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This document comprises an admission document prepared in accordance with the AIM Rules in connection with the application for trading of the Ordinary Shares on AIM. This document does not comprise a prospectus for the purposes of the Prospectus Rules and has not been, and will not be, delivered to the FSA for filing or approval. **Application has been made for the issued and to be issued Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective, and that trading in the Ordinary Shares will commence on AIM, on 31 October 2006.**

The Directors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts, and does not omit anything likely to affect the import of such information.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.

CENKOS SECURITIES PLC

(incorporated and registered in England and Wales with registered no. 5210733)

PLACING OF UP TO 13,029,360 ORDINARY SHARES AT A PRICE OF 140.5p PER ORDINARY SHARE

AND

ADMISSION TO TRADING ON AIM

Nominated Adviser and Broker

HSBC Bank plc

Share capital of the Company immediately following Admission⁽¹⁾

<i>Authorised</i>			<i>Issued and fully paid⁽²⁾</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
179,185,700	£1,791,857	Ordinary Shares of 1p each	51,779,370	£517,793.70
20,814,300	£208,143	B Shares of 1p each	20,814,300	£208,143

(1) This assumes that the Company issues 1,779,360 New Ordinary Shares as part of the Placing.

(2) At Admission, each issued B Share will only have been paid up as to its nominal value of 1 penny. The balance will become payable in certain limited circumstances (see paragraph 2.12 of Part VII of this document). The B Shares will not be admitted to trading on AIM.

Your attention is drawn to Part IV of this document, beginning on page 22, which contains details of certain factors which should be taken into account when considering whether to purchase Ordinary Shares.

The Placing Shares will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission and will otherwise rank *pari passu* in all respects with the other existing Ordinary Shares in issue on Admission.

The Ordinary Shares have not been, nor will they be, registered under the US Securities Act of 1933, as amended, or with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable securities laws of Australia, Canada, Japan, South Africa or the Republic of Ireland. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in the United States, Australia, Canada, Japan, South Africa or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of Australia, Canada, Japan, South Africa or the Republic of Ireland or any person located in the United States. This document does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction and is not for distribution in, or into, the United States, Australia, Canada, Japan, South Africa or the Republic of Ireland. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves of and observe such restrictions.

HSBC is authorised and regulated in the United Kingdom by the FSA and is acting exclusively for the Company and for no one else in connection with Admission. HSBC will not be responsible to anyone other than the Company for providing the protections afforded to customers of HSBC or for advising any other person on the contents of this document or Admission. No representation or warranty, express or implied, is made by HSBC as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

HSBC has been appointed as nominated adviser and broker to the Company in accordance with the AIM Rules. In accordance with the AIM Rules, HSBC has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, having made due and careful enquiry, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by HSBC for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

Copies of this document will be available during the normal business hours on any day (except Saturdays, Sundays, bank and public holidays) free of charge to the public at the offices of HSBC, 8 Canada Square, London E14 5HQ for one month from the date of Admission.

CONTENTS

	<i>Page</i>
DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS	3
PLACING STATISTICS	4
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	4
KEY INFORMATION	5
Part I INFORMATION ON THE GROUP	8
Part II MANAGEMENT	17
Part III SUMMARY OF THE PLACING	20
Part IV RISK FACTORS	22
Part V FINANCIAL INFORMATION ON THE GROUP	29
Part VI UNAUDITED PRO FORMA STATEMENT OF PROFITS	48
Part VII ADDITIONAL INFORMATION	50
DEFINITIONS	87

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	John Hodson Andrew Marshall Stewart James John Durkin Simon Charles Melling Paul David Roy Anthony John Hobson	<i>(Non-executive Chairman)</i> <i>(Chief Executive)</i> <i>(Executive Director)</i> <i>(Finance Director and Chief Operating Officer)</i> <i>(Non-executive Director)</i> <i>(Non-executive Director)</i>
Company Secretary	Simon Charles Melling	
Registered Office	6.7.8 Tokenhouse Yard London EC2R 7AS	
Nominated Adviser and Broker to the Company	HSBC Bank plc 8 Canada Square London E14 5HQ	
Solicitors to the Company as to English law	Travers Smith 10 Snow Hill London EC1A 2AL	
Counsel to the Company as to Guernsey law	Ozannes Advocates and Notaries Public P.O. Box 186 1 Le Merchant Street St. Peter Port Guernsey GY1 4HP	
Auditors and Reporting Accountants	Deloitte & Touche LLP Stonecutter Court 1 Stonecutter Street London EC4A 4TR	
Principal Bankers	HSBC Bank plc West End Corporate Banking Centre 70 Pall Mall London SW1Y 5EZ	
Solicitors to the Nominated Adviser and Broker	Norton Rose Kempson House Camomile Street London EC3A 7AN	
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA	

PLACING STATISTICS

Placing Price	140.5p
Number of Sale Shares being placed on behalf of the Selling Shareholder⁽¹⁾	11,250,000
Number of New Ordinary Shares being placed on behalf of the Company⁽²⁾	1,779,360
Sale Shares as a percentage of the total number of Ordinary Shares and B Shares in issue immediately following Admission⁽²⁾	15.50%
New Ordinary Shares as a percentage of the total number of Ordinary Shares and B Shares in issue immediately following Admission⁽²⁾	2.45%
Number of Ordinary Shares in issue immediately following Admission⁽²⁾	51,779,370
Number of Ordinary Shares⁽²⁾ and B Shares⁽³⁾ in issue immediately following Admission	72,593,670
B Shares as a percentage of the total number of Ordinary Shares and B Shares in issue immediately following Admission⁽²⁾	28.67%
Estimated net proceeds of the Placing to be received by the Company⁽²⁾	£0.51 million
Market capitalisation of the Ordinary Shares at the Placing Price⁽⁴⁾	£72.75 million
Implied market capitalisation of the Company at the Placing Price⁽²⁾⁽⁵⁾	£101.99 million

Notes:

1. Assuming that the Selling Shareholder sells the maximum number of Ordinary Shares which it intends to sell.
2. Assuming that the maximum number of New Ordinary Shares are placed.
3. The B Shares will not be admitted to trading on AIM. The B Shares will convert automatically into Ordinary Shares upon them being fully paid up as to their Required Premium. Further details in relation to the B Shares and the rights attaching to them are set out in paragraphs 2.12 and 3.2.15 of Part VII of this document.
4. This is calculated on the basis of the aggregate number of Ordinary Shares in issue immediately following Admission assuming that the maximum number of New Ordinary Shares are placed.
5. The implied market capitalisation is calculated on the basis of the aggregate number of Ordinary Shares and B Shares in issue immediately following Admission.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2006

Admission and commencement of dealings in Ordinary Shares	8.00 a.m. on 31 October
CREST accounts credited	31 October
Issue and despatch of definitive share certificates	by 14 November

Each of the times and dates in the above timetable is subject to change. All times are London times.

KEY INFORMATION

The following information should be read in conjunction with the full text of this document from which it is derived and of which it forms part. Potential investors should read the whole document and not just rely on the key information set out below. Your attention is drawn, in particular, to the risk factors in Part IV of this document.

The Group's business

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.

Since inception, Cenkos has demonstrated significant fund raising capability (raising more than £1 billion for corporate clients), the capacity to attract well established teams of professionals and the ability to build a client base (currently acting as broker and/or nomad to more than 30 companies).

Key strengths

The Directors consider the key strengths of the Group to be:

- a well balanced Board, including Directors with a proven track record of building successful businesses in the sector;
- fundraising capabilities for corporate clients (including investment funds) and the depth and breadth of its relationships with institutional clients;
- a relatively low fixed-cost base and a bonus scheme directly linked to the financial contribution of each team of professionals;
- an ability to attract teams of professionals with proven track records; and
- high levels of equity ownership by Directors and employees.

Summary financial information

The table below sets out a summary of the trading record of the Group's businesses for the period from 20 August 2004 to 30 November 2005 and the six month period ended 31 May 2006. This data has been extracted, without material adjustment, from the financial information contained in Part V of this document and the unaudited pro forma statements of profits in Part VI of this document.

	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Pro forma)⁽²⁾</i>	<i>(Pro forma)⁽²⁾</i>
	<i>20 August 2004</i>	<i>Six month</i>	<i>20 August 2004</i>	<i>Six month</i>
	<i>to 30 November</i>	<i>period to</i>	<i>to 30 November</i>	<i>period to</i>
	<i>2005⁽¹⁾</i>	<i>31 May</i>	<i>2005</i>	<i>31 May</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue	15,572	19,471	15,572	19,471
Operating profit	10,828	16,280	5,915	9,305
Profit for the period	9,195	13,539	4,282	6,563
Profit for the period attributable to minority interests	4,913	6,967	–	(9)
Profit for the period attributable to equity holders of the parent	4,282	6,572	4,282	6,572
Earnings per share	18.4p	14.2p	18.4p	14.2p
Net assets	11,016	13,721	11,016	13,721

¹ Audited numbers for the period ended 30 November 2005 represent the eight month trading period from April 2005. These have been restated under IFRS, including a restatement to conform with IAS 39, which classifies the Plus Markets investment as one available for sale. As a result, the movement in market value is accounted through equity.

² The pro forma numbers have been prepared on the basis that the LLP did not exist as this gives a fairer view of the Group's profit and loss. All distributions paid out to the LLP, which would previously have been accounted for as a minority interest, have now been reclassified as operating expenses of the Group. No adjustments have been made for the employer's National Insurance contributions that would have been incurred had the LLP members been employees of the Company.

Current trading and prospects

Since 1 June 2006, notwithstanding challenging fundraising conditions, the Group has announced seven transactions (four of which have completed) as well as gaining 11 brokerships. The Group is in the process of executing further significant fundraising and merger and acquisition transactions.

Since August 2006, the Group has recruited two new teams (the investment funds and the small-cap corporate broking teams) and has significantly strengthened its institutional equities team. These new teams have already contributed to an increase in revenues for the Group. During this period, the Group has strengthened its infrastructure to handle this and future expansion. This has led to a proportional increase in fixed costs.

The Group's total revenues have, to date, largely comprised significant fees from corporate clients relating to specific transactions, including fundraisings and merger and acquisition engagements. These fees, by the nature of the transactions, do not occur at regular intervals. The Directors believe that this pattern is typical of a business which provides corporate broking and corporate finance services and has been accentuated by the relatively short period of operations of the Group.

Reported revenues have also included a contribution from more regular streams (i.e. agency commissions on trading shares on behalf of institutional clients and annual retainers from corporate clients). To date this has been relatively insignificant, but with the recent recruitment of new teams (including those referred to above), the Directors expect that, as the Group matures, greater revenues will accrue from these more regular income streams.

The Directors expect that the revenues of the Group will continue to be largely dependent on the Group's ability to complete significant equity fundraisings for corporate clients. This in turn will be dependent, *inter alia*, on the general market conditions for such fundraisings. Consequently, the Directors consider that revenues will be difficult to predict.

Dividend policy

The Directors intend to retain sufficient profits to meet the Group's regulatory capital requirements and intend only to retain further profits where they consider that attractive investment opportunities have been identified which should be financed by the Group's internal resources.

The Board intends to pay an interim and final dividend each year. The first dividend is expected to be the interim dividend for the six months to 30 June 2007⁽¹⁾.

(1) On 4 October 2006, the Company extended its current accounting period by one month so that it now ends on 31 December 2006.

Summary of the Placing and reasons for Admission

The Placing, which is not being underwritten, comprises the placing at the Placing Price of up to 1,779,360 New Ordinary Shares and up to 11,250,000 Sale Shares, with institutional and other investors. Assuming the maximum number of Sale Shares is sold and that the maximum number of New Ordinary Shares is issued, the Sale Shares will represent 15.50 per cent. of the issued share capital immediately following Admission (including the B Shares then in issue). On the same assumptions, the New Ordinary Shares will represent 2.45 per cent. of the issued share capital immediately following Admission (including the B Shares then in issue).

The New Ordinary Shares will be issued credited as fully paid and will, on issue, rank *pari passu* in all respects with the other existing Ordinary Shares in issue on Admission (including the Sale Shares). The Placing is conditional, amongst other things, on Admission becoming effective.

The Company will not receive any proceeds from the sale of the Sale Shares, and will raise an estimated £2.50 million (£0.51 million net of expenses) from the placing of the New Ordinary Shares (assuming that the maximum number of New Ordinary Shares are placed), which will be used to satisfy some or all of the estimated costs of the Placing and Admission.

All Directors and current employees will be subject to formal lock-in arrangements.

The Directors are seeking Admission for the following reasons:

- to raise the Group's profile within its target corporate and institutional markets;
- to enhance the Group's ability to attract and retain new staff;
- to facilitate the Selling Shareholder's realisation of its investment in the Group (save as set out in paragraph 13.1.3 of Part VII of this document);
- to gain a potentially attractive acquisition currency, if any suitable acquisition opportunity were to arise; and
- to provide Cenkos' existing shareholders with a market for their shares.

PART I

INFORMATION ON THE GROUP

Introduction

The Cenkos group is an independent, specialist institutional securities group focused on UK small and mid-cap companies and investment funds. The Group was established by its chief executive, Andrew Stewart, and commenced business in April 2005. The Group's principal activities currently comprise corporate finance, corporate broking, institutional equities, market making, and high net-worth private client stockbroking (the private client stockbroking being carried out solely by the Company's 75 per cent. owned subsidiary, Cenkos CI). Cenkos' strategy is to continue to expand selectively its range of financial services.

The Group's ethos is to be entrepreneurial, whilst seeking to establish long-term relationships with corporate and institutional clients. The Directors believe that this can be achieved through Cenkos' selective approach to taking on new clients and transactions, coupled with a bonus structure directly linked to the financial contribution of each of its teams of professionals. The Directors believe that the significant equity ownership of the Company amongst Directors and employees should provide a strong alignment in creating shareholder value. All Directors and current employees of the Company will have an equity interest in the Company on Admission.

Since inception, Cenkos has demonstrated significant fundraising capability (raising more than £1 billion for corporate clients), the capacity to attract well established teams of professionals and the ability to build a client base (currently acting as broker and/or nomad to more than 30 companies).

Cenkos is organised around a collection of teams. A significant number of the teams' members have worked together for a number of years and have proven track records. Certain of the teams are currently employed by, or are members of an English limited liability partnership (the LLP) established in March 2005 and in which the Company has a majority interest. Prior to Admission, Cenkos has originated and executed corporate transactions using its own employees and the services of the LLP. Certain members and employees of the LLP have agreed to become employees of the Company subject to Admission, and as a consequence, following Admission, all of the teams will be employed directly by Cenkos, with the sole exception of the institutional equities team, whose services will be provided through the LLP.

The Directors recognise the cyclical nature of the industry in which the Group's businesses operate, and it is their belief that the Group is well positioned to outperform relative to its competitors across the cycle due to its relatively low fixed-cost base, the Group's ethos, the quality of its teams and a bonus scheme directly linked to the financial contribution of each team.

History of the Group

Cenkos was incorporated in August 2004 and received FSA authorisation in March 2005. Cenkos commenced trading in April 2005 with six professionals (through its own employees or the LLP) in corporate broking and market making. The Company was initially capitalised at approximately £5 million raised from Andrew Stewart, NewSmith and other Cenkos team members. In May 2005, the Group formed a corporate finance team, offering a full range of corporate finance services to its corporate clients and was approved as a nomad. In August 2005, the Company formed a 75 per cent. owned subsidiary in Guernsey offering stockbroking and wealth management services to institutional and private clients. In October 2005, the Group established an institutional equities desk, thereby enhancing its distribution capability. By 30 November 2005, the Group (through its own employees or the LLP) had 16 professionals, had been engaged by 19 clients to act as corporate broker and/or nomad and had raised approximately £550 million for corporate clients.

During 2006, the Group has achieved further growth in terms of number of clients, engagements and headcount. Cenkos' recruitment strategy has been, and continues to be, to identify and attract well established, integrated teams of professionals with a proven track record which can immediately strengthen the Group's market presence. As at 18 October 2006, Cenkos (through its own employees or the LLP) had

34 professionals and 13 support staff in London (including one consultant), as well as four professionals and two support staff in Guernsey through Cenkos CI.

The Business

The Group's activities are organised around the following areas of revenue generation:

- corporate finance;
- corporate broking;
- institutional equities;
- market making;
- the provision of the above services to investment funds; and
- offshore wealth management and stockbroking services, primarily to high net-worth individuals.

In addition, the Group currently holds a strategic investment of approximately 13.3 per cent. in Plus Markets Group Plc which operates the Plus market (formerly known as OFEX).

The Group's aim is to seek to establish long-term relationships with its corporate and institutional clients based on what the Directors consider to be an in-depth understanding of its clients' needs and its market expertise. It follows a selective approach to the engagements and relationships into which it enters.

Corporate finance

Cenkos currently has a team of six corporate finance professionals focused on the UK markets and providing corporate finance advice to small and mid-cap companies across a variety of industry sectors, including business services, environmental, insurance, leisure, mining, property and technology. These services to corporate clients include advising on the raising of equity finance (both in the public and private markets); advising on corporate transactions including mergers and acquisitions, disposals and restructurings; and advising on clients' communications with the relevant exchange and regulatory bodies. Since inception, the Company has raised in excess of £1 billion in equity financing for its corporate clients and, in addition, has advised on eight other completed corporate transactions.

The Company was granted nomad status on 13 May 2005, allowing it to act as nomad in relation to companies seeking admission to, and trading on, AIM. It currently acts as nomad to 22 companies. The Company was granted sponsor status from the UK Listing Authority on 4 August 2006, enabling it to act as sponsor to companies listed on the Official List.

The Company does not currently provide underwriting services, although the future provision of such services is subject to ongoing review.

Corporate broking

Cenkos provides corporate broking services to small and mid-cap UK companies across a range of industry sectors, including business services, environmental, insurance, leisure, mining, property and technology. These services include advising on reporting obligations to institutional investors; the provision of advice regarding a client's shareholder base; and the provision of advice on any follow-on equity capital raising and other corporate transactions.

In August and September 2006, the Company's corporate broking capabilities were enhanced through the recruitment of a team of five experienced professionals servicing the UK small-cap sector. This brought the total number of professionals in the corporate broking team to twelve.

The corporate broking team comprises two groups; one focusing on mid-cap and the other focusing on smaller companies.

As at 18 October 2006, the Company was corporate broker to 27 companies, nine of which were companies listed on the Official List and 18 of which were admitted to AIM. The total market capitalisation of these companies as at that date was £3.9 billion.

Institutional equities

The institutional equities team, which currently comprises four professionals, provides research-driven investment recommendations to institutional clients. The Directors believe that a strength of Cenkos' institutional equities team is the solid research background of its members and their extensive experience. At present the team has particular expertise in the business services, chemicals and consumer sectors having recruited professionals who were previously top-ranked analysts in these sectors. The Company intends to expand its institutional equities team by recruiting further professionals with specific sector expertise.

The team currently has approximately 20 institutional clients (including long funds and hedge funds) which collectively have a diverse range of investment objectives which the Directors believe give the Company a flexible distribution platform.

Market making

The Company has market making capabilities to support the other services that it provides to its clients. Cenkos 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 Company does not engage in proprietary trading save through its investment funds team and its strategic investment in Plus Markets.

Investment funds

In August 2006, the Company recruited an investment funds team, comprised of nine professionals. This team provides a broad range of services, including corporate broking, corporate finance, market making and sales, with a sole focus on investment funds. The Company acts as a counterparty for a large number of investment fund investors, and has detailed knowledge of their asset allocation strategies enabling successful secondary distribution and primary sales. The Company currently makes markets in approximately 150 investment fund securities, and by 18 October 2006, the Company had been appointed as corporate broker to five investment funds. The Directors believe that there are attractive opportunities in this sector (particularly in connection with the introduction of REITs).

The investment funds team utilises (and will continue to utilise) 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 utilised is expected to increase.

Offshore wealth management and stockbroking services

Offshore wealth management and stockbroking services are provided through Cenkos CI, a 75 per cent. owned subsidiary of the Company, which was founded in August 2005 and is based in Guernsey. Services are currently provided by four professionals. Cenkos CI intends to extend its operations into Jersey in due course, thereby expanding its offshore wealth management and stockbroking services.

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.

Cenkos CI is regulated by the GFSC and is a member of the LSE and CISX. Clients' assets and funds are held in the name of Cenkos Channel Islands Nominee Company Limited by the custody division of The Royal Bank of Scotland. Private client services are not provided by the Company in London.

The remaining 25 per cent. of Cenkos CI is held by its management. The Company and the management of Cenkos CI intend to formalise their relationship by entering into a shareholders' agreement in due course.

Operational infrastructure

A team of 12 employees is responsible for front and back office information technology systems, compliance, finance, risk management, middle office and settlement, HR and all other administrative functions in London.

Information technology

Information technology (as well as disaster recovery) is supported by off-the-shelf software which the Directors consider to be appropriate for a business of the Group's size. The nature and size of the Group's business is such that the Directors do not consider that bespoke information technology is currently required. Internal systems, software and infrastructure are supported and maintained by the Group's in-house team.

Settlement

The middle office and settlement functions, which include activities in connection with processing and settlement of both primary and secondary trades, currently use Pershing as the Group's settlement service provider. These functions are managed internally by two employees and one consultant.

Compliance and risk management

The Group utilises various means to ensure that it is in compliance with the rules laid down by the FSA and the GFSC and operates within the appropriate risk limits set by the Board. These include a compliance manual covering significant business and operational activities, policies covering conflicts of interest, market abuse, personal account dealing and client acceptance procedures as well as regular monitoring of market and credit risk which is carried out by the Board.

The Board intends to put in place, with effect from Admission, policies in respect of matters appropriate for a company whose shares are traded on AIM, including as to the making of announcements that are potentially price sensitive to Cenkos' shares and the restrictions on dealings in the securities of Cenkos.

Business strategy, markets and competition

Business strategy

Cenkos' goal is to become a leading player in each of the markets in which it operates. The Group will seek to differentiate itself from its competitors through its long-term commitment to its corporate and institutional clients, its selective approach to taking on new corporate clients and the experience of its specialist teams of professionals.

The Directors recognise the cyclical nature of the industry in which the Group's businesses operate and believe that the Group is well-positioned to outperform relative to its competitors across the cycle due to its low fixed-cost base, company ethos, the quality of its teams and a bonus scheme directly linked to the financial contribution of each team.

The Group's growth strategy includes the identification and recruitment of well-established teams of professionals with proven track records in areas which the Directors consider to be attractive on account of a combination of size of the market, profitability characteristics, growth opportunities and/or competitive landscape.

Markets

The Directors believe that the sectors in which the Group operates are founded on strong, long-term attractive fundamentals, including:

- growth in UK savings and managed funds which provide liquidity and capital to the UK equity markets. This growth is supported by the demographic trend of an ageing population in the UK;
- an increasing trend of an institutional investor base looking for diversified investment strategies across a broader risk spectrum, including investment into small and mid-cap sectors and investment funds;
- further development of the UK private equity sector, which interacts with the UK equity markets across its investment cycle, from investing in, or acquiring, publicly traded companies to using flotations on the public markets as an exit from its portfolio companies;
- a leading position of the UK capital markets for international companies. Over the 18 months to 31 August 2006 the London Stock Exchange has attracted 207 international companies to its markets

(26 to the Main Market and 181 to AIM) while in America, the New York Stock Exchange and Nasdaq have attracted a combined total of 118 international companies over the same period; and

- the development of markets for growth companies including AIM and Plus Markets (formerly Ofex). The number of companies admitted to AIM, which was founded on 10 July 1995, has grown rapidly from ten on the first day of dealings to 1,579 as at 31 August 2006, with a total market capitalisation of approximately £76 billion. During 2005, AIM's most successful year to date, there were 519 admissions to AIM, representing an increase of 46 per cent. on 2004 and 220 per cent. on 2003, with total funds raised of approximately £8.9 billion. This figure has already been surpassed in 2006, with a total of approximately £9.9 billion being raised, through both new and secondary issues, during the eight months to August 2006.

