



CENKOS

Cenkos Securities plc
Interim Report 2010

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Financial highlights

- Revenues up by 18% to £25.1 million (H1 2009: £21.2 million).
- Underlying operating profit £5.0 million (H1 2009: £5.4 million).
- Statutory operating profit £1.8 million (H1 2009: £4.9 million).
- Underlying profit before tax £5.0 million (H1 2009: £5.6 million).
- Statutory profit before tax £1.8 million (H1 2009: £6.2 million).
- Underlying basic and diluted earnings per share 4.2p (H1 2009: 5.8p)
- Statutory basic and diluted earnings per share 1.0p (H1 2009: 6.6p)
- The Board proposes an interim dividend of 2p per share. Last year's interim dividend was made up of 5p per share reflecting the underlying performance of the Group in the six months to 30 June 2009 and a further 10p per share which was paid from profits generated in previous periods making a total of 15p per share.
- The Company intends to seek shareholder approval for a reduction of its share premium account as soon as possible in order to create further distributable reserves. This reduction will also require Court approval. As and when Court approval has been granted and sufficient distributable reserves created, the Board intends that the Company will declare a second interim dividend of 2p per share resulting in an overall interim dividend of 4p per share.
- Strong cash levels at £13.8 million (H1 2009: £4.9 million) and capital resources surplus of £7.7 million (H1 2009: £3.2 million) in excess of our Pillar 1 and 2 regulatory capital requirements.

Business highlights

- Continued success in attracting new institutional and corporate clients helping to grow the Cenkos franchise.
- We continue to raise funds for our clients even though conditions in equity capital markets remain very fragile. To 30 June 2010, we have raised a total of £736 million (H1 2009: £430 million).
- In April 2010, Cenkos, as sole bookrunner and listing sponsor, raised £460 million for the Anthony Bolton-managed Fidelity China Special Situations Fund PLC.
- Strong growth in Fund and Wealth Management business with funds under management increased to £982 million (H1 2009: £657 million).
- Continuing investment in high quality personnel with the expectation of increasing the Group's level of recurring income.
- Since the period end a further £327 million has been raised for clients from nine transactions.
- Ranked third, by Hemscott in August 2010, in respect of total number of stock market clients advised.

Business and financial review

Overview

We are pleased to report that during the period, the Group has increased its revenue and continues to be profitable. This has been achieved against a backdrop of fragile and highly volatile equity markets, caused in part by uncertainty surrounding the change of government, the European sovereign debt crisis and the potential effects of austerity measures designed to reduce the national deficit. Our robust business model and the high quality, dedication and experience of our employees have enabled us to produce this very creditable performance.

In these difficult markets the Group has continued to raise equity capital for its corporate clients. This performance is recognised by the fact that in August 2010, Cenkos was ranked third in terms of the number of stock market clients advised by Hemscott.

Total revenue for the period increased by 18% to £25.1 million (H1 2009: £21.1 million), which, we believe, is encouraging given the economic climate. This puts the Group in a strong position to continue its organic growth by adding high quality individuals to our existing teams as well as recruiting new teams with complementary income streams and who are seeking the entrepreneurial ethos of Cenkos.

One of the Group's goals is to increase the spread of revenues both across different teams and activities and to increase the proportion of total revenues made up by recurring revenues. Significant progress in this direction has been achieved over the period, with a more even spread among departments, and increases in retained clients and revenues from Fund Management.

The table below shows a breakdown of revenue by segment.

	2010 £000's	2009 £000's
Corporate Broking and Advisory	18,825	15,882
Institutional Equities	2,559	2,169
Fund and Wealth Management	3,711	3,130
	25,095	21,181

Corporate broking and advisory

This business segment includes the results of our small/mid cap, investment funds and credit market activities, including the results of our market making capability carried on to support these areas. Revenue by segment is made up of placing commission on fund raisings, corporate finance fees and retainer income, market making profits and commissions on secondary market transactions. Revenue was up 18% to £18.8 million (H1 2009: £15.9 million) and the segment result was up 5% to £6.4 million (H1 2009: £6.1 million).

We are pleased to announce that, during the period, we completed 14 transactions and our clients raised a total of £243 million (H1 2009: £420 million), which included two primary issues. The Group was nominated adviser or corporate broker/financial adviser to 104 companies or trusts (H1 2009: 105) as at 30 June 2010, with a market capitalisation of £14.3 billion (H1 2009: £10.7 billion). In the period we also completed 6 M&A corporate finance transactions (H1 2009: 11). This performance is particularly encouraging as it was achieved during a period where there was limited transactional revenue.

Our investment funds team provides a broad range of services to investment companies including primary and secondary sales, market making, research, corporate broking and corporate finance advice. Their sales team services both institutional and wealth manager clients. In April 2010, Cenkos, as sole book runner and listing sponsor, raised £460 million for the Anthony Bolton-managed Fidelity China Special Situations PLC, bringing the total raised for investment funds to 30 June 2010 to £493 million (H1 2009: £10 million).

The Group makes markets in the securities of all the companies where it has a broking relationship and to support the other services it provides to its clients. We continue to actively restrict the amount of the Group's capital committed to this activity to limit our market risk exposure without adversely affecting the revenue generated. The Group does not engage in proprietary trading and applies position limits and monitoring procedures to ensure controls. The Group does from time to time take stock in lieu of fees and the market movement on these items is also included in this income stream.

Institutional Equities

The Institutional Equities team based in London provides research-driven investment recommendations to institutional clients. While many of our clients continue to pay for our research services directly, more are choosing to transact business through Cenkos as well. The demise of the trading capacity of the larger investment houses has levelled the playing field for other firms. In the same way that Cenkos specialises in researching certain areas of the market, we now specialise in facilitating business in these same areas.

