	(51,372)	(39,641)
Net current assets		25,226	27,142	28,851
Non-current liabilities				
Trade and other payables	11	(76)	(684)	(366)
Total liabilities		(47,109)	(52,056)	(40,007)
Net assets		26,341	27,733	29,748
Equity				
Share capital	13	567	567	567
Share premium		3,331	3,331	3,331
Capital redemption reserve		195	195	195
Own shares	14	(5,260)	(3,684)	(3,845)
FVOCI reserve		–	33	58
Foreign currency translation reserve		–	102	–
Retained earnings		27,508	27,189	29,442
Total equity		26,341	27,733	29,748

Condensed consolidated cash flow statement

for the six months ended 30 June 2018

	Notes	Unaudited Six months ended 30 June 2018 £ 000's	Unaudited Six months ended 30 June 2017 £ 000's	Audited Year ended 31 December 2017 £ 000's
Profit		341	3,321	7,211
Adjustments for:				
Net finance income		(38)	(8)	(23)
Tax expense		123	904	1,815
Depreciation of property, plant and equipment		118	127	242
Shares and options received in lieu of fees		(378)	(3,684)	(3,888)
Share-based payment expense		741	372	1,560
Operating cash flows before movements in working capital		907	1,032	6,917
Decrease/(increase) in net trading investments and FVOCI financial assets		790	(2,204)	7,908
(Increase)/decrease in trade and other receivables		(19,234)	(14,200)	3,623
Increase in trade and other payables		8,173	14,683	1,959
Net cash flow from operating activities before interest and tax paid		(9,364)	(689)	20,407
Tax paid		(1,301)	(204)	(1,334)
Net cash flow from operating activities		(10,665)	(893)	19,073
Investing activities				
Interest received		31	8	23
Purchase of property, plant and equipment	7	(162)	(124)	(378)
Net cash outflow from investing activities		(131)	(116)	(355)
Financing activities				
Dividends paid		(2,484)	(2,743)	(5,201)
Proceeds from sale of own shares to employee share plans		41	35	66
Acquisition of own shares		(1,868)	(300)	(549)
Net cash used in financing activities		(4,311)	(3,008)	(5,684)
Net (decrease)/increase in cash and cash equivalents		(15,107)	(4,017)	13,034
Cash and cash equivalents at beginning of period		36,829	23,795	23,795
Cash and cash equivalents at end of period	10	21,722	19,778	36,829

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2018

	Share capital £000's	Share premium £000's	Capital redemption reserve £000's	Own shares £000's	FVOCI reserve £000's	Foreign currency translation reserve £000's	Retained earnings £000's	Total £000's
Balance at 1 January 2017	567	3,331	195	(3,556)	165	105	26,376	27,183
Profit	–	–	–	–	–	–	3,321	3,321
Loss on FVOCI financial assets net of tax	–	–	–	–	(132)	–	–	(132)
Exchange difference on translation of foreign operations	–	–	–	–	–	(3)	–	(3)
Total comprehensive income	–	–	–	–	(132)	(3)	3,321	3,186
Transfer of shares to employee share plans	–	–	–	36	–	–	(1)	35
Transfer of shares from SIP to employees	–	–	–	136	–	–	(136)	–
Acquisition of own shares by EBT	–	–	–	(300)	–	–	–	(300)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	372	372
Dividends paid	–	–	–	–	–	–	(2,743)	(2,743)
Balance at 30 June 2017	567	3,331	195	(3,684)	33	102	27,189	27,733
Profit	–	–	–	–	–	–	3,890	3,890
Gain on FVOCI financial assets net of tax	–	–	–	–	25	–	–	25
Exchange difference on translation of foreign operations	–	–	–	–	–	(102)	–	(102)
Total comprehensive income	–	–	–	–	25	(102)	3,890	3,813
Transfer of shares to employee share plans	–	–	–	30	–	–	1	31
Transfer of shares from SIP to employees	–	–	–	58	–	–	(58)	–
Acquisition of own shares by EBT	–	–	–	(249)	–	–	–	(249)
Credit to equity for equity-settled share-based payments	–	–		–	–	–	878	878
Dividends paid	–	–	–	–	–	–	(2,458)	(2,458)
Balance at 31 December 2017	567	3,331	195	(3,845)	58	–	29,442	29,748
Retained profit	–	–	–	–	–	–	341	341
Loss on FVOCI financial assets net of tax	–	–	–	–	(29)	–	–	(29)
Reclassification from FVOCI to FVTPL	–	–	–	–	(29)	–	–	(29)
Total comprehensive income	–	–	–	–	(58)	–	341	283
Transfer of shares to employee share plans	–	–	–	41	–	–	–	41
Transfer of shares from share plans to employees	–	–	–	412	–	–	(412)	–
Acquisition of own shares	–	–	–	(1,868)	–	–	–	(1,868)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	621	621
Dividends paid	–	–	–	–	–	–	(2,484)	(2,484)
Balance at 30 June 2018	567	3,331	195	(5,260)	–	–	27,508	26,341

