CENKOS

Cenkos Securities plc
Interim Report 2011

Contents

Financial highlights

	30 June 2011	30 June 2010
Revenue – Up 14%	£28.5m	£25.1m
Underlying operating profit* – Up 34%	£5.2m	£3.9m
Operating profit – Up 188%	£5.2m	£1.8m
Profit before tax – Up 194%	£5.3m	£1.8m
Basic and diluted earnings per share – Up 402%	5.2p	1.0p
Interim dividends per share	4p	4p
Capital resources in excess of Pillar 1 and 2 regulatory capital requirements	£8.0m	£7.7m

Business highlights

Funds raised for clients	£619 million	£736 million
Nominated adviser or corporate broker/financial adviser to	106 companies	104 companies

Continued success in raising funds for clients in challenging equity markets:

- In February 2011, Cenkos acted as nominated adviser and broker to OPG Power Ventures plc in its £60 million placing to fund capacity expansion. Cenkos acted as nominated adviser, sole book runner and joint broker to Providence Resources plc in raising approximately £41 million. Cenkos acted as the sole book runner and financial adviser on a further £166 million equity issue for the Anthony Bolton-managed Fidelity China Special Situations plc.
- In April 2011, Cenkos acted as listing sponsor and sole placing agent for the £50 million launch of The Diverse Income Trust plc, a main market London-listed investment trust to be managed by Gervais Williams.
- In May 2011, Cenkos acted as financial adviser, sponsor and broker to Stobart Group Limited in its £120 million placing and open offer.
- Since the period end £75 million has been raised for 4 clients.

Commenting on the interim results, Chief Executive Officer Simon Melling noted:

"I am very happy to announce a strong performance by Cenkos in the six months to 30 June 2011, which is all the more pleasing given the poor economic conditions that prevailed during the period. We have seen increased economic turmoil since the period ended causing a slowdown in activity levels and I anticipate that these will continue for some time. However, we have an encouraging pipeline and, as has been proven before, our business model can withstand periods of economic stress well."

* The Group uses a non-Generally Accepted Accounting Practice ("non-GAAP") financial measure, "underlying operating profit," in addition to those reported under IFRS. This is since this gives a clearer picture of the underlying financial and operating performance of the Group, for example by adjusting for the impact of significant "one-off" income or expenses.

Business review

Overview

Cenkos Securities plc ("Cenkos" or the "Company") was founded in 2005 and has, over the past six years, established a successful platform that has been profitable in every year of its existence and delivered a strong dividend stream. The Company's prime strategy is to build from this base to become the principal UK institutional broker to growth companies based in the UK and abroad. Cenkos aims to achieve this through:

- Successful fund raising and advice to clients through an innovative and entrepreneurial approach;
- Delivering sustainable, diversified and growing income streams;
- Adding high quality individuals to the teams; and
- Managing costs and risks carefully,

thereby providing shareholder value through share price growth and a strong dividend yield.

The Company is pleased to report that, despite the difficult economic conditions that prevailed during the period, Cenkos and its subsidiaries (together the "Group") have increased their revenues and profitability when compared to the same period last year. This has been achieved against a backdrop of fragile and volatile equity markets, caused in part by the continued uncertainty surrounding the European sovereign debt crisis and the weak state of the global economic recovery. Cenkos' robust business model ensures a low fixed cost base and a remuneration structure highly geared to performance, a positive cash cycle and a limited exposure to credit and market risk. This, combined with the high quality, dedication and experience of our employees, has enabled the Group to produce this encouraging performance.

In these problematic markets, the Group has continued to raise equity capital for its corporate clients with the result that we are now one of the leading brokers in London for growth companies. This performance is recognised externally by the fact that in May 2011 Cenkos was voted "AIM broker of the year" at the Growth Company Awards 2011. Cenkos remains highly placed in its chosen markets, as noted in Hemscott's Corporate Advisers Rankings Guide for August 2011, where Cenkos was ranked second in terms of financial advisers to stock market clients, and third in terms of broking to stock market clients. Cenkos was also ranked first by volume and second by value in the league tables of Nominated Advisors as noted in Perfect Information's Equity Capital Markets Review for the first half of 2011.

Total revenue for the period increased by 14% to £28.5 million (H1 2010: £25.1 million), which, I believe, is a strong performance given the economic climate. This positions the Group well to continue its organic growth by adding high quality individuals to our existing teams, as well as recruiting new teams with complementary income streams who are seeking the entrepreneurial environment of Cenkos.

The Group's underlying cost base increased by £2.1 million (10%) in the period, mainly reflecting an increase in performance-related bonuses of £1.5 million driven by higher net revenue, and £0.7 million due to the profitable growth of our offshore fund and wealth management business. Cenkos continues to maintain a firm control over risk, enjoys healthy cash levels and remains well capitalised against regulatory requirements.

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. Whilst Corporate Broking and Advisory revenues have increased, the revenues from Institutional Equities have fallen, reflecting lower market volumes and the loss of a team of analysts in August 2010. Revenues from Fund and Wealth management also fell when compared to the first half of last year, as revenue growth in the offshore fund and wealth management business was offset by lower revenues from our onshore fund management business.

The table below shows a breakdown of revenue by segment.

