MIFIDPRU 8 Disclosure

as at 31 December 2022

Overview

Cenkos Securities plc[1] ("Cenkos" or the "Firm") is an independent, specialist institutional stockbroking company with offices in London and Edinburgh. Cenkos acts as a nominated adviser, sponsor, broker and financial adviser to a range of companies and investment trusts, at all stages of their growth and across all sectors. Cenkos concentrates on companies that seek admission of their shares to trading on AIM or the Main Market of the London Stock Exchange and companies that are already quoted on those markets.

This document sets out the disclosures required pursuant to chapter 8 of the FCA Prudential Sourcebook for Investment Firms ("MIFIDPRU"). Cenkos is a class 2, Non-SNI, MIFIDPRU investment firm under the Investment Firms Prudential Regime ("IFPR"). The disclosures required under MIFIDPRU 8 can be found in the Investors section of our website (www.cenkos.com) and in the Annual Report for the relevant financial period.

The disclosures herein are as at 31 December 2022 (the "Reference Date") in line with the last set of financial statements published by Cenkos. These disclosures have been approved by the governing body of the Firm and are not subject to audit, except where they are prepared under accounting requirements for publication in the financial statements.

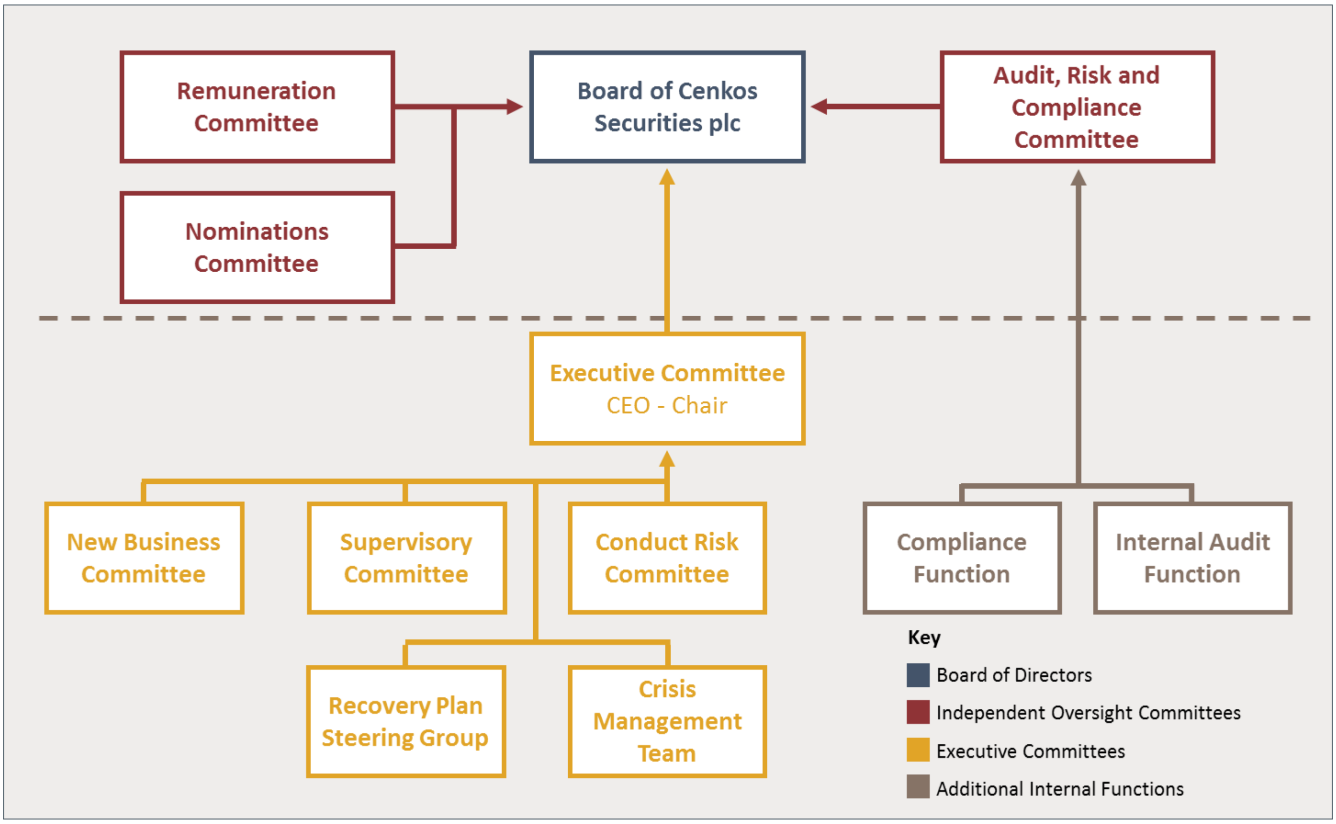
Governance Arrangements

Governance policy

The Board recognises the importance of high standards of corporate governance and considers that the Company's success is enhanced by the imposition of a strong corporate governance framework. The Board has agreed to apply the Quoted Companies Alliance Corporate Governance Code (the QCA Code). The QCA Code is based around 10 broad principles of good corporate governance, aimed at delivering growth, maintaining a dynamic management framework and building trust. The application of the QCA Code requires Cenkos to apply these 10 principles and to explain how the Company meets these principles. The Board does not consider there to be any practices that differ from the expectations set by the QCA Code during 2022. Details of how Cenkos has measured itself against these principles in terms of the substance and form of good Corporate Governance can be found on pages 22 to 24 of the 2022 Annual Report and in the Investors section of our website.

[1] Cenkos' shares were admitted to trading on AIM in 2006, and Cenkos is a member of the LSE.

Governance Structure



The Board

The Board is responsible for the stewardship of the Company, overseeing and accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm including the segregation of duties within the business and the prevention of conflicts of interest. The Board sets the Firm's strategy, and defines the conduct and affairs expected of the business to create sustainable value and growth in a manner which promotes the integrity of the market and the interests of clients. The Directors collectively bring a broad range of business experience to the Board, which is essential for the effective running of the Company. This is achieved through its own decision-making and by delegation of certain responsibilities to Board committees and by authority to manage the business to the Chief Executive Officer. The roles of the Chairman and the Chief Executive Officer are separated, ensuring a clear division of authority and responsibility at the most senior level within the Company.