Notes to the condensed consolidated financial statements

1. Accounting policies

General information

The interim condensed consolidated financial statements of Cenkos Securities plc (the "Company" or "Cenkos") together with its subsidiaries (the "Group") for the six months ended 30 June 2018 are unaudited and were approved by the Board of Directors for issue on 17 September 2018.

The Company is incorporated in England under the Companies Act 2006 (company registration No. 05210733) and its shares are publicly traded. The Group's principal activity is as an institutional stockbroker to UK small and mid- cap companies and investment funds. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") as adopted by the European Union requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those of estimates.

These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

Prior year comparatives have been amended to conform to the presentation in the current period due to the treatment of discontinued operations as required by IFRS 5 in the consolidated income statement.

Basis of accounting

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017 except for the adoption of new standards in the period as mentioned below. These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The financial information contained in these interim condensed consolidated financial statements does not constitute the Group's statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative information contained in this report for the year ended 31 December 2017 does not constitute the statutory accounts for that financial period. Those accounts have been reported on by the Company's auditor Ernst & Young LLP and delivered to the Registrar of Companies. The report of the auditor was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, its principal risks and uncertainties, the financial position of the Group, its cash flows and liquidity position are set out in the Strategic Report in the Group's Annual Report for the year ended 31 December 2017.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the Directors continue to adopt a going concern basis in preparing the interim financial statements.

Adoption of new and revised standards

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 'Revenue from contracts with customers' was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It, therefore, does not materially affect the current revenue recognition policy or the revenue recognised in the financial statements as IFRS 15's revenue recognition requirements are in line with Cenkos' current policy to only recognise revenue at the point in time when under the terms of the contract, the conditions have been met such that it is entitled to the fees specified. IFRS 15 does, however, require an entity to make additional disclosure disaggregating revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This additional disclosure is included in note 2.

1. Accounting policies (continued)

IFRS 9 'Financial instruments' replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which Cenkos does not use, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017.

There has been no material impact of adopting IFRS 9 on the consolidated financial statements or the financial assets & liabilities recognised in the financial statements beyond some minor reclassification and changes to disclosure. These are summarised below:

(a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

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

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

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

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

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

(b) Impairment

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

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

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

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

Notes to the condensed consolidated financial statements

2. Business and geographical segments

Revenue is wholly attributable to the principal activity of the Group and arises solely within the UK.

Major clients

In the six months ended 30 June 2018, one of Cenkos' clients contributed more than 10% of Cenkos' total revenue. The amount was £2.47 million (six months ended 30 June 2017: £10.59 million; year ended 31 December 2017: £10.62 million).

Revenue streams	**Six months ended 30 June 2018** £ 000's	**Six months ended 30 June 2017** £ 000's	**Year ended 31 December 2017** £ 000's
Corporate finance	11,925	21,209	44,030
Nomad and broking	2,552	2,610	5,273
Research	1,538	1,741	2,949
Execution	2,085	3,689	7,252
	18,100	29,249	59,504
Services transferred at a point in time	14,990	26,299	53,636
Services transferred over a period of time	3,110	2,950	5,868
	18,100	29,249	59,504

Execution includes £0.49 million of losses (H1 2017: £1.57 million of gains) on shares and options received in lieu of fees.