Six months ending 30 June	**2011 £ 000's**	**2010 £ 000's**
Corporate Broking and Advisory	23,825	18,825
Institutional Equities	1,270	2,559
Fund and Wealth Management	3,440	3,711
	28,535	**25,095**

Profit before tax was £5.3 million (H1 2010: £1.8 million). This 194% rise reflected the strong revenue growth noted above and also that the first half of 2010 included a £2.1 million provision for the reorganisation of our Edinburgh office.

Corporate Broking and Advisory

This business segment includes the results of our growth company and investment funds activities, including the results of our market making capability that supports these areas. Revenue in this 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 27% to £23.8 million (H1 2010: £18.8 million), due largely to a rise in corporate finance revenues – including placing fees – which were £18.3 million (H1 2010: £13.2 million). The segment result was up 43% to £9.1 million (H1 2010: £6.4 million).

In our core market, AIM, the total value of primary admissions to AIM fell from £387 million in H1 2010 to £260 million in H1 2011. However, subsequent placings on AIM rose from £2,098 million to £2,557 million. Against this slightly improving backdrop, we are pleased to announce that, during the period, we completed 13 transactions and our clients raised a total of £358 million (H1 2010: £243 million), which included one primary issue. In the period we also completed five M&A corporate finance transactions (H1 2010: six). This performance is particularly encouraging as it was achieved during a period where there was limited transactional revenue and continued competitive pressure. Our broking teams cover a wide range of sectors. We have been ranked highly by Hemscott in their July 2011 AIM guide where we were the top stockbroker by number of clients for the Oil & Gas and Telecommunications sectors, and ranked second for Financial Clients and third for Technology. Some of the transactions we were involved in are noted below:

In February 2011, Cenkos acted as nominated adviser and broker to OPG Power Ventures plc in its £60 million placing to fund capacity expansion.

In February 2011, Cenkos acted as nominated adviser, sole book runner and joint broker to Providence Resources plc, an oil and gas company with prospects offshore Ireland and onshore UK, in raising approximately £41 million.

In May 2011, Cenkos acted as financial adviser, sponsor and broker to Stobart Group Limited in its placing and open offer to raise £120 million to fund the company's expansion strategy.

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. Some of the transactions we were involved in are noted below:

In February 2011, Cenkos acted as the sole book runner and financial adviser on a further £166 million equity issue for the Anthony Bolton-managed Fidelity China Special Situations plc. Since its flotation on the London Stock Exchange in April 2010, the company has now raised a total of £700 million of equity with Cenkos.

In April 2011, Cenkos acted as listing sponsor and sole placing agent for the £50 million launch of The Diverse Income Trust plc, a main market London-listed investment trust managed by Gervais Williams.

Business review continued

These transactions helped bring the total raised for investment funds to 30 June 2011 to £261 million (H1 2010: £493 million, including £460 million for Fidelity China Special Situations).

The Group was nominated adviser or corporate broker/financial adviser to 106 companies or trusts (H1 2010: 104) as at 30 June 2011, with a market capitalisation of £16.5 billion (H1 2010: £14.3 billion).

The Group makes markets in the securities of all the companies where it has a broking relationship to support the other services it provides to its clients. During the period, we expanded our market making service and our equity desk now covers 202 companies and our investment trust desk 129. Despite this increase in coverage, we continue to actively restrict the amount of capital committed to this activity to limit the 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 it controls the risks taken. 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 provides research-driven investment recommendations to institutional clients. Whilst many of our clients continue to pay for our research services directly, more are choosing to transact business through Cenkos as well.

Institutional Equities suffered a decline in revenues in comparison with the same period last year. Market volumes have been running at levels 30% lower than a year ago. In addition, the fall in revenue also reflects an analytical team's departure in August 2010. However, we continue to look to grow the business. Although the significant upfront guarantees offered by many larger banks have increased competition and hindered recruitment, Cenkos will not change its business model and will continue to seek to attract individuals who embrace our transparent performance-driven culture and who can assist in bringing us capital markets transactions. We believe that Cenkos has a good reputation in secondary equities, but lacks scale. The impending shake-out amongst market practitioners should give us the opportunity to rectify this and we have already added two new sales people since the end of June 2011.

Revenues in this segment decreased by 50% to £1.3 million (H1 2010: £2.6 million), and the segment result was £0.1 million (H1 2010: £0.6 million). This reduction reflects the tough conditions in this segment of the market and the fact that we have continued to invest in this area through the economic downturn. We believe that this investment enhances the overall service we can offer to our clients and will be repaid when more benign conditions return.

Fund and Wealth Management

Our offshore fund and wealth management services are provided through Cenkos Channel Islands Limited, a subsidiary based in Guernsey and its own subsidiary based in Jersey (together the "Cenkos Channel Islands Group"). 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, with 2,116 clients (H1 2010: 1,867) and £1,000 million in funds under management (H1 2010: £982 million).

The onshore fund management business is provided by a subsidiary company, Cenkos Fund Managers Limited. This operation has an investment management agreement with an AIM-quoted fund. As a result of an activist shareholder's intervention, this AIM-quoted fund was put into run off in the second half of 2010 and although investment management fees will continue to be generated through to 2013 (the expected run off period), we expect it to make only a minimal contribution to the Group's revenue.