The current and future needs of the business are considered in the context of each recruitment process. Succession planning and recruitment across the Firm considers key criteria such as capability, qualifications, experience and skills. The Firm has an equal opportunities and diversity policy which is applicable to all employees including the Board and management body, consultants, interns and students on work experience, third party employees on secondment to Cenkos, temporary and agency workers and employees of companies to whom Cenkos has outsourced any process. The aims of this policy are to prevent, reduce and stop all forms of unlawful discrimination in line with the Equality Act 2010; to provide a service that does not discriminate against its clients; and to ensure that recruitment, promotion, training, development, assessment, benefits, pay, terms and conditions of employment, redundancy and dismissals are determined on the basis of capability, qualifications, experience, skills and productivity.

As at the Reference Date, the number of directorships held by Board members is given in the table below:

Director	Title	Total directorships	Total directorships adjusted for SYSC 4.3A.7 R
Lisa Gordon	Non-executive Chairman	5	5
Jeremy Miller	Non-executive Director	4	4
Andrew Boorman	Non-executive Director	4	4
Julian Morse	Executive Director	1	1
Jeremy Osler	Executive Director	1	1
Note: the table above shows total directorships including those held within the same group			

The Board is satisfied that each of the Directors is able to allocate sufficient time to the Company to discharge their responsibilities effectively and that each is capable of satisfying the criteria set out in the Senior Management Arrangements Systems and Controls Sourcebook ("SYSC") at SYSC 4.3A.3R.

The Board meets a set number of times a year and at other times as necessary to discuss formal matters reserved for its decision which include:

- The Company's strategy and its associated risks;
- Acquisition, disposals, closures and other material transactions;
- Risk management strategy and risk appetite;
- Financial performance, annual budgets, periodic forecasts, half year results, the Annual Report and Accounts and dividends;
- Changes to the Company's capital structure;
- Appointments to and removals from the Board and committees of the Board;
- Remuneration policy;
- Communication with shareholders; and
- Conflicts of interest relating to Directors.

As noted above, to support the Board in discharging its responsibilities, a number of committees have been established and constituted all of which periodically report to the Board. Principal to MIFIDPRU 8 are the Audit, Risk and Compliance Committee (the "ARCC") and the Remuneration Committee. The Board reviews the decisions of those committees at each of its meetings. The duties of these committees and the frequency with which they meet are governed by Terms of Reference for each committee with details of their convening for each reporting period set out in the corresponding annual report.