Given its focus on the UK small and mid-cap equity markets, the Directors believe that the Group's performance is influenced by investors' confidence in those markets.

The last two years have seen growth in the UK equity markets, with the FTSE All-Share index increasing by 37 per cent. to 18 October 2006. Over the same period, the FTSE Small-Cap and FTSE AIM All-Share indices displayed growth of 41 per cent. and 4 per cent. respectively.

Since the start of 2006, volatility has been a feature of the UK equity markets, which has presented opportunities as well as challenging fundraising conditions. A characteristic of this volatility was a healthy rise in the UK equity markets during the early part of the year, followed by a decline during late May 2006. This pattern of strong growth and subsequent softening was particularly evident on AIM.

The Main Market has shown signs of stabilising and recovery and as at 18 October 2006 was trading approximately 11 per cent. up on levels at the start of the year. AIM however continues to trade at a discount of 6 per cent. to levels at the start of the year and of 22 per cent. to its year high as at 11 May 2006. (*Source: Thomson Financial*)

Despite the softening in the UK equity markets during late May 2006, over the three months to 31 August 2006 the levels of fundraisings in the UK have remained relatively healthy. During this period, the London Stock Exchange saw a total of 114 new companies joining its markets (the Main Market and AIM) raising, in aggregate, approximately £8.7 billion. This compares to 241 new companies and money raised of £9.5 billion for the five months to 31 May 2006.

Competition

The Directors consider that the market segment in which the Group operates is dominated by a number of small independent UK firms and a number of small and mid-cap teams at global investment banks, providing a variety of corporate finance and institutional stockbroking services. The Directors believe that the Group's track record to date, as well as the experience of its teams of professionals, are indicative of its ability to compete successfully in this market.

There are currently approximately 90 financial intermediaries registered by the London Stock Exchange to act as nomad.

Key strengths

The Directors consider the key strengths of the Group to be:

- *a well balanced Board, including Directors with a proven track record of building successful businesses in the sector.* Andrew Stewart co-founded Collins Stewart in 1991, subsequently listing it on the LSE in 2000. In addition, the Group has assembled a board of directors with significant industry experience and a proven track record in business development. John Hodson, whilst Chief Executive and latterly Chairman of Singer & Friedlander Group plc, presided over significant growth in the market capitalisation, staff numbers and span of businesses within that group. Paul Roy was closely involved in establishing and building Smith New Court into a leading market making brokerage firm before it was sold to Merrill Lynch in 1995. He subsequently founded NewSmith in 2003 which had US\$5 billion under management as at 31 March 2006.

- *Fundraising capabilities for corporate clients (including investment funds) and the depth and breadth of its relationships with institutional clients.* Since commencing business in April 2005, the Group has demonstrated significant fundraising capacity for corporate clients (including investment funds) and a flexible distribution capability. The Group has raised in excess of £1 billion since inception, through placings ranging in size from £5.6 million to £310 million.
- *A relatively low fixed-cost base and a bonus scheme linked directly to the financial contribution of each team of professionals.* The Group seeks to maintain a relatively low fixed-cost base. This is primarily achieved through its team orientated compensation structure which seeks to incentivise its professionals primarily through bonus payments. Bonuses are allocated on a team by team basis depending on the levels of revenue generated, and direct expenses incurred, by each team. In addition all Directors and current employees of the Company will have an equity interest in the Group from Admission with the result that, upon Admission, approximately 51.63 per cent. of the issued share capital of the Group (including the B Shares then in issue and assuming the maximum number of New Ordinary Shares are issued as part of the Placing) will be held by employees of the Group (other than Andrew Stewart) or by members or employees of the LLP.
- *An ability to attract teams of professionals with proven track records.* Cenkos has been successful in recruiting teams in areas such as investment funds, small-cap broking and institutional secondary sales. This has given the Group the ability to leverage off their respective track records and pre-existing relationships to enhance the Group's businesses.
- *High levels of equity ownership by Directors and employees.* Such high levels provide a strong alignment in creating shareholder value – all Directors and current employees of the Company will, on Admission, have an equity interest in the Company.

Financial information

The trading record of the Group's businesses for the period from 20 August 2004 to 30 November 2005 and for the six month period ended 31 May 2006 as extracted, without material adjustment, from the financial information in Part V of this document and the unaudited pro forma statements of profits in Part VI of this document, is set out below:

	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Pro forma)⁽²⁾</i>	<i>(Pro forma)⁽²⁾</i>
	<i>20 August 2004 to 30 November 2005 £'000</i>	<i>Six month period to 31 May 2006 £'000</i>	<i>20 August 2004 to 30 November 2005 £'000</i>	<i>Six month period to 31 May 2006 £'000</i>
Revenue	15,572	19,471	15,572	19,471
Operating profit	10,828	16,280	5,915	9,305
Profit for the period	9,195	13,539	4,282	6,563
Profit for the period attributable to minority interests	4,913	6,967	–	(9)
Profit for the period attributable to equity holders of the parent	4,282	6,572	4,282	6,572
Earnings per share	18.4p	14.2p	18.4p	14.2p
Net assets	11,016	13,721	11,016	13,721

¹ Audited numbers for the period ended 30 November 2005 represent the eight month trading period from April 2005. These have been restated under IFRS, including a restatement to conform with IAS 39, which classifies the Plus Markets investment as one available for sale. As a result, the movement in market value is accounted through equity.

² The pro forma numbers have been prepared on the basis that the LLP did not exist as this gives a fairer view of the Group's profit and loss. All distributions paid out to the LLP, which would previously have been accounted for as a minority interest, have now been reclassified as operating expenses of the Group. No adjustments have been made for the employer's National Insurance contributions that would have been incurred had the LLP members been employees of the Company.

Current trading and prospects

Since 1 June 2006, notwithstanding challenging fund-raising conditions, the Group has announced seven transactions (four of which have completed), as well as gaining 11 brokerships. The Group is in the process of executing further significant fundraising and merger and acquisition transactions.

Since August 2006, the Group has recruited two new teams (the investment funds and the small-cap corporate broking teams) and has significantly strengthened its institutional equities team. These new teams have already contributed to an increase in revenue of the Group. During this period, the Group has strengthened its infrastructure to handle this and future expansion. This has led to a proportional increase in fixed costs.

The Group's total revenues have, to date, largely comprised significant fees from corporate clients relating to specific transactions, including fundraisings and merger and acquisition engagements. These fees, by the nature of the transactions, do not occur at regular intervals. The Directors believe that this pattern is typical of a business which provides corporate broking and corporate finance services, and has been accentuated by the relatively short period of operations of the Group.

Reported revenues have also included a contribution from more regular streams (i.e. agency commissions on trading shares on behalf of institutional clients and annual retainers from corporate clients). To date this has been relatively insignificant but with the recent recruitment of new teams (including those referred to above), the Directors expect that, as the Group matures, greater revenues will accrue from these more regular income streams.

The Directors expect that the revenues of the Group will continue to be largely dependent on the Group's ability to complete significant equity fundraisings for corporate clients. This in turn will be dependent, *inter alia*, on the general market conditions for such fundraisings. Consequently, the Directors consider that revenues will be difficult to predict.

Dividend policy

The Directors intend to retain sufficient profits to meet the Group's regulatory capital requirements and intend only to retain further profits where they consider that attractive investment opportunities have been identified which should be financed by the Group's internal resources.

The Board intends to pay an interim and final dividend each year. The first dividend is expected to be the interim dividend for the six months to 30 June 2007⁽¹⁾.

(1) On 4 October 2006, the Company extended its current accounting period by one month so that it now ends on 31 December 2006.

Employees, bonus scheme, the LLP and payments to the LLP

Employees and members of the LLP

The Group as at 18 October 2006 had 52 employees (including those employed by the LLP). As at 31 May 2006, the Group had 18 employees (including those employed by the LLP). In addition, as at those dates, there were, respectively, seven and six working members of the LLP.

Bonus scheme for the Group's employees

The Company has established a bonus scheme for revenue generating employees directly linked to the financial contribution of each team of professionals within the Group. The teams (for the purposes of these arrangements) are: corporate finance; corporate broking; institutional equities; investment funds; off-shore stockbroking and wealth management services; and small-cap corporate broking.

The bonus scheme generally provides that one third of the revenues generated by a particular team is allocated to a bonus pool for that team, net of costs associated with that team (for example specific professional fees, direct employee costs and direct disbursements). This bonus pool is then allocated amongst the members of the team at the discretion of the head of the team, following consultation with the Board. All such bonus awards are discretionary and reflect personal performance.

In certain circumstances revenues may be shared between teams, for example where more than one team is involved in a particular transaction. There are arrangements in place to agree appropriate allocations between such teams for the purpose of the bonus scheme, on the basis of their respective contributions to the transaction in question.

The Directors consider that the bonus arrangements, on a team by team basis, are a suitable means of incentivising the Group's employees, whilst maintaining a relatively low fixed-cost base, notwithstanding that there is potential for an imbalance both in the remuneration payable to each team from time to time and between the overall performance of the Group and the performance and, therefore, the remuneration, of any one team.

Non-revenue generating employees are entitled to an annual discretionary bonus.

The LLP

The LLP was established in March 2005, and since then has provided services to the Company under the Services Agreement. The LLP currently has seven working members and four employees, who collectively provide the services which the Company receives under the Services Agreement. Nicholas Wells, James Durkin, Paul Hodges and three other current members of the LLP have, conditional upon Admission, agreed to withdraw from the LLP and to commence employment with the Company.

Consequently, immediately following Admission, Peter Isard (head of institutional equities) will be the sole working member of the LLP which will have, following Admission, four employees.

On Admission, the Company will have an interest of approximately 95 per cent. in the LLP (further details of the LLP are set out in paragraph 13.1.5 of Part VII of this document).

Payments to the LLP

Under the Services Agreement, the LLP is entitled to a fee of one third of the revenues generated by the Company through the lines of business for which services are provided by the LLP. The LLP bears its own costs, including certain costs recharged to it by the Company. Between establishment of the LLP and 18 October 2006, £13.1 million in fees have been paid by the Company to the LLP.

Following Admission, Peter Isard (as the sole working member of the LLP) will be entitled to all of the profits of the LLP. The LLP will continue to bear its own costs, including costs recharged by the Company. The costs of the LLP include bonuses paid by the LLP to its employees, allocated at the discretion of Peter Isard.

Further details of the LLP Agreement and the Services Agreement are set out in paragraphs 13.1.4 and 13.1.5 respectively of Part VII of this document.

Other incentive arrangements

Share Schemes

In order to incentivise the Directors, senior management and employees the Company has resolved to adopt the Share Schemes, conditional upon Admission. Details of the Share Schemes are set out in paragraphs 4.1 and 4.2 respectively of Part VII of this document. No grants or awards under the Share Schemes will be made prior to, or upon, Admission.

Options over Ordinary Shares

The Company has granted options over Existing Ordinary Shares which at Admission will be subdivided, in aggregate, into 1,055,515 Ordinary Shares to John Hodson, Simon Melling and Anthony Hobson (all of whom are Directors), details of which are set out in paragraph 6.1 of Part VII of this document.

In addition, the Company has granted, conditional on Admission, options over Existing Ordinary Shares which at Admission will be subdivided into, in aggregate, 213,085 Ordinary Shares to certain employees of the Company and Cenkos CI and to an employee benefit trust, details of which are set out in paragraph 4.3 of Part VII of this document.

B Shares

In June 2006, the Company established a partly-paid share scheme (the B Share Scheme) for prospective employees. Under the scheme, prospective employees were offered the opportunity to subscribe for a set entitlement of B Shares and were required initially only to pay up the nominal value on each Existing B Share. The balance is only payable in certain limited circumstances. Further details of the B Share Scheme (including the circumstances in which the balance becomes payable) are set out in paragraphs 2.12 and 3.2.15 of Part VII of this document.

Options over Ordinary Shares held by NewSmith

NewSmith has granted options over, in aggregate, 541,667 Existing Ordinary Shares (which at Admission will be subdivided into 5,416,670 Ordinary Shares) in favour of Paul Hodges, Nicholas Wells, James Durkin and Peter Isard. Further details of these options are set out at paragraph 13.1.3 of Part VII of this document.

Reasons for Admission

The Directors are seeking Admission for the following reasons:

- to raise the Group's profile within its target corporate and institutional markets;
- to enhance the Group's ability to attract and retain new staff;
- to facilitate the Selling Shareholder's realisation of its investment in the Company (save for as set out in paragraph 13.1.3 of Part VII of this document);
- to gain a potentially attractive acquisition currency, for use were any suitable acquisition opportunity to arise; and
- to provide Cenkos shareholders with a market for their shares.

Share capital structure

The share capital of the Company currently comprises two classes of share: Existing Ordinary Shares and Existing B Shares. Conditional upon Admission, each Existing Ordinary Share will be sub-divided into 10 Ordinary Shares and each Existing B Share will be sub-divided into 10 B Shares.

Upon Admission, there will be a total of 20,064,300 B Shares, all issued under the B Share Scheme. These B Shares, which convert automatically into Ordinary Shares upon them being fully paid up as to their Required Premium, are entitled to the same voting and dividend rights as the Ordinary Shares notwithstanding that they may be partly-paid. The cash inflow to the Company arising on the payment of the Required Premium on all issued B Shares would be approximately £21.8 million.

Application has been made for all of the issued Ordinary Shares to be admitted to trading on AIM. No application has been or is being made for the admission of the B Shares to listing or trading on any stock exchange or securities market although the Ordinary Shares arising on their conversion following payment of the Required Premium will be admitted to trading on AIM.

Further details of the B Shares are set out in paragraphs 2.12 and 3.2.15 of Part VII of this document.

Taxation

General information relating to UK taxation with regard to Admission and Placing is summarised in paragraph 12 of Part VII of this document. **Any person who is in any doubt as to his or her tax position, or is subject to tax in a jurisdiction other than that of the UK, should consult his or her professional advisers.**

PART II

MANAGEMENT

Directors and senior management

Cenkos has, since inception, brought together several teams of experienced professionals who have worked in senior positions in the UK investment banking market. The Non-executive Directors provide a breadth of further business experience.

Directors

The Board comprises three executive Directors and three non-executive Directors.

<i>Name</i>	<i>Position</i>	<i>Age</i>
John Hodson	Chairman (Non-executive)	60
Andrew Stewart	Chief Executive Officer	55
James Durkin	Executive Director	46
Simon Melling	Finance Director and Chief Operating Officer	46
Paul Roy	Non-executive Director	59
Anthony Hobson	Non-executive Director	59

All of the above Directors are approved individuals pursuant to FSMA.

Brief biographies of the Directors and members of senior management are set out below:

John Hodson, Chairman

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

Andrew is the founder shareholder of the Company who 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. After Simon & Coates was acquired by Chase Manhattan Bank, he later became chief executive of Chase Manhattan Securities until the launch of Collins Stewart.

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. James is currently a member of the LLP, but has agreed to withdraw from the LLP and become an employee of the Company, conditional upon Admission.

Simon Melling, 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 2001, a position he held until March 2005. In April 2005 Simon was appointed as Finance Director of Capital Accumulation (Capacc), which includes the Interactive Investor financial portal, Moneywise magazine, and AMPLE fund supermarket.

Paul Roy, Non-executive Director

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 currently on the board of NewSmith, 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.

Anthony Hobson, Non-executive Director

Anthony was appointed as non-executive Director of the Company on 4 October 2006. He is also the current Chairman of Northern Foods plc, having originally joined the Board as Deputy Chairman in 2002, and holds non-executive roles at HBOS plc, Sage Group plc and Glas Cymru. Anthony qualified as a Chartered Accountant with Arthur Andersen & Co in 1971 and received an MBA from the Darden Graduate School of Business, University of Virginia, in 1974. From 1981 to 1986 he was Finance Director, Europe, Middle East & Africa, of Sperry Corporation, a major US technology multinational. He then moved to become the Group Finance Director of Legal & General Group plc until 2001.

Senior Management

Nicholas Wells, head of corporate finance

Nicholas joined the Group as head of corporate finance in May 2005. Nicholas has over 25 years' experience of investment banking. Prior to joining the Group, he was, for five years, Global Head of M&A at WestLB where he was responsible for transactions in the UK, Germany and Central Eastern Europe, overseeing a number of complex cross-border deals. Nicholas qualified as a Chartered Accountant with Peat Marwick Mitchell in 1979. He has experience in a range of sectors including leisure, property and support services. Nicholas is currently a member of the LLP, but has agreed to withdraw from the LLP and become an employee of the Company, conditional upon Admission.

Paul Hodges, corporate broking

Paul joined the Group in March 2005. Paul has over 20 years' experience in the UK securities industry. Prior to joining the Group, Paul worked at Collins Stewart. Paul was a top ranked composite insurance analyst in the City for several years, specialising in the assessment of insurers' exposure to long-tail liability claims. Paul is currently a member of the LLP, but has agreed to withdraw from the LLP and become an employee of the Company, conditional upon Admission.

Peter Isard, head of institutional equities

Peter joined the Group as head of institutional equities in September 2005. Peter has worked in the securities industry for more than 20 years, having started his career as an analyst before moving into sales. From 2000 to 2005, Peter was a member of the pan-European sales desk at Citigroup with sole responsibility for Citigroup's European effort towards event-driven funds. Between 1996 and 2000, Peter worked at Schroder Securities where he was a founding member of the UK sales desk. In addition to his sales responsibilities at Schroder, Peter undertook a research role advising on investments ideas and research output. Prior to 1996, Peter spent 14 years in sales and research positions at Williams de Broe, Kleinwort Benson and Merrill Lynch. Peter is currently a member of the LLP and will continue to be so, following Admission.

Charles Ricketts, head of investment funds

Charlie joined Cenkos in August 2006. Charlie has specialised in the origination, marketing and broking of investment companies for approximately 20 years. Prior to joining Cenkos, Charlie had worked at UBS Warburg since 2002 as a Managing Director of the Investment Bank and head of Investment Funds. Before UBS, Charlie spent nine years at Johnson Fry – a specialist investment company – before joining Gartmore in 1995 as head of investment product development and marketing, where he had the responsibility of product creation and distribution through independent and tied channels.

Jeremy Warner Allen, head of small-cap corporate broking

Jeremy is expected to join the Group in November 2006, as head of small-cap corporate broking. Jeremy has had 19 years specialist experience in small and mid cap institutional broking. He started his career in the City with Capel Cure Myers on the small cap sales desk. He was an original member of the team that founded Beeson Gregory Limited, which was a start up in 1989. He became head of the UK sales desk and, upon the merger with Evolution Group plc in 2002, was appointed Head of Sales for Evolution Securities Limited.

Jonathan Ravenscroft, head of Cenkos CI

Jon joined Cenkos as head of Cenkos CI in August 2005. Jon has over 20 years' experience of offshore stockbroking. Prior to joining Cenkos, he was director of Collins Stewart Channel Islands Limited, having co-founded its Guernsey operations 15 years previously.

Corporate governance and internal controls

The Company will not be subject to the Combined Code, which is generally adopted by companies admitted to the Official List. The Directors do, however, support high standards of corporate governance and, as soon as reasonably practicable following Admission, they intend to comply with the Combined Code, insofar as practicable given the Company's size and nature, and will follow the recommendations on corporate governance made by the QCA.

The Corporate Governance Guidelines were devised by the QCA, in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. An alternative code was proposed because the QCA considered the Combined Code to be inappropriate to many AIM companies. The Corporate Governance Guidelines state that "*the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term*". The guidelines set out a code of best practice for AIM companies.

The Board has established audit, remuneration and nomination committees. The Board will hold at least six board meetings throughout the year.

Audit Committee

The audit committee will be chaired by Anthony Hobson, and will consist of Anthony Hobson, Paul Roy and John Hodson. It will meet whenever there is business to discuss and at least twice each year. The audit committee is responsible for ensuring that the financial performance of the Group is properly monitored, controlled and reported on. It will also meet the auditors without Executive Board members being present and review reports from the auditors relating to accounts and internal control systems.

Remuneration Committee

The remuneration committee, which will be chaired by Paul Roy and will consist of Paul Roy, Anthony Hobson and John Hodson, will review the performance of the Executive Directors and set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. In determining the remuneration of Executive Directors, the remuneration committee will seek to enable the Company to attract and retain executives of the highest calibre. The remuneration committee will also make recommendations to the full Board concerning the allocation of share options to employees of the Group. No Director will be permitted to participate in discussions or decisions concerning his own remuneration.

Nomination Committee

The nomination committee will be chaired by John Hodson and will consist of John Hodson, Anthony Hobson and Paul Roy. It will consider appointments to the Board and is responsible for nominating candidates to fill Board vacancies and for making recommendations on Board composition.

Share Dealing

The Directors will comply with the Model Code (or a code no less exacting) and take all reasonable and proper steps to ensure compliance by applicable employees with Rule 21 of the AIM Rules.

PART III

SUMMARY OF THE PLACING

Details of the Placing

The Placing, which is not being underwritten, comprises the placing at the Placing Price of up to 1,779,360 New Ordinary Shares and of up to 11,250,000 Sale Shares, with institutional and other investors. Assuming that the maximum number of Sale Shares is sold and that the maximum number of New Ordinary Shares is issued, the Sale Shares will represent 15.50 per cent. of the issued share capital immediately following Admission (including the B Shares then in issue). On the same assumptions, the New Ordinary Shares will represent 2.45 per cent. of the issued share capital immediately following Admission (including the B Shares then in issue).

The New Ordinary Shares will be issued credited as fully paid and will, on issue, rank *pari passu* in all respects with the other existing Ordinary Shares in issue on Admission (including the Sale Shares). The Placing is conditional, amongst other things, on Admission becoming effective.

The Company will not receive any proceeds from the sale of the Sale Shares, and will raise an estimated £2.50 million (£0.51 million net of expenses) from the placing of the New Ordinary Shares (assuming that the maximum number of New Ordinary Shares are placed), which will be used to satisfy some or all of the estimated costs of the Placing and Admission.

All Directors and senior employees will be subject to formal lock-in arrangements.

Admission and CREST

Application has been made to the London Stock Exchange for the issued and to be issued Ordinary Shares to be admitted to trading on AIM. Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on AIM at 8.00 a.m. on 31 October 2006. The Ordinary Shares are in registered form and will be capable of being held in certificated form. No application has been or will be made for the admission of the B Shares to listing or trading on any stock exchange or securities market although the Ordinary Shares arising on their conversion following payment of the Required Premium will be admitted to trading on AIM.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The articles of association of the Company, adopted conditionally upon Admission, will permit the holding and transfer of Ordinary Shares under CREST. The Directors have applied for the Ordinary Shares to be admitted to CREST, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain a share certificate will be entitled to do so.

Settlement and dealings

It is expected that definitive share certificates will be despatched by first class post to those placees whose entitlements are to be dealt with outside CREST at the risk of the person entitled thereto by 14 November 2006 and that the CREST accounts in respect of those placees who have requested that their entitlements are dealt with inside CREST will be credited on 31 October 2006.