We continue to strengthen the research team. Cenkos is now able to provide research in food retail, technology and building/construction and is actively pursuing the recruitment of leading analysts covering other sectors. However, recruitment has not been easy as the big banks continue to invest heavily in this area evidenced by the return of significant upfront guarantees. Cenkos will not change its business model to compete with the banks but will seek to attract individuals who embrace our performance-driven culture and who can assist in bringing us the associated capital markets transactions. These additions saw the Group increase revenues in this segment by 18% to £2.6 million (H1 2009: £2.2 million). The segment result is £0.6 million (H1 2009: £0.8 million). This reduction in profits reflects the fact that we have continued to invest in this area through the economic downturn by building a team of high quality individuals. We believe that this investment will be repaid when more benign conditions return.

Our execution business within this segment is strictly focused on client facilitation. We do not engage in proprietary trading. We believe that the continued organic growth of this area will enhance Cenkos' overall service to its expanding client base. It is also important to point out that the team's income also increases the proportion of recurring revenue coming into the Group.

Fund and Wealth Management

Our offshore fund and wealth management services are provided through Cenkos Channel Islands Limited, a 50% owned subsidiary based in Guernsey and its own subsidiary based in Jersey. Varying levels of stock broking services are offered, from fully discretionary to execution only, to high net worth individuals, financial intermediaries and institutions. The offshore asset management business has continued to grow and has made a positive contribution to the interim results, with 1,867 clients (H1 2009: 1,500) and £982 million funds under management (H1 2009: £657 million). Since the half year end the funds under management have exceeded £1 billion.

The onshore fund management business is provided by Cenkos Fund Management Limited, a 45% owned subsidiary. This operation has an investment management agreement with an AIM-quoted fund. The fund has been put into run off and although investment management fee will continue to be generated we expect it to make only a minimal contribution to the Group.

Segment revenue has increased by 19% to £3.7 million (H1 2009: £3.1 million) and principally due to the operational gearing in these activities the segment result has increased by 15% to £0.9 million (H1 2009: £0.7 million).

Business and financial review continued

Income statement

We set out below a schedule which re-analyses information included in the statutory income statement. This re-analysis, I believe, allows a clearer picture of the underlying performance of the Group as it removes the effects of capital restructuring resulting from the paying up of partly paid shares and granting of options which took place on 17 July 2009 and Dividend Bonus payments to holders of share options under the compensatory award plan 2009. Payments under this scheme are only triggered by the payment of a dividend to ordinary shareholders and cash settled shadow equity bonus.

	2010			2009		
	Underlying income statement £ 000's	Adjusting items £ 000's	Statutory income statement £ 000's	Underlying income statement £ 000's	Adjusting items £ 000's	Statutory income statement £ 000's
Revenue	25,095	–	25,095	21,181	–	21,181
Adjusted administrative expenses	(20,143)	–	(20,143)	(15,779)	–	(15,779)
Cash settled shadow equity bonus	–	(2,090)	(2,090)	–	–	–
Bonus resulting from the Compensatory Award Phantom Dividend Plan 2009	–	(1,059)	(1,059)	–	–	–
Extension of the repayment terms of loans to B shareholders	–	–	–	–	(540)	(540)
Operating profit	4,952	(3,149)	1,803	5,402	(540)	4,862
Acceleration of the discount due to early repayment of loans to B shareholders	–	–	–	0	1,147	1,147
Investment income – interest receivable	307	–	307	459	–	459
Finance costs – interest payable	–	–	–	(255)	–	(255)
(Loss)/gain on sale of available-for-sale financial asset	(294)	–	(294)	6	–	6
Profit before tax	4,965	(3,149)	1,816	5,612	607	6,219
Tax	(1,595)	882	(713)	(1,128)	–	(1,128)
Profit for the period	3,370	(2,267)	1,103	4,484	607	5,091
Attributable to:						
Equity holders of the parent	3,010	(2,267)	743	4,197	607	4,804
Minority interests	360	–	360	287	–	287
	3,370	(2,267)	1,103	4,484	607	5,091
Earnings per share						
Basic	4.2 p	–	1.0 p	5.8 p	–	6.6 p
Diluted	4.2 p	–	1.0 p	5.8 p	–	6.6 p

Total group revenue was £25.1 million compared to last year's £21.1 million, representing an increase of 18%. However, underlying profit fell by 8% to £5.0 million from £5.4 million. This decrease is due to a number of factors, namely the continued investment in building our teams, as shown by the increase in average head count, and a change in the mix in revenue by team. In the first half lower margin teams, such as Institutional Equities and Fund and Wealth Management, have performed well in revenue terms, whilst our high margin areas, principally primary fundraisings, have not performed as well as in the previous period. Given fundraisings already completed in the second half we expect this trend to be partially reversed. Also, whilst retaining the direct link to performance, we have increased bonus rates from a third of revenues after direct cost to 40% which is consistent with other financial sector companies in our peer group and enables us to remain competitive. Cenkos endeavours to remunerate its staff to a level which not only retains but also motivates them. Cenkos continues to pursue a policy of maintaining a low fixed cost base and a remuneration policy of low basic salaries and rewarding net income generation.

Statutory operating profit fell to £1.8 million (H1 2009:£4.9 million). This, in addition to the reasons explained above, includes charges for bonuses under the Compensatory Award Phantom Dividend Plan 2009 and a provision for a cash settled shadow equity scheme, set up in 2009 for our team based in Edinburgh, this team has performed very well during the period and this has given rise to the charge.