Segment revenue fell by 7% to £3.4 million (H1 2010: £3.7 million) due to the fall in Cenkos Fund Managers Limited income offsetting revenue growth in Cenkos Channel Islands Group. 2010 results for Cenkos Fund Managers Limited included £0.7 million in performance fees that did not reoccur in 2011, and a reduction in the net asset value of the fund it advises has lead to reduced investment management fees in 2011. Cenkos Channel Islands Group's revenues improved by 37% to £3.2 million (H1 2010: £2.3 million). The segment result decreased by 59% to £0.3 million (H1 2010: £0.8 million).

Income statement

I set out below a schedule which re-analyses information included in the statutory income statement. The Group uses a non-Generally Accepted Accounting Practice ("non-GAAP") financial measure, "underlying operating profit," in addition to those reported under IFRS. This gives a clearer picture of the underlying financial and operating performance of the Group, as it removes the one-off cost in 2010 of the re-organisation of our Edinburgh office.

Six months ending 30 June	2011 £ 000's	2010 £ 000's
Revenue	28,535	25,095
Administrative expenses (2010 restated)	(23,310)	(21,202)
Underlying operating profit	5,225	3,893
One-off items:		
Re-organisation of Edinburgh office	(33)	(2,090)
Operating profit	5,192	1,803
Investment income – interest receivable	138	307
Loss on sale of available-for-sale financial asset	–	(294)
Profit before tax	5,330	1,816
Tax	(1,405)	(713)
Profit for the period	3,925	1,103
Attributable to:		
Equity holders of the parent	3,737	743
Non-controlling interests	188	360
	3,925	1,103
Earnings per share		
Basic	5.2 p	1.0 p
Diluted	5.2 p	1.0 p

Administrative expenses are shown after charging £1.2 million relating to staff bonuses resulting from the Compensatory Award Phantom Dividend Plan 2009 (H1 2010: £1.1 million). Payments under this scheme are only triggered by the payment of a dividend to ordinary shareholders. This charge was excluded from underlying operating profit shown in our 2010 interim report. For consistency, the comparator for underlying profit shown in the financial highlights for the first half of 2010 has been restated from £5.0 million to £3.9 million.

The Group's revenue was £28.5 million compared to last year's £25.1 million, representing an increase of 14%. This increase was driven by a rise in income in Corporate Broking and Advisory associated with our fees on fund raisings noted earlier. We also saw increases in the revenues of Cenkos Channel Islands Group, but we also saw a fall in the income of our Institutional Equity segment and in Cenkos Fund Managers Limited.

The overall rise in our cost base is primarily due to the increase in the bonus charge as the Company continues to retain the direct link of the level of these to performance. We have maintained our bonus rates at 40% of revenues after direct costs for front office staff in Cenkos Securities plc (after due consideration of other factors such as risk management), a level 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 to behave in line with the longer-term growth objectives of the Company. 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. Costs of Cenkos Channel Islands Group also increased to fund business growth.

Business review continued

Underlying operating profit rose by 34% to £5.2 million (H1 2010: £3.9 million). This increase is due to a number of factors, namely improvements in our Corporate Broking and Advisory business and in Cenkos Channel Islands Group, offset by a fall in revenues in our Institutional Equities segment and in Cenkos Fund Managers Limited.

Operating profit rose to £5.2 million (H1 2010: £1.8 million). In 2010 this was after charging for a provision for a cash-settled shadow equity scheme, set up in 2009 for our team based in Edinburgh. This scheme was wound down at the end of 2010 as part of the re-organisation of the Edinburgh office, which now operates on the same bonus and equity schemes as the rest of the Company. 2010's results also included a £0.3 million loss on sale of the Company's remaining holding in PLUS Markets Group plc.

Profit before tax rose by 194% to £5.3 million (H1 2010: £1.8 million), and both basic and diluted earnings per share rose by 402% to 5.2 pence (H1 2010: 1.0 p).

Full year revenues in 2010 were £60.3 million (H1 2011: £28.5 million, H1 2010: £25.1 million) as the Group experienced an increased level of corporate finance activity in the second half of 2010. Corporate finance activity levels in the first half of 2011 continued to be strong but were at levels lower than those experienced in the second half of 2010. Profit before tax for the whole of 2010 was £7.1 million (H1 2011: £5.3 million, H1 2010: £1.8 million) as the increased revenue lead to higher performance related staff costs and there were a number of "one-off" costs in 2010 that have not reoccurred in the first half of 2011.

Statement of consolidated financial position and cash flow

As noted earlier, we continue to actively manage the amount of capital committed to our market making activities and consequently have net trading investments of £7.7 million (H1 2010: £7.6 million).

We currently hold healthy cash levels at £19.2 million (H1 2010: £13.8 million). Given this, the Board has agreed to fund the Company's Employee Benefit Trust so that it can make market purchases in Cenkos Securities plc shares as and when market conditions allow. The period to 30 June 2011 has seen an outflow of cash from operating activities of £5.7 million (H1 2010: outflow £2.4 million). This is largely due to the payment of 2010's final dividend and the payment of bonuses accrued in 2010.