Lock-in and orderly marketing arrangements

In accordance with Rule 7 of the AIM Rules, the Directors, being interested in 22,291,670 issued Ordinary Shares (not including the 5,416,670 Ordinary Shares held by NewSmith in which Paul Roy has an interest) at Admission, have undertaken, save in limited circumstances, not to dispose of any of their interests in 50 per cent. of such shares at any time prior to the publication of the Company's annual report and accounts for the financial period ending on 31 December 2007 and of any of their respective interests in the balance of such Ordinary Shares prior to the date of publication of the Company's annual report and accounts for the financial period ending on 31 December 2008. In addition, employees who will hold, following Admission, in aggregate 11,041,670 issued Ordinary Shares and 20,814,300 issued B Shares have undertaken, save in

limited circumstances, not to dispose of their Ordinary Shares and/or B Shares on the same terms as the Directors (outlined above). In aggregate, therefore 33,333,340 Ordinary Shares and 20,814,300 B Shares, representing 74.59 per cent. of the issued share capital of the Company at Admission, assuming the Company issues the maximum number of New Ordinary Shares as part of the Placing, will be subject to the lock-in arrangements referred to above following Admission. Further details of the lock-in arrangements are set out in paragraph 11.2 of Part VII of this document.

PART IV

RISK FACTORS

In addition to all other information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. If you are in any doubt about the action you should take, you should consult a professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities. This summary of risk factors is not intended to be exhaustive. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group's business.

A. RISKS RELATING TO THE BUSINESSES OF THE GROUP

1. Dependence on key personnel

The Group's future success is substantially dependent on the continued services and continuing contributions of its Directors, senior management and other key personnel as well as the services provided by the LLP. The loss of the services of any of the Group's executive officers or other key professionals or the services of the LLP could have a material adverse effect on the Group's business.

The Group's future success will also depend on its ability to attract and retain additional executives and employees. There can be no guarantee that the Group will be able to continue to attract and retain such qualified employees, and failure to do so could result in a reduction in the Company's profitability.

In addition, the future success of the Group is dependent on the Group's ability to integrate new teams of professionals (both existing and future recruits). There can be no guarantee that the Group will be able to effect such integration between the teams (in particular, in light of the bonus arrangements which, being awarded on a team by team basis, may result in a disparity of remuneration between teams on account of their respective performances during any given period). Failure to do so could result in a reduction in the Company's profitability.

Peter Isard, head of institutional equities, as the sole working member of the LLP after Admission, will continue not to be an employee of the Group and, therefore, the Group will not have the same protections afforded to the Group as would generally be the case were he to have a service contract with the Company (for example, service contracts commonly contain provisions relating to restrictive covenants, notice periods and 'garden leave'). The LLP Agreement does, however, impose restrictions on the conduct of Peter Isard (such as non-solicitation of clients and employees, and non-compete provisions), for six months after he withdraws from the LLP. In addition, Peter Isard must give three months' notice of withdrawing from the LLP, during which period the LLP may suspend Peter Isard from providing services. The Directors believe that these provisions in the LLP Agreement have a similar commercial effect to those commonly found in service agreements. Moreover, the Directors believe that the arrangements with the LLP do not materially impinge on the commercial operation of the Company.

2. Risks of business activities, credit risks and exposure to losses

The Group may be subject to substantial liabilities for material misstatements or omissions in prospectuses, listing and admission documents and other communications with respect to equity offerings, and may be exposed to claims and litigation arising from such offerings or negligent advice or omissions in general.

The Group is exposed to the risk that third parties that owe the Group money or securities will not perform their obligations. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure and other reasons. The settlement model primarily used by the Group does not, however,

expose the Group to a risk as a principal to a trade; rather the Group's exposure lies only with Pershing as the Group's settlement agent. In addition, in circumstances in which the Group does act as principal, when acting as a market maker or carrying out proprietary trading (for investment funds or otherwise), the counterparty will normally be a market counterparty, rather than an unregulated third party corporate or individual trader.

Furthermore, default risk may arise from events or circumstances that are difficult to detect, such as fraud. The Group may also fail to receive full information with respect to the trading risks of a counterparty.

3. Dependence on availability of capital

The Group's businesses, including its market-making activities, are dependent upon the availability of adequate funding and regulatory capital under applicable regulatory requirements. Although the Company expects to have sufficient capital to satisfy all of its capital requirements, there can be no assurance that any, or sufficient, funding or regulatory capital will continue to be available to the Group in the future on terms that are acceptable to it.

4. Risk of damage to reputation and negative publicity

The Group's ability to retain existing clients and to attract new business is dependent on the maintenance of its reputation. The Group is vulnerable to adverse market perception as it operates in an industry where a high level of integrity and client trust is paramount. Any perceived, actual or alleged mismanagement, fraud or failure to satisfy the Group's responsibilities to its clients, or the negative publicity resulting from such activities or the allegation by a third party of such activities (whether well founded or not) associated with the Group, could have a material adverse effect on the financial condition, results or operations of the Group.

In addition, following downturns in the equity markets and the resulting heightened consumer and media interest in the financial services industry, any negative publicity (whether well founded or not) associated with the business or operations of the Group could result in reputational damage and could have a material adverse effect on the financial condition, results or operations of the Group.

5. Inadequacy of systems and controls

The Group's ability to maintain financial controls and provide high quality service to customers depends, in part, on the efficient and uninterrupted operation of its management information systems, including its computer systems. There can be no assurance that these systems will function as designed. Further, there can be no guarantee that as the Group increases in size, its systems, including its information technology systems, will be able to be upgraded appropriately or in a timely manner, so as to function as required by the greater demands of a larger business. Any damage to, failure of or inability to upgrade appropriately, its management information systems, could result in interruptions to the Group's financial controls and client services. Such interruption could have a material adverse effect on the financial condition, results or operations of the Group.

The Group's risk management policies and procedures are based on historical market behaviour and depend on evaluations of certain information regarding markets, clients and other matters. However, there may be situations where these procedures and methods do not adequately predict future risk exposure or where the risk exposure may be substantially higher than historical measures indicate. Accordingly, there is no certainty that the Group's risk management policies, systems and procedures will be adequate to prevent a substantial financial loss.

6. Dependence on third party service providers

The Group is reliant upon third party service providers for certain aspects of its businesses (for example, settlement of its trades). Any interruption or deterioration in the performance of these third party service providers could impair the timing and quality of the Group's services. In addition, if the contracts with any of these third party service providers are terminated, the Group may not find alternative outsource providers on a timely basis or on equivalent terms. The occurrence of any of these events could impact upon the

Group's reputation and have a material adverse effect on the financial condition, results or operations of the Group.

7. Risk of loss of business continuity

The Group's business operations, information systems and processes are vulnerable to damage or interruption from fires, power loss, telecommunication failures, bomb threats, explosions or other forms of terrorist activity and other natural and man-made disasters. These systems may also be subject to sabotage, vandalism, theft and other similar misconduct. The same is true of third party service providers on which the Group depends.

The Group has in place disaster recovery plans covering current business requirements, which have been tested and are considered by the Board to be adequate. However, if the disaster recovery plans are found to be inadequate, there could be an adverse impact on the Group's financial condition, results or operations.

8. Competition risks

The Group operates in a highly competitive market. Some of the Group's competitors have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. These competitors compete directly with the Group for both clients and employees. In particular, some of the Group's competitors offer underwriting services and/or research capabilities, whilst the Group currently does not.

Larger competitors are able to advertise their services on a regional or national basis. In addition, some competitors have a much longer history of investment banking activities than the Group and, therefore, may possess a relative advantage with regard to access to deal flow and capital. This competition could have a material adverse effect on the Group's financial condition, results or operations as well as the Group's ability to attract and retain highly skilled individuals. There can be no assurance that the Group can, or will be able to, compete effectively.

9. Litigation

Legal proceedings may arise from time to time in the course of the Group's businesses. The Directors cannot preclude that litigation may be brought against the Group and that such litigation could have a material adverse effect on the financial condition, results or operations of the Group.

The Group's businesses may be materially adversely affected if the Group and/or its employees or agents are found not to have met the appropriate standard of care or exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards. Although the Group maintains professional indemnity insurance against such risks of its employees or agents, there is no guarantee that any insurance in place will cover all, or any part, of any liability incurred by the Company in any such circumstances.

10. Employee misconduct

The Group runs the risk that employee misconduct could occur. Misconduct by employees could include binding the Group to transactions that exceed authorised limits or present unacceptable risks, or hiding unauthorised or unsuccessful transactions from the Group, which, in either case, may result in unknown or unmanaged risks or losses. Employee misconduct could also involve improper use of confidential information, which could result in regulatory sanctions and serious reputational harm. It is not always possible to deter employee misconduct and the precautions which the Group takes to prevent and detect this activity (including taking references on recruitment of personnel, ongoing training and review processes and authorising only certain personnel to carry out certain actions on behalf of the Group) may not be effective in all cases. In addition, as the Group grows, such precautions may need to be updated and/or expanded to increase their effectiveness. Failure to do so, or to do so in a timely fashion, may lead to such precautions becoming ineffective, or less effective, against the risks against which it is intended they mitigate. The Group maintains professional indemnity insurance, but there can be no guarantee that any loss suffered by the Group would be adequately covered by such insurance, particularly in the event of employee misconduct.

11. Applicable financial services laws may make it difficult to effect a change of control of the Company

In the United Kingdom, the prior approval of the FSA under Part XII of the FSMA is required of any person proposing to acquire control of an FSA regulated firm. The Company is FSA regulated. For these purposes, a person acquires control over an authorised person if such person holds, or is entitled to exercise or control the exercise of, ten per cent. or more of the voting power at any general meeting of the authorised person or of the parent undertaking of the authorised person. A person is also regarded as acquiring control over the authorised person if that person exercises significant influence over the management of the authorised person or its parent. Accordingly, any person who proposes to acquire ten per cent. or more of the Shares would become a controller of the Company and prior approval of the FSA would be required. An acquisition of the beneficial ownership of ten per cent. or more of the Shares would therefore need to be notified to the FSA and its approval obtained, even though there may have been no change in the legal ownership of the Shares. Similarly, if a person who is already a controller of an authorised person proposes to increase its control to reach or exceed certain thresholds set out in section 180(2) of the FSMA, such person will also require the prior approval of the FSA. The FSA has a period of three months from the date of notification of the proposed change of control to approve or object to such proposed change of control.

These laws may discourage potential acquisition proposals and may delay, deter or prevent a change of control of the Company, including through transactions, and in particular unsolicited transactions, that some or all of the Company's shareholders might consider to be desirable.

If a person acquires control (as described above) without the prior approval of the FSA, it would commit an offence under the FSMA and if such person were not a fit and proper person the FSA could seek to ensure that such person's Shares were sold or otherwise disenfranchised.

12. Applicable financial services laws in relation to a change of control of Cenkos CI may make it difficult to effect a change of control of the Company

In Guernsey, any person proposing to become a controller of an entity licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended (the "POI Law") must give written notification of that intention to the GFSC and the GFSC must notify him in writing that it has no objection. Cenkos CI is a licensee under the POI Law. A "controller" is, in relation to a company, (i) any shareholder controller, that is, a person who, alone or with associates, is entitled to exercise, or control the exercise of, 15 per cent. or more of the voting power in general meeting of that company or of any other company of which that company is a subsidiary, (ii) any indirect controller, that is, a person in accordance with whose instructions or directions any director of that company or of any other company of which that company is a subsidiary, or any controller of that company, is accustomed to act, and (iii) any managing director or chief executive of that company or of any other company of which that company is a subsidiary.

Thus, if a person (alone or with associates) intends to acquire an interest which entitles him to exercise, or control the exercise of, 15 per cent. or more of the voting power in general meeting of the Company, that person must obtain confirmation from the GFSC that, in relation to Cenkos CI, it has no objection, before he acquires that interest.

Accordingly, in addition to any requirements a person must satisfy under the FSMA, if that person proposes to acquire an interest (or increase his interest) in the Company which would result in him becoming a controller in relation to Cenkos CI pursuant to the POI Law, that person must obtain from the GFSC written confirmation that it has no objection. It is an offence to become a controller of Cenkos CI in breach of the POI Law. The GFSC could suspend Cenkos CI's licence under the POI Law if a breach of the controller provisions is not remedied to its satisfaction.

13. Limited operating history

The Company was founded in 2004 and commenced trading in April 2005. Accordingly, the Group has a limited operating history. This makes it difficult to evaluate its future prospects, may increase the risk that the Company may not be successful and increases the risk of loss to investors. The operating track record of the Group which reflects, in part, equity fundraisings carried out in favourable market conditions, should not

be taken as indicative of future operating profit. Prospective investors should consider the Group's businesses and prospects in light of the risks and difficulties the Group may face as a new entrant to its markets.

14. Tax

Services to enable the Group to carry on certain of its activities have and will, following Admission, continue to be provided by the LLP, a limited liability partnership in which the Company and the working members of the LLP have interests. The working members of the LLP from time to time are liable for their own tax and national insurance contributions. Following Admission, Peter Isard, the head of the institutional equities team, will be the sole working member of the LLP. Anti-avoidance tax legislation exists which, if it were to apply, could result in working members (current and past) being deemed to have received employment income, with the LLP being liable for PAYE income tax, employee national insurance contributions and employer national insurance contributions on that deemed employment income. The Group has been advised that this legislation should not apply, although there can be no guarantee that this will be the case. The working members (including former members) have given an indemnity to the LLP in respect of these liabilities, but the LLP might not, as a matter of law, be able to enforce that indemnity in its entirety. To the extent that it cannot, the above-mentioned employer national insurance liability (estimated at £1.4 million) will fall to the account of the LLP. In addition, were the LLP to seek to enforce such indemnity against a current or former working member of the LLP, there can be no guarantee that such enforcement will not result in such working member (who may then be an employee of the Company) being disincentivised in his/her ongoing relationship with the Company or the LLP, or that such member would be able to meet his/her obligations under that indemnity.

15. Cenkos CI

The Company currently owns 75 per cent. of Cenkos CI. The remaining 25 per cent. is held by the management team of Cenkos CI. There is currently no shareholders' agreement in place between the Company and the management of Cenkos CI in respect of their shareholdings in Cenkos CI. The shares in Cenkos CI held by the Company and management of Cenkos CI rank *pari passu* in all respects; accordingly, the management of Cenkos CI are entitled to receive 25 per cent. of dividends paid by Cenkos CI. Whilst the Company is able to pass special resolutions as the holder of 75 per cent. of the shares in Cenkos CI, in certain circumstances, a special resolution may be challenged by a dissenting minority. The Company and the management of Cenkos CI intend to formalise their relationship by entering into a shareholders' agreement in due course (which may result in certain protections being provided to either or both of Cenkos and the Cenkos CI management).

16. The B Share Scheme may affect the ability of a third party to make a successful takeover offer for the Company

The B Shares are not transferable except with the consent of the Board. A holder of B Shares is entitled (but not required) to pay up the Required Premium for so long as any takeover offer for the Company remains capable of acceptance. Notwithstanding the restrictions on transferring the B Shares, in the event of a takeover offer for the Company a holder of B Shares is permitted to accept such an offer in respect of the Ordinary Shares automatically arising on the Required Premium being paid up on such B Shares or to give an irrevocable undertaking to such effect. Given that the success of a takeover offer for the Company may depend on all or some of the holders of B Shares paying up the Required Premium on their B Shares, this may mean that a takeover offer for the Company is less likely to be made or, if made, less likely to succeed.

B. RISKS RELATING TO THE COMPANY'S INDUSTRY

1. Changes in regulation or legislation

The Company is engaged in activities which are regulated by the FSA and its subsidiary, Cenkos CI, is engaged in activities which are regulated by the GFSC. The Group may, therefore, be required from time to time to review and update its regulatory permissions and the status of its authorised persons to ensure that its existing and new activities, as they develop, are consistent with the Group's regulatory permissions. Failure to do so could lead to public reprimand, the imposition of fines, the revocations of permissions or authorisations and/or other regulatory sanctions, any of which could lead to adverse publicity and reputational damage and could have a material adverse effect on the continued conduct of the Group's business.

There may, in the future, be changes to, or new laws and regulations that govern the operations of the Group. The Company cannot predict the full effect that any proposed or future law or regulation may have on the financial condition or results or operations of the Group. It is possible that the Group may be adversely affected by changes in the applicable laws or regulations.

At present, there are changes to the regulatory environment in which the Group operates contemplated as a result of the Markets in Financial Instruments Directive, the Capital Adequacy Directive and certain proposed amendments to the regulation of AIM and Nomads (upon which the London Stock Exchange is currently consulting). Such changes may have an adverse effect on the financial condition and/or results and/or operations of the Group.

Changes in UK taxation legislation can affect investment behaviour, making investment generally, and specific kinds of investment products in particular, either more or less appealing. The Group cannot predict the impact of future changes in taxation legislation on its business. Changes from time to time in the interpretation of existing tax laws, amendments to existing tax rates or the introduction of new tax legislation could have a material adverse effect on the Group's business or financial condition, results or future operations.

The Group's ability to comply with all applicable laws and regulations is dependent on the creation, implementation and maintenance of effective compliance systems, policies and procedures and on its ability to hire and retain qualified compliance personnel.

2. Economic, political or market conditions

Reductions in the number of, and size of, public offerings and mergers and acquisitions and reduced securities' trading activities due to changes in economic, political or market conditions, which are beyond the Group's control, could cause the Group's revenues to decline materially. The revenues and profitability of the Group are subject to fluctuations in the global investment markets, primarily the equity markets, which are typically subject to price volatilities.

The Group's businesses are highly dependent on stock market conditions, particularly the level of activity on the London stock markets, and in particular in the small and mid-cap sectors. Uncertain economic prospects, declines in investment markets, failures of investment markets to sustain levels of growth or short-term volatility in investment markets for whatever reason could have a material adverse effect on the financial condition or results or operations of the Group.

C. GENERAL RISKS

1. Investment in AIM-listed securities

Investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the Official List. An investment in Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

2. Share price volatility and liquidity

The share price of quoted companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some of which are specific to the Group and its operations and some of which may affect quoted companies generally. These factors could include the performance of the Group, large purchases or sales of the Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

3. Dividends

Dividend growth in the Ordinary Shares will rely on underlying growth in the Group's businesses and, in particular, the dividend policy mentioned in Part I of this document should not be construed as a dividend forecast. Any change in the tax treatment of dividends or interest received by the Company may reduce the level of yield received by shareholders.

4. Taxation

Any change in the Company's tax status or in taxation legislation could affect the Company's ability to provide returns to shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current tax law and practice which are subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors.

5. Forward looking statements

Certain statements within this document, particularly those concerning the Group's strategy, market and future prospects, constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance to vary from those expressed or implied by such forward looking statements. There can be no assurance that those forward looking statements which are correct as at the date of this document will, in fact, occur. The Group will not release publicly any revisions to the forward looking statements to reflect changes in events and circumstances after the date of this document unless it is required by law or regulation to do so.

PART V

FINANCIAL INFORMATION ON THE GROUP

(i) Accountants' Report on financial information on the group

Deloitte.

The Directors
Cenkos Securities plc
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London
EC2R 7AS

Deloitte & Touche LLP
Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR

HSBC Bank Plc
8 Canada Square
London
E14 5HQ

Dear Sirs

23 October 2006

Cenkos Securities plc

We report on the financial information set out on pages 31 to 47 of the AIM admission document dated 23 October 2006 of Cenkos Securities Plc (the "company" and, together with its subsidiaries, the "group") (the "Admission Document"). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 2 of section (ii) of Part V. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") as applied by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards (IFRS).

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex 1 item 23.1 of the Prospectus Directive Regulation as applied by Paragraph (a) of Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates

and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 and in accordance with IFRS as described in note 2.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) as applied by Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

Deloitte & Touche LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu ("DTT"), a Swiss Verein whose member firms are separate and independent legal entities. Neither DTT nor any of its member firms has any liability for each other's acts or omissions. Services are provided by member firms or their subsidiaries and not by DTT.

(ii) **Financial information in respect of the group for the period from 20 August 2004 to 30 November 2005 and the six month period ended 31 May 2006**

Consolidated income statement

		<i>1 December 2005 to 31 May 2006</i>	<i>20 August 2004 to 30 November 2005</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Continuing Operations			
Revenue	2,3	19,471,517	15,571,727
Administrative expenses		(3,191,160)	(4,743,275)
Operating profit		<u>16,280,357</u>	<u>10,828,452</u>
Investment revenues – interest receivable		151,606	215,770
Finance costs – interest payable		(11,848)	(5,498)
Profit before tax	5	16,420,115	11,038,724
Tax	6	(2,881,476)	(1,843,680)
Profit for the period		<u>13,538,639</u>	<u>9,195,044</u>
Attributable to:			
Equity holders of the parent		6,572,103	4,281,774
Minority interests		6,966,536	4,913,270
		<u>13,538,639</u>	<u>9,195,044</u>
Earnings per share			
Basic	7	14.2p	18.4p
Diluted	7	14.2p	18.4p

Consolidated statement of recognised income and expense

	<i>1 December 2005 to 31 May 2006 £</i>	<i>20 August 2004 to 30 November 2005 £</i>
Gains on revaluation of available-for-sale investments taken to equity	740,196	3,322,074
Tax on gains on revaluation of available-for-sale investments taken directly to equity	(222,059)	(996,622)
Net income recognised directly in equity	<u>518,137</u>	<u>2,325,452</u>
Profit for the period	<u>13,538,639</u>	<u>9,195,044</u>
Total recognised income and expense for the period	<u>14,056,776</u>	<u>11,520,496</u>
Attributable to:		
Equity holders of the parent	7,090,240	6,607,226
Minority interests	6,966,536	4,913,270
	<u>14,056,776</u>	<u>11,520,496</u>

Consolidated statement of changes in equity

	<i>Note</i>	<i>Share capital</i> £	<i>Share premium</i> £	<i>Revaluation reserve</i> £	<i>Retained earnings</i> £	<i>Minority Interests</i> £	<i>Total</i> £
On incorporation							
Shares issued		440,283	3,962,551	–	–	–	4,402,834
Capital contributed by minority interest		–	–	–	–	6,001	6,001
Retained profit for the period		–	–	–	4,281,774	–	4,281,774
Profit allocated to minority interests		–	–	–	–	4,913,270	4,913,270
Distribution of profit to minority interest		–	–	–	–	(4,913,270)	(4,913,270)
Net revaluation of available-for-sale investments		–	–	2,325,452	–	–	2,325,452
At 30 November 2005		<u>440,283</u>	<u>3,962,551</u>	<u>2,325,452</u>	<u>4,281,774</u>	<u>6,001</u>	<u>11,016,061</u>
Shares issued	17	42,000	378,000	–	–	–	420,000
Capital contributed by minority interest		–	–	–	–	26,000	26,000
Retained profit for the period		–	–	–	6,572,103	–	6,572,103
Profit allocated to minority interests		–	–	–	–	6,966,536	6,966,536
Distribution of profit to minority interest		–	–	–	–	(6,975,130)	(6,975,130)
Net revaluation of available-for-sale investments		–	–	518,137	–	–	518,137
Dividends paid	8	–	–	–	(4,822,834)	–	(4,822,834)
At 31 May 2006		<u>482,283</u>	<u>4,340,551</u>	<u>2,843,589</u>	<u>6,031,043</u>	<u>23,407</u>	<u>13,720,873</u>

Consolidated balance sheet

		<i>31 May</i>	<i>30 November</i>
		<i>2006</i>	<i>2005</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Non-current assets			
Property, plant and equipment	9	339,498	364,445
Available for sale investments	10	5,067,993	4,327,797
		<u>5,407,491</u>	<u>4,692,242</u>
Current assets			
Trading investments – long positions	11	2,719,817	977,363
Trade and other receivables	12	7,040,666	7,701,859
Cash and cash equivalents	13	16,876,878	12,261,523
		<u>26,637,361</u>	<u>20,940,745</u>
Total assets		<u>32,044,852</u>	<u>25,632,987</u>
Current liabilities			
Trading investments – short positions	11	(184,025)	(954,823)
Trade and other payables	14	(16,921,273)	(13,262,103)
		<u>(17,105,298)</u>	<u>(14,216,926)</u>
Net current assets		<u>9,532,063</u>	<u>6,723,819</u>
Non-current liabilities			
Deferred tax liabilities	15	(1,218,681)	–
Preference shares	16	–	(400,000)
		<u>(1,218,681)</u>	<u>(400,000)</u>
Total liabilities		<u>(18,323,979)</u>	<u>(14,616,926)</u>
Net assets		<u>13,720,873</u>	<u>11,016,061</u>
Equity			
Share capital	17	482,283	440,283
Share premium account		4,340,551	3,962,551
Revaluation reserves		2,843,589	2,325,452
Retained earnings		6,031,043	4,281,774
		<u>13,697,466</u>	<u>11,010,060</u>
Equity attributable to equity holders of the parent		<u>13,697,466</u>	<u>11,010,060</u>
Minority interests		<u>23,407</u>	<u>6,001</u>
Total equity		<u>13,720,873</u>	<u>11,016,061</u>

Consolidated cash flow statement

	<i>1 December 2005 to 31 May 2006 £</i>	<i>20 August 2004 to 30 November 2005 £</i>
Operating profit from continuing operations	16,280,357	10,828,452
Adjustments for:		
Depreciation of property, plant and equipment	46,834	50,620
Operating cash flows before movements in working capital	16,327,191	10,879,072
Increase in net trading investments	(2,513,252)	(22,540)
Decrease/(increase) in receivables	661,193	(7,701,859)
Increase in creditors	4,657,537	10,421,801
Distributions to minority interests	(6,975,130)	(4,913,270)
Cash generated by operations	12,157,539	8,663,204
Interest paid	(11,848)	(5,498)
Taxation paid	(2,883,221)	–
Net cash from operating activities	9,262,470	8,657,706
Investing activities		
Interest received	151,606	215,770
Purchase of fixed assets	(21,887)	(415,065)
Purchase of available-for-sale investments	–	(1,005,723)
Net cash used in investing activities	129,719	(1,205,018)
Financing activities		
Dividends paid	(4,822,834)	–
Issue of share capital and preference shares	20,000	4,802,834
Issue of capital by subsidiary to minority interests	26,000	6,001
Net cash from financing activities	(4,776,834)	4,808,835
Net increase in cash and cash equivalents	4,615,355	12,261,523
Cash and cash equivalents at beginning of period	12,261,523	–
Cash and cash equivalents at end of period	16,876,878	12,261,523

Notes to the financial information for the group

1. General information

Cenkos Securities plc is a company incorporated in England 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.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 21. The financial statements have also been prepared in accordance with IFRSs adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis as modified by the valuation of certain financial instruments. 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 the reporting date. 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.