The Audit, Risk and Compliance Committee

In accordance with MIFIDPRU 7.3.1R(1), Cenkos is required to establish a risk committee. The day-to-day management of risk has been delegated by the Board to the senior executives across the Firm overseen by the ARCC and underpinned by robust systems and controls proportionate with the Firm's risk appetite and governance arrangements. The ARCC is responsible for monitoring Cenkos' risk framework, internal control environment and financial reporting. The ARCC formally reports to the Board at the full and half-year results. In addition, the committee has direct and unrestricted access to the internal and external audit functions and sets the scope of their work and monitors their effectiveness, independence and objectivity.

The Remuneration Committee

The Remuneration Committee has delegated responsibility from the Board for developing the Company's remuneration strategy and for setting the remuneration of its Executive Directors and senior managers. The Remuneration Committee's primary responsibility is to review salary levels, variable remuneration and the terms and conditions of service of the Executive Directors. The committee also reviews the compensation decisions made in respect of all other senior managers and those employees determined to be Material Risk Takers in accordance with the MIFIDPRU Remuneration Code. The Remuneration Committee is also responsible for determining the overarching remuneration policy of the Firm, including the quantum of variable remuneration after taking into account relevant regulatory and corporate governance developments.

Risk Management Objectives and Policies

Cenkos has a comprehensive and effective Risk Management Framework that identifies, measures and mitigates risk within each business area. While input is obtained from all relevant areas, approval of the Risk Framework is provided by the Board. It identifies key drivers, mitigating factors and the progress made in further mitigating those risks. The probability and potential impact of the items is assessed.

Cenkos' risk management process is a continual process of:

- identifying and measuring specific risk exposures;
- setting specific day-to-day tolerance levels within the formal overall limits set by Cenkos in accordance with its risk appetite;
- reporting risk exposures as appropriate to stakeholders, including shareholders, the Executive Committee, the Board and the ARCC; and
- monitoring the process and taking any necessary corrective actions using the proper management tools to manage and mitigate risk, including capital allocation.

Three Lines of Defence

Cenkos' senior management are responsible for reviewing and evaluating the business risks within each area of the Firm's business, identifying and assessing the mitigating control(s) and procedures in place and the action plans to address any weaknesses in control. Within the three lines of defence model, each business unit head is therefore responsible for the day-to-day management of the risks to which their business activities are exposed, acting as the 'first line of defence'. This includes formally documenting, assessing and managing the key risks faced by their respective business activities although it is important to underline the fact that all employees are responsible for understanding and managing the risks inherent to their role and escalating as appropriate matters of concern in order that emerging threats can be managed.

Support functions such as Compliance and Risk act as the 'second line of defence'. These functions are responsible for developing risk management policies that define what should be done to effect control, and for assuring that these policies are implemented and working to manage the risks as expected.

The third line of defence consists of Internal and External Audit, which are responsible for providing independent assurance of the internal control framework to the ARCC and Board. This includes independent reviews of the adequacy of the risk framework and the workings of the first and second line of defence.

The externally outsourced Internal Audit function provides independent assurance over the adequacy and effectiveness of the systems of internal control throughout the business and assurance on the extent to which the Firm's approach to continuous improvement is maintained. The ARCC oversees the Internal Audit function, approving its plans and scope, its resources and considers the reports produced.

Capital Adequacy

Cenkos has a framework for monitoring the adequacy of its liquidity and financial resources, and formally assigns responsibility for overall balance sheet management to the CEO, supported by the Head of Finance.

The Board is responsible for determining the Group's risk appetite, and measuring the actual impact is within this appetite in real time and for ensuring that the risk management framework is appropriate and operating effectively. The Board and Management have a clear understanding of the potential for harm associated with the business strategy and the key risks to the business.

Harm to consumers

Cenkos' services are provided exclusively to corporate and investment trust clients and institutional investors. It does not hold the necessary permissions to conduct business with retail customers, therefore the potential harm it may cause retail consumers is negligible.

Harm to Clients and Markets

Cenkos does not have the necessary permissions hold or administer client money or assets, so limiting the harm its failure could do to its clients. An analysis of the Firm's critical functions, informed by the EBA's technical advice on critical functions, including consideration of Cenkos' size; market share; external and internal interconnectedness; and complexity was performed to assess the potential harm to Clients and the Market. With c.10 firms operating in the same markets as Cenkos, providing similar services who can substitute in for Cenkos should the need arise, its services are not considered critical functions. However, Cenkos was Nomad to c8% (62/816 – Dec 2022) of the companies quoted on AIM, if this function were suspended it could lead to disruption on the AIM market.

Harm to the Firm

The harm to the Firm is considered as part of the risk assessment and separately under the stress testing scenarios. The key risks to the business can be summarised within the seven primary risk categories. The table below describes the risk, how it is mitigated, the change in the year and trend in residual risk year on year.