3. Tax

The tax charge is based on the profit for the period and comprises:

	Six months ended 30 June 2018 £ 000's	**Six months ended 30 June 2017** £ 000's	**Year ended 31 December 2017** £ 000's
Current tax			
United Kingdom corporation tax at 19% (2017: 19.25%) based on the profit for the period	–	1,557	2,444
Adjustment in respect of prior period			
United Kingdom corporation tax at 19% (2017: 19.25%)	–	–	(126)
Total current tax	–	1,557	2,318
Deferred tax			
Charge/(credit) on account of temporary differences	123	(653)	(490)
Deferred tax prior period adjustment	–	–	(13)
Total deferred tax (refer to note 12)	123	(653)	(503)
Total tax on profit on ordinary activities from continuing operations	123	904	1,815

3. Tax continued

The tax charge for the period differs from that resulting from applying the standard rate of UK corporation tax of 19% (2017: 19.25%) to the profit before tax for the reasons set out in the following reconciliation:

	Six months ended 30 June 2018 £ 000's	Six months ended 30 June 2017 £ 000's	Year ended 31 December 2017 £ 000's
Profit before tax from continuing operations	464	4,556	9,999
Loss before tax from discontinued operations	–	–	(973)
	464	4,556	9,026
Tax on profit on ordinary activities at the UK corporation tax rate of 19% (2017: 19.25%)	89	813	1,738
Tax effect of:			
Non-deductible expenses for tax purposes	25	33	72
Current year losses of overseas subsidiary for which no deferred tax asset has been recognised	–	64	132
Non-allowable loss on disposal of discontinued operation	–	–	37
Fair value movements in relation to the DTA on share-based payments	4	(15)	(31)
Deferred tax rate change adjustment	5	9	6
Adjustment in respect of prior period deferred tax	–	–	(13)
Adjustment in respect of prior period current tax	–	–	(126)
Tax expense for the period	123	904	1,815

	Six months ended 30 June 2018 £ 000's	Six months ended 30 June 2017 £ 000's	Year ended 31 December 2017 £ 000's
Other Comprehensive Income (OCI)			
Current tax expense arising on FVOCI financial asset	–	(32)	(26)
Deferred tax expense arising on FVOCI financial asset	(7)	–	–
Total income tax recognised directly in equity	(7)	(32)	(26)

Notes to the condensed consolidated financial statements

4. Discontinued operations

Following a strategic review, Cenkos decided to close down Cenkos Securities Asia Pte. Limited in 2017. The office, based in Singapore, was opened in 2015 to explore opportunities in South East Asia and was regulated by the Monetary Authority of Singapore ("MAS"). The Capital Markets Services License was returned to MAS and the company put into members' voluntary liquidation in 2017.

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

	Six months ended 30 June 2018 £ 000's	Six months ended 30 June 2017 £ 000's	Year ended 31 December 2017 £ 000's
Discontinued operation			
Revenue	–	–	19
Administrative expenses	–	(331)	(992)
Operating loss	–	(331)	(973)
Investment income – interest receivable	–	–	–
Loss before tax	–	(331)	(973)
Tax	–	–	–
Loss after tax for the year from discontinued operations	–	(331)	(973)

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

	Six months ended 30 June 2018 £ 000's	Six months ended 30 June 2017 £ 000's	Year ended 31 December 2017 £ 000's
Non-current assets			
Property, plant and equipment	–	10	–
	–	10	–
Current assets			
Trade and other receivables	89	84	74
Cash and cash equivalents	–	657	112
	89	741	186
Total assets	89	751	186
Current liabilities			
Trade and other payables	–	(324)	(384)
	–	(324)	(384)
Net current assets	89	417	(198)
Net assets	89	427	(198)

As the decision to close Cenkos Securities Asia Pte. Limited was taken prior to 31 December 2017, the assets and liabilities were written down to their net realisable value at that point in time.

4. Discontinued operations (continued)

	Six months ended 30 June 2018 £000's	Six months ended 30 June 2017 £000's	Year ended 31 December 2017 £000's
Earnings from discontinued operations			
Earnings for the purposes of calculating basic and diluted earnings per share	–	(331)	(973)
Earnings per share from discontinued operations			
Basic earnings per share	–	(0.6)p	(1.8)p
Diluted earnings per share	–	(0.6)p	(1.8)p

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

	Six months ended 30 June 2018 £000's	Six months ended 30 June 2017 £000's	Year ended 31 December 2017 £000's
Operating activities	–	(663)	(924)
Investing activities	–	–	(1)
Financing activities	–	283	283
Net decrease in cash and cash equivalents	–	(380)	(642)

5. Dividends

	Six months ended 30 June 2018 £000's	Six months ended 30 June 2017 £000's	Year ended 31 December 2017 £000's
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2017 of 4.5p (2016: 5.0p) per share	2,484	2,743	2,743
Interim dividend for the period to 30 June 2017 of 4.5p (2016: 1.0p) per share	–	–	2,458
	2,484	2,743	5,201

The proposed interim dividend for 30 June 2018 of 2.0p (30 June 2017: 4.5p) per share was approved by the Board on 17 September 2018 and has not been included as a liability as at 30 June 2018. The dividend will be payable on 2 November 2018 to all shareholders on the register at 5 October 2018.