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. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

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

Financial instruments

Trading investments

Trading investments comprising both long and short positions are stated at fair values, with the resultant profits and losses being taken to the profit and loss account. This is not in accordance with Schedule 4 of the Companies Act 1985 which requires that such assets be stated at the lower of cost and net realisable value, or that if revalued, any revaluation differences be taken to a revaluation reserve. The directors consider that this departure is necessary in order that the financial statements should give a true and fair view of the results of the company's trading activities, in accordance with section 226A(5) of the Companies Act 1985. The directors consider that it is not practical to quantify the effect of non-compliance with the Act in a way that would be useful to the users of these financial statements.

Trade receivables

Trade receivables are measured at initial recognition at fair value. Appropriate allowance for estimated irrecoverable amounts are 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 asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

2. Significant accounting policies (continued)

Trade payables

Trade payables are initially measured at fair value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments

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

Available for sale investments

Available for sale investments are measured at fair value in the balance sheet with value changes after adjusting for taxation being recognised in equity.

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 profit and loss account.

Investments

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

Operating leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

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 profit and loss account.

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.

2. Significant accounting policies (continued)

Taxation

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

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

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

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

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

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

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

Revenue recognition

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

Revenue comprises fees for corporate finance advisory services which are taken to the profit and loss account 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 accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. Business and geographical segments

The directors consider that there is only one activity undertaken by the group, that being investment banking. All of this activity is undertaken in the United Kingdom.

4. Directors and employees

	2006	2005
	£	£
Staff costs comprise:		
Wages and salaries	570,613	455,618
Social security costs	57,129	50,415
	<u>627,742</u>	<u>506,033</u>

The group does not operate any pension schemes.

The average number of employees (including directors) employed during the period was:

	2006	2005
	£	£
Corporate finance	11	7
Corporate broking	9	3
Administration	8	3
	<u>28</u>	<u>13</u>

	2006	2005
	£	£
The total emoluments of the directors of the company were:	<u>1,001,137</u>	<u>2,001,040</u>

The total emoluments of the highest paid director were:	<u>1,001,137</u>	<u>2,001,040</u>
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5. Profit before tax

	2006	2005
	£	£
Profit before tax is after charging:		
Operating lease rentals	73,432	146,863
Auditors' services – audit fees	35,000	32,000
– non-audit fees	13,000	19,700
Depreciation	<u>46,834</u>	<u>50,620</u>

6. Tax

The tax charge comprises:

	2006 £	2005 £
Current tax		
United Kingdom corporation tax at 30% based on the profit for the period	2,881,476	1,843,680

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

	2006 £	2005 £
Profit on ordinary activities before tax	16,420,115	11,038,724
Tax on profit on ordinary activities at standard rate	4,926,034	3,311,617
Depreciation in excess of capital allowances	1,664	(382)
Expenses not deductible for tax purposes	26,662	(43,998)
Overseas tax rates	(63,046)	6,043
Income not subject to corporation tax	(2,053,683)	(1,429,600)
Adjustment in respect of prior year	43,845	–
Total actual amount of current tax	2,881,476	1,843,680

7. Earnings per share

Earnings per ordinary share (basic and diluted) is calculated on net profit attributable to the ordinary equity holders of the parent entity for the period of £6,572,103 (2005 – £4,281,774) and 46,150,320 (2005 – 23,270,380) ordinary shares being the weighted average number of ordinary shares in issue during the period (2005 – period). The denominators for the purpose of calculating earnings per ordinary share have been adjusted to reflect the sub-division of each existing ordinary share of 10p each into ten ordinary shares of 1p each, conditional upon admission to AIM.

8. Dividends

Amounts recognised as distributions to equity holders in the period:

	2006 £	2005 £
Interim dividend for the period ended 31 May 2006 of £1.00 (2005: £nil) per share	4,822,834	–

9. Property, plant and equipment

	<i>Leasehold improvements</i>	<i>Fixtures and fittings</i>	<i>IT equipment</i>	<i>Total</i>
	£	£	£	£
2006				
Cost				
At 30 November 2005	212,224	24,733	178,108	415,065
Additions	1,049	9,476	11,362	21,887
At 31 May 2006	<u>213,273</u>	<u>34,209</u>	<u>189,470</u>	<u>436,952</u>
Accumulated depreciation				
At 30 November 2005	(14,491)	(4,253)	(31,876)	(50,620)
Charge for the period	(10,655)	(5,131)	(31,048)	(46,834)
At 31 May 2006	<u>(25,146)</u>	<u>(9,384)</u>	<u>(62,924)</u>	<u>(97,454)</u>
Net book value				
At 31 May 2006	<u>188,127</u>	<u>24,825</u>	<u>126,546</u>	<u>339,498</u>
At 30 November 2005	<u>197,733</u>	<u>20,480</u>	<u>146,232</u>	<u>364,445</u>
	<i>Leasehold improvements</i>	<i>Fixtures and fittings</i>	<i>IT equipment</i>	<i>Total</i>
	£	£	£	£
2005				
Cost				
At 20 August 2004	–	–	–	–
Additions	212,224	24,733	178,108	415,065
At 30 November 2005	<u>212,224</u>	<u>24,733</u>	<u>178,108</u>	<u>415,065</u>
Accumulated depreciation				
At 20 August 2004	–	–	–	–
Charge for the period	(14,491)	(4,253)	(31,876)	(50,620)
At 30 November 2005	<u>(14,491)</u>	<u>(4,253)</u>	<u>(31,876)</u>	<u>(50,620)</u>
Net book value				
At 30 November 2005	<u>197,733</u>	<u>20,480</u>	<u>146,232</u>	<u>364,445</u>
At 20 August 2004	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

10. Available for sale investments

	2006	2005
	£	£
Opening balance	4,327,797	–
Additions at cost	–	1,005,723
Revaluation to fair value	740,196	3,322,074
Closing balance	<u>5,067,993</u>	<u>4,327,797</u>

This investment is 17,939,800 ordinary shares in Plus Markets Group Plc, which represents 13.3% of the share capital of Plus Markets Group Plc.

11. Trading investments

Long positions

	2006	2005
	£	£
Held for trading – fair value	2,719,817	977,363

Short positions

	2006	2005
	£	£
Held for trading – fair value	184,025	954,823

The investments included above represent investments in equity securities that present the group with opportunity for return through trading gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices.

12. Trade and other receivables

	2006	2005
	£	£
Market and client debtors	6,654,867	7,250,390
Other debtors	121,205	189,249
Prepayments and accrued income	264,594	262,220
	<u>7,040,666</u>	<u>7,701,859</u>

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 13), 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, with exposure spread over a large number of counterparties and customers.

13. Cash and cash equivalents

	2006	2005
	£	£
Cash and cash equivalents	16,876,878	12,261,523

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The figures also include £1,515,018 (2005 – Nil) of fiduciary deposits from customers of Cenkos Channel Islands Limited.

14. Trade and other payables

	2006	2005
	£	£
Trade creditors	7,288,925	3,665,503
Corporation tax payable	1,841,935	2,840,302
Accruals and deferred income	2,292,632	3,318,854
Other creditors	5,497,781	3,437,444
	<u>16,921,273</u>	<u>13,262,103</u>

15. Deferred tax liabilities

Deferred tax arises in respect of unrealised gains on available-for-sale investments. The movement on deferred tax in the period is as follows:

	2006	2005
	£	£
Opening balance	–	–
Reclassification from current tax in respect of prior period	996,622	–
Current year charge to equity	222,059	–
Closing balance	<u>1,218,681</u>	<u>–</u>

16. Preference shares

	2006	2005
	£	£
Redeemable preference shares of £1 each – fully paid	<u>–</u>	<u>400,000</u>

The preference shares are not entitled to dividends, have no voting rights and are redeemable at the discretion of the board of directors. The preference shares were redeemed on 1 March 2006.

17. Share capital

	2006	2005
	£	£
Authorised:		
14,000,000 (2005 -10,000,000) ordinary shares of 10p each	1,400,000	1,000,000
400,000 (2005 – 400,000) redeemable preference shares of £1 each	<u>400,000</u>	<u>400,000</u>
	£	£
Allotted:		
4,822,834 (2005 – 4,377,834) ordinary shares of 10p each – fully paid	482,283	437,783
Nil (2005 – 25,000) ordinary shares of 10p each – unpaid	–	2,500
Nil (2005 – 400,000) redeemable preference shares of £1 each – fully paid	<u>–</u>	<u>400,000</u>
	482,283	840,283
Transfer of the preference shares to non-current liabilities	<u>–</u>	<u>(400,000)</u>
	<u>482,283</u>	<u>440,283</u>

20 August 2004 to 30 November 2005

On 20 August 2004 the company was incorporated with an authorised share capital of 1,000 ordinary shares of £1 each. On this date, A M Stewart (a director) was issued with an ordinary share of £1 and New Smith Capital Partners LLP were issued with an ordinary share of £1, giving a combined issued share capital of £2.

17. Share capital (continued)

On 8 March 2005, the authorised ordinary share capital of the company was increased to 10,000,000 ordinary shares of 10p each and 400,000 redeemable preference shares of £1 each. The initial two ordinary shares of £1 each were subdivided into ordinary shares of 10p each.

On 8 March 2005, 400,000 redeemable preference shares of £1 each were issued at par for cash. An additional 3,533,314 ordinary shares of 10p each were issued at a premium of 90p each for cash.

On 18 May 2005, 285,000 ordinary shares of 10p each were issued at a premium of 90p each for cash.

On 8 June 2005, a further 409,500 ordinary shares of 10p each were issued at a premium of 90p each for cash. 25,000 of these ordinary shares were called but unpaid at the year end.

On 10 August 2005, a further 125,000 ordinary shares of 10p each were issued at a premium of 90p each for cash.

On 25 October 2005, a further 50,000 ordinary shares of 10p each were issued at a premium of 90p each for cash. Each ordinary share entitles the holder to one vote. The ordinary shares do not have redemption rights and no right to dividends other than those proposed by the directors.

1 December 2005 to 31 May 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.

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

18. Operating lease commitments

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:

	2006	2005
	£	£
Within one year	139,863	139,863
In the second to fifth years inclusive	545,465	559,452
After five years	466,200	368,300
	<u>1,151,528</u>	<u>1,067,615</u>

19. Events after the balance sheet date

On 23 October 2006, the company expects to issue an AIM admission document in connection with its admission to AIM. On admission, expected to be on 31 October 2006, the company proposes to issue 1,779,359 new ordinary shares pursuant to the placing. The gross proceeds expected to be receivable on the issue of the shares are approximately £2,500,000 and the net proceeds after expenses of the issue are expected to be approximately £500,000.

On 5 June 2006, 2,000,000 authorised but unissued ordinary shares were redesignated as B shares of 10p each. Also on 5 June 2006, the authorised share capital of the company was increased by the creation of an additional 1,000,000 B shares of 10p each. These shares are entitled to dividends and voting rights.

On issue, these shares are required to be paid up as to nominal value, but not as to any premium, which is only payable on the occurrence of certain specified events, at which time the shares convert into ordinary shares.

On 5 June 2006, the authorised share capital of the company was increased by the creation of 4,000,000 ordinary shares of 10p each.

19. Events after the balance sheet date (continued)

The following shares have been issued:

<i>Shares</i>	<i>Date of issue</i>	<i>Number of shares</i>	<i>Price per share at allotment</i> £	<i>Premium per share</i> £
B shares of 10p each	19 July 2006	715,000	8.75	8.65
B shares of 10p each	17 August 2006	935,555	10.63	10.53
B shares of 10p each	22 August 2006	75,000	10.63	10.53
B shares of 10p each	20 September 2006	142,875	14.17	14.07
B shares of 10p each	19 October 2006	213,000	14.05	13.95
Ordinary shares of 10p each	20 June 2006	108,833	-	2.40
Ordinary shares of 10p each	13 September 2006	10,000	-	0.90

20. Related party transactions

Remuneration of key management personnel

The remuneration of the directors and key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	<i>2006</i> £	<i>2005</i> £
Short-term employee benefits	<u>7,967,673</u>	<u>6,914,310</u>

21. Explanation of transition to IFRSs

This is the first period for which the group has presented its financial statements under IFRS. The following disclosures are required in the period of transition. The last financial statements under UK GAAP were for the period from the date of incorporation on 20 August 2004 to 30 November 2005 and the date of transition to IFRSs was therefore 20 August 2004.

Reconciliation of equity at 20 August 2004

The company was incorporated on 20 August 2004. At that date, there were no differences between its balance sheet under UK GAAP and IFRS.

Reconciliation of equity at 30 November 2005 (date of last UK GAAP financial statements)

	<i>Note</i>	<i>UK GAAP</i> £	<i>Effect of transition to IFRSs</i> £	<i>IFRSs</i> £
Non-current assets				
Property, plant and equipment		364,445	–	364,445
Available for sale investments	1	–	4,327,797	4,327,797
		<u>364,445</u>	<u>4,327,797</u>	<u>4,692,242</u>
Current assets				
Trading investments – long positions	1	5,305,160	(4,327,797)	977,363
Trade and other receivables		7,701,859	–	7,701,859
Cash and cash equivalents		12,261,523	–	12,261,523
		<u>25,268,542</u>	<u>(4,327,797)</u>	<u>20,940,745</u>
Total assets		<u>25,632,987</u>	<u>–</u>	<u>25,632,987</u>
Current liabilities				
Trading investments – short positions		(954,823)	–	(954,823)
Trade and other payables		(13,262,103)	–	(13,262,103)
		<u>(14,216,926)</u>	<u>–</u>	<u>(14,216,926)</u>
Net current assets		<u>11,051,616</u>	<u>(4,327,797)</u>	<u>6,723,819</u>
Non-current liabilities				
Preference shares	2	–	(400,000)	(400,000)
Total liabilities		<u>(14,216,926)</u>	<u>(400,000)</u>	<u>(14,616,926)</u>
Net assets		<u>11,416,061</u>	<u>(400,000)</u>	<u>11,016,061</u>
Capital and reserves				
Share capital	2	840,283	(400,000)	440,283
Share premium account		3,962,551	–	3,962,551
Revaluation reserves		–	2,325,452	2,325,452
Retained earnings		6,607,226	(2,325,452)	4,281,774
Equity attributable to equity holders of the parent		<u>11,410,060</u>	<u>(400,000)</u>	<u>11,010,060</u>
Minority interests		<u>6,001</u>	<u>–</u>	<u>6,001</u>
Total equity		<u>11,416,061</u>	<u>(400,000)</u>	<u>11,016,061</u>

21. Explanation of transition to IFRSs (continued)

Reconciliation of profit or loss for the period to 30 November 2005 (date of last UK GAAP financial statements)

	<i>Note</i>	<i>UK GAAP</i> £	<i>Effect of</i> <i>transition</i> <i>to IFRSs</i> £	<i>IFRSs</i> £
Continuing Operations				
Revenue	1	18,893,801	(3,322,074)	15,571,727
Administrative expenses		(4,743,275)	–	(4,743,275)
Operating profit		<u>14,150,526</u>	<u>(3,322,074)</u>	<u>10,828,452</u>
Investment revenues – Interest receivable		215,770	–	215,770
Finance costs – Interest payable		(5,498)	–	(5,498)
Profit before tax		<u>14,360,798</u>	<u>(3,322,074)</u>	<u>11,038,724</u>
Tax	1	(2,840,302)	996,622	(1,843,680)
Profit for the period		<u>11,520,496</u>	<u>(2,325,452)</u>	<u>9,195,044</u>
Attributable to:				
Equity holders of the parent		6,607,226	(2,325,452)	4,281,774
Minority interests		4,913,270	–	4,913,270
		<u>11,520,496</u>	<u>(2,325,452)</u>	<u>9,195,044</u>

Notes

1. Reclassification of investment in Plus Markets Group Plc as an available-for-sale investment.
2. Reclassification of preference shares from equity to non-current liabilities.

Reconciliation of consolidated cash flow statement for the period from 20 August 2004 to 30 November 2005

There were no differences between the consolidated cashflow statement under UK GAAP and IFRS.

PART VI

UNAUDITED PRO FORMA STATEMENTS OF PROFITS

The unaudited pro forma statements of profits of Cenkos set out below have been prepared to illustrate the effect on the profits of the Group if all individual members and employees of the LLP had been employed by the Company during the six month period to 31 May 2006 and during the period from 20 August 2004 to 30 November 2005. These unaudited pro forma statements have been prepared for illustrative purposes only and may not, because of its nature, give a true picture of the financial results of the Group.

The unaudited consolidated pro forma statements of profits are compiled on the basis set out below from the income statements of the Group for the six month period to 31 May 2006 and for the period from 20 August 2004 to 30 November 2005, set out in the historical financial information contained in Part V of this document.

	<i>Operating profit of the Group for the six month period to 31 May 2006 (see note 1)</i>	<i>Increase in administrative expenses as a result of additional employees (see note 2)</i>	<i>Pro forma operating profit of the Group for the six month period to 31 May 2006</i>
Continuing Operations			
Revenue	19,471,517		19,471,517
Administrative expenses	(3,191,160)	(6,975,130)	(10,166,290)
Operating profit	<u>16,280,357</u>	<u>(6,975,130)</u>	<u>9,305,227</u>
Investment Revenues – Interest receivable	151,606	–	151,606
Finance costs – Interest payable	(11,848)	–	(11,848)
Profit before tax	<u>16,420,115</u>	<u>(6,975,130)</u>	<u>9,444,985</u>
Tax	(2,881,476)		(2,881,476)
Profit for the period	<u>13,538,639</u>	<u>(6,975,130)</u>	<u>6,563,509</u>
Attributable to:			
Equity holders of the parent	6,572,103	–	6,572,103
Minority interests	6,966,536	(6,975,130)	(8,594)
	<u>13,538,639</u>	<u>(6,975,130)</u>	<u>6,563,509</u>
Earnings per share – Basic/diluted	14.2p		14.2p

	<i>Operating profit of the Group for the period from 20 August 2004 to 30 November 2005 (see note 1)</i>	<i>Increase in administrative expenses as a result of additional employees (see note 2)</i>	<i>Pro forma operating profit of the Group for the period from 20 August 2004 to 30 November 2005</i>
Continuing Operations			
Revenue	15,571,727	–	15,571,727
Administrative expenses	(4,743,275)	(4,913,270)	(9,656,545)
Operating profit	<u>10,828,452</u>	<u>(4,913,270)</u>	<u>5,915,182</u>
Investment Revenues – Interest receivable	215,770	–	215,770
Finance costs – Interest payable	(5,498)	–	(5,498)
Profit before tax	<u>11,038,724</u>	<u>(4,913,270)</u>	<u>6,125,454</u>
Tax	(1,843,680)	–	(1,843,680)
Profit for the period	<u>9,195,044</u>	<u>(4,913,270)</u>	<u>4,281,774</u>
Attributable to:			
Equity holders of the parent	4,281,774	–	4,281,774
Minority interests	4,913,270	(4,913,270)	–
	<u>9,195,044</u>	<u>(4,913,270)</u>	<u>4,281,774</u>
Earnings per share – Basic/diluted	18.4p		18.4p

Notes:

- 1 The consolidated income statements of the Group have been extracted, without material adjustment, from the audited consolidated income statements of the Company for the six month period to 31 May 2006 and the period from 20 August 2004 to 30 November 2005 included in the historical financial information in Part V of this document.
- 2 This adjustment represents the estimated increase in operating expenses and decrease in minority interests of £6,975,130 (31 May 2006) and £4,913,270 (30 November 2005). No adjustments have been made for the employers' National Insurance contributions that would have been incurred had the LLP members been employees of the Company.
- 3 No other adjustments have been made to reflect the effect of trading or any other transactions since 31 May 2006 of the Group.
- 4 Peter Issard will, following Admission, continue to be a member of the LLP, which will employ the other members of the institutional sales team (currently three professionals and one support staff).

PART VII

ADDITIONAL INFORMATION

1. Incorporation and status of the Company

- 1.1 The Company was incorporated and registered in England and Wales under the Act on 20 August 2004 with registered number 5210733 as a private company limited by shares with the name De Facto 1149 Limited. On 10 February 2005 the Company changed its name to Cenkos Securities Limited. On 20 October 2006 the Company re-registered as a public limited company with the name Cenkos Securities plc.
- 1.2 The principal legislation under which the Company operates and under which the Existing Ordinary Shares and the Existing B Shares have been issued is the Act and the regulations made thereunder.
- 1.3 The registered office of the Company is at 6.7.8 Tokenhouse Yard, London EC2R 7AS, telephone number +44 (0) 207 397 8900.
- 1.4 The liability of the members of the Company is limited.