	Description		**How the risk is mitigated**	**Change in the year and trend in residual risk**
People	At Cenkos the health and well-being of our employees is of fundamental importance as they are central to our success in delivering high quality service and advice to our clients and are a critical factor in determining the long-term success of the business. Attracting, developing and retaining talent is essential to maintain the Company's competitive advantage.		The retention, professional development and growth of our people remains at the top of the Board's agenda. We seek to minimise people risk by creating a workplace and culture that is welcoming and inclusive for everyone to drive the best outcomes for clients and by positively rewarding our people with a competitive total remuneration package. We have specific policies in place on diversity and inclusion, family related, and agile working to support our employees and ensure our ongoing operational resilience	The Firm's financial performance in 2022 has meant a reduction in variable remuneration awards to staff. In addition, the impact of inflation combined with comparatively low base salaries paid in accordance with the low fixed cost business model serves to increase people risk. During 2021 and 2022, Cenkos ran several share incentive schemes to enable all staff to have an interest in the Firm's equity. The fall in the share price during the year limits the ability of these schemes to mitigate people risk. Demand for talent is high. This risk is therefore likely to remain high

			whether they are working in the office or from home.	throughout 2023 until market sentiment returns and Cenkos' share price recovers. **An increase in residual risk**
Health of financial markets and investor sentiment	Our income is heavily dependent upon the health of the financial markets and in particular the economic conditions of the UK and how they impact the equity capital markets.		Cenkos continues to demonstrate success in raising capital for its corporate clients, which during 2022 included completing the three largest IPOs (by money raised) on AIM. It also added 17 new clients bringing the total number of retained companies and investment trusts to 107. Its strong balance sheet and flexible business model mean it is well-placed to withstand the financial turmoil, ready for the return of market sentiment	The Russian invasion of Ukraine, the ongoing war and the impact on global supply chains, already stressed due to Covid-related restrictions led to significantly reduced levels of market activity. Conditions remain challenging and the outlook uncertain even though markets have made a more encouraging start to 2023. The risk is likely to remain high in 2023. **No change**
Reputational	One of the most significant risks the Company faces is the damage to our reputation and the potential impact that may have on relationships with our stakeholders including our clients and shareholders and the future performance of the business. Reputational risk can arise from financial, operational, legal or conduct risks or a failure to meet the expectation of one of the Company's stakeholders.		The Board sets the Company's cultural tone by requiring a strong ethical and professional culture with a commitment to diversifying its cognitive thought. All new business is subject to rigorous multi-tier and multi-disciplinary committees each of which must approve any new business and/or appointments. Emphasis is placed upon hiring the right people with a strong work ethic and professional mindset. We regularly engage with stakeholders and market practitioners to understand how our reputation is perceived.	Notwithstanding market conditions, we have focused on gaining market share and have managed to complete the three largest AIM IPOs by money raised during 2022, added 17 new clients bringing our retained corporate clients total to 105 and performed a Nomad and/or broker role on transactions representing around 15% of total money raised on AIM. Consequently, we believe our reputation remains strong, which has been enhanced by the Company's ability to continue to operate effectively and raise funds throughout this period. There is, however, no room for complacency with a continued focus on all mitigating factors. The residual risk remains static at medium/high. **No change**

Strategic	The Board recognises that the key to the Company's long-term success is the clear articulation and execution of its strategy.		The Executive Committee (ExCo) is subject to robust and healthy challenge from the Board and its sub-committees on the Company's strategic direction and execution. The Board reviews strategy execution and the risks that threaten the achievement of the strategy. The corporate governance structure and relatively small size of the Company ensures that the Board has sufficient, well-articulated, timely and accurate information on which they can make informed decisions and gain appropriate levels of assurance.	Although, depressed market conditions resulted in a reduction in corporate finance activity which in turn led to a 46% decrease in revenue generated to £20.0m (2021: £37.2m), during the course of the year, Cenkos added 17 new clients, bringing the total retained clients to 107. This increase in size of the client base demonstrates a reasonable execution of the strategy. However, conditions remain challenging and the outlook uncertain even though markets have made a more encouraging start to 2023. Consequently, this risk remains high. **No Change**
Conduct, regulatory & legal	Conduct risk is defined as the risk that inappropriate behaviour, conduct or practices result in poor outcomes for clients, the Company or for the wholesale markets. Regulatory and legal risk is the risk of fines, penalties, sanctions or legal action arising from the Company's failure to identify or meet regulatory, legislative or its legal requirements.		By continuing to place emphasis on a robust corporate governance framework, the Board leads through its action and tone from the top which is reinforced by senior management's tone from the middle. Together these ensure conduct risk is mitigated to the fullest extent possible. Training continues to support in this area through a combination of internally delivered sessions delivered by the Head of Compliance and other senior managers and external third parties as appropriate. The Compliance Function monitors and updates systems and controls where necessary and as new regulation and legislation requires this or where market practice and regulatory expectations develop. The control framework includes a robust monitoring	The tough macro-economic conditions in 2022 have meant greater competition for business opportunities within the sector. The FCA's supervisory imperatives continue to focus on operationally sustainable activities that have at their core obtaining the best possible results for consumers. The Consumer Duty which comes into effect later in 2023 is testament to this. We continue to strengthen our systems and controls in order to ensure the Company's robust approach to its regulated activities enables it to remain relevant and focussed but do not consider the residual risk to have changed from its previous level. **No Change**