Under the Compensatory Award Plan ("CAP"), as described in the 2017 Annual Report, the payment of a dividend to ordinary shareholders will trigger a cash payment to holders of options under the CAP. The payment of this interim dividend will increase staff costs by £0.2 million in the second half of 2018 (4.5p 2017 interim dividend increased staff costs by £0.5 million in the second half of 2017).

6. Earnings per share

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

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
From continuing operations			
Basic earnings per share	0.6p	6.7p	15.0p
Diluted earnings per share	0.6p	6.7p	15.0p
From continuing and discontinued operations			
Basic earnings per share	0.6p	6.1p	13.2p
Diluted earnings per share	0.6p	6.1p	13.2p

Notes to the condensed consolidated financial statements

6. Earnings per share (continued)

For the period ended 30 June 2018, the share options issued under the CAP scheme were anti-dilutive as the average share price over the period was below the strike price.

Earnings from continuing operations	**£ 000's**	**£ 000's**	**£ 000's**
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	341	3,652	8,184

Earnings from continuing and discontinued operations	**£ 000's**	**£ 000's**	**£ 000's**
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	341	3,321	7,211

	No.	**No.**	**No.**
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	54,531,063	54,663,048	54,657,840
Effect of dilutive potential ordinary shares:			
Share options	174,521	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	54,705,584	54,663,048	54,657,840

The Board has agreed to continue to fund the Company's Employee Benefit Trust ("EBT") so that it can make market purchases in Cenkos Securities plc shares as and when market conditions allow. These shares held by the EBT have been excluded from the weighted average number of shares calculation up to this date as the dividends have been waived on these shares, whereas shares held by the deferred bonus scheme EBT and the Cenkos Securities plc Share Incentive Plan ("SIP") have been included as the dividends on these shares are paid. Details of the transactions in ordinary shares by the EBT, the deferred bonus scheme EBT and the SIP are shown in note 14.

7. Property, plant & equipment

During the period, the Group spent approximately £0.16 million (30 June 2017: £0.12 million, 31 December 2017: £0.38 million) on property, plant and equipment. This mostly related to leasehold improvements and the purchase of IT equipment.

8. Trade and other receivables

	30 June 2018 £ 000's	**30 June 2017** £ 000's	**31 December 2017** £ 000's
Current assets			
Financial assets			
Market and client receivables	37,209	35,753	17,991
Loans due from staff	–	25	–
Accrued income	425	845	841
Other receivables	945	805	1,033
	38,579	37,428	19,865
Non-financial assets			
Prepayments and other assets	1,460	1,298	933
	40,039	38,726	20,798

These figures are net of £0.21 million (30 June 2017: £0.16 million, 31 December 2017: £0.20 million) impairment.

8. Trade and other receivables (continued)

The ageing analysis of trade receivables is as follows:

	Total £000's	Neither past due nor impaired £000's	< 30 days £000's	30-60 days £000's	Past due but not impaired 61-90 days £000's	> 91 days £000's
30 June 2018	40,039	34,098	5,845	95	–	1
30 June 2017	38,726	35,618	3,026	31	23	28
31 December 2017	20,798	17,404	3,184	105	88	17

9. Other current financial assets and liabilities

	30 June 2018 £000's	30 June 2017 £000's	31 December 2017 £000's
Financial assets at FVTPL			
Trading investments carried at fair value	9,880	18,514	10,280
Derivative financial assets – share options and warrants	454	1,354	335
	10,334	19,868	10,615
Financial liabilities at FVTPL			
Contractual obligation to acquire securities	(3,451)	(2,609)	(3,341)

Gains/losses from financial assets and liabilities at FVTPL are included within "Revenue" in the condensed consolidated income statement.