Statutory profit before tax is £1.8 million (H1 2009: £6.2 million). This decrease is due to the effects mentioned above as well as the fact that as a result of the paying up of unpaid shares there was no unwinding of the discount whereas during the comparative period there was a credit of £1.1 million, which was a non-cash item.

Balance sheet and cash flow

As mentioned above, we continue to manage the amount of capital committed to our market making activities and consequently have net trading investments of £7.6 million (H1 2009: £6.8 million). In addition, during the period we sold our available-for-sale Investment in Plus Market realising a loss of £294,000.

We currently hold very healthy cash levels at £13.7 million (H1 2009: £4.9 million). The period to 30 June 2010 has seen an outflow of cash from operating activities of £2.7 million (H1 2009: inflow £0.6 million). This is largely due to the payment of bonus in respect of first quarter earnings being paid in the fiscal year 2009/2010 rather than after completion of the first half.

The Group manages capital to ensure that the Company and its subsidiaries are able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. At present the Group has no gearing and the Board continues to review gearing levels on an ongoing basis. The Group has to retain sufficient capital to satisfy the UK Financial Services Authority's capital requirements. These requirements vary from time to time depending on the business conducted by the Group. As at 30 June 2010, the Group had a solvency ratio based on capital resources against Pillar 1 capital requirement of 225% (H1 2009: 217%) based on audited profits.

Going concern

As stated in note 1 to the condensed set of financial statements, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the Directors continue to adopt a going concern basis in preparing the interim financial statements.

Dividend

As we have consistently stated, we only intend to retain sufficient capital and reserves to meet the Group's regulatory capital and cash requirements, after taking account of the likely future working capital requirements of the Group. The major constraining factor in pursuing the dividend policy has been the Company's distributable reserves, which, in the period, have been reduced by the charge for the Edinburgh Cash Settled Shadow Equity Scheme. The 2009 reorganisation of the B share employee incentive scheme resulted in an increase in cash and regulatory capital from the payment of unpaid share premium by employees, to a level in excess of requirements.

The Board proposes an interim dividend of 2p per share compared to last year's overall interim dividend of 15p per share. Last year's interim dividend was made up of 5p per share reflecting the underlying performance of the Group in the six months to 30 June 2009 and a further 10p per share which was paid from profits generated in previous periods which it became possible to distribute due to increases in cash and regulatory capital as a result of the Group receiving £10.6 million from the paying up of previously partly paid shares. The dividend will be paid on 4 November 2010 to all shareholders on the register at 8 October 2010.

The Company intends to seek shareholder approval for a reduction of its share premium account as soon as possible in order to create further distributable reserves. This reduction will also require Court approval. As and when Court approval has been granted and sufficient distributable reserves created, the Board intends that the Company will declare a second interim dividend of 2p per share.

Business and financial review continued

People

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

During the period there were a number of changes to the Board. John Hodson stepped down as Chairman at the AGM and Peter Sullivan agreed to take on John's role. Andy Stewart also decided to step down from the Board on 20 July 2010. Once again I would like to express my thanks to John and Andy for their contribution to Cenkos. We have previously announced that David Henderson and Oliver Ellingham have joined the Board as Non-executive Directors and I am sure their experience and knowledge will be invaluable to the Group in the next stage of our growth.

I also announce today that Paul Roy who has been a Non-executive Director of the Company since it commenced trading in April 2005 will step down from the Board with immediate effect. I would like to express my gratitude and appreciation to Paul for his contribution to the Group over the past five years and to wish him well in the future.

Principal risks and controls

The principal risks and uncertainties currently faced by the Group are outlined in Note 10.

Outlook

We remain cautious regarding the general economy for the remainder of the year. Confidence levels are still volatile, fuelled by concerns of the strength of the global economy and the potential for a second recession. There are signs that the speed of recovery has slowed, with jobs growth weakening and a widening trade deficit. We also believe that there is an underestimate of the cost of dealing with the UK public deficit.

However, as the financial performance to date demonstrates, whilst not immune to events in the general economy, we are performing well and our pipeline remains good.

We have made an encouraging start to the second half and since the 30 June 2010, have undertaken a number of corporate and issuance transactions raising over £327 million for our clients.

Simon Melling

Chief Executive Officer

30 September 2010

Responsibility Statement

We confirm that to the best of our knowledge:

- a) the condensed set of financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of Cenkos Securities plc and the undertakings included in the consolidation taken as a whole as at 30 June 2010, and
- b) the interim management report set out in the Chief Executive Officer's statement includes a fair review of the development and performance of the business and the position of Cenkos Securities plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Forward-looking statements

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

Condensed consolidated income statement for the six month period ended 30 June 2010

Note	Unaudited	Unaudited 1 January 2009			Audited 1 January 2009		
	1 January 2010 to 30 June 2010 £ 000's	Before non- recurring item £ 000's	Non- recurring item (note 3) £ 000's	After non- recurring item £ 000's	Before non- recurring item £ 000's	Non- recurring item (note 3) £ 000's	After non- recurring item £ 000's
Revenue	25,095	21,181	–	21,181	46,204	–	46,204
Administrative expenses	(23,292)	(15,779)	(540)	(16,319)	(35,616)	(4,987)	(40,603)
Operating profit	1,803	5,402	(540)	4,862	10,588	(4,987)	5,601
Investment income – interest receivable	307	459	1,147	1,606	764	1,139	1,903
(Loss)/gain on sale of available-for-sale financial asset	(294)	6	–	6	254	–	254
Finance costs – interest payable	–	(255)	–	(255)	(258)	–	(258)
Profit before tax	1,816	5,612	607	6,219	11,348	(3,848)	7,500
Tax	4 (713)	(1,128)	–	(1,128)	(2,553)	84	(2,469)
Profit for the period	1,103	4,484	607	5,091	8,795	(3,764)	5,031
Attributable to:							
Equity holders of the parent	743	4,197	607	4,804	8,258	(3,764)	4,494
Minority interests	360	287	–	287	537	–	537
	1,103	4,484	607	5,091	8,795	(3,764)	5,031
Earnings per share							
Basic	6 1.0p	5.8p		6.6p	11.4p		6.2p
Diluted	6 1.0p	5.8p		6.6p	11.4p		6.2p