2. Share capital of the Company

- 2.1 The Company's authorised and issued share capital, at the date of this document and as it is expected to be immediately following Admission (assuming the maximum number of New Ordinary Shares are issued by the Company as part of the Placing) is as follows:

At the date of this document

	<i>No. of Ordinary Shares⁽¹⁾</i>	<i>Nominal value of Ordinary Shares</i>	<i>No. of B Shares⁽¹⁾</i>	<i>Nominal value of B Shares</i>
Authorised	110,000,000	£1,100,000	30,000,000	£300,000
Issued and fully paid ⁽²⁾	50,000,000	£500,000	20,814,300	£208,143

Following Admission

	<i>No. of Ordinary Shares⁽¹⁾</i>	<i>Nominal value of Ordinary Shares</i>	<i>No. of B Shares⁽¹⁾</i>	<i>Nominal value of B Shares</i>
Authorised	179,185,700	£1,791,857	20,814,300	£208,143
Issued and fully paid ⁽²⁾	51,779,370	£517,793.70	20,814,300	£208,143

(1) Conditional upon Admission, each Existing Ordinary Share will be sub-divided into 10 Ordinary Shares and each Existing B Share will be sub-divided into 10 B Shares. For illustrative purposes, this table assumes such sub-division has already been effected.

(2) At Admission, each issued B Share will only have been paid up as to its nominal value of 1 penny. The balance will become payable in certain limited circumstances (see paragraph 2.12 below).

- 2.2 At 31 May 2006 the authorised share capital of the Company was £1,400,000 divided into 10,000,000 Existing Ordinary Shares with a nominal value of £0.10 each and 400,000 Preference Shares with a nominal value of £1.00 each.

2.3 Changes in the amount of the issued share capital of the Company since incorporation are as follows:

<i>Date of Issue</i>	<i>Number of shares issued</i>	<i>Class of Share</i>	<i>Price per Share</i>
8 March 2005	400,000	Preference ⁽¹⁾	£1.00
8 March 2005	3,533,314	Existing Ordinary	£1.00
18 May 2005	285,000	Existing Ordinary	£1.00
8 June 2005	409,500	Existing Ordinary	£1.00
10 August 2005	125,000	Existing Ordinary	£1.00
25 October 2005	50,000	Existing Ordinary	£1.00
9 February 2006	20,000	Existing Ordinary	£1.00
1 March 2006	400,000	Existing Ordinary	£1.00
20 June 2006	108,833	Existing Ordinary	£2.50
13 September 2006	10,000	Existing Ordinary	£1.00
19 July 2006	715,000	Existing B	£0.10 ⁽²⁾
17 August 2006	935,555	Existing B	£0.10 ⁽³⁾
22 August 2006	75,000	Existing B	£0.10 ⁽⁴⁾
20 September 2006	142,875	Existing B	£0.10 ⁽⁵⁾
19 October 2006	213,000	Existing B	£0.10 ⁽⁶⁾

- (1) The redeemable preference shares of £1.00 each in the capital of the Company were redeemed in accordance with the articles of association of the Company on 1 March 2006.
- (2) The average Required Premium payable (but not yet paid) of these Existing B Shares is £8.65 per Existing B Share (or, following the sub-division of the Existing B Shares into B Shares, £0.87 per B Share).
- (3) The average Required Premium payable (but not yet paid) of these Existing B Shares is £10.53 per Existing B Share (or, following the sub-division of the Existing B Shares into B Shares, £1.05 per B Share).
- (4) The average Required Premium payable (but not yet paid) of these Existing B Shares is £10.53 per Existing B Share (or, following the sub-division of the Existing B Shares into B Shares, £1.05 per B Share).
- (5) The average Required Premium payable (but not yet paid) of these Existing B Shares is £14.07 per Existing B Share (or, following the sub-division of the Existing B Shares into B Shares, £1.41 per B Share).
- (6) The average Required Premium payable (but not yet paid) of these Existing B Shares is £13.95 per Existing B Share (or, following the sub-division of the Existing B Shares into B Shares, £1.40 per B Share).

On incorporation, the authorised share capital of the Company was £1,000, divided into 1,000 ordinary shares of £1.00 each. Changes to the authorised share capital of the Company since incorporation are as follows:

- 2.3.1 On 8 March 2005, by way of a written resolution, each such ordinary share was sub-divided into 10 Existing Ordinary Shares and the authorised share capital of the Company was increased by £1,399,000 to £1,400,000 pursuant to the creation of an additional 9,990,000 Existing Ordinary Shares and 400,000 Preference Shares.
- 2.3.2 On 1 March 2006, the 400,000 Preference Shares then in issue were redeemed in accordance with the articles of association of the Company.
- 2.3.3 On 5 June 2006, by way of a written resolution, 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 Existing Ordinary Shares.
- 2.3.4 On 5 June 2006, by way of a written resolution, 2,000,000 authorised but unissued Existing Ordinary Shares were redesignated as B Shares.
- 2.3.5 On 5 June 2006, by way of a written resolution, 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.
- 2.3.6 On 19 October 2006, by way of written resolution, 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.

- 2.4 By a written resolution passed on 19 October 2006 it was resolved, conditional upon Admission:
- 2.4.1 to sub-divide each Existing Ordinary Share into 10 Ordinary Shares and each Existing B Share into 10 B shares;
 - 2.4.2 to cancel the authorised but unissued Existing B Shares;
 - 2.4.3 to increase the authorised share capital of the Company from £1,308,143 to £2,000,000 by the creation of 69,185,700 Ordinary Shares;
 - 2.4.4 to adopt the Articles in substitution for all existing regulations;
 - 2.4.5 to authorise the Directors generally and unconditionally to exercise all the powers of the Company to allot relevant securities (within the meaning of sub-section 80(1) of the Act) up to (i) an aggregate nominal amount equal to £25,876.89 pursuant to the Placing and the grant of options over up to 274,521 Ordinary Shares conditional on Admission and (ii) an aggregate nominal amount equal to £239,751.56 (provided that, to the extent that such nominal amount represents more than one-third of the nominal value of the issued share capital (including the B Shares then in issue) immediately following Admission, the Directors undertake not to exercise such power), in each case to such persons and at such times and on such terms as they think proper, such authority to expire, unless sooner revoked or varied by the Company in general meeting, at the conclusion of the next annual general meeting of the Company, but so as to enable the Company before such date to make offers or agreements which would or might require relevant securities to be allotted after such date and to enable the Directors to allot relevant securities in pursuance of such offers or agreements as if the authority conferred thereby had not expired, such authority to be in substitution (with effect from Admission) for all existing authorities granted to the Directors in respect of the allotment of relevant securities, without prejudice to any allotments made pursuant to the terms of such authorities;
 - 2.4.6 to empower the Directors until the conclusion of the next annual general meeting of the Company to allot equity securities (as defined in sub-section 94(2) of the Act) for cash pursuant to the authority referred to in paragraph 2.4.5 above as if sub-section 89(1) of the Act did not apply to any such allotment, such power being limited to:
 - 2.4.6.1 the allotment of up to 2,313,168 Ordinary Shares pursuant to the Placing and the grant of options over up to 274,521 Ordinary Shares on Admission;
 - 2.4.6.2 the allotment of equity securities in connection with an issue or offer by way of rights in favour of holders of equity securities and any other person 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 numbers 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 deem fit to deal with fractional entitlements or problems arising under the laws of any overseas territory or the requirements of any regulatory authority or any stock exchange; and
 - 2.4.6.3 the allotment (other than pursuant to the power referred to in paragraphs 2.4.6.1 and 2.4.6.2 above) of equity securities up to an aggregate nominal amount of £36,325.99 (provided that to the extent that such nominal amount represents more than 5 per cent. of the nominal value of the issued share capital (including the B Shares then in issue) immediately following Admission, the Directors undertake not to exercise such power),

save that the Company may, before expiry of that authority, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offers or agreements as if such authority had not expired; and

2.4.7 to authorise the Company generally and unconditionally for the purpose of section 166 of the Act to make market purchases (as defined in section 163 of the Act) of Ordinary Shares provided that:

2.4.7.1 the maximum number of Ordinary Shares authorised to be purchased under the authority is 5,231,316 (provided that, to the extent that such number of Ordinary Shares represents more than ten per cent. of the Ordinary Shares in issue immediately following Admission, the Directors undertake not to exercise such power);

2.4.7.2 the minimum price (exclusive of expenses) which may be paid for such Ordinary Shares is £0.01 per share, being the nominal amount thereof;

2.4.7.3 the maximum price (exclusive of expenses) which may be paid for such Ordinary Shares shall be, for so long as the Ordinary Shares are dealt in on AIM, 5 per cent. above the average price at which deals are done in the Ordinary Shares taken from the AIM appendix to The London Stock Exchange Daily Official List for the five business days before the purchase is made and, if at any time the Ordinary Shares become listed on the Official List and traded on the London Stock Exchange's market for listed securities, 5 per cent. above the average of the middle market quotations for such Ordinary Shares taken from The London Stock Exchange Daily Official List for the five business days before the purchase is made;

2.4.7.4 the authority will (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 the resolution was passed; and

2.4.7.5 the Company may make a contract to purchase its own Ordinary Shares under the authority conferred by the resolution prior to the expiry of the authority, and such contract will or may be executed wholly or partly after the expiry of the authority, and the Company may make a purchase of its own Ordinary Shares in pursuance of any such contract.

2.5 Share capital reconciliation:

	<i>At 1 December 2004</i>	<i>At 31 May 2006</i>
Issued Existing Ordinary Shares	£2.00 ⁽¹⁾	£482,283.40
Issued Preference Shares ⁽²⁾	–	–

(1) These shares were ordinary shares of £1.00 each in the capital of the Company. Each such share was divided into 10 Existing Ordinary Shares on 8 March 2005.

(2) On 8 March 2005, 400,000 Preference Shares were allotted at par for cash. On 1 March 2006, all of the Preference Shares were redeemed in accordance with the articles of association of the Company.

2.6 Save in respect of the B Share Scheme (details of which are set out in Part I of this document) and as disclosed in this Part VII, no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries since incorporation of the Company.

2.7 Application has been made for the Ordinary Shares to be admitted to trading on AIM. The Ordinary Shares are not listed or traded on and no application has been or is being made for the admission of the Ordinary Shares to listing or trading on any other stock exchange or securities market. The International Security Identification Number of the Ordinary Shares will be GB000B1FLHR07. The Stock Exchange Daily Official List number of the Ordinary Shares will be B1FLHR0. No application has been or is being made for the admission of the B Shares to listing or trading on any stock exchange or securities market although the Ordinary Shares arising on their conversion following payment of the Required Premium will be admitted to trading on AIM.

2.8 With effect from Admission, all of the Ordinary Shares will be in registered form and, subject to the Ordinary Shares being admitted to and accordingly enabled for settlement in CREST, the Ordinary

Shares will be capable of being held in uncertificated form. No temporary documents of title will be issued.

- 2.9 Save in connection with the Placing or to fulfil options to be granted under the Share Schemes and the option arrangements described in paragraphs 4 and 6 below, there is no present intention to issue any share or loan capital in the Company following Admission.
- 2.10 Save as set out in this document, no shares in the capital of the Company are under option or have been agreed, conditionally or unconditionally, to be put under option.
- 2.11 Each B Share is, upon payment of the Required Premium, convertible into an Ordinary Share. Further details of the rights attaching to the B Shares and the circumstances in which such payment must be made are set out below in paragraph 2.12 below.
- 2.12 The Existing B Shares were issued under the B Share Scheme, a partly-paid share scheme established for certain prospective employees. Under the scheme, prospective employees were offered the opportunity to subscribe for a set entitlement of Existing B Shares and were required initially only to pay up the nominal value on each Existing B Share. Each participant is then obliged to pay a further amount (the “**Required Premium**”) (which was specified at the time of allotment of the relevant Existing B Shares) to the Company only upon occurrence of one of the following events, namely:
 - 2.12.1 a scheme of arrangement pursuant to which the Company falls under the control of a third party;
 - 2.12.2 any person becoming entitled or bound to acquire shares of any class in the Company under sections 428 to 430F of the Act; and
 - 2.12.3 1 July 2011 (provided that the Company has not entered into an insolvency procedure by that time),

each a “**B Share Event**”.

Upon Admission, each Existing B Share will be subdivided into 10 B Shares and the Required Premium on each share will be adjusted accordingly.

Upon payment of the Required Premium, the B Shares convert automatically into Ordinary Shares and must be admitted to trading on AIM (or to listing on the Official List and to trading on the Main Market if, at the relevant time, the Ordinary Shares then in issue are so listed and traded). The average amounts of the Required Premium payable on the Existing B Shares (and the B Shares, following Admission) are set out in paragraph 2.3 above.

The Board may (but shall not be obliged to) accept from any holder of a B Share the whole or any part of the amount remaining unpaid on any B Share, notwithstanding that no B Share Event has occurred. In addition, a holder of B Shares may pay up the Required Premium at any time when there is a takeover offer for the Company which remains capable of acceptance.

The B Shares rank *pari passu* with the Ordinary Shares (as regards voting) and are entitled to the same dividend as is paid on the Ordinary Shares (as if the B Shares had been fully paid up as to their Required Premium). The B Shares rank behind the Ordinary Shares on a return of capital on liquidation or otherwise (except on a redemption or purchase by the Company of any Shares) as set out in paragraph 3.2.4 below.

Under the terms of the B Share Scheme, a participant agrees that the legal title to his B Shares will be held by a nominee (a wholly-owned subsidiary of the Company) on his behalf, such nominee arrangements coming to an end upon the B Shares being converted into Ordinary Shares. Participants agree that, without the prior consent of the Board, they will not effect any transfer of any B Share at any time, unless required to do so under the terms of the B Share Scheme. In addition, participants agree that they will not create any security interest over their B Shares.

Notwithstanding the restrictions on transfer referred to above, a participant under the B Share Scheme is entitled to:

2.12.4 give an irrevocable undertaking to an offeror for the Company to the effect that he will pay the Required Premium on his B Shares and then assent the resultant Ordinary Shares (into which the B Shares are automatically converted) to the takeover offer for the Company; and

2.12.5 accept a takeover offer for the Company by giving a commitment to pay up his B Shares and assent the resultant Ordinary Shares to such offer,

and to instruct the nominee holding the B Shares on his behalf to do all such things.

In addition, the nominee has agreed to vote the B Shares in accordance with the written instructions of the participants and has undertaken to provide copies of all notices of general and class meetings to the participants. In the absence of any such instruction, the nominee has agreed not to vote the relevant B Shares.

The Company does not intend to issue any further B Shares following Admission.

A list of the beneficial owners of the B Shares is available on request from the Company during normal business hours.

3. Memorandum and articles of association

3.1 The principal objects of the Company are to carry on the business of a general commercial company. The objects of the Company are set out in full in clause 3 of its memorandum of association.

3.2 The Articles, which are to be adopted on Admission, will contain provisions, *inter alia*, to the following effect:

3.2.1 Voting rights

Subject to any special terms as to voting upon which any shares may be issued, or may for the time being be held and any restriction on voting referred to below, every shareholder present in person at a general meeting of the Company shall have one vote on a show of hands and, on a poll, every shareholder present in person or by proxy shall have one vote for every Ordinary Share and every B Share of which he is the holder.

The duly authorised representative of a corporate shareholder may exercise the same powers on behalf of that corporation as it could exercise if it were an individual shareholder.

A shareholder is not entitled to vote unless all calls due from him have been paid.

A shareholder is also not entitled to attend or vote at meetings of the Company in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 212 of the Companies Act and, having failed to comply with such notice within the period specified in such notice (being not less than 28 days from the date of service of such notice), is served with a disenfranchisement notice. Such disenfranchisement will apply only for so long as the notice from the Company has not been complied with or until the Company has withdrawn the disenfranchisement notice, whichever is the earlier.

Votes are likely to be carried out on a poll, given that the participants under the B Share Scheme will, practically, only be able to vote their B Shares on a poll.

3.2.2 General meetings

The Company must hold an annual general meeting each year in addition to any other general meetings held in the year. The Directors can call an extraordinary general meeting at any time.

At least 21 clear days' written notice must be given for every annual general meeting and for any other meeting to pass a special resolution. For all other general meetings, not less than 14 clear days' written notice must be given. The notice for any general meeting must state:

3.2.2.1 whether the meeting is an annual general meeting or extraordinary general meeting;

3.2.2.2 the date, time and place of the meeting;

3.2.2.3 the general nature of the business of the meeting; and

3.2.2.4 any intention to propose a resolution as a special or extraordinary resolution.

All members who are entitled to receive notice under the Articles must be given notice.

In addition, the nominee holding the B Shares on behalf of participants in the B Share Scheme has agreed to give any such notice to such participants.

Before a general meeting starts, there must be a quorum, being two members present in person or by proxy.

Each Director can attend and speak at any general meeting.

3.2.3 *Dividends*

Subject to the Companies Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board.

Subject to the Companies Act, the Board may from time to time pay to the shareholders of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company, on such dates and in respect of such periods as it thinks fit.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid, provided that for this purpose, if a B Share is paid up as to its nominal value, prior to any call made or deemed to be made in connection with the Required Premium on such B Share, such B Shares shall be treated as fully paid. Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company.

The Board may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares and B Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

The Board may withhold dividends payable on shares representing not less than 0.25 per cent. by number of the issued shares of any class after there has been a failure to comply with any notice under section 212 of the Companies Act requiring the disclosure of information relating to interests in the shares concerned as referred to in paragraph 3.2.1 above.

3.2.4 *Return of capital*

On a return of capital on liquidation or otherwise (except on a redemption or purchase by the Company of any shares), the surplus of the Company remaining after payment of its liabilities shall be applied as follows:

3.2.4.1 first in paying to the holders of Ordinary Shares the subscription price for the relevant Ordinary Shares;

3.2.4.2 second, in paying to the holders of B Shares the nominal value of the B Shares; and

3.2.4.3 third, in distributing the balance of such assets (if any) amongst the holders of Ordinary Shares according to the number of Ordinary Shares held by such holder.

On a voluntary winding-up of the Company the liquidator may, with the sanction of an extraordinary resolution of the Company and subject to the Companies Act and the Insolvency Act 1986 (as amended), divide amongst the shareholders of the Company *in specie* the whole or any part of the assets of the Company, or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall determine.

3.2.5 *Transfer of shares*

The Ordinary Shares are in registered form.

The Articles provide for shares to be held in CREST accounts, or through another system for holding shares in uncertificated form, such shares being referred to as “Participating Securities”. Subject to such of the restrictions in the Articles as shall be applicable, any member may transfer all or any of his shares. In the case of shares represented by a certificate (“Certificated Shares”) the transfer shall be made by an instrument of transfer in the usual form or in any other form which the Board may approve. A transfer of a Participating Security need not be in writing, but shall comply with such rules as the Board may make in relation to the transfer of such shares, a CREST transfer being acceptable under the current rules.

The instrument of transfer of a Certificated Share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members.

The Board may, in its absolute discretion and without assigning any reason therefor, refuse to register any instrument of transfer of shares, all or any of which are not fully paid (including, for these purposes, any B Share on which the Required Premium is not, at the relevant time, payable). The B Shares are, therefore, prior to the occurrence of a B Share Event (as defined in paragraph 3.2.15.2 below), transferable only with the consent of the Board, provided that:

3.2.5.1 a holder of B Shares is entitled to give an irrevocable undertaking to an offeror for the Company to the effect that he will pay the Required Premium and then assent the resultant Ordinary Shares (into which the B Shares are automatically converted) to a takeover offer for the Company;

3.2.5.2 a holder of B Shares will be entitled to accept a takeover offer for the Company by giving a commitment to pay up his B Shares and assent the resultant Ordinary Shares to such offer; and

3.2.5.3 a holder of B Shares will be entitled to transfer his B Shares to an offeror under a scheme of arrangement whereby the offeror acquires a controlling interest in the Company subject to the B Shares being paid up prior to transfer.

The Board may also refuse to register a transfer unless:

3.2.5.4 in the case of a Certificated Share, the duly stamped instrument of transfer is lodged at the registered office of the Company or at some other place as the Board may appoint accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;

3.2.5.5 in the case of a Certificated Share, the instrument of transfer is in respect of only one class of share; and

3.2.5.6 in the case of a transfer to joint holders of a Certificated Share, the transfer is in favour of not more than four such transferees.

In the case of Participating Securities, the Board may refuse to register a transfer if the Uncertificated Securities Regulations 2001 (as amended) allow it to do so, and must do so where such regulations so require.

The Board may also decline to register a transfer of shares if they represent not less than 0.25 per cent. by number of their class and there has been a failure to comply with a notice requiring disclosure of interests in the shares (as referred to in paragraph 3.2.8 below) unless the shareholder has not, and proves that no other person has, failed to supply the required information. Such refusal may continue until the failure has been remedied, but the Board shall not decline to register:

3.2.5.7 a transfer in connection with a *bona fide* sale of the beneficial interest in any shares to any person who is unconnected with the shareholder and with any other person appearing to be interested in the shares;

3.2.5.8 a transfer pursuant to the acceptance of an offer made to all the Company's shareholders or all the shareholders of a particular class to acquire all or a proportion of the shares or the shares of a particular class; or

3.2.5.9 a transfer in consequence of a sale made through a recognised investment exchange or any stock exchange outside the United Kingdom on which the Company's shares are normally traded.

3.2.6 *Variation of rights*

Subject to the Companies Act, all or any of the rights attached to any class of share may (unless otherwise provided by the terms of issue of shares of that class) be varied (whether or not the Company is being wound up) either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders. The quorum at any such general meeting is two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class and at an adjourned meeting the quorum is one holder present in person or by proxy, whatever the amount of his shareholding. Any holder of shares of the class in question present in person or by proxy may demand a poll. Every holder of shares of the class shall be entitled, on a poll, to one vote for every share of the class held by him. Except as mentioned above, such rights shall not be varied.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking *pari passu* therewith or subsequent thereto.

3.2.7 *Share capital and changes in capital*

Subject to and in accordance with the provisions of the Companies Act, the Company may issue redeemable shares. Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or such restrictions as the Company shall from time to time determine by ordinary resolution.

Subject to the provisions of the Articles and the Companies Act, the power of the Company to offer, allot and issue any unissued shares and any shares lawfully held by the Company or on its behalf (such as shares held in treasury) shall be exercised by the Board at such time and for such consideration and upon such terms and conditions as the Board shall determine.

The Company may by ordinary resolution increase its share capital, consolidate and divide its share capital into shares of a larger amount and (subject to the provisions of the Companies

Act) sub-divide its shares or any of them into shares of a smaller amount than is fixed by its memorandum of association (and so that the resolution may determine that, as between the holders of shares resulting from the sub-division, any of the shares may have any preference or advantage or be subject to any restriction as compared with the others), cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled.

Subject to the Companies Act, the Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any way.

Subject to the Companies Act, the Company may purchase all or any of its own shares of any class (including any redeemable shares).