			programme which is reasonably designed to focus on areas identified by the FCA in its Business Plan but also takes into account Cenkos' own risk assessments to ensure that, together with ongoing training of staff on their responsibilities and the regulatory environment in which they operation, the emergence of any conduct risk indicators are identified and managed.	
Operational resilience	Operational risks can arise from the failure of the Company's core business processes or one of its third-party providers which then materially impact its ability to provide services to clients.		We aim to be able to sustain resilient operations and client services with minimum disruption from a combination of strong supplier relations, cloud-based data storage, remote collaborative communication tools and business continuity planning. Senior management is actively involved in identifying and analysing operational risks to find the most effective means to mitigate them particularly where these involve the outsourcing of critical or important functions.	Operational risk exposures remain at similar levels to those in prior years, with the exception of technology, information security, cyber security and fraud, where the risk has increased due to the shift to online platforms and the economic climate. We continue to invest in systems and training our people to understand and manage those risks, especially in the hybrid working environment. Consequently, the residual risk after mitigating actions remains static at medium/high. **No Change**
Financial	Financial risks are set out and described in more detail in note 24 to the financial statements. Financial risks include: ■ Market; ■ Credit/Counterparty; ■ Liquidity; and ■ Capital.		As a regulated entity, the Company is required to stress test its business model under various scenarios to measure its resilience in terms of its solvency and liquidity and its recovery capacity under stress. This is conducted under the Internal Capital and Risk Assessment (ICARA) process. In addition, the capital and liquidity positions are closely monitored, forecast and reported upon. These reports are updated regularly and reviewed by the ARCC and Board – see the Governance	The ongoing conflict between Russia and Ukraine, the sustained effects of Covid particularly within the Asian markets exacerbating global supply chain issues, spiralling energy costs and inflationary pressure have all detrimentally impacted market conditions and contributed to the possibility that the global economy will enter into a recession in 2023. These stresses have been modelled, in all but name, in the stress tests detailed in the Firm's ICARA. The strength of the Company's balance sheet, the flexibility of the business model and low fixed cost

			section.	base, results in it being well placed to withstand the financial turmoil, ready for the return of market sentiment. Notwithstanding this, the financial risk remains high, similar to the previous year. Consequently, the residual risk after mitigating actions remains static at medium/high. **No Change**

Each of these areas, and the underlying secondary risks have been considered in the preparation of the Firm's ICARA which is reviewed annually shows how the Firm's regulatory capital, capital requirement and liquidity will meet the incidence of harms in the year ahead.

Risk Management Strategies

In addition to the mitigation strategies for the seven areas of risk set out above, Cenkos' business model is designed to identify and manage the incidents of harm through a flexible cost base, strong capital and liquidity position and an experienced and stable team with significant shareholding in the business.

Flexible cost base

Cenkos has a simple business model funded by equity (total equity of £21.8m at 31 December 2022 comprising retained earnings of £27.3m and Ordinary Share Capital and Premium of £3.9m). Therefore its Own Funds are made up entirely by Common Equity Tier 1, with no external debts or bank credit facilities, and with significant cash balances representing around 43% of its total assets of £32.9m (31 December 2022). Cenkos' income is generated through its three core business lines and due to the nature of its business, can fluctuate significantly year on year. Staff costs (FY 2022: £13m, FY 2021: £25m) make up the majority of its operating expenses (FY 2022: £21m, FY 2021: £33m) and enable Cenkos to flex the cost base to reflect the level of revenue generated.