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

Condensed consolidated statement of comprehensive income

for the six month period ended 30 June 2010

	Unaudited 1 January 2010 to 30 June 2010 £ 000's	Unaudited 1 January 2009 to 30 June 2009			Audited 1 January 2009 to 31 December 2009		
		Before non- recurring item £ 000's	Non- recurring item (note 3) £ 000's	After non- recurring item £ 000's	Before non- recurring item £ 000's	Non- recurring item (note 3) £ 000's	After non- recurring item £ 000's
Profit for the period	1,103	4,484	607	5,091	8,795	(3,764)	5,031
Available-for-sale financial assets:							
Gains arising during the period	48	357	–	357	195	–	195
Tax relating to gains on available-for-sale financial assets	–	(32)	–	(32)	–	–	–
Other comprehensive income for the year	48	325	–	325	195	–	195
Total comprehensive income for the year	1,151	4,809	607	5,416	8,990	(3,764)	5,226
Attributable to:							
Equity holders of the parent	791	4,522	607	5,129	8,453	(3,764)	4,689
Minority interests	360	287	–	287	537	–	537
	1,151	4,809	607	5,416	8,990	(3,764)	5,226

Condensed consolidated balance sheet as at 30 June 2010

	Unaudited 30 June 2010 £000	Unaudited 30 June 2009 £000	Audited 31 December 2009 £000
Non-current assets			
Property, plant and equipment	1,012	970	872
Available-for-sale investments	–	1,105	511
Deferred tax asset	69	224	227
	<hr/> 1,081	<hr/> 2,299	<hr/> 1,610
Current assets			
Trading investments – long positions	10,100	8,158	8,153
Trade and other receivables	73,210	72,421	36,357
Cash and cash equivalents	13,750	4,909	19,994
	<hr/> 97,060	<hr/> 85,488	<hr/> 64,504
Total assets	<hr/> 98,141	<hr/> 87,787	<hr/> 66,114
Current liabilities			
Trading investments - short positions	(2,501)	(1,397)	(2,058)
Trade and other payables	(69,254)	(48,839)	(35,251)
	<hr/> (71,755)	<hr/> (50,236)	<hr/> (37,309)
Net current assets	<hr/> 25,305	<hr/> 35,252	<hr/> 27,195
Non-current liabilities			
Deferred tax liabilities	–	(32)	–
Total liabilities	<hr/> (71,755)	<hr/> (50,268)	<hr/> (37,309)
Net assets	<hr/> 26,386	<hr/> 37,519	<hr/> 28,805
Equity			
Share capital	728	727	727
Share premium account	22,700	22,700	22,700
Own shares	(2,147)	–	(2,037)
Revaluation reserve	–	82	(48)
Retained earnings	4,058	13,348	6,626
Equity attributable to equity holders of the parent	<hr/> 25,339	<hr/> 36,857	<hr/> 27,968
Minority interests	<hr/> 1,047	<hr/> 662	<hr/> 837
Total equity	<hr/> 26,386	<hr/> 37,519	<hr/> 28,805

Condensed consolidated cash flow statement for the six month period ended 30 June 2010

	Unaudited 1 January 2010 to 30 June 2010 £ 000's	Unaudited 1 January 2009 to 30 June 2009 £ 000's	Audited 1 January 2009 to 31 December 2009 £ 000's
Profit for the period	1,103	5,091	5,031
Adjustments for:			
Finance income	(307)	(1,351)	(1,645)
Tax expense	713	1,128	2,470
Depreciation of property, plant and equipment	169	168	327
Share-based payment expense	263	546	5,572
(Loss)/gain on sale of available-for-sale financial asset	294	(6)	(254)
Operating cash flows before movements in working capital	2,235	5,576	11,501
(Increase)/decrease in net trading investments	(1,504)	2,125	2,791
(Increase)/decrease in trade and other receivables	(36,871)	(30,983)	4,560
Increase in trade and other payables	34,940	25,039	11,565
Net cash (outflow)/inflow from operating activities	(1,200)	1,757	30,417
Interest paid	–	(255)	(258)
Tax paid	(1,501)	(903)	(2,358)
Net cash (outflow)/inflow from operating activities	(2,701)	599	27,801
Investing activities			
Interest received	325	1,661	1,946
Net proceeds from part disposal of a subsidiary	–	6	6
Purchase of property, plant and equipment	(309)	(28)	(88)
Proceeds from the sale of available-for-sale investments	265	21	701
Net cash generated by investing activities	281	1,660	2,565
Financing activities			
Dividends paid	(3,565)	(3,637)	(14,547)
Distributions made to minority interests	(150)	(50)	(125)
Fees related to issue of equity shares	1	–	–
Acquisition of own shares	(110)	–	(2,037)
Net cash used in financing activities	(3,824)	(3,687)	(16,709)
Net (decrease)/increase in cash and cash equivalents	(6,244)	(1,428)	13,657
Cash and cash equivalents at beginning of period	19,994	6,337	6,337
Cash and cash equivalents at end of period	13,750	4,909	19,994