3.2.8 *Disclosure of interests in shares*

Section 212 of the Companies Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests. When a shareholder receives a statutory notice of this nature, he or she has 28 days (or 14 days where the shares represent at least 0.25 per cent. of their class) to comply with it, failing which the Company may decide to restrict the rights relating to the relevant shares and send out a further notice to the holder (known as a “disenfranchisement notice”). The disenfranchisement notice will state that the identified shares no longer give the shareholder any right to attend or vote at a shareholders’ meeting or to exercise any other right in relation to shareholders’ meetings.

Once the disenfranchisement notice has been given, if the Directors are satisfied that all the information required by any statutory notice has been supplied, the Company shall, within not more than seven days, withdraw the disenfranchisement notice.

The Articles do not restrict in any way the provisions of section 212 of the Companies Act.

3.2.9 *Non-UK shareholders*

Shareholders with addresses outside the United Kingdom are not entitled to receive notices from the Company unless they have given the Company an address within the United Kingdom at which such notices shall be served.

3.2.10 *Untraced shareholders*

Subject to various notice requirements, the Company may sell any of a shareholder’s shares in the Company if, during a period of 12 years, at least three dividends on such shares have become payable and no dividend has been claimed during that period in respect of such shares and the Company has received no communication from such shareholder.

3.2.11 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property and assets (present and future) and uncalled capital and, subject to any relevant statutes, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or any third party Provided that the Board shall restrict the borrowings of the Company, and exercise all powers of control exercisable by the Company in relation to its subsidiaries, so as to secure (in relation to its subsidiaries so far as the Board is able) that the aggregate amount for the time being of all borrowings by the Group (excluding any money owed between members of the Group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to three times the adjusted capital and reserves of the Company.

These borrowing powers may be varied by an alteration to the Articles which would require a special resolution of the shareholders.

3.2.12 *Directors*

Save as mentioned below, a Director shall not vote in respect of any matter in which he has, directly or indirectly, any material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) or a duty which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A Director shall (in the absence of material interests other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

- 3.2.12.1 the giving of any guarantee, security or indemnity to him or any other person in respect of money lent to, or an obligation incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiaries;
- 3.2.12.2 the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which he himself has assumed any responsibility in whole or in part alone or jointly under a guarantee or indemnity or by the giving of security;
- 3.2.12.3 any proposal concerning his being a participant in the underwriting or sub-underwriting of an offer of shares, debentures or other securities by the Company or any of its subsidiaries;
- 3.2.12.4 any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise, provided that he is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company (or of any corporate third party through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);
- 3.2.12.5 any arrangement for the benefit of employees of the Company or any of its subsidiaries which does not accord to any Director any privilege or advantage not generally accorded to the employees to which such arrangement relates; and
- 3.2.12.6 any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for the benefit of any of the Directors or for persons who include Directors, provided that for that purpose "insurance" means only insurance against liability incurred by a Director in respect of any act or omission by him in the execution of the duties of his office or otherwise in relation thereto or any other insurance which the Company is empowered to purchase and/or maintain for, or for the benefit of any groups of persons consisting of or including, Directors.

The Directors shall be paid such remuneration by way of fees for their services as may be determined by the Board, save that, unless otherwise approved by ordinary resolution of the Company in general meeting, the aggregate amount of such fees of all Directors shall not exceed £500,000 per annum. The Directors shall also be entitled to be repaid by the Company all hotel expenses and other expenses of travelling to and from board meetings, committee meetings, general meetings or otherwise incurred while engaged in the business of the Company. Any Director who by request of the Board performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.

The Company may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to or for the benefit of past directors who held executive office or

employment with the Company or any of its subsidiaries or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependants of any such Directors.

The Directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office, except to the extent that such an indemnity is not permitted by sections 309A or 309B of the Companies Act. Subject to sections 337(4) to (6) of the Act, the Company may provide a Director with funds to meet his expenditure in defending any civil or criminal proceedings brought or threatened against him in relation to the Company.

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 non-executive Director who has held office for nine years or more is subject to re-election annually. Any Director appointed by the Board holds office only until the next annual general meeting, when he is eligible for re-election.

There is no age limit for Directors and section 293 of the Companies Act does not apply to the Company.

Unless and until otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than 2 nor more than 10 in number.

3.2.13 *Redemption*

Neither the Ordinary Shares nor the B Shares are redeemable.

3.2.14 *Electronic communication*

The Company may communicate electronically with its members in accordance with the provisions of the Companies Act 1985 (Electronic Communications) Order SI 2000/3373.

3.2.15 *B Shares*

Holders of B Shares are obliged to pay the nominal value of each B Share upon issue. The holder of a B Share becomes contractually liable to pay a further sum (the “**Required Premium**”) if:

3.2.15.1 such holder of a B Share creates or purports to create any security interest over a B Share; or

3.2.15.2 a B Share Event occurs. A “**B Share Event**” is the earlier to occur of:

- (i) the proposing in writing (including by means of a circular to shareholders) by the Company to holders of shares of any class of any scheme of arrangements, reconstructions or amalgamation as a result of which the Company would come under the control of any person;
- (ii) any person becoming bound or entitled to acquire shares of any class in the Company under sections 428 to 430F of the Act (or any statute or statutory provision which modifies, re-enacts or extends such provisions); and
- (iii) provided no insolvency event shall have occurred prior to such date, 1 July 2011.

The Required Premium in respect of each B Share is determined by a direction of the Board and notified to the relevant holder of B Shares immediately prior to allotment of the relevant B Shares. The average amount of Required Premium payable on the Existing B Shares is set out in paragraph 2.3 above.

If the Required Premium is not paid following a B Share Event within 10 Business Days after it becomes due and payable (or such longer period as the Board may decide in its absolute discretion), each relevant B Share is automatically forfeited.

If the Required Premium is not paid following a holder of B Shares creating a security interest or any B Shares within two hours after it becomes due and payable, each relevant B Share is automatically forfeited (unless the Board determines otherwise in its absolute discretion).

Following the payment of the Required Premium, in cleared funds, each relevant B Share shall automatically convert into one Ordinary Share.

The Board may (but shall not be obliged to) accept from any member the whole or any part of the amount remaining unpaid on any B Share, notwithstanding that no part of such amount has been called up by the Company. In addition, during the period in which a takeover offer for the Company is capable of acceptance, a holder of B Shares is entitled (but not required) to pay up the Required Premium.

4. Share incentive arrangements

4.1 The Long-Term Incentive Plan

On 20 October 2006 the Company resolved to adopt the LTIP, conditional on Admission. The following is a summary of the rules of the LTIP.

4.1.1 Awards

Awards made under the LTIP may be made by the Remuneration Committee or the trustee of an employee benefit trust (the “**trustee**”) (in each case the “**grantor**”). An award made under the LTIP comprises of an option to acquire Ordinary Shares subject to (i) the vesting of the award, (ii) the payment of a call price (if any) per Ordinary Share and (iii) paying (or entering into arrangements to pay) the tax liability relating to the award.

4.1.2 Eligibility

All employees and executive directors of the Group are eligible to participate in the LTIP but participation is at the discretion of the grantor.

4.1.3 Time at which awards may be made

Awards may be made during the period of 42 days following Admission, the period of 42 days following the date on which the LTIP (or any amendment to it) has effect, the period of 42 days following the announcement of the Company’s final or interim results for any financial period, the period of 42 days following the commencement of an eligible employee’s employment with the Group or the period of 42 days following the occurrence of an event which the grantor considers to be an exceptional event concerning the Group. If any of the above periods is a “close period” as a result of the application of the Model Code or any comparable code adopted by the Company, then awards may be made within 42 days of the end of the close period. No awards may be made more than 10 years after the adoption of the LTIP.

4.1.4 Call Price

The amount of the call price in relation to an award will be determined by the grantor at the time the award is made and may be nil except that where awards are satisfied by the issue of new Ordinary Shares the call price can not be less than the nominal value of an Ordinary Share.

4.1.5 Individual Limits

In any year, awards cannot be granted to an individual over Ordinary Shares with a value in excess of 100 per cent. of his annual earnings. However, in exceptional circumstances (such as the recruitment of an eligible employee), this 100 per cent. can be increased to a 200 per cent. limit.

4.1.6 Overall Plan Limits

The number of Ordinary Shares over which awards to subscribe Ordinary Shares may be made under the LTIP on any date shall be limited so that the total number of Ordinary Shares issued

or capable of being issued under all the Company's employee share schemes in any ten year period is restricted to 10 per cent. of the Company's issued Ordinary Shares calculated at the relevant time, provided that any awards to acquire shares made before or within 7 days of Admission (whether under the LTIP or any other share plan operated by the Company) will be excluded from this limit.

4.1.7 *Vesting*

Generally, an award will vest subject to the satisfaction of the performance condition specified at the time of grant.

Other than in specified circumstances, in the event that the relevant performance condition has been satisfied, awards will vest following the end of the three-year period over which the performance condition is measured.

In specified circumstances an award may vest earlier. These circumstances relate to:

4.1.7.1 where a participant has become a "good leaver"; and

4.1.7.2 where a change of control event has occurred (see paragraph 4.1.10 below).

A participant will be a "good leaver" if he ceases to be an eligible employee by reason of death, injury, disability, redundancy, retirement, the company or business for which he works leaving the group, and any other circumstances approved by the grantor.

For good leavers, awards vest (if at all) on the date their employment ceases. The extent to which an award vests will be determined by the grantor taking into account the amount of progress made in relation to the satisfaction of the performance condition, the proportion of the measurement period relating to the performance condition which has elapsed and any other factors which it deems to be relevant. Where the grantor is the trustee, it shall consult the Remuneration Committee in relation to the aforementioned matters.

If a participant ceases to be eligible employee prior to either the vesting of an award or making a call in respect of a vested award and is not a good leaver, his award lapses.

4.1.8 *Performance Conditions*

The initial performance condition that will apply to awards will relate to total shareholder return. The performance condition for full vesting will be satisfied if the overall total shareholder return over the three year period during which the performance condition will be measured equates to at least 15 per cent. per year. For these purposes the total shareholder return will take into account the increase in the Company's share price and dividends paid during each year of the measurement period and will be calculated by reference to the price of an Ordinary Share at the beginning of the measurement period.

4.1.9 *Call for Ordinary Shares*

Within 30 days of the receipt of a call notice (and subject to the satisfaction of applicable tax liabilities), the Ordinary Shares relating to the award must be issued by the grantor or the grantor must procure their transfer (which for the purposes of the LTIP includes the transfer of shares out of treasury) to the participant and shall issue a definitive certificate in respect of the Ordinary Shares allotted or transferred. Ordinary Shares issued or transferred by the Company on the exercise of awards will rank *pari passu* with existing Ordinary Shares.

4.1.10 *Change of Control*

If:

4.1.10.1 any person obtains control of the Company as a result of a take-over offer or the sanctioning of a scheme of arrangement under section 425 of the Companies Act; or

4.1.10.2 any person has become bound or entitled to acquire all the Ordinary Shares; or

4.1.10.3 the Company is subject to a voluntary winding-up; or

4.1.10.4 the Ordinary Shares cease to be listed or traded on AIM as a consequence of the events referred to in paragraph 4.1.10.1; or

4.1.10.5 a demerger of the Company or any subsidiary is proposed which in the opinion of the grantor will substantially prejudice the interests of participants,

subsisting awards held by participants may vest. The extent to which awards vest in these circumstances shall be determined by reference to the factors listed in the penultimate paragraph of paragraph 4.1.7 above.

4.1.11 *Variation of Share Capital*

In the event of a capitalisation issue or offer by way of rights (including an open offer), or upon any consolidation, subdivision or reduction or other variation of the Company's capital, the number of Ordinary Shares the subject of an award and/or the call price may be adjusted in such a manner as the grantor (acting on the recommendation of the Remuneration Committee – if different) shall determine to be, in its opinion, fair and reasonable provided that the call price per share (if any) remains at least equal to the nominal value of an Ordinary Share. If the call price would otherwise fall below the nominal value, the Company may capitalise reserves to the extent it is lawful to do so to pay up additional shares for allotment to participants.

4.1.12 *Amendments and General*

No rights under an award may be transferred by a participant to any other person except in the event of a participant's death when rights will become exercisable by the participant's personal representative within 12 months of the date of death. Awards are not pensionable.

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

4.1.12.1 no amendment may be made which would materially prejudice the interests of participants in relation to awards already made to them under the LTIP unless the sanction of participants has been obtained; and

4.1.12.2 all amendments to the advantage of participants or potential participants to the provisions relating to the definition of eligible employee, limits on the number of shares subject to the LTIP, the maximum entitlement for any one participant or the basis for determining an entitlement to and the terms of shares to be provided and adjustment thereof, if any, in the event of a capitalisation issue, rights issue, subdivision or consolidation of shares or reduction of capital or any other variation of capital will require the prior consent of the Company in general meeting unless they are minor amendments to benefit the administration of the LTIP or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or a member of the Group.

4.1.13 *International*

The Board may adopt sub-plans to the LTIP for the purposes of making awards to eligible employees in a particular jurisdiction. The LTIP rules may be varied in such manner as the Board believes is necessary or desirable in relation to such sub-plan in order to comply with or take account of relevant overseas legal, taxation or securities laws provided that such variation is in accordance with provisions set out under the sub-heading "Amendments and General", above.

4.2 *The Company Share Option Plan*

On 20 October 2006 the Company resolved to adopt the CSOP, conditional on Admission. Part I of the CSOP will be approved by HMRC under Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and provides for the grant of HMRC approved options. Part II of the CSOP provides for the grant of unapproved options.

Part I of the CSOP

4.2.1 Options

Options may be granted to eligible employees by the Remuneration Committee or the trustee of an employee benefit trust (the “**trustee**”) (in each case the “**grantor**”). Options may be granted on terms that their exercise will be subject to the satisfaction of objective performance criteria and subject to the option holder paying any employer’s National Insurance contributions due in relation to their option.

4.2.2 Eligibility

All executive directors who are required to work not less than 25 hours per week for the Group and all employees are eligible to participate in the CSOP (“**eligible employees**”).

4.2.3 Time at which Options may be granted

Options may be granted at the same time at which awards under the LTIP may be made (see paragraph 4.1.3 above). In addition, options may be granted within 42 days following any changes to legislation affecting HMRC approved share option schemes.

4.2.4 Exercise price

The price at which an option holder may acquire Ordinary Shares on the exercise of an option is determined by the grantor, and can not be less than the greater of the market value of an Ordinary Share at the time of grant and its nominal value.

4.2.5 Individual Limits

No option may be granted to an eligible employee under Part I which would result in the aggregate exercise prices of Ordinary Shares comprised in all outstanding options granted to him under the CSOP when aggregated with outstanding options held under any other HMRC approved executive share option scheme established by the Company exceeding the HMRC limit (currently £30,000).

The individual limits which apply to the LTIP (see paragraph 4.1.5 above) also apply to the CSOP.

4.2.6 Overall Plan Limits

The overall plan limits are the same as those which apply to the LTIP (see paragraph 4.1.6 above).

4.2.7 Exercisability

Options will normally only be exercisable by an option holder who is still an eligible employee of the Group after the third anniversary of its date of grant and before the tenth anniversary of its date of grant. Options will normally lapse on cessation of employment save in the circumstances set out below.

Earlier exercise is permitted if the option holder dies or leaves employment through injury, disability, redundancy or retirement on or after reaching a specified age or where a participant leaves employment of the Group by reason of his employing company ceasing to be a member of the Group, or if the undertaking in which he is employed is sold outside the Group. In such circumstances options may be exercised notwithstanding that fewer than three years have passed. If the option holder leaves in other circumstances then the grantor may, acting fairly and reasonably, allow the option to be exercised. The extent to which options may be exercised shall be determined by the grantor taking into account, amongst other things, the Company’s performance up to the relevant event.

Early exercise is also permitted upon the occurrence of the change of control events specified at paragraph 4.1.10 above in relation to the LTIP. However the grantor shall in such circumstances determine the extent to which options may be exercised taking account, amongst

other things, of the Company's performance up to that time. Where the grantor is the trustee, it shall consult the Remuneration Committee in relation to the aforementioned matters.

If the performance condition attaching to an option has not been satisfied at the end of the performance period then the option will lapse.

4.2.8 *Performance Conditions*

Where the CSOP is operated on a discretionary basis, the performance condition set out at paragraph 4.1.8 above in relation to the LTIP will also apply to the initial grant of options under the CSOP. However, where the CSOP is operated on an all employee basis, options may be granted which are not subject to the achievement of a performance condition.

4.2.9 *Manner of Exercise*

The manner of exercising an option is the same as a call for Ordinary Shares under the LTIP (see paragraph 4.1.9 above).

4.2.10 *Change of Control*

If any company obtains control of the Company as a result of a takeover offer or the sanctioning of a scheme of arrangement under section 425 of the Companies Act 1985 or if a company has become bound or entitled to acquire all the Ordinary Shares an option holder may, by agreement with that other company, seek the release of his options in return for the grant of equivalent options over shares in that other company (subject to HMRC approval where appropriate).

Refer also to paragraph 4.2.7, Exercisability.

4.2.11 *Variation of Share Capital*

In the event of a variation of the Company's capital, any adjustments made will be dealt with in the same manner as under the LTIP (see paragraph 4.1.11 above), except that the adjustment must have the prior approval of HMRC.

4.2.12 *Amendments and General*

The transfer of rights under an option will be permitted under the same circumstances as the transfer of rights under an LTIP award (see paragraph 4.1.12 above). In addition, any amendments to the CSOP may take place subject to the same conditions specified in relation to the LTIP (see paragraphs 4.1.12.1 and 4.1.12.2 above), except that no amendment of a key feature can be made without the prior approval of HMRC.

4.2.13 *International*

Sub-plans may be created under the CSOP for the purposes of granting options to eligible employees in a particular jurisdiction in the same way as under the LTIP (see paragraph 4.1.13 above).

Part II of the CSOP

Part II of the CSOP provides for the grant of unapproved options. This enables options to be granted under the same terms as Part I of the CSOP but without complying with the particular requirements of the legislation applicable to HMRC approved company share option plans. The provisions of the CSOP that do not apply under Part II include the £30,000 limit and the need to seek HMRC approval for the scheme and subsequent amendments.

4.3 *Options over Ordinary Shares*

In addition to the options which have been granted to certain of the Directors (see paragraph 6.1 below), the Company has granted, conditional upon Admission, options to:

4.3.1 four employees of the Company to acquire, in aggregate, 35,585 Ordinary Shares at an exercise price equal to the Placing Price per share;

4.3.2 four employees of Cenkos CI to acquire, in aggregate, 142,250 Ordinary Shares at an exercise price of £0.01 per share (being the nominal value of an Ordinary Share); and

4.3.3 the Employee Trust (as defined in paragraph 4.4 below) to acquire up to 35,250 Ordinary Shares at an exercise price of £0.01 per share (being the nominal value of an Ordinary Share).

The other terms of these options are similar to those relating to the options granted to certain of the Directors.

4.4 *The Employee Benefit Trust (the “Employee Trust”)*

4.4.1 *Constitution*

The Employee Trust is a discretionary trust constituted by a trust deed to be made between the Company and Walbrook Trustees (Guernsey) Limited, who are independent off-shore professional trustees (the “Trustees”). The Employee Trust has been constituted as an employees’ share scheme within the meaning of section 743 of the Companies Act, with the purpose of encouraging and facilitating the holding of shares by *bona fide* employees of the Company (which, for these purposes, includes executive directors) and its subsidiaries, former employees and certain of their relatives or for their benefit.

4.4.2 *Power and funding*

The Trustees have full discretion with regard to the application of the trust fund. Whilst under the terms of the trust deed they are required to consult with the Company in certain circumstances, the views expressed by the Company are in no respect binding upon them.

The Trustees have the power to acquire Ordinary Shares in the Company and any Ordinary Shares so acquired may be used for the purposes of any employees’ share scheme operated by the Company, including the grant of awards or options under the LTIP and/or the CSOP. The Trustees may also agree, in their absolute discretion, to satisfy the employer National Insurance contributions liabilities arising on the call or exercise of awards or options, by acquiring Ordinary Shares at the same price per share as the relevant awards or options, so as to enable the Trustees to realise a gain equal to the aggregate National Insurance contributions liability.

The Employee Trust may be funded by way of loan or gift to acquire Ordinary Shares in the Company either by market purchase or by subscription.

4.4.3 *Limits to holdings and dividend waiver*

Any options to acquire Ordinary Shares granted and satisfied by the Employee Trust with Ordinary Shares acquired in the market will not be treated as counting towards the dilution limits that apply to the LTIP and the CSOP respectively. In addition, without prior shareholder approval, the Employee Trust will not, at any one time, hold more than five per cent. of the issued Ordinary Shares (other than for the purposes of satisfying awards/options that it has granted). Unless directed otherwise the Trustees have waived any dividends paid on the Ordinary Shares settled in the Employee Trust.

5. **Information on the Directors and others**

5.1 The names, dates of birth, nationality and functions of the Directors are as follows:

<i>Name</i>	<i>Date of Birth</i>	<i>Nationality</i>	<i>Function</i>
John Hodson	19 May 1946	British	Non-executive Chairman
Andrew Marshall Stewart	15 August 1951	British	Chief Executive
Paul David Roy	8 May 1947	British	Non-executive director
James John Durkin	21 January 1960	British	Executive Director
Simon Charles Melling	13 September 1960	British	Finance Director and Chief Operating Officer
Anthony John Hobson	23 July 1947	British	Non-executive director

The business address of each of the Directors is 6.7.8 Tokenhouse Yard, London EC2R 7AS.

5.2 In addition to any directorship of a member of the Group, the Directors hold or have held the following directorships or have been partners in the following firms within the five years prior to the date of this document:

<i>Director</i>	<i>Current directorships and/or partnerships</i>	<i>Past directorships and/or Partnerships</i>
John Hodson	Dominos Pizza UK & Ireland plc John Hodson Limited Prestbury Group Prestbury Residual Limited Boddington Hill Management Company Limited UBC Media Group plc Strategic Equity Capital plc UBC Media Group Trustees Limited	Singer Whitaker Limited The Iberian Investment Trust Limited Singer and Friedlander Trust & Assurance Corporation Limited Bread Street Investments Limited West City Securities Limited Sharepart Limited Carnegie Holding AB D Carnegie and Co AB Peardale Limited Singer & Friedlander High Income Fund plc Singer & Friedlander Investment Funds plc Singer & Friedlander (Isle of Man) Limited Singer & Friedlander Roll-Up Fund plc Singer & Friedlander Total Asset Management Limited Ancomass Limited ANS Limited Bread Street (Singer & Friedlander & Pension Trust Limited) Limited Bread Street Pension Trust Limited Clarke London Limited Coventbrook Limited Ecom Group Technology Limited Gilbert Estates Limited Haxted Investment Management Limited Hillgrove Developments Limited Inter\$Link Limited I Value plc 53 Fulham Park Gardens Limited Kaupthing Singer and Friedlander Limited Kaupthing Singer and Friedlander Group plc PC&W Properties Limited Singer and Friedlander Holdings Limited Singer and Friedlander Investment Management Limited Singer and Friedlander Investment Management Holdings Limited Singer and Friedlander Investment Properties Limited Singer and Friedlander Securities Limited

<i>Director</i>	<i>Current directorships and/or partnerships</i>	<i>Past directorships and/or Partnerships</i>
John Hodson (continued)		Singer and Friedlander Trust & Assurance Corporation Limited Singer and Friedlander Managers Limited Singer and Friedlander Services Limited Sinjul Investments Limited
Andrew Marshall Stewart	Supreme Huntress Limited Woodham Merchant Limited	Colstew Nominees Limited Scol Nominees Limited Collins Stewart Tullett plc Gilsin Nominees Limited Cost Nominees Limited Collins Hitchcock Stewart Whitaker Limited Collins Stewart Limited Collins Stewart Quest Limited
Paul David Roy	NewSmith Capital Services Limited Benfield plc Rock Capital Group plc Supreme Huntress Limited NewSmith Financial Solutions Limited NewSmith Capital GP Limited NewSmith Trustee Limited NewSmith Nominees Limited NewSmith Capital (Scotland) GP Limited Woodham Merchant Limited NewSmith Capital Partners LLP Park Place Estates LLP Tillmouth and Tweed Salmon Fishings LLP	Merrill Lynch International
James John Durkin	Cenkos LLP	–
Simon Charles Melling	–	Interactive Investor Trading Limited Moneywise Publishing Limited Capital Accumulation Services Limited Ample Portfolio Management Limited Capital Accumulation Limited Capital Accumulation Europe Limited Capital Accumulation Group Limited Collins Stewart Property Fund Management Limited

<i>Director</i>	<i>Current directorships and/or partnerships</i>	<i>Past directorships and/or Partnerships</i>
Anthony John Hobson	Dwr Cymru Cyfyngedig Glas Cymru Cyfyngedig Halifax plc HBOS plc Northern Foods plc First Alternative Insurance Company Limited First Alternative Holdings Limited Esure Holdings Limited Esure Insurance Limited The Sage Group plc	Dwr Cymru (Financing) Limited Glas Cymru (Securities) Cyfyngedig Dwr Cymru (Holdings) Limited Welsh Water Utilities Finance plc Halifax Group Limited HBOS Treasury Services plc Liberata Limited Jardine Lloyd Thompson Group plc Sainsbury's Bank plc

5.3 Save as set out in paragraph 5.2 above, none of the Directors has any business interests or activities outside the Group which are significant with respect to the Group.