10. Cash and cash equivalents

	30 June 2018 £000's	30 June 2017 £000's	31 December 2017 £000's
Cash and cash equivalents	21,722	19,778	36,829

11. Trade and other payables

	30 June 2018 £000's	30 June 2017 £000's	31 December 2017 £000's
Current liabilities			
Financial liabilities			
Market payables and trade creditors	32,164	30,376	13,110
Other creditors	863	377	854
	33,027	30,753	13,964
Non-financial liabilities			
Accruals and deferred income	10,555	16,346	21,035
Corporation tax payable	–	1,664	1,301
	10,555	18,010	22,336
	43,582	48,763	36,300
Non-current liabilities			
Non-financial liabilities			
Cash-settled deferred bonus scheme	76	684	366

Notes to the condensed consolidated financial statements

12. Deferred tax asset

Deferred tax arises on all taxable and deductible temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The following are the deferred tax assets and liabilities recognised by the Group and the movement thereon during the current and prior reporting periods.

				Temporary differences	
	Deferred bonus payments £ 000's	Property, plant and equipment £ 000's	Share-based payments £ 000's	Tax losses £ 000's	Total £ 000's
At 31 December 2016	397	(5)	(156)	–	236
Reversal of temporary differences credit	608	1	44	–	653
At 30 June 2017	1,005	(4)	(112)	–	889
Origination and reversal of temporary differences (expense)/credit	(193)	(6)	35	–	(164)
Deferred tax prior year adjustment credit	13	–	–	–	13
At 31 December 2017	825	(10)	(77)	–	738
Origination and reversal of temporary differences expense	(313)	(2)	(88)	280	(123)
Deferred tax charge to equity	–	–	–	7	7
At 30 June 2018	512	(12)	(165)	287	622

A 19% corporation tax rate came into effect from 1 April 2017. Finance Bill 2016 reduced the main rate of corporation tax to 17% from 1 April 2020. These changes were substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

The deferred tax balances at 30 June 2018 have been stated at a combination of 19% and 17% as these are the expected prevailing tax rates when the individual temporary differences are expected to reverse.

The Group has unutilised capital losses on which a deferred tax asset has not been recognised as future utilisation of the losses is dependent on future chargeable gains. The unrecognised deferred tax asset in respect of capital losses carried forward is gross £302,261 (net £51,384 at 17%).

13. Share capital

The issued share capital as at 30 June 2018 amounted to £566,948 (30 June 2017: £566,948, 31 December 2017: £566,948).

1 January 2017 to 31 December 2017

There were no shares issued or cancelled during the year.

1 January 2018 to 30 June 2018

There were no shares issued or cancelled during the period.

14. Own shares

Own shares represent the cost of shares purchased by the Company's Employee Benefit Trust ("EBT") and those transferred to the Deferred Bonus Scheme EBT and the Cenkos Securities plc Share Incentive Plan ("SIP").

The EBT was established by the Company in 2009. It is funded by the Company and has the authority to acquire Cenkos Securities plc shares.

	Six months ended 30 June 2018		Six months ended 30 June 2017		Year ended31 December 2017	
	Number of shares	£ 000's	Number of shares	£ 000's	Number of shares	£ 000's
Shares held by EBT						
At 1 January	2,127,584	2,177	2,080,510	2,136	2,080,510	2,136
Acquired during the period	349,592	387	304,498	300	543,098	549
Transferred to the SIP						
Free shares	(332,484)	(340)	–	–	–	–
Matching shares	(337,494)	(345)	–	–	–	–
Dividend reinvestment	(39,794)	(41)	(35,201)	(36)	(65,060)	(66)
Transferred to the Deferred Bonus Scheme EBT	(1,576,320)	(1,612)	(430,964)	(442)	(430,964)	(442)
At the period end	191,084	226	1,918,843	1,958	2,127,584	2,177
	Number of shares	£ 000's	Number of shares	£ 000's	Number of shares	£ 000's
Shares held by Deferred Bonus Scheme EBT						
At 1 January	773,056	792	506,737	518	506,737	518
Transferred in from the EBT	1,576,320	1,612	430,964	442	430,964	442
Vesting shares transferred to employees	(311,744)	(318)	(124,481)	(127)	(164,645)	(168)
At the period end	2,037,632	2,086	813,220	833	773,056	792
	Number of shares	£ 000's	Number of shares	£ 000's	Number of shares	£ 000's
Free and Matching shares held by the SIP						
At 1 January	858,374	876	883,718	902	883,718	902
Transferred from the EBT						
Free shares	332,484	340	–	–	–	–
Matching shares	337,494	345	–	–	–	–
Shares transferred to employees	(91,653)	(94)	(8,448)	(9)	(25,344)	(26)
At the period end	1,436,699	1,467	875,270	893	858,374	876
	Number of shares	£ 000's	Number of shares	£ 000's	Number of shares	£ 000's
Shares held in Treasury						
At 1 January	–	–	–	–	–	–
Acquired during the period	1,384,748	1,481	–	–	–	–
At the period end	1,384,748	1,481	–	–	–	–
Total own shares at the period end	5,050,163	5,260	3,607,333	3,684	3,759,014	3,845