Condensed consolidated statement of changes in equity

for the six month period ended 30 June 2010

	Share capital £ 000's	Share premium £ 000's	Own shares £ 000's	Available- for-sale reserve £ 000's	Retained earnings £ 000's	Total £ 000's	Minority interests £ 000's	Total £ 000's
Attributable to equity holders of the parent at 1 January 2009	727	22,700	–	(243)	11,614	34,798	429	35,227
Profit for the period	–	–	–	–	4,804	4,804	287	5,091
Other comprehensive income for the period	–	–	–	325	–	325	–	325
Total comprehensive income for the period	–	–	–	325	4,804	5,129	287	5,416
Interest acquired by minority interest	–	–	–	–	9	9	(4)	5
Credit to equity for equity-settled share-based payments	–	–	–	–	546	546	–	546
Deferred tax on share-based payments	–	–	–	–	12	12	–	12
Dividends paid	–	–	–	–	(3,637)	(3,637)	(50)	(3,687)
Attributable to equity holders of the parent at 30 June 2009	727	22,700	–	82	13,348	36,857	662	37,519
(Loss)/profit for the period	–	–	–	–	(310)	(310)	250	(60)
Other comprehensive loss for the period	–	–	–	(130)	–	(130)	–	(130)
Total comprehensive income for the period	–	–	–	(130)	(310)	(440)	250	(190)
Own shares acquired in the period	–	–	(2,037)	–	–	(2,037)	–	(2,037)
Credit to equity for equity-settled share-based payments	–	–	–	–	4,494	4,494	–	4,494
Deferred tax on share-based payments	–	–	–	–	4	4	–	4
Dividends paid	–	–	–	–	(10,910)	(10,910)	(75)	(10,985)
Attributable to equity holders of the parent at 31 December 2009	727	22,700	(2,037)	(48)	6,626	27,968	837	28,805
Profit for the period	–	–	–	–	743	743	360	1,103
Other comprehensive income for the period	–	–	–	48	–	48	–	48
Total comprehensive income for the period	–	–	–	48	743	791	360	1,151
Shares issued	1	–	–	–	–	1	–	1
Own shares acquired in the period	–	–	(110)	–	–	(110)	–	(110)
Credit to equity for equity-settled share-based payments	–	–	–	–	263	263	–	263
Deferred tax on share-based payments	–	–	–	–	(9)	(9)	–	(9)
Dividends paid	–	–	–	–	(3,565)	(3,565)	(150)	(3,715)
At 30 June 2010	728	22,700	(2,147)	–	4,058	25,339	1,047	26,386

Notes to the condensed consolidated financial statements

1. Accounting policies

General Information

Cenkos Securities plc (the "Company" together with its subsidiaries, the "Group") is a company incorporated in United Kingdom under the Companies Act 2006 (Company Registration No. 05210733). The Group's principal activity is the provision of investment banking services. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

Basis of Accounting

The condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS with the prior period being presented on the same basis. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, except for as described below:

IFRS 1 (amended)/IAS 27 (amended) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
 IFRS 3 (revised 2008) Business Combinations
 IAS 27 (revised 2008) Consolidated and Separate Financial Statements
 IAS 28 (revised 2008) Investments in Associates
 IFRIC 17 Distributions of Non cash Assets to Owners

The financial information contained in this interim report does not constitute the Company's statutory accounts within the meaning of section 435 of the Companies Act 2006. The comparative information contained in this report for the year ended 31 December 2009 does not constitute the statutory accounts for that financial period. Those accounts have been reported on by the Company's auditors, Deloitte LLP, and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim financial information is unaudited and was approved by the Board of Directors on 30 September 2010.

The financial figures included in this half yearly report have been computed in accordance with IFRSs applicable to interim periods and contains sufficient information to constitute an interim financial report as defined in IAS 34.

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

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those of estimates.

Going Concern

The Group's business activities, together with the factors likely to affect its future development and performance, the Group's principal risks and controls and the financial position of the Group, are set out in the Business Review on pages 2 to 6.

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

Notes to the condensed consolidated financial statements continued

2. Business and geographical segments

Adoption of IFRS 8, Operating Segments

The Group adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive Officer to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8 in 2009, the identification of the Group's reportable segments changed. There has been no change to the identified reportable segments in 2010.

Products and services from which reportable segments derive their revenues

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

Corporate Broking and Advisory

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

Institutional Equities

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

Fund and Wealth Management

Offshore wealth management and stock broking services are primarily provided through Cenkos Channel Islands Limited.

The fund management business is primarily provided by Cenkos Fund Management Limited.

2. Business and geographical segments continued

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

1 January 2010 to 30 June 2010				
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Group Total £ 000's
Segment revenues and results				
Corporate finance	13,170	212	5	13,387
Corporate broking and market making	3,811	635	–	4,446
Research fees and commission	1,844	1,712	–	3,556
Management fees and stockbroking services	–	–	3,706	3,706
Segment revenue	18,825	2,559	3,711	25,095
Administrative expenses	(12,445)	(1,996)	(2,883)	(17,324)
Segment results	6,380	563	828	7,771
Unallocated administrative expenses				(5,968)
Operating profit				1,803
Investment income – interest receivable				307
Loss on sale of available-for-sale financial asset				(294)
Finance costs – interest payable				–
Profit before tax				1,816
Tax				(713)
Profit for the period				1,103

1 January 2010 to 30 June 2010						
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Segment Total £ 000's	Unallocated £ 000's	Group Total £ 000's
Other segment information:						
Assets	11,691	–	39,551	51,242	46,899	98,141
Liabilities	(2,501)	–	(36,979)	(39,480)	(32,275)	(71,755)
Depreciation and amortisation	–	–	33	33	136	169
Additions to non current assets	–	–	32	32	277	309

Segment assets have been allocated on the basis of the internal reports received by the Chief Executive Officer for the purposes of monitoring segment performance and allocating resources between segments.