Variable staff costs (including variable remuneration) make up a significant portion of Cenkos' cost structure thereby enabling management to reduce costs in line with falling revenues to protect its capital and liquidity. This has proven to be an effective model in past market wide (such as the 2008 financial crisis) and idiosyncratic (such as the FCA's 2016 fine which had a significant financial and reputational impact on the Group) stress events. In every year since its floatation in 2006, Cenkos has generated an underlying profit and paid dividends throughout.

Positive cash cycle, liquidity and capital

Corporate finance fees make up around c65% of the Firm's revenue. These fees are usually received in cash as the revenue is recognised, whereas expenses are mostly paid in arrears. Any variable remuneration is governed by Cenkos' Remuneration Policy, pursuant to the MIFIDPRU Remuneration Code as set out at SYSC 19G including the awarding of payments annually in arrears with a proportionate amount of the usually award paid in shares. This means Cenkos has a positive cash cycle, leading to healthy cash balances which build during the year, peaking prior to the payment of discretionary remuneration and dividends.

Cenkos is required to always maintain sufficient regulatory capital to cover its total capital requirement as derived from the ICARA process. Cenkos has a very cautious approach to regulatory buffers and aims to hold a capital surplus above its total capital requirement.

Experienced and stable team

Cenkos' staff are key to maintaining its long-term client relationships, offering continuity and a high level of service. The Board and Management recognise the loss of key staff, and whole teams, as a key risk and have appropriate mitigants in place. Cenkos' Directors and many of its employees are significant shareholders and share option plans are in place which ensures the interests of all stakeholders are aligned. Whilst Cenkos has an integrated business model, and the loss of one particular team is likely to have a significant revenue and reputational impact, this will not put at risk the whole business model as the fall in revenue can be managed through a reduction in costs (mainly the departing team's salary and bonus), and replacement of the team within a reasonable period (estimated to be 12-18 months).

Concentration Risk

Within Cenkos, there is the potential for exposure concentrations. These could arise from:

- Large positions in securities from a single issuer - these would give rise to a greater level of market risk than a portfolio comprised of well diversified investments. Single stock limits are enforced and monitored daily with any excesses requiring authorisation;

- Shares received in lieu of fees ("SILOF") - occasionally a fee can be collected in equities rather than cash, leading to a significant position in excess of that usually held for market making purposes which would attract market risk. This, however, must be agreed in advance by the New Business Committee; and

- Sector concentrations - In particular, a large proportion of Cenkos' corporate finance clients and market making stocks are admitted to trading on AIM and therefore Cenkos is exposed to any event which may affect confidence in that market.

Each day a market risk report and counterparty risk report are produced to monitor large exposures to either a single issuer or trade counterparty.

Liquidity Risk

Liquidity risk is the risk that the Firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost.

To mitigate this risk, Cenkos has in place an appropriate liquidity risk management framework for the management of its short, medium and long-term funding and liquidity management requirements. The Board has oversight and approves the liquidity risk management framework at least annually. Cenkos has a positive cash cycle and manages liquidity risk by maintaining adequate liquid assets, reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Cenkos is required to always maintain sufficient liquid resources to meet the Basic Liquid Assets Requirement. Cenkos adopts a cautious approach to liquidity management and consequently aims to hold liquid resources in excess of this level to cover the net of fixed overheads and retainer fee income for a period of months. This is monitored in the daily cash report.

Own Funds

This disclosure has been made in accordance with the MIFIDPRU 8.4 requirements using the MIFIDPRU 8 Annex 1R template as required. The information contained within this section is as of the Reference Date.