Notes to the condensed consolidated financial statements

15. Financial instruments

Risk management objectives

For further information relating to the principal risks faced by the Group and how it mitigates and manages this exposure please refer to the Strategic Report in the 2017 Annual Report.

Externally imposed capital requirement

The Group and Company is required to retain sufficient capital to satisfy the UK Financial Conduct Authority's ("FCA") capital requirements. These requirements vary from time to time depending on the business conducted by the Group. The Group and Company always retain a buffer above the FCA minimum requirements and have complied with these requirements during and subsequent to the period end under review.

As at 30 June 2018, Cenkos Securities plc had a solvency ratio of 190% (30 June 2017: 150%, 31 December 2017: 164%).

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 of the Group's financial statements for the year ended 31 December 2017.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values. For further information concerning the Group's financial assets and liabilities please refer to notes 8, 9 and 11.

Fair value hierarchy

All financial instruments carried at fair value are categorised in three categories, defined as follows:

Level 1 — Quoted market prices

Level 2 — Valuation techniques (market observable)

Level 3 — Valuation techniques (non-market observable)

As at 30 June 2018	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
FVOCI financial assets	–	–	164	164
Financial assets at FVTPL				
Derivative financial assets – share options and warrants	–	–	454	454
Non-derivative financial assets held for trading	9,880	–	–	9,880
	9,880	–	454	10,334
Financial liabilities at FVTPL				
Contractual obligation to acquire securities	3,451	–	–	3,451

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

As at 30 June 2017	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
FVOCI financial assets	–	–	142	142
Financial assets at FVTPL				
Derivative financial assets	–	–	1,354	1,354
Trading investments carried at fair value	18,514	–	–	18,514
	18,514	–	1,354	19,868
Financial liabilities at FVTPL				
Contractual obligation to acquire securities	2,609	–	–	2,609

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

15. Financial instruments (continued)

As at 31 December 2017	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
FVOCI financial assets	–	–	250	250
Financial assets at FVTPL				
Derivative financial assets	–	–	335	335
Trading investments carried at fair value	10,280	–	–	10,280
	10,280	–	335	10,615
Financial liabilities at FVTPL				
Contractual obligation to acquire securities	3,341	–	–	3,341

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lower level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

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

	Unlisted securities £ 000's	Share options and warrants £ 000's	Total £ 000's
Opening balance 1 January 2018	250	335	585
Share options and warrants received in lieu of fees	–	152	152
Impairment recognised in income statement	–	(33)	(33)
Fair value losses	(57)	–	(57)
Reclassification from FVOCI to FVTPL	(29)	–	(29)
Closing balance 30 June 2018	164	454	618

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

The unlisted equity shares are carried as FVOCI financial assets, classified as Level 3 within the fair value hierarchy. A number of valuation techniques have been used to provide a range of possible values for these FVOCI investments in accordance with the International Private Equity and Venture Capital ("IPEV") valuation guidelines. The carrying values have been adjusted to values within these ranges.

The derivative financial assets are carried as financial assets at FVTPL classified as Level 3 within the fair value hierarchy and comprise equity options and warrants over listed securities.

Impact of reasonably possible alternative assumptions

The significant unobservable input used in the fair value measurement of Cenkos' holdings of share options and warrants is the volatility measure. Significant increases/(decreases) in the volatility measure would result in a significantly higher/(lower) fair value measurement.

A sensitivity analysis based on a 10% increase/decrease in the volatility measure used as an input in the valuation of the share options and warrants shows the impact of such a movement would be an increase of £0.09 million/decrease of £0.10 million respectively of the profit shown in the income statement.