Notes to the condensed consolidated financial statements continued**2. Business and geographical segments** continued

	1 January 2009 to 30 June 2009			
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Group Total £ 000's
Segment revenues and results				
Corporate finance	11,261	147	5	11,413
Corporate broking and market making	3,325	653	–	3,978
Research fees and commission	1,296	1,369	–	2,665
Management fees and stockbroking services	–	–	3,125	3,125
Segment revenue	15,882	2,169	3,130	21,181
Administrative expenses	(9,801)	(1,412)	(2,394)	(13,607)
Segment results	6,081	757	736	7,574
Unallocated administrative expenses				(2,712)
Operating profit				4,862
Investment income – interest receivable				1,606
Gain on sale of available for sale financial asset				6
Finance costs – interest payable				(255)
Profit before tax				6,219
Tax				(1,128)
Profit for the year				5,091

	1 January 2009 to 30 June 2009					
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Segment Total £ 000's	Unallocated £ 000's	Group Total £ 000's
Other segment information:						
Assets	13,978	–	9,128	23,106	64,681	87,787
Liabilities	(1,397)	–	(7,457)	(8,854)	(41,414)	(50,268)
Depreciation and amortisation	–	–	30	30	138	168
Additions to non current assets	–	–	14	14	14	28

2. Business and geographical segments continued

	1 January 2009 to 31 December 2009			
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Group Total £ 000's
Segment revenues and results				
Corporate finance	25,157	–	5	25,162
Corporate broking and market making	8,860	–	–	8,860
Research fees and commission	1,566	4,706	–	6,272
Management fees and stockbroking services	–	–	5,910	5,910
Segment revenue	35,583	4,706	5,915	46,204
Administrative expenses	(19,778)	(2,850)	(4,540)	(27,168)
Segment results	15,805	1,856	1,375	19,036
Unallocated administrative expenses				(13,435)
Operating profit				5,601
Investment income – interest receivable				1,903
Gain on sale of available for sale financial asset				254
Finance costs – interest payable				(258)
Profit before tax				7,500
Tax				(2,469)
Profit for the period				5,031

	1 January 2009 to 31 December 2009					
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Segment Total £ 000's	Unallocated £ 000's	Group Total £ 000's
Other segment information:						
Assets	9,688	–	11,230	20,918	45,196	66,114
Liabilities	(2,058)	–	(9,080)	(11,138)	(26,171)	(37,309)
Depreciation and amortisation	–	–	60	60	267	327
Additions to non current assets	–	–	13	13	75	88

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit earned by each segment without allocation of the central administration costs, investment revenue and finance costs and income tax expense. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

Notes to the condensed consolidated financial statements continued

2. Business and geographical segments continued

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

Geographical information

	1 January 2010 to 30 June 2010		
	United Kingdom £ 000's	Channel Islands £ 000's	Group Total £ 000's
Revenue (a)	22,746	2,349	25,095
Non current assets	1,001	80	1,081

	1 January 2009 to 30 June 2009		
	United Kingdom £ 000's	Channel Islands £ 000's	Group Total £ 000's
Revenue (a)	19,430	1,751	21,181
Non current assets	2,218	81	2,299

	1 January 2009 to 31 December 2009		
	United Kingdom £ 000's	Channel Islands £ 000's	Group Total £ 000's
Revenue (a)	41,585	4,619	46,204
Non current assets	1,540	70	1,610

(a) Revenues are attributed on the basis of the entities' location.

Major customers

The revenue generated from no one particular customer amounted to more than 10% of the Group's total revenue.

3. Non recurring item

Changes to the B share employee incentive scheme

	1 January 2010 to 30 June 2010 £ 000's	1 January 2009 to 30 June 2009 £ 000's	1 January 2009 to 31 December 2009 £ 000's
Charge relating to the extension of repayment terms of the remaining B share loans	–	540	532
Fair value of options awarded under the Compensatory Award Plan 2009	–	–	4,455
Administrative expenses	–	540	4,987
Credit relating to the acceleration of the discount due to the early repayment of the B share loans where the shares were either placed or transferred to the EBT	–	(1,147)	(1,139)
Investment income – interest receivable	–	(1,147)	(1,139)
	–	(607)	3,848

3. Non recurring item continued

The following events occurred during the prior period in relation to the B shares:

- on 21 May 2009, at the AGM, the Company resolved to extend the repayment term of the Unpaid share premium and loans due from staff from 1 July 2011 to 1 July 2013;
- on 17 July 2009 the loans relating to 10.6 million B shares were repaid and the shares listed; and
- on 22 October 2009, the loans relating to a further 1.43 million shares were repaid and the shares transferred to the Cenkos Securities EBT ("EBT").

These changes to the expected cash flows were reflected in the adjustments made to the carrying amount of the loans as at 31 December 2009 and resulted in a credit of £1,139,005 from the acceleration of the discount due to the early repayment of the loans relating to the shares listed and a debit of £532,404 from the extension of the repayment term of the remaining loans.