Composition of regulatory own funds as at 31 December 2022			
	Item	£ 000's	Source
1	**OWN FUNDS**	**20,307**	
2	**TIER 1 CAPITAL**	**20,307**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**20,307**	
4	Fully paid up capital instruments	567	Share capital
5	Share Premium	3,331	Share premium
6	Retained earnings	27,317	Retained earnings
7	Accumulated other comprehensive income	0	FVOCI reserve
8	Other reserves	195	Capital redemption reserve
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER	(11,103)	
19	CET1: Other capital elements, deductions and adjustments	(11,103)	
	Own shares	(9,654)	Own shares
	Deferred tax asset	(1,525)	Deferred tax asset
	2022 final dividend declared (0.5p)	(249)	
	Adj to own shares (SIP1, 2 & 3 free and matching shares, fully vested)	325	
20	**ADDITIONAL TIER 1 CAPITAL**	**-**	
21	Fully paid up, directly issued capital instruments	-	
22	Share Premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	
25	**TIER 2 CAPITAL**	**-**	
26	Fully paid up, directly issued capital instruments	-	
27	Share Premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements	a	b	c
	Balance sheet as in published/audited financial statements As at period end, £ 000's	Under regulatory scope of consolidation As at period end, £ 000's	Crossreference to template OF1
Assets			
Non-current assets			
Property, plant and equipment	409		
Right-of-use assets	3,539		
Deferred tax asset	1,525		19
Investments in subsidiary undertakings	1		
Investments in equity-accounted associates	100		
	5,574	-	
Current assets			
Trade and other receivables	8,334		
Other current financial assets	4,811		
Cash and cash equivalents	14,220		
	27,365	-	
Total assets	**32,939**	-	
Laibilities			
Current liabilities			
Trade and other payables	(5,684)		
Other current financial liabilities	(1,312)		
	(6,996)	-	
Non-current liabilities			
Trade and other payables	(4,187)		
Total liabilities	**(11,183)**	-	
Net assets	**21,756**	-	
Shareholders' Equity			
Equity			
Share capital	567		4
Share premium	3,331		5
Capital redemption reserve	195		8
Own shares	(9,654)		19
FVOCI reserve	-		7
Retained earnings	27,317		6
Total equity	**21,756**	-	

Own funds: main features of own instruments issued by Cenkos Securities plc		
Capital instruments main features		
Issuer		Cenkos Securities plc
Governing laws of the instrument		England
Instrument type		Equity
Regulatory treatment		
Transitional CRR rules		Common Equity Tier 1
Post-transitional rules		Common Equity Tier 1
Instrument type		Ordinary Shares
Amounts recognised in regulatory capital		**£000's**
	Share capital	567
	Share Premium	3,331
	Capital redemption reserve	195
Nominal amount of instrument		567
Issue price		100%
Redemption price		Not Applicable
Accounting classification		Shareholders Equity
Perpetual or dated		Perpetual
Maturity date		Not Applicable
Issuer call subject to prior supervisory approval		No
Optional call date, contingent call dates and redemption amount		Not Applicable
Subsequent call dates, if applicable		Not Applicable
Coupons/dividends		
Fixed or floating dividend/coupon		Variable
Coupon rate and any related index		Not Applicable
Existence of a dividend stopper		No
Fully discretionary, partially discretionary or mandatory		Fully discretionary
Convertible or non-convertible		Non-convertible
Write-down features		No

Own Funds Requirements

Cenkos is a class 2, Non-SNI, MIFIDPRU investment firm. Based on this classification, Cenkos' methodology and assessment of the Own Funds Requirement under MIFIDPRU 4 as at the Reference Date is set out below.

Risk area	December 2022 £000's
Permanent minimum capital	750
Fixed overhead requirement	4,289
K-factor requirement	1,611
Own funds requirement ('OFR')	**4,289**

The Own Funds Requirement for a Non-SNI MIFIDPRU investment firm is the highest of its permanent minimum capital, its fixed overhead requirement, and the K-factor requirement as calculated in accordance with MIFIDPRU 4.3.

IFPR approach to permanent minimum capital

Cenkos is classified as a class 2, non-SNI MIFIDPRU investment firm and has the requisite permissions to deal on its own account, consequently its permanent minimum capital requirement is £750,000 (IFPR art 4.4.1).

IFPR approach to fixed overhead requirement

Cenkos' fixed overheads requirement is an amount equal to one quarter of the Firm's relevant expenditure during the preceding year using the figures from most recent audited annual financial statements. This equates to £4.3m, being 25% of the relevant expenditure calculated in accordance with IFPR art 4.5.

IFPR approach to K factor requirement

Cenkos' K-factor requirement is the sum of each of the K-factors that apply to the Firm. This equates to £1.6m and is calculated in accordance with IFPR art 4.6.

	IFPR Article	K- factor £ 000's
K-factor requirement	**4.6**	
K-AUM (Assets Under Management)	4.7	-
K-CMH (Client money held)	4.8	-
K-ASA (Assets Safeguarded and Administered)	4.9	-
K-COH (Client Orders Handled)	4.10	-
K-NPR (Net Position Risk) requirement	4.12	1,601
K-CMG (Clearing Margin Given)	4.13	-
K-TCD (Trading Counterparty Default) requirement	4.14	-
K-DTF (Daily Trading Flow) requirement	4.15	10
K-CON (Concentration Risk) requirement.	4.16	
K-factor requirement		1,611

In addition, Cenkos undertakes the Internal Capital Adequacy and Risk Assessment (ICARA) to determine whether any further capital in excess of this amount should be held. This process is designed to ensure that the Firm:

- has appropriate systems and controls in place to identify and monitor and where proportionate reduce all potential material harms which may result from its ongoing operation or winding down; and

- that it holds adequate financial resources to enable the Firm to remain viable throughout the economic cycle and enable the Firm to conduct an orderly wind-down

The conduct and results of this process including whether any additional capital or liquid resources should be held is formally reviewed, challenged and approved by the Board.