A sensitivity analysis based on a 10% increase/decrease in the share prices used as an input in the valuation of the unlisted securities shows the impact of such a movement would be an increase/decrease of £0.02 million respectively of the statement of comprehensive income.

Notes to the condensed consolidated financial statements

15. Financial instruments (continued)

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

The valuation models used where quoted market prices are not available incorporate certain assumptions that the Group anticipates would be used by a third party market participant to establish fair value.

	Fair value at 30 June 2018 £000's	Valuation Technique	Unobservable input	Range
Share options and warrants	454	Monte Carlo simulation	Volatility	37-126%
Unlisted securities	164	IPEV valuation guidelines	Share price	£70,000-164,000
	618			

16. Related party transactions

Transactions with related parties are made at arm's length. Outstanding balances at the period-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Transactions or balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The Board includes all employees considered to be key management personnel.

Amounts owed by related parties	30 June 2018 £000's	30 June 2017 £000's	31 December 2017 £000's
Cenkos Securities Employee Benefit Trust ("CSEBT")	3,798	3,684	3,845
Cenkos Securities Asia Pte. Limited	–	186	–
Cenkos Nominees UK Limited	163	452	90

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

	Six months ended		Year ended
	30 June 2018 £000's	30 June 2017 £000's	31 December 2017 £000's
Aggregate emoluments	1,311	1,629	5,035

During 2014, in order to comply with the Pensions Act, Cenkos was required to enrol all qualifying employees in a pension scheme. Under the scheme, qualifying employees are required to contribute a percentage of their relevant earnings. The Group also contributes 2% (2017: 1%) of relevant earnings. During the period to 30 June 2018, no payments were made into this scheme in respect of the Directors.

16. Related party transactions (continued)

Related party interests in ordinary shares of Cenkos Securities plc	30 June 2018 No.	30 June 2017 No.	31 December 2017 No.
Number of shares	6,868,887	11,317,612	6,362,844
Percentage interest	12%	20%	11%

The related party interests in ordinary shares of Cenkos Securities plc include the following interest held in the SIP scheme:

	Number of shares held subject to forfeiture conditions			Number of shares held		
	30 June 2018 No.	30 June 2017 No.	31 December 2017 No.	30 June 2018 No.	30 June 2017 No.	31 December 2017 No.
Related party interest in SIP	50,500	33,792	16,896	61,464	49,640	25,914

Related party interests in share options	Grant date	Earliest exercise date	Latest exercise date	30 June 2018 No.	30 June 2017 No.	31 December 2017 No.
SAYE Scheme (Exercise price – £1.73)	15/07/2014	01/08/2017	31/01/2018	–	41,664	20,832
SAYE Scheme (Exercise price – £0.85)	14/05/2018	01/07/2021	31/12/2021	63,282	–	–

17. Events after the reporting period

On 1 August 2018 Cenkos entered into an agreement to acquire the Nominated Adviser and Corporate Broker business of Smith & Williamson. Under the terms of the agreement, Cenkos has agreed to pay Smith & Williamson deferred consideration equal to 20% of all corporate finance fees earned by the business from existing clients transferring to Cenkos during the 12 months following completion, capped to a maximum amount of £2m. Apart from this, there were no material events to report on that occurred between 30 June 2018 and the date at which the Directors signed this Interim Report.

18. Contingent liabilities

From time to time the Group may become subject to various litigation, regulatory or employment related claims. The Directors have considered any current matters pending against the Group and, based on the evidence, the facts and circumstances and insurance cover available, concluded that the outcome of these will be resolved with no material impact on the Group's financial position or results of operations.

Independent review report

to Cenkos Securities plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes to the condensed consolidated financial statements 1 – 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standards 34, "Interim Financial Reporting," as adopted by the European Union.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting," as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP

London

17 September 2018

Information for shareholders

Directors

Gerry Aherne	(Non-executive Chairman)
Philip Anderson	(Executive Director)
Andrew Boorman	(Non-executive Director)
Jeff Hewitt	(Non-executive Director)
Paul Hodges	(Executive Director)
Dr. Anthony Hotson	(Chief Executive Officer)
Joe Nally	(Executive Director)

Company Secretary

Stephen Doherty

Financial Calendar

March	Year-end results announced
May	Annual General Meeting and final dividend paid
September	Half-year results announced
November	Interim dividend paid

Company Registration Number and Country of Incorporation

05210733, England

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Registrars

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Nominated Adviser

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