5.4 Save as disclosed in paragraph 5.5 below, none of the Directors:

5.4.1 has any unspent convictions in relation to indictable offences;

5.4.2 has been made bankrupt or has made an individual voluntary arrangement with creditors or suffered the appointment of a receiver over any of his assets;

5.4.3 has been a director of any company which, whilst he was such a director or within 12 months after his ceasing to be such a director, was put into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with the company's creditors generally or with any class of creditors of any company or had an administrator or an administrative or other receiver appointed;

5.4.4 has been a partner in any partnership which, whilst he was a partner, or within 12 months after his ceasing to be a partner, was put into compulsory liquidation or had an administrator or an administrative or other receiver appointed or entered into any partnership voluntary arrangement;

5.4.5 has had an administrative or other receiver appointed in respect of any asset belonging either to him or to a partnership of which he was a partner at the time of such appointment or within the 12 months preceding such appointment; or

5.4.6 has received any public criticisms by statutory or regulatory authorities (including recognised professional bodies) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5.5 5.5.1 *Nicholas Wells*

In July 1989, Nicholas Wells, currently an LLP member and a senior employee of the Group with effect from Admission, was criticised in the Department of Trade and Industry report into County Natwest Limited's activities regarding the Blue Arrow plc rights issue. He was subject to a criminal prosecution but acquitted of all charges.

5.5.2 *John Hodson*

John Hodson was, until August 2002, a director of Miller Fisher Group plc and one of its subsidiaries, Fishers International (UK). Both of these companies were placed into administrative receivership on 4 July 2002. In the case of Miller Fisher Group plc, the estimate of the deficiency to creditors, as given in the statement of affairs, was £18,209,801 (of which £14,591,000 related to its co-obligations under the group's banking facilities). In the case of

Fishers International (UK), the estimate of the deficiency to creditors, as given in the statement of affairs was £20,736,803 (of which £14,591,000 related to its co-obligations under the group's banking facilities).

6. Directors' and other interests

6.1 The Company granted options to acquire Ordinary Shares to John Hodson, Anthony John Hobson and Simon Charles Melling on 20 October 2006. A summary of the option terms is as follows:

6.1.1 the option entitles each individual to acquire the following number of Ordinary Shares at the exercise price stated:

<i>Name</i>	<i>Number of Ordinary Shares⁽¹⁾</i>	<i>Exercise Price⁽²⁾ per Ordinary Share</i>
John Hodson	600,000	70.9p
Anthony John Hobson	28,469	140.5p
Simon Charles Melling	427,046	140.5p

(1) Conditional upon Admission, each Existing Ordinary Share will be sub-divided into 10 Ordinary Shares. For illustrative purposes, this table assumes such sub-division has already been effected.

(2) This is the exercise price as adjusted to take into account the subdivision, on Admission, of the Existing Ordinary Shares into Ordinary Shares.

6.1.2 the options are exercisable immediately;

6.1.3 the options lapse on the earliest of:

6.1.3.1 the optionholder ceasing to be an office holder within the Group unless he is a good leaver (see below);

6.1.3.2 the day immediately following the occurrence of a sale of the Company (if such sale occurs prior to Admission);

6.1.3.3 on specified dates following a change of control of the Company taking place after Admission;

6.1.3.4 the optionholder being declared bankrupt or charging or creating any security interest over the option; and

6.1.3.5 the fifth anniversary of the date of grant.

The exercise of the option is subject to good leaver and bad leaver provisions. Where the optionholder is a good leaver, namely cessation of office by reason of death, physical or mental injury rendering him unable to perform the duties of his office or any other reason determined in the absolute discretion of the board, he or his estate will be entitled to exercise the option in accordance with the terms of the option agreement. However, where the cessation of office occurs by reason of death, then his estate may only exercise the option during the period of 365 days from the date of death provided that a sale or Admission has occurred or occurs during this period. Where Admission has occurred, the period of 365 days may be curtailed as a consequence of a subsequent change of control.

6.2 In addition to the options referred to in paragraph 6.1 above, the interests (all of which are or will be beneficial unless otherwise stated) of each Director (including any interest known to that Director or which could with reasonable diligence be ascertained by him of any person connected with a Director within the meaning of section 346 of the Companies Act (a "**Connected Person**")) in the share capital of the Company at the date of this document and as they will be immediately following Admission are as follows:

<i>Director</i>	<i>Number and class of shares currently held⁽¹⁾</i>	<i>Percentage of issued share capital currently held⁽²⁾</i>	<i>Number and class of shares to be held immediately following Admission</i>	<i>Percentage of issued share capital to be held immediately following Admission⁽²⁾⁽⁶⁾</i>
John Hodson	–	–	–	–
Andrew Marshall Stewart	16,666,670 Ordinary Shares	23.54	16,666,670 Ordinary Shares	22.96
Paul David Roy	16,666,670 ⁽³⁾ Ordinary Shares	23.54	5,416,670 ⁽⁴⁾ Ordinary Shares	7.46
James John Durkin	5,625,000 ⁽⁵⁾ Ordinary Shares	7.94	5,625,000 ⁽⁵⁾ Ordinary Share	7.75
Simon Charles Melling	–	–	–	–
Anthony John Hobson	–	–	–	–

- (1) Conditional upon Admission, each Existing Ordinary Share will be sub-divided into 10 Ordinary Shares. For illustrative purposes, this table assumes such sub-division has already been effected.
- (2) Assuming conversion of all B Shares, in issue at the relevant time, into Ordinary Shares.
- (3) All these Ordinary Shares are held by NewSmith, of which Paul Roy is a limited partner.
- (4) All these Ordinary Shares are held by NewSmith subject to the options, details of which are set out at paragraph 13.1.3 below.
- (5) 1,875,000 of these Ordinary Shares are currently held by NewSmith but are subject to the option granted to J Durkin as described in paragraph 13.1.3 below.
- (6) Assuming that the maximum number of New Ordinary Shares are placed.

6.3 In addition to the interests of Directors disclosed in paragraphs 6.1 and 6.2 above, the Company is aware of the following existing shareholders of the Company who are at the date of this document, or will be immediately following Admission, interested, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company:

<i>Name</i>	<i>Number and class of shares currently held⁽¹⁾</i>	<i>Percentage of issued share capital currently held⁽²⁾</i>	<i>Number and class of shares to be held immediately following Admission</i>	<i>Percentage of issued share capital to be held immediately following Admission⁽²⁾⁽⁹⁾</i>
NewSmith ⁽³⁾	16,666,670 Ordinary Shares	23.54	5,416,670 Ordinary Shares ⁽⁴⁾	7.46
Paul Hodges	5,625,000 ⁽⁵⁾ Ordinary Shares	7.94	5,625,000 Ordinary Shares ⁽⁵⁾	7.75
Nicholas Wells	2,500,000 ⁽⁶⁾ Ordinary Shares	3.53	2,500,000 Ordinary Shares ⁽⁶⁾	3.44
Cenkos Securities (Trustees) Limited	21,252,630 ⁽⁷⁾	30.01	21,252,630 ⁽⁷⁾	29.28
Charlie Ricketts	2,833,550 ⁽⁸⁾ B Shares	4.00	2,833,550 B Shares ⁽⁸⁾	3.90

- (1) Conditional upon Admission, each Existing Ordinary Share will be sub-divided into 10 Ordinary Shares and each Existing B Share will be sub-divided into 10 B Shares. For illustrative purposes, this table assumes such sub-division has already been effected.

- (2) Assuming conversion of all B Shares, in issue at the relevant time, into Ordinary Shares.
 - (3) Paul Roy, a director of the Company, is a partner in NewSmith.
 - (4) All of these shares are subject to the options details of which are set out at paragraph 13.1.3 below.
 - (5) 1,875,000 of these Ordinary Shares are currently held by NewSmith but are subject to the options granted to Paul Hodges as described in paragraph 13.1.3 below.
 - (6) 1,000,000 of these Ordinary Shares are currently held by NewSmith but are subject to the options granted to Nicholas Wells as described in paragraph 13.1.3 below.
 - (7) These Ordinary Shares and B Shares are held as nominee for certain employees of the Group and of the LLP.
 - (8) All of these B Shares are held by Cenkos Securities (Trustees) Limited and are included in the Shares attributed to Cenkos Securities (Trustees) Limited above.
 - (9) Assuming that the maximum number of New Ordinary Shares are placed.
- 6.4 Save as disclosed in paragraphs 6.1, 6.2 and 6.3 above, no Director, nor any Connected Person of any Director has at the date of this document, or will have immediately following Admission, any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company or any of its subsidiaries or any related financial product referenced to the Ordinary Shares.
- 6.5 The shareholders listed in paragraphs 6.1, 6.2 and 6.3 above do not have different voting rights.
- 6.6 The Company is not aware of any person or entity who, directly or indirectly, jointly or severally, will or could exercise control over the Company immediately following Admission and there are no arrangements the operation of which could result in a change of control of the Company.
- 6.7 Save in connection with the LLP, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and was effected during the current or immediately preceding financial year or was effected during any earlier financial year which remains outstanding and unperformed in any respect.
- 6.8 There are no loans or guarantees granted or provided by the Company and/or any of its subsidiaries to or for the benefit of any of the Directors which are now outstanding.

7. Service agreements and remuneration of the Directors

- 7.1 Each of Andrew Stewart (Chief Executive), James Durkin (Executive Director), and Simon Melling (Finance Director and Chief Operating Officer) has entered into a service agreement with the Company, in the case of Andrew Stewart and James Durkin conditional upon Admission. Their respective service agreements are in substantially the same form and the key terms are as follows.

The Directors are employed by the Company under service agreements dated 19 October 2006 (Andrew Stewart), 19 October 2006 (James Durkin) and 19 October 2006 (Simon Melling), although their periods of continuous employment with the Group began/will begin on:

7.1.1 Andrew Stewart: 30 April 2005;

7.1.2 James Durkin: Admission; and

7.1.3 Simon Melling: 4 September 2006.

Under the terms of their respective service agreements, the Directors' employment is terminable by either party giving to the other not less than three months' prior written notice, or (at the Company's discretion) by the Company undertaking to make a payment of salary in lieu of notice. The respective service agreements provide the Company with the right to place the Director on garden leave or to dismiss him summarily in a number of circumstances (e.g. serious misconduct). In addition, their respective service agreements contain restrictive covenants that purport (subject to the general tests for enforceability) to restrict the Director from competing with, and soliciting key employees, clients, prospective clients, and/or suppliers for a period of six months following termination of employment (any time spent on garden leave will be off-set against the restricted period).

The Directors' annual salaries will be/are:

7.1.4 Andrew Stewart: £50,000;

7.1.5 James Durkin: £50,000; and

7.1.6 Simon Melling: £125,000.

The Directors are also entitled to the following benefits:

7.1.7 25 days' holiday (in addition to public and bank holidays);

7.1.8 private medical insurance; and

7.1.9 life assurance.

Simon Melling, Andrew Stewart and James Durkin are entitled to discretionary annual bonuses as determined by the Remuneration Committee of the Board. In addition, James Durkin is eligible to receive an annual bonus calculated in accordance with a formula set down by the Remuneration Committee and attached to his service agreement. James Durkin's bonus is equal to 33 per cent. of the revenues generated by him, less certain costs incurred by the Company (for example, the salaries and bonuses of his team, and any expenses incurred by them in generating such revenues but excluding his Director's salary). No such bonus is payable in respect of any given financial year (other than at the Remuneration Committee's discretion) in the event James Durkin's employment terminates during that financial year, or if he serves or receives notice to terminate his employment in that financial year.

Save as set out above, there are no specific provisions in the Directors' service agreements providing for benefits on termination of employment.

- 7.2 The Non-executive Directors are John Hodson (Non-executive Chairman), Paul Roy and Anthony Hobson. Each of the Non-executive Directors has entered into a letter of appointment with the Company. A summary of the key terms of their appointments is set out below. The terms of appointment of each of Paul Roy and Anthony Hobson are conditional upon Admission.

Under the respective letters of appointment, the appointments are for an initial period of one year and continue thereafter for an indefinite period, unless or until terminated by either party giving to the other not less than three months' prior written notice. In addition, the appointments may be terminated by the Company immediately in certain circumstances (e.g. if the Non-Executive Director is removed as a director by the Company's shareholders).

The Non-executive Directors are entitled to the following remuneration:

7.2.1 John Hodson: annual fee of £50,000 (paid monthly); life assurance; and private medical insurance;

7.2.2 Paul Roy: annual fee of £35,000 (paid monthly); life assurance; and private medical insurance; and

7.2.3 Anthony Hobson: annual fee of £35,000 (paid monthly); life assurance; and private medical insurance.

The appointments are also subject to the Company's Articles of Association and contain customary provisions relating to outside interests and dealings, and to confidentiality.

- 7.3 Save as set out in paragraphs 7.1 and 7.2 above, on Admission there will be no existing or proposed service agreements between the Directors and any member of the Group. Furthermore, save as set out at paragraph 7.1 above and the share incentive arrangements described in paragraphs 4 and 6 above, there are no commissions or profit-sharing arrangements with any of the Directors.

- 7.4 In the eight month period ended 30 November 2005 the aggregate remuneration paid and benefits in kind granted to the Directors at that time by all members of the Group was approximately £2,100,040. The aggregate remuneration payable by any member of the Group (including benefits in kind) to the

Directors in respect of the current financial year ending 31 December 2006 under the arrangements in force or proposed at the date of this document is expected to amount to approximately £1,001,137. In addition, in the eight month period ended 30 November 2005, James Durkin, as a member of the LLP, received aggregate payments through the LLP of £1,134,166. In the period from 1 December 2005 to 18 October 2006, James Durkin received aggregate payments through the LLP of £3,065,201. In April 2006, the Company paid a dividend to shareholders of £1.00 per Existing Ordinary Share and accordingly Andrew Stewart received a dividend payment of £1,666,667. No other dividends have been paid since incorporation.

- 7.5 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

8. Subsidiaries

The Company has the following subsidiaries:

<i>Name</i>	<i>Nature of business</i>	<i>Registered office and country of incorporation/ residence</i>	<i>Issued and fully paid share capital</i>	<i>Percentage owned (%)</i>
Cenkos Channel Islands Limited	Operating Company	Suite F1 Hirzel Court, Peter Port, Guernsey GY1 4JG	10,000 ordinary shares of £1.00 each	75
Cenkos Channel Islands Nominee Company Limited	Nominee	Suite F1 Hirzel Court, St. Peter Port, Guernsey GY1 4JG	2 ordinary shares of £1.00 each	100
Cenkos Nominee UK Limited	Nominee	6.7.8 Tokenhouse Yard, London EC2R 7AS	2 ordinary shares of £1.00 each	100
Cenkos Securities (Trustees) Limited	Trustee of employee benefit trust	6.7.8 Tokenhouse Yard, London EC2R 7AS	2 ordinary shares of £1.00 each	100
Cenkos LLP ¹	Provision of services for specialist institutional securities brokerage and allied business	6.7.8 Tokenhouse Yard, London EC2R 7AS	20,000 units of £1.00 each	95
Supreme Huntress Limited ²	Designated member of LLP	6.7.8 Tokenhouse Yard, London EC2R 7AS	2 ordinary shares of £1.00 each	100

1. The interest of the Company in the LLP is currently approximately 74 per cent. Following Admission, however, and the withdrawal of six of the members of the LLP, the Company's interest in the LLP will increase to 95 per cent.
2. Supreme Huntress Limited is currently owned as to fifty per cent. by Andrew Stewart and as to fifty per cent. by NewSmith. Conditional upon Admission, Supreme Huntress Limited will be transferred to the Company for a nominal consideration and will remain as a designated member of the LLP.

9. Principal establishments

9.1 The Company's head office and principal place of business is at 6.7.8 Tokenhouse Yard, London EC2R 7AS.

9.2 The only establishments of the Group are as follows:

<i>Company</i>	<i>Location</i>	<i>Approx. area (sq ft)</i>	<i>Tenure</i>
Cenkos Securities plc	6.7.8 Tokenhouse Yard, London EC2R 7AS	13,078	Leasehold
Cenkos Channel Islands Limited	Suite F1 Hirzel Court, St. Peter Port, Guernsey GY1 4JG	1,200	Leasehold

10. Pensions

The Group provides access to a stakeholder pension scheme which currently has no members.

11. Arrangements relating to the Placing and the Lock-ins

11.1 *The Placing*

A Placing Agreement dated 23 October 2006 between the Company, the Directors, the Selling Shareholder and HSBC pursuant to which conditional upon, *inter alia*, Admission taking place not later than 8.30 a.m. on 31 October 2006 (or such later time and or date as HSBC and the Company may agree, not being later than 14 November 2006), HSBC has agreed to use reasonable endeavours, as agent for the Selling Shareholder, to procure purchasers for the Sale Shares at the Placing Price and, as agent for the Company, to procure subscribers for the New Ordinary Shares at the Placing Price. In addition, HSBC has agreed to provide reasonable assistance to the Company in connection with its application for Admission.

The Placing Agreement contains warranties from the Company and the Directors in favour of HSBC in terms which are customary for an agreement of this nature and warranties from the Selling Shareholder in respect of title to the Sale Shares and authority to enter into the Placing Agreement. Under the terms of the Placing Agreement, HSBC can invoke termination rights in certain circumstances including where any warranties are found to be untrue or inaccurate in any material respect. Under the Placing Agreement the Company has agreed to pay HSBC a fee of £1,000,000 (plus any applicable VAT thereon) and the Selling Shareholder, in the case of the Sale Shares, and the Company, in the case of the New Ordinary Shares, have agreed to pay HSBC commission of 4 per cent. of the value of the relevant Placing Shares at the Placing Price (save where Placing Shares are placed with placees who are clients of both HSBC and the Company in which the case the commission in respect of those Placing Shares shall be 1 per cent.). The aggregate fees and commissions payable to HSBC by the Company and the Selling Shareholder under the Placing Agreement are subject to a minimum of £1,250,000 (plus any applicable VAT thereon) and in the event that the placing commission is less than £250,000, the corporate finance fee payable by the Company will be increased by an amount equal to the shortfall.

The Company has also provided an indemnity to HSBC in terms which are customary for an agreement of this nature.

11.2 *Lock-ins*

Lock-in deeds each dated 20 October 2006 between the Company, HSBC, each of the Directors, Peter Isard and various persons who are or will be employees of the Group with effect from Admission and who, in aggregate, will own 74.59 per cent. of the Company's issued share capital (including the B Shares) immediately following Admission (assuming the maximum number of New Ordinary Shares are placed) (each being referred to as a "**Covenantor**"), pursuant to which the Covenantor has undertaken to HSBC and the Company that it will not dispose of any interest in Shares save with the prior written consent of HSBC and the Company or in other limited circumstances (including, inter alia, pursuant to an intervening court order, the acceptance of a take-over offer for the whole or part of the issued share capital of the Company or to related parties (as defined in the AIM Rules) of the Covenantor) from the period commencing on Admission and ending, in respect of 50 per cent. of the locked-up Shares, on the date of publication of the Company's annual report and accounts for the financial period ending 31 December 2007 and, in respect of the balance, on the date of publication of the Company's annual report and accounts for the financial period ending 31 December 2008 (the relevant "**Lock-in Period**").

Each Covenantor has further agreed with HSBC and the Company that for a period of 12 months after the expiry of the relevant Lock-in Period, they will only effect a disposal of Shares released from the lock-in through HSBC or the Company's broker from time to time so as to ensure an orderly market in the share capital of the Company.

12. **United Kingdom taxation**

The following statements are intended only as a general guide to current UK tax legislation and to the current practice of HMRC and may not apply to certain shareholders in the Company, such as dealers in securities, insurance companies and collective investment schemes. They relate (except where stated otherwise) to persons who are resident and ordinarily resident in the UK for UK tax purposes, who are beneficial owners of Ordinary Shares and who hold their Ordinary Shares as an investment. **Any person who is in any doubt as to his or her tax position, or who is subject to taxation in any jurisdiction other than that of the UK, should consult his or her professional advisers immediately.**

12.1 *Dividends*

Under UK tax legislation, the Company is not required to withhold tax at source from dividend payments it makes.

Individual shareholders resident for tax purposes in the UK should generally be entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend.

An individual shareholder's liability to income tax will be calculated on the sum of the dividend and the tax credit (the "**gross dividend**"). This will be regarded as the top slice of the individual's income and will be subject to UK income tax at the rates described below.

The tax credit equals 10 per cent. of the gross dividend and will be available to set against a shareholder's liability (if any) to income tax on that gross dividend.

Individual shareholders liable to income tax at no more than the basic rate will be liable to income tax on dividend income received at the rate of 10 per cent. of the gross dividend. This means that the tax credit will satisfy in full the individual shareholder's liability to pay income tax on the dividend received.

The rate of income tax applying to dividends received by a UK resident individual shareholder liable to income tax at the higher rate will be 32.5 per cent. of the gross dividend. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will be liable to income tax of 22.5 per cent. of the gross dividend, which is equal to 25 per cent. of the cash dividend received.

For example, an individual shareholder receiving a dividend of £90 would receive a tax credit of £10. The gross dividend (the cash dividend plus the tax credit) would be £100. If the shareholder is a higher rate

taxpayer, he would be taxed on the dividend at £32.50 (32.5 per cent. of £100), but can set against this the tax credit of £10. This leaves tax to pay of £22.50, which is 25 per cent. of the £90 dividend received.

Individual shareholders who are resident in the UK cannot claim payment of the tax credit from HMRC, even if the tax credit exceeds the liability of the shareholders to pay income tax on the dividend in question.