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 2011, the Group had a solvency ratio based on capital resources against Pillar 1 capital requirement of 213% (H1 2010: 225%) based on audited profits, and a capital resources surplus of £8.0 million (H1 2010: £7.7 million) in excess of our Pillar 1 and 2 regulatory capital requirements.

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 Board therefore proposes an interim dividend of 4p per share. This compares to last year's initial interim dividend of 2p per share and a subsequent interim dividend of a further 2p per share. The dividend will be paid on 11 November 2011 to all shareholders on the register at 14 October 2011.

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 continue to build our franchise.

During July 2011, there were a number of changes to the Board. On 4 July Oliver Ellingham, a Non-executive Director of the Company, stepped down from the Board due to other business commitments. The Board would like to thank Oliver for his contribution to the Company and wish him well in his other business interests. I also informed the Board at that time that I intended to leave the business in order to pursue other interests. In order to build on these strong interim results and ensure the future growth prospects of Cenkos, we are undertaking a comprehensive review of our executive structure. I will continue to remain as Chief Executive Officer whilst this review is underway.

Principal risks and uncertainties

The principal risks and uncertainties currently faced by the Group, and how they are being managed, are outlined in note 13.

Outlook

We are cautious regarding the general economy for the remainder of the year. Confidence levels are low, depressed by concerns about the future of the Euro zone and the fragile recovery in the UK (and other economies) with inflation, unemployment and the Government's deficit remaining uncomfortably high. These factors have created high levels of volatility in equity markets causing a slowdown in primary and secondary fund raisings. However, as our financial performance to-date demonstrates, whilst we are not immune to events in the general economy, we are performing well, our pipeline remains good and we are well positioned for the economic recovery when it comes.

Despite the large fall in the stock market in August 2011 and its impact on our market making book, we continue to trade profitably. We have made a reasonable start to the second half and have undertaken a number of corporate and issuance transactions, raising over £75 million for our clients since 30 June 2011.

I believe that, if the present economic conditions continue, it will become obvious that there is over capacity in the markets in which we operate and that the long awaited consolidation will take place. In my view, Cenkos has the people and business model to take advantage of the many opportunities that will arise during this challenging period.

Simon Melling
Chief Executive Officer

28 September 2011

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 2011, 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 2011

	Note	Unaudited 1 January 2011 to 30 June 2011 £000's	Unaudited 1 January 2010 to 30 June 2010 £000's	Audited 1 January 2010 to 31 December 2010 £000's
Revenue		28,535	25,095	60,307
Administrative expenses		(23,343)	(23,292)	(53,324)
Operating profit		5,192	1,803	6,983
Investment income - interest receivable		138	307	454
Loss on sale of available-for-sale financial asset		–	(294)	(294)
Finance costs - interest payable		–	–	(1)
Profit before tax		5,330	1,816	7,142
Tax	3	(1,405)	(713)	(2,318)
Profit for the period		3,925	1,103	4,824
Attributable to:				
Equity holders of the parent		3,737	743	3,726
Non-controlling interests		188	360	1,098
		3,925	1,103	4,824
Earnings per share				
Basic	5	5.2p	1.0p	5.2p
Diluted	5	5.2p	1.0p	5.2p

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 2011

	Unaudited 1 January 2011 to 30 June 2011 £000's	Unaudited 1 January 2010 to 30 June 2010 £000's	Audited 1 January 2010 to 31 December 2010 £000's
Profit for the period	3,925	1,103	4,824
Available-for-sale financial asset:			
Gain arising during the period	–	48	48
Other comprehensive income for the period	–	48	48
Total comprehensive income for the period	3,925	1,151	4,872
Attributable to:			
Equity holders of the parent	3,737	791	3,774
Non-controlling interests	188	360	1,098
	3,925	1,151	4,872

Condensed consolidated statement of financial position as at 30 June 2011

	Note	Unaudited 30 June 2011 £000's	Unaudited 30 June 2010 £000's	Audited 31 December 2010 £000's
Non-current assets				
Property, plant and equipment	6	1,184	1,012	931
Deferred tax asset		108	69	123
		1,292	1,081	1,054
Current assets				
Trading investments – long positions		10,732	10,100	10,962
Trade and other receivables		54,314	73,210	31,590
Cash and cash equivalents	7	19,230	13,750	28,468
		84,276	97,060	71,020
Total assets		85,568	98,141	72,074
Current liabilities				
Trading investments – short positions		(3,049)	(2,501)	(3,481)
Trade and other payables		(54,227)	(69,254)	(41,338)
		(57,276)	(71,755)	(44,819)
Net current assets		27,000	25,305	26,201
Net assets		28,292	26,386	27,255
Equity				
Share capital	8	728	728	728
Share premium account		–	22,700	–
Own shares		(2,147)	(2,147)	(2,147)
Retained earnings		28,135	4,058	27,134
Equity attributable to equity holders of the parent		26,716	25,339	25,715
Non-controlling interests		1,576	1,047	1,540
Total equity		28,292	26,386	27,255

Condensed consolidated cash flow statement for the six month period ended 30 June 2011