The events detailed above were the result of three options offered to the holders of B shares. These were to:

1. continue to hold some or all of their B shares;
2. transfer a portion of their converted B shares to Cenkos Securities Employee Incentive Trust (CSEIT), after settling the loan associated with the unpaid portion of the shares; or
3. place some or all of the converted B shares to third party institutional investors, after settling the loan associated with the unpaid portion of the shares.

Where a B shareholder either transferred the converted B shares to the CSEIT or placed them with the third party institutional investor, they became eligible for an award under the Compensatory Award Plan 2009 and entitled to a cash bonus under the Compensatory Award Phantom Dividend Plan 2009.

The Compensatory Award Plan entitled the B shareholder to an award of options equivalent to the number of B shares transferred or placed at the transfer or placing price. These options are detailed below:

	Date of grant and vesting	Date of Expiry	Remaining contractual life, months	Number of shares options	2009 Exercise price (in £)
Granted under the Compensatory Award Plan for shares placed	Jul 09	Jul 19	114	9,378,870	1.15
Granted under the Compensatory Award Plan for shares transferred	Oct 09	Oct 19	117	1,428,750	1.69
				<u>10,807,620</u>	

The Group uses the Monte-Carlo Simulation model to estimate the fair value of the options. The inputs to the model are as follows:

	2010 £	2009 £
Expected volatility	30%	30%
Expected share price growth	5%	5%
Discount rate	<u>25%</u>	<u>25%</u>

Notes to the condensed consolidated financial statements *continued*

3. Non recurring item *continued*

Expected volatility was determined by calculating the 20 day moving average of the share price since flotation. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

These options vested immediately, so the estimated fair value of £4,454,457 was recognised as an expense, at the date of grant, by the Group.

The Compensatory Award Phantom Dividend Plan 2009 entitles the B shareholder to a cash bonus equivalent to the amount of any dividend per share that the Company pays to ordinary shareholders multiplied by the number of share options awarded under the Compensatory Award Plan. This bonus is charged as an expense from the date of approval of a dividend by the Board.

4. Tax

The tax charge comprises:

	1 January 2010 to 30 June 2010 £ 000's	1 January 2009 to 30 June 2009 £ 000's	1 January 2009 to 31 December 2009 £ 000's
Current tax			
United Kingdom corporation tax at 28% based on the profit for the period	565	1,607	2,967
Adjustment in respect of prior period			
United Kingdom corporation tax at 28%	–	(334)	(345)
Overseas tax charge borne by subsidiaries operating in other jurisdictions	–	–	(9)
Total current tax	565	1,273	2,613
Deferred tax			
Credit on account of timing differences	–	(145)	(144)
Charge on account of timing differences	148	–	–
Total deferred tax	148	(145)	(144)
Total tax on profit on ordinary activities	713	1,128	2,469

The tax charge for the period differs from that resulting from applying the standard rate of UK corporation tax of 28% to the profit before tax for the reasons set out in the following reconciliation.

4. Tax continued

	30 June 2010 £ 000's	30 June 2009 £ 000's	31 December 2009 £ 000's
Profit on ordinary activities before tax	1,816	6,219	7,501
Tax on profit on ordinary activities at the UK corporation tax rate of 28%	507	1,741	2,101
Tax effect of:			
Depreciation in excess of capital allowances	11	13	18
Expenses that are not deductible in determining taxable profits	227	386	1,770
Different tax rates of subsidiaries operating in other jurisdictions	(85)	(70)	(280)
Income not subject to corporation tax	(95)	(441)	(626)
Adjustment for IFRS 2 relating to staff options	109	(112)	(144)
Adjustment for IFRS 2 relating to staff options due to tax rate change	17	–	–
Deferred tax on IFRS2 share based payments	22	(33)	–
Tax effect of utilisation of losses not previously claimed	–	–	(25)
Adjustment for loss relief not claimed	–	(36)	–
Group adjustment for dividends paid	–	14	–
Adjustment in respect of prior period	–	(334)	(345)
Tax expense for the period	713	1,128	2,469

In addition to the amount charged to the income statement, deferred tax relating to the fair value of the Group's available for sale investments amounting to nil has been charged directly to comprehensive income (H1 2009: £31,844) and deferred tax relating to staff share options amounting to £9,255 has been charged directly to equity (H1 2009: £11,548 credited directly to equity).

5. Dividends

Amounts recognised as distributions to equity holders in the period:

	30 June 2010 £ 000's	30 June 2009 £ 000's	31 December 2009 £ 000's
Final dividend for the year ended 31 December 2009 of 5p (31 December 2008: 5p) per ordinary share	3,268	2,708	2,708
Final dividend for the year ended 31 December 2009 of 5p (31 December 2008: 5p) per B share	297	929	929
Interim dividend for the period to 30 June 2009 of 15p per ordinary share	–	–	9,725
Interim dividend for the period to 30 June 2009 of 15p per B share	–	–	1,185
	3,565	3,637	14,547

The proposed interim dividend for 2010 of 2p (2009: 15p) per share was approved by the Board on 30 September 2010 and has not been included as a liability as at 30 June 2010. The dividend will be payable on 4 November 2010 to all shareholders on the register at 8 October 2010.