Trustees who are liable to income tax at the rate applicable to trusts (40 per cent. from 6 April 2004) will pay tax on the gross dividend at the Schedule F trust rate (32.5 per cent. from 6 April 2004) against which they can set the tax credit. To the extent that the tax credit exceeds the trustees' liability to account for income tax, the trustees will have no right to claim repayment of the tax credit.

A corporate shareholder which is resident for tax purposes in the UK and which is not a dealer in securities will not normally be liable to corporation tax on any dividends received, but cannot claim payment of the tax credit from HMRC.

United Kingdom pension funds and charities are generally exempt from tax on dividends which they receive but they are not entitled to claim repayment of the tax credit.

Individual shareholders who are resident for tax purposes in countries other than the UK but who are Commonwealth citizens, nationals of states which are part of the European Economic Area, residents of the Isle of Man or the Channel Islands, or certain other persons are entitled to a tax credit as if they were resident for tax purposes in the UK which they may set off against their total UK income tax liability. Such shareholders will generally not be able to claim payment of the tax credit from HMRC.

Other shareholders who are not resident in the UK for tax purposes will not generally be entitled to claim payment of any part of the tax credit from HMRC under any double taxation treaty or otherwise, or if they are entitled, any such payment is likely to be negligible.

12.2 *Chargeable gains*

Shareholders who are resident or ordinarily resident in the UK for tax purposes and who dispose of their Ordinary Shares at a gain will ordinarily be liable to UK taxation on chargeable gains, subject to any available exemptions or reliefs. The gain will be calculated as the difference between the sale proceeds and any allowable costs and expenses, including the original acquisition cost of the Ordinary Shares.

Shareholders who are not resident or ordinarily resident in the UK for tax purposes but who carry on a trade, profession or vocation in the UK through a branch, agency or fixed place of business in the UK may be liable to UK taxation on chargeable gains on any gain on a disposal of their Ordinary Shares, if those Ordinary Shares are or have been held, used or acquired for the purposes of that trade, profession or vocation or for the purposes of that branch, agency or fixed place of business.

If an individual shareholder ceases to be resident or ordinarily resident in the UK and subsequently disposes of Ordinary Shares, in certain circumstances any gain on that disposal may be liable to UK capital gains tax upon that shareholder becoming once again resident or ordinarily resident in the UK.

Individual shareholders may, depending on the number of years for which they have held their Ordinary Shares, be entitled to reduce their capital gains tax liability through the operation of taper relief. Corporate shareholders should qualify for the indexation allowance.

12.3 *Inheritance tax*

The Ordinary Shares are assets situated in the UK for the purposes of UK inheritance tax. A gift of such shares by, or on the death of, an individual shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the shareholder is neither domiciled nor deemed to be domiciled in the UK.

12.4 *Stamp duty and stamp duty reserve tax ("SDRT")*

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or SDRT, or to persons connected with depositary arrangements or clearance services, who may be liable at a higher rate.

12.4.1 The allocation and issue of the New Ordinary Shares will not generally give rise to a liability to stamp duty or SDRT.

12.4.2 Where any Ordinary Shares offered pursuant to the Placing are shares sold by existing shareholders, there will usually be a charge to stamp duty or SDRT. However, the existing shareholders have agreed to pay any stamp duty or SDRT that may arise. Generally, the rate will not exceed 0.5 per cent. of the consideration paid unless the Ordinary Shares are transferred to persons connected with depositary arrangements or clearance services.

12.4.3 Any subsequent conveyance or transfer on sale of Ordinary Shares will usually be subject to stamp duty at a rate of 0.5 per cent. of the amount or value of the consideration (rounded up, if necessary, to the nearest £5). A charge to SDRT at the rate of 0.5 per cent. may also arise on an unconditional agreement to transfer such shares, although the liability will be cancelled and any SDRT already paid will be repaid if, within six years of the SDRT liability arising, a transfer is executed pursuant to the agreement and stamp duty is paid on that transfer.

12.4.4 A transfer of Ordinary Shares into CREST will not generally give rise to a charge to stamp duty or SDRT unless the transfer is made for consideration, in which case SDRT will arise, usually at the rate of 0.5 per cent. of the value of that consideration. A transfer of shares effected on a paperless basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the value of the consideration given.

13. **Material contracts and related party transactions**

13.1 *Material Contracts*

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of publication of this document and which are, or may be, material to the Group or have been entered into by any member of the Group at any time and contain a provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document:

13.1.1 the Placing Agreement, as described more fully in paragraph 11.1 above;

13.1.2 the lock-in agreements, as described more fully in paragraph 11.2 above;

13.1.3 *Option agreements with NewSmith*

Under an agreement between Andrew Stewart, the Company and NewSmith dated 19 April 2006, NewSmith Capital agreed to make available up to 541,667 Existing Ordinary Shares held by it for the purposes of granting options to members of the LLP or employees of the Company. Following Admission NewSmith will hold 5,416,670 Ordinary Shares subject to such options.

Options were granted on 20 April 2006 pursuant to this agreement by NewSmith to Paul Hodges, James Durkin and Nicholas Wells. At the time of grant, these individuals were members of the LLP. On 28 September 2006, an option was granted to Peter Isard, a current member of the LLP.

The number of Existing Ordinary Shares over which these options were granted are as follows:

<i>Optionholder</i>	<i>Number of Ordinary Shares</i>
Paul Hodges	187,500
Nicholas Wells	100,000
James Durkin	187,500
Peter Isard	66,667

The options entitle the optionholder to acquire Existing Ordinary Shares currently held by NewSmith. The exercise price of the options is £1.37 per Existing Ordinary Share (which will be £0.137 per Ordinary Share following the sub-division of each Existing Ordinary Share upon Admission into 10 Ordinary Shares) the options may be exercised in whole or in part on 2 January, 6 April, 1 July and 1 October (or, in each case the next business day after such date which falls on a weekend or is a bank holiday) in each year during the “exercise period”. Subject to Admission, the exercise periods all begin on 6 April 2007 and ends on 5 May 2007.

The option is subject to good leaver/bad leaver provisions. In the event the optionholder ceases to be a member of the LLP by reason of death, physical or mental injury rendering him unable to perform his activities as a member of the LLP or is designated a good leaver by NewSmith (acting on the recommendation of the LLP), then the option shall continue to subsist in accordance with the terms of the option agreement. In the event that the optionholder is not a good leaver, then his option lapses. NewSmith has agreed to designate each of Paul Hodges, James Durkin and Nicholas Wells as a good leaver upon their respective withdrawals from the LLP conditional upon, and with effect from, Admission.

The options contain an indemnity whereby, in the event of a tax and/or employee/employer national insurance liability arising in connection with the option or the shares acquired on exercise, the option-holder is liable to make good that liability.

13.1.4 *Services Agreement*

On 9 May 2005 the Company entered into an agreement relating to the provision of services by the LLP to the Company to enable the Company to carry on the business of specialist institutional corporate brokerage. Under the terms of the Services Agreement the Company determines what volume and type of business it shall carry on from time to time and the LLP determines what level of services are sufficient to enable the Company to carry on the business as determined by the Company. The Company is under no obligation to engage the LLP to provide any services and the LLP is only under an obligation to provide services to the Company to such level as to enable the Company to comply with its obligations under FSMA and the Rules made by the FSA.

The Company pays to the LLP, as consideration for particular services, a fee equal to a pre-agreed percentage (currently 33 per cent.) of the gross revenue of the Company generated by each area of business carried on by the Company for which the services of the LLP are used. The percentage is agreed at the start of each new line of business. The only area of business to be carried on by the Company for which it may use the services of the LLP immediately following Admission will be institutional equities.

The Company is held harmless from any loss, damage or injury suffered by the LLP arising from the provision of the services, save if on account of the negligence or wilful default of the Company. The Company has the benefit of an indemnity against any loss suffered by the LLP (or any person providing services on behalf of the LLP) and any loss, damage or injury (including death) to any person arising from any act, omission or negligence of the LLP (or any person providing services on behalf of the LLP); and

The Services Agreement is terminable on six months’ notice or immediately in certain other limited circumstances (e.g. insolvency, material unremedied breach).

13.1.5 *LLP Agreement*

On 11 April 2005, the Company entered into the LLP Agreement with the other members of the LLP in order to regulate the arrangements between them in connection with the LLP. The members of the LLP are currently:

	<i>A Units</i> <i>(and £ contribution)</i>	<i>B Units</i> <i>(and £ contribution)</i>
Cenkos	20,000	–
Supreme Huntress Limited	1	–
James Durkin	–	1,000
Paul Hodges	–	1,000
Peter Isard	–	1,000
Nicholas Wells	–	1,000
Stephen Handy	–	1,000
Joe Nally	–	1,000
Graeme Kemp	–	1,000

Six members of the LLP have agreed to withdraw from the LLP conditional upon Admission. One such member is James Durkin who is an executive Director of the Company. All such six members will be employed by the Company following Admission. Accordingly, the LLP will, immediately following Admission, be owned as follows:

	<i>A Units</i> <i>(and £ contribution)</i>	<i>B Units</i> <i>(and £ contribution)</i>
Cenkos	20,000	–
Supreme Huntress Limited ⁽¹⁾	1	–
Peter Isard	–	1,000

(1) See footnote (2) to paragraph 8 above.

Under the terms of the LLP Agreement all decisions relating to the business and activities of the LLP are made by the Management Committee (of which each member of the LLP is entitled to be a member). The quorum for a meeting of the Management Committee is two members of the LLP, one of whom must be a member holding an A Unit. Each member of the Management Committee has one vote for each £1 contributed by such member of the LLP.

Certain specified matters of business require the consent of a simple majority or a 75 per cent. majority.

The LLP Agreement includes leaver provisions which apply to a member of the LLP holding a B Unit. Such provisions apply in the event of death, bankruptcy, retirement, incapacity, misconduct or if the Management Committee so decides. Upon becoming a leaver, the relevant member of the LLP's interest in the LLP is redeemed.

A member of the LLP may retire from the LLP by giving at least three months' notice. The Management Committee may, if a member of the LLP gives notice of retirement, suspend that member for the duration of the notice period (i.e. require such person to not attend the Company's premises and to refrain from contacting customers and clients of the Company).

The Management Committee may give a member of the LLP notice of at least three months' to leave the LLP.

The profits of the LLP available for distribution are distributed amongst the members of the LLP holding B Units, in accordance with percentage entitlements established by the Management Committee on an annual basis (the "**profit share**"). Any remaining profits are distributed to members in the LLP holding A Units and B Units in such proportions and in such amounts as determined by the Management Committee.

On a winding up of the LLP, the surplus assets of the LLP are applied first in paying any accrued but unpaid profit share and, second, in proportion to each member's units in the LLP.

Each holder of a B Unit in the LLP has entered into covenants to protect the goodwill of the business carried on by the LLP and its group (which includes the Company). Such restrictive covenants apply for six months following the relevant member ceasing to be a member or being suspended by the LLP and cover:

13.1.5.1 non-solicitation of employees or service providers to the Company or the LLP;

13.1.5.2 non-compete with the Company or the LLP; and

13.1.5.3 non-solicitation of customers or clients of the Company or the LLP.

The LLP has entered into the Services Agreement with the Company (see paragraph 13.1.4 above).

13.1.6 *Shareholders' agreement relating to the Company and deed of termination*

A shareholders' agreement relating to the Company was entered into on 8 March 2005 between NewSmith, Andrew Stewart and the Company. Amongst other things, the shareholders' agreement contains provisions governing the constitution of the board, provision of information to shareholders and conduct of business. The shareholders' agreement also contains a number of covenants, both positive and negative, which restrict the Company and certain shareholders from carrying out certain activities without the consent of the other shareholders of the Company.

The shareholders' agreement also contains restrictive covenants entered into by Andrew Stewart and NewSmith separately. Both sets of restrictive covenants last for a period of 12 months from the date either ceases to be a shareholder. Andrew Stewart's restrictive covenants include a full-time and devotion to duty covenant, a non-solicitation covenant and a non-compete covenant. NewSmith's restrictive covenant is restricted to a non-compete restrictive covenant.

The shareholders' agreement will be terminated upon Admission pursuant to a deed of termination dated 19 October 2006 and the provisions outlined above will cease to apply.

13.1.7 *Nomad agreement*

On 23 October 2006, the Company and HSBC entered into a nominated adviser and broker agreement conditional upon Admission pursuant to which:

13.1.7.1 the Company appointed HSBC as its nominated adviser and broker for the purposes of the AIM Rules and HSBC agreed, conditional upon Admission, to provide the services set out therein in its capacity as nominated adviser and broker:

13.1.7.2 the Company gave certain undertakings to HSBC including to notify and discuss with HSBC certain matters, provide certain information to HSBC and comply with all relevant continuing obligations prescribed by the London Stock Exchange;

13.1.7.3 the Company has agreed to pay to HSBC an annual fee of £50,000; and

13.1.7.4 the Company has agreed to give an indemnity to HSBC in terms which are customary for an agreement of this nature.

13.1.8 *Option agreements*

The Company has entered into the option agreements described at paragraphs 4.3 and 6.1 above.

13.2 Related party transactions

13.2.1 James Durkin is currently a member of the LLP (although he has agreed to withdraw from the LLP conditional upon Admission). Andrew Stewart currently holds 50 per cent. of the issued share capital of Supreme Huntress Limited (although he has agreed to sell such interest to the Company, conditional upon Admission, for a nominal value) which is a member of the LLP, holding an interest of 0.005 per cent. Pursuant to the Services Agreement (further details of which are set out above at paragraph 13.1.4 of this Part VII), the Company paid fees to the LLP, during the financial period ended 30 November 2005 of, in aggregate, £4,913,270. During the six months to 31 May 2006, the Company paid fees of, in aggregate £6,975,130 to the LLP under the Services Agreement. Further details of the LLP Agreement are set out in paragraph 13.1.5 of this Part VII.

13.2.2 Wayne Bulpitt, a director of Cenkos Channel Islands, is connected to Active Compliance Services Limited, a company which provides compliance and payroll services to Cenkos Channel Islands for an annual fee of £15,000. He is also connected to Active Compliance Services Management Services Limited, which is the landlord of Cenkos Channel Islands' properties and in relation to which Cenkos Channel Islands makes annual rental payments of, in aggregate, approximately £33,000.

14. Working capital

Having made due and careful enquiry, the Directors are of the opinion that the Company and the Group will have sufficient working capital available for their present requirements, that is, for at least the 12 months following the date of Admission.

15. Litigation and arbitration

Neither the Company nor any of its subsidiaries is or has been involved in any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability, nor are there any such proceedings pending or threatened against any member of the Group of which the Company is aware.

16. Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares and the B Shares

16.1 Mandatory bid

The City Code on Takeovers and Mergers applies to the Company. Under the City Code, if an acquisition of Ordinary Shares and/or B Shares were to increase the aggregate holding of the acquiror and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares and/or B Shares by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

16.2 Squeeze-out

Under the Companies Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares and/or 90 per cent. of the B Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. of the relevant class. It would do so by sending a notice to outstanding shareholders of the relevant class telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under

the takeover offer. If such entitlement to compulsorily acquire the remaining Ordinary Shares or B Shares were to arise, then this would constitute a B Share Event and the holders of B Shares would be obliged to pay the Required Premium and the B Shares would convert automatically into Ordinary Shares.

16.3 *Sell-out*

The Companies Act would also give minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and/or B Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares or the B Shares (as appropriate), any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire the shares of the relevant class.

The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

16.4 *Takeover bids*

Since incorporation of the Company, there have been no public takeover bids by third parties in respect of the Company's shares.

17. **Selling Shareholder**

Details of the Selling Shareholder and the number of Ordinary Shares to be sold by the Selling Shareholder are set out below:

<i>Name</i>	<i>Business Address</i>	<i>Number of Ordinary Shares to be sold</i>	<i>Relationship with the Company</i>
NewSmith Capital Partners LLP	Lansdowne House 57 Berkeley Square London W1J 6ER United Kingdom	11,250,000	Founder shareholder

18. **General**

18.1 The total costs and expenses relating to Admission and Placing are £2.15 million (including value added tax) of which £1.99 million is estimated to be payable by the Company and £0.16 million is estimated to be payable by the Selling Shareholder. The estimated net cash proceeds accruing to the Company from the Placing of the New Ordinary Shares is £0.51 million (assuming that the maximum number of New Ordinary Shares are issued by the Company as part of the Placing).

18.2 Deloitte & Touche LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its report as set out in Part V of this document.

18.3 HSBC has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its name in the form and context in which it is included.

18.4 The financial information set out in this document relating to the Group does not constitute statutory accounts within the meaning of section 240 of the Companies Act. The Company's auditors have given an unqualified audit report on the consolidated statutory accounts of the Company for the financial period ended 30 November 2005 within the meaning of section 235 of the Companies Act. That report did not contain any statement under sub-section 237(2) or (3) of the Companies Act.

Statutory accounts of the Company for the financial period ended 30 November 2005 have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Companies Act.

- 18.5 There are no arrangements in place under which future dividends are to be waived or agreed to be waived.
- 18.6 The Placing Price is payable in full in cash on acceptance.
- 18.7 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made or refused nor are there intended to be any other arrangements for dealings in the Ordinary Shares.
- 18.8 Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Group's activities.
- 18.9 The Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Group's business.
- 18.10 Save as disclosed in the paragraph entitled "Current Trading and Prospects" in Part I of this document, there has been no significant change in the trading or financial position of the Group since 31 May 2006, being the date to which the financial information contained in Part V of this document was prepared.
- 18.11 Save as disclosed in paragraph 11 above and in connection with the LLP, no person (excluding the Company's professional advisers to the extent disclosed elsewhere in this document and trade suppliers) in the 12 months preceding the Company's application for Admission received, directly or indirectly, from the Company or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:
- 18.11.1 fees totalling £10,000 or more;
 - 18.11.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - 18.11.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 18.12 Monies received from applicants pursuant to the Placing will be held by HSBC until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 31 October 2006 (or such later date as HSBC and the Company may agree), application monies will be returned to applicants at their own risk without interest prior to delivery of the shares.
- 18.13 The Ordinary Shares have not been sold, nor are they available, in whole or in part, to the public in conjunction with the application for Admission.
- 18.14 The provisions of sub-section 89(1) of the Companies Act (to the extent not disapplied pursuant to section 95 of the Companies Act) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in sub-section 94(2) of the Companies Act) which are, or are to be, paid up in cash and, upon Admission, will apply to the authorised but unissued share capital of the Company. As described in paragraph 2.4.6 above, statutory rights of pre-emption have been disapplied in order: (i) to allot the New Ordinary Shares and grant options over Ordinary Shares on Admission; (ii) to give the Directors flexibility in relation to rights or other pre-emptive issues; and (iii) to permit the Directors to allot Ordinary Shares for cash having a nominal value of up to 5 per cent. of the issued ordinary share capital of the Company following the Admission.

18.15 Where information in this document has been sourced from a third party, it has been accurately reproduced and, as far as the Company is aware and is able to ascertain from the information published by the third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Dated: 23 October 2006

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act” or “Companies Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the rules for AIM companies and their nominated advisers, issued by the London Stock Exchange in relation to AIM-traded securities
“Articles”	the articles of association of the Company to be adopted on Admission, details of which are set out in paragraph 3.2 of Part VII of this document
“Board” or “Directors”	the directors of the Company whose names are set out on page 3 of this document
“B Shares”	B ordinary shares of 1 penny each in the share capital of the Company arising on the sub-division of each Existing B Share into 10 B Shares to take effect conditional upon Admission
“B Share Event”	as defined in paragraph 3.2.15 of Part VII of this document
“B Share Scheme”	the partly-paid share scheme offered by the Company to certain prospective employees, further details of which are set out in Part I of this document
“Cenkos CI”	Cenkos Channel Islands Limited, a company incorporated under the laws of Guernsey with registered number 42906 and a subsidiary of the Company
“CISX”	The Channel Islands Stock Exchange
“Combined Code”	the code of best practice including the principles of good governance published in June 2006 by the Financial Reporting Council
“Company” or “Cenkos”	Cenkos Securities plc, a public limited company incorporated under the laws of England and Wales with registered number 5210733
“Corporate Governance Guidelines”	the recommendations on corporate governance made by the QCA
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which CRESTCo is the operator (as defined in the Uncertificated Securities Regulations 2001)
“CRESTCo”	CRESTCo Limited, the operator of CREST
“CSOP”	the Company Share Option Plan, details of which are set out in paragraph 4.2 of Part VII of this document

“Existing B Shares”	the existing B ordinary shares of 10 pence each in the capital of the Company, each of which will be sub-divided, upon Admission, into 10 B Shares
“Existing Ordinary Shares”	the existing ordinary shares of 10 pence each in the capital of the Company, each of which will be sub-divided, upon Admission, into 10 Ordinary Shares
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000
“GFSC”	the Guernsey Financial Services Commission
“Group”	the Company and its subsidiaries (including the LLP)
“HMRC”	H.M. Revenue & Customs
“HSBC”	HSBC Bank plc, a company incorporated under the laws of England and Wales
“IFRS”	International Financial Reporting Standards
“Listing Rules”	the listing rules (as amended and replaced from time to time) made under Part VII of FSMA
“LLP”	Cenkos LLP, an English limited liability partnership
“LLP Agreement”	the limited liability partnership agreement relating to the LLP and dated 11 April 2005 and as amended on 19 October 2006, further details of which are set out in paragraph 13.1.5 of Part VII of this document
“London Stock Exchange” or “LSE”	London Stock Exchange plc
“LTIP”	the Long Term Incentive Plan, details of which are set out in paragraph 4.1 of Part VII of this document
“Main Market”	the London Stock Exchange’s principal market for listed companies in the UK and overseas
“Model Code”	the model code published by the UK Listing Authority at Annex 1 of the Listing Rules (as amended from time to time)
“New Ordinary Shares”	up to 1,779,360 new Ordinary Shares to be allotted and issued by the Company at the Placing Price pursuant to the Placing
“NewSmith”	NewSmith Capital Partners LLP
“nomad”	nominated adviser for the purposes of the AIM Rules
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1 penny each in the share capital of the Company, arising on the sub-division of each Existing Ordinary Share into 10 Ordinary Shares, to take effect conditional upon Admission
“Pershing”	Pershing Limited and Pershing Securities Limited, who provide the outsourced back office and settlement services to the Company

“Placing”	the conditional placing of the Placing Shares by HSBC, at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 23 October 2006 between HSBC, the Company, the Directors and the Selling Shareholder, further details of which are set out in paragraph 11 of Part VII of the document
“Placing Price”	140.5p per Placing Share
“Placing Shares”	the Sale Shares and the New Ordinary Shares
“Preference Shares”	the cumulative redeemable preference shares of £1.00 each in the capital of the Company, all of which have been redeemed
“Prospectus Rules”	the prospectus rules of the Financial Services Authority made under Part VII of the FSMA
“QCA”	the Quoted Company Alliance
“Reporting Accountants”	Deloitte & Touche LLP
“Required Premium	as defined in paragraph 3.2.15 of Part VII of this document
“Sale Shares”	the 11,250,000 Ordinary Shares to be sold by the Selling Shareholder pursuant to the Placing
“Selling Shareholder”	New Smith, which is selling the Sale Shares pursuant to the Placing
“Services Agreement”	the agreement between the Company and the LLP and dated 9 May 2005, further details of which are set out in paragraph 13.1.4 of Part VII of this document
“Shares”	the Ordinary Shares and the B Shares
“Share Schemes”	the CSOP and the LTIP, further details of which are set out in paragraph 4 of Part VII of this document
“subsidiary”	as defined in sections 736 and 736A of the Companies Act
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List