	Unaudited 1 January 2011 to 30 June 2011 £000's	Unaudited 1 January 2010 to 30 June 2010 £000's	Audited 1 January 2010 to 31 December 2010 £000's
Profit for the period	3,925	1,103	4,824
Adjustments for:			
Finance income	(138)	(307)	(454)
Loss on sale of available-for-sale financial asset	–	294	294
Tax expense	1,405	713	2,318
Depreciation of property, plant and equipment	179	169	346
Shares and options received in kind	(608)	(6)	(1,143)
Share-based payment expense	239	263	489
Operating cash flows before movements in working capital	5,002	2,229	6,674
Decrease/(increase) in net trading investments	406	(1,498)	(243)
(Increase)/decrease in trade and other receivables	(22,610)	(36,591)	5,157
Increase in trade and other payables	12,576	34,940	6,425
Net cash flow (used in)/from operating activities	(4,626)	(920)	18,013
Interest paid	–	–	(1)
Tax paid	(1,098)	(1,501)	(2,543)
Net cash flow (used in)/from operating activities	(5,724)	(2,421)	15,469
Investing activities			
Interest received	24	45	65
Acquisition of interest in a subsidiary by a subsidiary	(8)	–	–
Net proceeds from the sale of fixed assets	5	–	–
Purchase of property, plant and equipment	(436)	(309)	(405)
Proceeds of the sale of available-for-sale investment	–	265	265
Net cash flows (used in)/from investing activities	(415)	1	(75)
Financing activities			
Dividends paid	(2,850)	(3,565)	(6,416)
Distributions made to non-controlling interests	(195)	(150)	(395)
Proceeds from issue of equity shares	–	1	1
Acquisition of own shares	–	(110)	(110)
Acquisition of own shares by a subsidiary	(54)	–	–
Net cash used in financing activities	(3,099)	(3,824)	(6,920)
Net (decrease)/increase in cash and cash equivalents	(9,238)	(6,244)	8,474
Cash and cash equivalents at beginning of period	28,468	19,994	19,994
Cash and cash equivalents at end of period	19,230	13,750	28,468

Condensed consolidated statement of changes in equity

for the six month period ended 30 June 2011

	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	Non-controlling interests £ 000's	Total £ 000's
At 1 January 2010	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
Profit for the period	–	–	–	–	2,983	2,983	738	3,721
Total comprehensive income for the period	–	–	–	–	2,983	2,983	738	3,721
Cancellation of share premium account	–	(22,700)	–	–	22,700	–	–	–
Credit to equity for equity-settled share-based payments	–	–	–	–	226	226	–	226
Deferred tax on share-based payments	–	–	–	–	18	18	–	18
Dividends paid	–	–	–	–	(2,851)	(2,851)	(245)	(3,096)
At 31 December 2010	728	–	(2,147)	–	27,134	25,715	1,540	27,255
Profit for the period	–	–	–	–	3,737	3,737	188	3,925
Total comprehensive income for the period	–	–	–	–	3,737	3,737	188	3,925
Increase of investment in subsidiary	–	–	–	–	(63)	(63)	55	(8)
Subsidiary's acquisition of own shares	–	–	–	–	–	–	(54)	(54)
Credit to equity for equity-settled share-based payments	–	–	–	–	197	197	42	239
Deferred tax on share-based payments	–	–	–	–	(20)	(20)	–	(20)
Dividends paid	–	–	–	–	(2,850)	(2,850)	(195)	(3,045)
At 30 June 2011	728	–	(2,147)	–	28,135	26,716	1,576	28,292

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 England and Wales 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 for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2010.

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

IAS 24 Related Party Transactions (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. The amendment has had no effect on the financial position or performance of the Group.

Improvements to IFRSs (issued May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to presentation and disclosure, but has had no effect on the financial position or performance of the Group:

- IFRS 7 Financial Instruments – Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.
- IAS 1 Presentation of Financial Statements: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements.
- IAS 34 Interim Financial Statements: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The financial information contained in this interim report does not constitute the Company’s statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative information contained in this report for the year ended 31 December 2010 does not constitute the statutory accounts for that financial period. Those accounts have been reported on by the Company’s auditors at the time, 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.

1. Accounting policies continued

The interim financial statements are unaudited and were approved by the Board of Directors on 28 September 2011.

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.

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

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 uncertainties and the financial position of the Group, are set out in note 13.

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.

2. Business and geographical segments

IFRS 8 Operating Segments 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 monitor segment performance and to allocate resources between segments.

Services from which reportable segments derive their revenues

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

Corporate Broking and Advisory

This segment provides corporate finance, corporate broking and market making services to growth 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 provided through the Cenkos Channel Islands Group.

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

Notes to the condensed consolidated financial statements continued

2. Business and geographical segments continued

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

	1 January 2011 to 30 June 2011			
	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	18,280	241	–	18,521
Corporate broking & market making	4,025	318	–	4,343
Research fees & commission	1,520	711	–	2,231
Management fees & stock broking services	–	–	3,440	3,440
Segment revenue	23,825	1,270	3,440	28,535
Administrative expenses	(14,704)	(1,136)	(3,096)	(18,936)
Segment results	9,121	134	344	9,599
Unallocated administrative expenses				(4,407)
Operating profit				5,192
Investment income – interest receivable				138
Profit before tax				5,330
Tax				(1,405)
Profit for the period				3,925

	1 January 2011 to 30 June 2011					
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Segments Total £ 000's	Unallocated £ 000's	Group Total £ 000's
Other segment information:						
Assets	13,854	–	16,558	30,412	55,156	85,568
Liabilities	(3,049)	–	(13,455)	(16,504)	(40,772)	(57,276)
Depreciation and amortisation	–	–	1	1	178	179
Additions to non-current assets	–	–	–	–	436	436

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.