Notes to the condensed consolidated financial statements continued

6. Earnings per share

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

	Unaudited 1 January 2010 to 30 June 2010 £ 000's	Unaudited 1 January 2009 to 30 June 2009 Before non- recurring item £ 000's	Non- recurring item (note 3) £ 000's	After non- recurring item £ 000's	Audited 1 January 2009 to 31 December 2009 Before non- recurring item £ 000's	Non- recurring item (note 3) £ 000's	After non- recurring item £ 000's
Earnings							
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity holders of the parent	743	4,197	607	4,804	8,258	(3,764)	4,494
	No.			No.			No.
Number of shares							
Weighted average number of ordinary shares for the purpose of basic earnings per share	71,269,993			72,697,410			72,442,817
Effect of dilutive potential ordinary shares:							
Share options	855,309			–			234,906
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>72,125,303</u>			<u>72,697,410</u>			<u>72,677,723</u>

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

7. Property, plant and equipment

During the period the Group spent approximately £309,000 on property, plant and equipment. This mostly related to the cost of IT equipment and refurbishing the ground floor office space at Tokenhouse Yard.

8. Share capital

The issued share capital as at 30 June 2010 amounted to £727,711 (H1 2009: £727,359).

9. Contingent liability

During 2009 a sub-broker instigated proceedings against Cenkos Securities plc for payment of a commission he claimed was due to him for assisting Cenkos in introducing investors to an investee company. The claim amounted to £882,000 plus interest. Cenkos robustly defended the claim on the basis that it had not been paid by the investee company and therefore under the terms of the agreement with the sub-broker was not liable to pay the sub-broker. In the same proceedings the sub-broker also advanced an alternative claim that Cenkos was negligent in failing to take steps to ensure that it was paid by the investee company. Cenkos also robustly defended this alternative claim. The case went to trial in the High Court in London from 1 to 8 February 2010 and judgment was handed down on 16 March 2010. The judge dismissed the sub-broker's claim in its entirety. The sub-broker was subsequently granted leave to appeal against this decision and the appeal hearing is due to take place in the High Court on 2 and 3 November 2010. After taking legal advice, the Directors are of the opinion that Cenkos will be successful in the appeal and therefore other than Cenkos' legal costs incurred to date, no provision has been made.

10. Principle Risks and Controls

The principal risks and uncertainties currently faced by the Group are outlined below. The risks outlined are those that the Group believes have the potential to have a significant detrimental impact on its financial performance and future prospects. These risks should not be regarded as a comprehensive list of all the risks and uncertainties the Group may potentially face, which could adversely impact its performance.

Economic conditions

The Group is generally dependent on the health of the financial markets and in particular the economic conditions in the UK. The impact of poor economic conditions on the Group's clients and markets has the potential to adversely impact on the Group's financial performance and prospects. Specific examples that could affect the Group include a reduced level of securities trading as well as a general decline in the number of new or secondary fundraising issues. The Group has a business model that seeks to minimise the resulting impact of such scenarios by continually reviewing its cost base and more importantly by having a flexible remuneration structure which is predominantly geared to financial performance resulting in the Group having a low fixed remuneration cost base.

Reputational risk

The Group believes that one of the greatest risks to the Group comes from the potential loss of its reputation. Whilst entrepreneurial employees are encouraged to develop new clients and streams of revenue, all new business is subject to a rigorous appraisal process from the New Business Committee to ensure that it meets the Group's strict criteria. The Group also aims to demonstrate the highest level of integrity in all of its activities and Group Compliance as well as the Executive Management Committee instils awareness in all employees of the need to display the highest ethical standards and confidentiality in all the work that they undertake for the Group.

Employee risk

The Group's employees are its greatest asset and the future success of the Group depends on the Group's ability to attract and retain high quality employees. Failure to recruit or retain such employees could significantly affect the performance of the Group. The Group seeks to minimise this risk by rewarding employees through an overall remuneration package that is heavily geared towards performance and share based payments that align the interests of the employees and shareholders.

Operational risk including regulatory risk

Operational risk, including regulatory risk is the risk that the Group suffers a loss directly or indirectly from inadequate or failed internal processes, people and systems or from external events. The Group has adopted a formal approach to operational risk event reporting, which involves the identification of an event, assessment of its materiality, analysis of the cause, the establishment of remedial action required and escalation to me, as Chief Executive Officer, and the Risk and Compliance Committee. During this process Group Compliance and senior management closely ensure that this process is followed and that any significant operational risks and their controls are continually reviewed and assessed and where applicable corrective action plans are put in place.

Market risk exposure

The Group is exposed to market risk arising from its short term positions in predominantly market making stocks. The Group manages market risk by establishing individual stock limits and overall trading book limits. There are daily procedures in place to monitor the utilisation of these limits. These limits are reviewed on a continuous basis by me, as Chief Executive Officer, and also by the Group Risk and Compliance Committee, which meets monthly.

Notes to the condensed consolidated financial statements continued

10. Principle Risks and Controls continued

Liquidity risk

The Group has in place an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Given the nature of the Group's business, the Group does not run any significant liquidity mismatches, financial liabilities are on the whole short term and the Group has sufficient cash retained to cover all these liabilities.

Business continuity risk

There is a risk that any incident that the Group is affected by, directly or indirectly such as terrorism, disruption to utilities and services, office closures or pandemic occurrences, could cause possible damage to the Group's infrastructure or effect key employees, which in turn could affect the Group's reputation or cause financial loss. The Group has in place controls to maintain the integrity and efficiency of its systems, while ensuring the sustainability of its operations despite a significant disruption. The Group continuously reviews its business continuity planning and has disaster recovery facilities in place in order to mitigate any substantial disruption to its operations.

Directors' responsibility statement

The Directors confirm that this condensed set of financial statements has been prepared in accordance with the IAS 34, "Interim Financial Reporting", as adopted by the European Union.

Independent review report to Cenkos Securities plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related notes to the condensed consolidated financial statements 1 to 10. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

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

Our responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Deloitte LLP

Chartered Accountants and Statutory Auditors
London, United Kingdom

30 September 2010

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