Remuneration Policy and Practices

Pursuant to MIFIDPRU 8.6, Cenkos is required to disclose qualitative and quantitative details regarding its remuneration policies and procedures which are set out below.

Remuneration Committee

As noted previously, Cenkos has established and constituted a Remuneration Committee membership of which is comprised solely of the Firm's Non-Executive directors. The committee meets at least annually and has responsibility for overseeing application of the Firm's Remuneration Policy governs the policies and practices and the incentives created for managing risk, capital and liquidity.

Remuneration Policy

Cenkos' Remuneration Policy is applicable to all staff and is designed to attract and retain individuals of the highest calibre and probity and reward them so that they are motivated to grow and share in the long-term development and success of the business. The Remuneration Committee considers the need to balance all stakeholders' interests and to be flexible in its approach to determining the remuneration policy. A substantial proportion of the total remuneration is performance related and therefore aligned to performance measures that benefit all shareholders. No external consultants are used in the development of Cenkos' remuneration policies and practices.

Components of remuneration

Remuneration of staff is paid by way of fixed and variable components. In accordance with SYSC 19G.4.5R, the fixed component of all staff remuneration represents a sufficiently high proportion of the total remuneration to enable to operation of a fully flexible policy on variable remuneration as may be required from time to time.

Fixed remuneration is paid monthly in arrears and primarily reflects a staff member's professional experience and organisational responsibility as set out in the staff member's job description and terms of employment and is permanent, pre-determined, non-discretionary, non-revocable and not dependent on performance.

Variable remuneration is awarded annually based on individual performance reflecting the long-term performance of the relevant staff member as well as performance in excess of the staff member's job description and terms of employment. Cenkos operates a flexible model with the awarding of this component in cash or cash and Cenkos shares, a proportion of which can be subject to a three-year deferral. Other variable remuneration components include the establishing of Short-Term Incentive Plans, Long-Term Incentive Plans and the operation of Company Share Option Schemes. Any deferred component is intended to align a portion of the variable compensation award with the management of longer-term business risk.

Link between variable remuneration and performance

Variable remuneration is a discretionary award which reflects the extent of Cenkos meeting its targets and strategic and commercial objectives and is, therefore, substantially reflective of the Firm's overall financial performance. All individual awards of variable remuneration are made at the discretion of the Remuneration Committee reflecting the individual's financial and non-financial performance, after risk factors (including behaviour and conduct) have been considered. This policy applies to all revenue generating and non-revenue generating staff and accordingly all staff are eligible to being awarded variable remuneration subject to the Firm's financial performance and the individual's own performance.

Risk adjustment of variable remuneration

Risk adjustment for non-performance is capable of being applied to any and/or all variable remuneration awards during any relevant year. Where required by law, awards to Material Risk Takers are potentially subject to stringent risk adjustment, including, but not limited to, forfeiture and clawback in the event of employee misbehaviour, material error, material downturn in business unit performance or a material failure of risk management. To ensure effective risk management more generally, Cenkos also requires certain other employees who receive variable remuneration awards (both upfront cash and deferred cash and/or share awards) to agree to malus and clawback provisions of a defined proportion of variable remuneration in the event of fraud, misconduct or actions contributing to the detriment of business interests, including competing with the business and soliciting employees or clients.

Quantitative disclosure

The total number of MRTs identified by the Firm pursuant to SYSC 19G.5.3R and the corresponding guidance on the Reference Date was 20 employees.

For the Year Ended 31 December 2022	Senior Management £'000s	Other Material Risk Takers £'000s	All Other Staff £'000s
Total amount of remuneration awarded (Fixed + Variable)	1,749	1,520	6,980
Fixed Remuneration awarded	1,253	1,265	6,010
Variable Remuneration awarded	496	256	970
Total amount of guaranteed variable remuneration awards (number of MRTs receiving such awards)	0 (0)	0 (0)	n/a
Total amount of severance payments awarded (number of MRTs receiving such payments)	0 (0)	0 (0)	n/a
Amount of the highest severance payment awarded	0		n/a