2. **Business and geographical segments** continued

	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 & market making	3,811	635	–	4,446
Research fees & commission	1,844	1,712	–	3,556
Management fees & stock broking 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)
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**	**Segments 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

Notes to the condensed consolidated financial statements continued

2. Business and geographical segments continued

	1 January 2010 to 31 December 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	36,356	–	5	36,361
Corporate broking & market making	9,188	–	–	9,188
Research fees & commission	1,189	4,955	–	6,144
Management fees & stock broking services	–	–	8,614	8,614
Segment revenue	46,733	4,955	8,619	60,307
Administrative expenses	(27,862)	(3,421)	(6,572)	(37,855)
Segment results	18,871	1,534	2,047	22,452
Unallocated administrative expenses				(15,469)
Operating profit				6,983
Investment income – interest receivable				454
Loss on sale of available-for-sale financial asset				(294)
Finance costs - interest payable				(1)
Profit before tax				7,142
Tax				(2,318)
Profit for the year				4,824

	1 January 2010 to 31 December 2010					
	Corporate Broking and Advisory £ 000's	Institutional Equities £ 000's	Fund and Wealth Management £ 000's	Segments Total £ 000's	Unallocated £ 000's	Group Total £ 000's
Other segment information:						
Assets	13,254	–	8,317	21,571	50,503	72,074
Liabilities	(3,481)	–	(5,832)	(9,313)	(35,506)	(44,819)
Depreciation and amortisation	–	–	66	66	280	346
Additions to non-current assets	–	–	44	44	361	405

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment results represent 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 Chief Executive Officer for the purpose of resource allocation and assessment of segmental performance.

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 2011 to 30 June 2011		
	United Kingdom £ 000's	**Channel Islands £ 000's**	**Group Total £ 000's**
Revenue	25,314	3,221	28,535
Non-current assets	908	384	1,292

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

	1 January 2010 to 31 December 2010		
	United Kingdom £ 000's	**Channel Islands £ 000's**	**Group Total £ 000's**
Revenue	53,464	6,843	60,307
Non-current assets	998	56	1,054

Revenues are attributed on the basis of the entities' location.

Major customers

No one particular customer's revenue amounted to more than 10% of the Group's total revenue.

3. Tax

The tax charge comprises:	**1 January 2011 to 30 June 2011 £ 000's**	**1 January 2010 to 30 June 2010 £ 000's**	**1 January 2010 to 31 December 2010 £ 000's**
Current tax			
United Kingdom corporation tax at 26.5% (2010: 28%) based on the profit for the period	1,405	565	2,200
Overseas tax charge borne by subsidiaries operating in other jurisdictions	–	–	5
Adjustment in respect of prior period			
United Kingdom corporation tax at 26.5% (2010: 28%)	5	–	–
Total current tax	1,410	565	2,205
Deferred tax			
Credit on account of temporary differences	(43)	–	–
Charge on account of temporary differences	38	148	113
Total deferred tax	(5)	148	113
Total tax on profit on ordinary activities	1,405	713	2,318

The tax charge for the period differs from that resulting from applying the standard rate of UK corporation tax of 26.5% (2010: 28%) to the profit before tax for the reasons set out in the following reconciliation:

Notes to the condensed consolidated financial statements continued

3. Tax continued

	1 January 2011 to 30 June 2011 £ 000's	1 January 2010 to 30 June 2010 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Profit on ordinary activities before tax	5,330	1,816	7,142
Tax on profit on ordinary activities at the UK corporation tax rate of 26.5% (2010: 28%)	1,412	507	2,000
Tax effect of:			
Depreciation in excess of capital allowances	5	11	11
Expenses that are not deductible in determining taxable profits	90	227	432
Different tax rates of subsidiaries operating in other jurisdictions	(124)	(85)	(419)
Income not subject to corporation tax	(27)	(95)	(94)
Adjustment for IFRS 2 relating to staff options	31	109	94
Adjustment for IFRS 2 relating to staff options due to tax rate change	7	17	–
Deferred tax on IFRS 2 share-based payments	–	22	–
Deferred tax on current year loss set back against previous profits	(43)	–	–
Non-allowable loss on sale of available-for-sale investment	–	–	294
Adjustment for loss relief not claimed	49	–	–
Adjustment in respect of prior period	5	–	–
Tax expense for the period	1,405	713	2,318

In addition to the amount charged to the income statement in respect of share-based payments and the amount credited to the income statement in respect of the carried back current year's losses, deferred tax relating to staff share options amounting to £20,333 has been charged directly to equity (H1 2010: £9,255).

4. Dividends

Amounts recognised as distributions to equity holders in the period:

	1 January 2011 to 30 June 2011 £ 000's	1 January 2010 to 30 June 2010 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Final dividend for the year ended 31 December 2010 of 4p (31 December 2009: 5p) per share	2,850	3,565	3,565
Interim dividend for the period to 30 June 2010 of 2p per share	–	–	1,425
Interim dividend for the period to 30 November 2010 of 2p per share	–	–	1,426
	2,850	3,565	6,416

The proposed interim dividend for the period to 30 June 2011 of 4p (30 June 2010: 2p; 30 November 2010: 2p) per share was approved by the Board on 28 September 2011 and has not been included as a liability as at 30 June 2011. The dividend will be payable on 11 November 2011 to all shareholders on the register at 14 October 2011.

5. Earnings per share

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

	1 January 2011 to 30 June 2011 £ 000's	1 January 2010 to 30 June 2010 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Earnings			
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	3,737	743	3,726
Effect of dilutive potential ordinary shares:			
Share options	–	–	–
Earnings for the purpose of diluted earnings per share	3,737	743	3,726
	No.	**No.**	**No.**
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	71,252,420	71,269,993	71,164,543
Effect of dilutive potential ordinary shares:			
Share options	40,500	855,309	401,417
Weighted average number of ordinary shares for the purpose of diluted earnings per share	71,292,920	72,125,302	71,565,960

The weighted average number of shares considered for the period includes both ordinary and B shares. The B shares were issued to certain employees on a partly-paid basis prior to the Company's admission and trading on AIM in October 2006, and have not been admitted to trading on AIM. Holders of the B shares are required to pay a further amount (the "required premium") which was specified at the time of allotment of the B shares. Upon payment of the required premium, the B shares convert automatically into ordinary shares and will then be admitted to trading on AIM. All shares have equal voting rights and are entitled to a full dividend payout.

6. Property, plant and equipment

During the period, the Group spent £435,506 (H1 2010: £309,000) on property, plant and equipment. This mostly related to the costs associated with improvements to the Cenkos Channel Islands Limited office in Guernsey, and IT equipment.

7. Cash and cash equivalents

The cash balance includes £2.3 million (30 June 2010: nil, 31 December 2010: £5.0 million) held in trust against identified liabilities of £0.9 million (30 June 2010: nil, 31 December 2010: £2.4 million) relating to the cancellation of the Company's entire share premium account on 17 November 2010, which was used to provide distributable reserves for the Company.

8. Share capital

The issued share capital as at 30 June 2011 amounted to £727,771 (H1 2010: £727,771).

Notes to the condensed consolidated financial statements continued

9. Financial instruments

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

Level 1 — Quoted market prices

Level 2 — Valuation techniques (market observable)

Level 3 — Valuation techniques (non-market observable)

As at 30 June 2011, the Group held the following financial instruments measured at fair value:

	30 June 2011			
	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
Financial assets at fair value through profit and loss (FVTPL)				
Derivative financial assets	–	341	–	341
Non-derivative financial assets held for trading	9,515	876	–	10,391
Total	9,515	1,217	–	10,732
Financial liabilities at FVTPL				
Non-derivative financial liabilities held for trading	3,049	–	–	3,049

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

	30 June 2010			
	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
Financial assets at FVTPL				
Derivative financial assets	–	264	–	264
Non-derivative financial assets held for trading	9,836	–	–	9,836
Total	9,836	264	–	10,100
Financial liabilities at FVTPL				
Non-derivative financial liabilities held for trading	2,501	–	–	2,501

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

	31 December 2010			
	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
Financial assets at FVTPL				
Derivative financial assets	–	443	–	443
Non-derivative financial assets held for trading	9,715	804	–	10,519
Total	9,715	1,247	–	10,962
Financial liabilities at FVTPL				
Non-derivative financial liabilities held for trading	3,481	–	–	3,481

There were no transfers between Level 1, 2 and 3 during the year. Prior year comparators have been amended to conform to the presentation in the current period.

10. Contingent liability

A cash-settled shadow equity scheme was set up in 2009 for the Cenkos team based in Edinburgh. The Company re-organised this office in the second half of 2010 resulting in the cessation of this arrangement and a number of staff leaving the Company. A provision for this re-organisation was established in 2010 to cover any resultant liabilities. The Company is currently in legal disputes with a former member of staff. After taking legal advice, the Directors are of the opinion that there will be no significant financial impact other than the amounts already accrued in 2010 and the legal costs involved, for which appropriate accruals have been made in these financial statements.

11. Related party transactions

Related party transactions are described in the 2010 Annual Report and Accounts. There have been no significant changes in related party transactions during the six months ended 30 June 2011 aside from the Chief Executive Officer's pay. On 1 January 2011, the Chief Executive Officer's annual basic salary was increased from £150,000 to £200,000. On 4 February 2011, the Group's Remuneration Committee agreed that it would award the Chief Executive Officer 1,000,000 options under the Long Term Incentive Plan. This award will be granted with a performance condition. This award has not yet been made and at the time it was agreed that the award would be made at the next permissible open period.

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

	1 January 2011 to 30 June 2011 £ 000's	1 January 2010 to 30 June 2010 £ 000's	1 January 2010 to 31 December 2010 £ 000's
Emoluments	3,691	1,196	4,500

	30 June 2011	30 June 2010	31 December 2010
Interests in ordinary and B shares of Cenkos Securities plc	**No.**	**No.**	**No.**
Number of shares	9,004,362	8,746,712	8,926,113
Percentage interest in the Company's share capital	12%	12%	12%

	1 January 2011 to 30 June 2011		1 January 2010 to 30 June 2010		1 January 2010 to 31 December 2010	
Interests in share options	**Number**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Outstanding at the beginning of the period	4,220,874	1.33	4,220,874	1.33	4,220,874	1.33
Granted during the period	–		–		–	
Outstanding at the end of the period	4,220,874	1.33	4,220,874	1.33	4,220,874	1.33

Among the Group's transactions with key management personnel as of 30 June 2011 were loans of £664,924 relating the B shares in the Company (31 December 2010: £697,310; 30 June 2010: £696,558). There were no other outstanding balances or bad debt provisions for any related party balances as at 30 June 2011, and no related party transactions have been written off during the period (H1 2010: nil).

Transactions with related parties are made at arm's length. Transactions or balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and, in accordance with IAS 24, are not disclosed in this note.

Notes to the condensed consolidated financial statements continued

12. Events after the reporting period

On 4 July 2011 Oliver Ellingham, a Non-executive Director of the Company, stepped down from the Board.

On the same day, the Chief Executive Officer also informed the Board that he intended to leave the business in order to pursue other interests. In order to build on these strong interim results and ensure the future growth prospects of Cenkos, the Company is undertaking a comprehensive review of its executive structure. The Chief Executive Officer will remain in this role whilst this review is underway.

In line with best practice, Cenkos Securities plc put its external audit out to tender. After a rigorous selection process, the Audit Committee and Board appointed Ernst & Young LLP as its external auditors in July 2011.

13. Principal risks and uncertainties

The principal risks and uncertainties currently faced by the Group, and how these are managed, are outlined below. As you would expect, the fundamental risk to the Group is that Cenkos' income is dependent on the health of the financial markets and in particular the economic conditions of the UK.

Notwithstanding this risk, the remaining risks outlined below 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 risk and uncertainties the Group may potentially face which could adversely impact its performance.

As part of general corporate governance requirements, Cenkos has a risk framework covering all aspects of its risks. This enables it to identify, assess and manage its key risks. Cenkos' senior management review and evaluate the business processes and associated risks within each area of the firm's business, identifying and assessing the mitigating controls and procedures in place and the action plan to address any weaknesses in control. This framework includes a formal approach to 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 the Chief Executive Officer, the Group Risk and Compliance Committee and Audit Committee as required, within an overall framework and associated risk appetite that is set by the Board.

This framework and associated reporting and stress testing form the basis of the Group's Individual Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment process (ILAA). Cenkos' website shows the Pillar 3 disclosures which the firm is required to make under FSA regulations concerning the Group's capital, risk exposures and risk assessment processes.

The risk framework is supported and validated by a dedicated internal audit function which is outsourced to KPMG LLP. A three-year internal audit programme has been approved by the Audit Committee and is progressing to plan.

In addition to the economic risks noted above, the key risk areas that could impact the Group's future performance – and how they are managed – are categorised as follows:

- reputational risk;
- operational risk, including regulatory risk, people risk and litigation risk;
- credit risk; and
- market risk and liquidity risk.

13. Principal risks and uncertainties continued

Reputational risk

The Group believes that one of the greatest risks it faces 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 the Executive Management Committee as well as Group Compliance 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.

Operational risk

Operational risk is the risk that the Group suffers a loss directly or indirectly from inadequate or failed internal processes, people, systems, or external events. Group Compliance and senior management closely ensure that the risk framework is working well and that any significant operational risks and their controls are continually reviewed, tested and assessed and, where applicable, corrective action plans are put in place. There is also an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, including fraud. Cenkos' low cost and responsive business model relies on consistent delivery from its key suppliers for its trading systems (primarily Fidessa) and settlements (Pershing). Cenkos maintains regular dialogue and meetings with these vendors and the risk framework ensures there is the necessary oversight of these outsourcing risks. Other specific operational risks that are material to the Group's performance are regulatory risk, people risk and litigation risk. These are commented on in more detail below.

Regulatory risk

The Group's principal subsidiaries are regulated entities. The Board, Executive Management Committee and Group Compliance have established a strong culture of regulatory and legal compliance throughout the Group. Strong relations are maintained with the Group's regulators. There is strict adherence to applicable regulation, focusing particularly on our ongoing obligations and responsibilities as an AIM Nominated Advisor (Nomad) and a UK Listing Authority (UKLA) Sponsor. Cenkos continues to focus heavily on prudential risks to ensure the appropriate systems and controls, reporting, capital and liquidity requirements are in place to meet the ongoing obligations of an FSA regulated (BIPRU Investment) firm.

People risk

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

Litigation risk

There is always a risk that some form of litigious action may be taken against the Group. Before any decision to enter into litigation is made the Board, senior management and the Group's legal advisers will review all aspects of the case to assess and consider if it is in the best interests of the Group and ultimately the shareholders to either instigate proceedings or defend itself against litigation.

Credit risk

The Group faces limited credit risks in the normal course of business as its market making activities are carried out on a delivery versus payment basis. Hence any counterparty exposure here will manifest itself as either an operational risk (in the form of settlement risk), or a market risk in terms of an underlying exposure to equities.

Notes to the condensed consolidated financial statements continued

13. Principal risks and uncertainties continued

Market risk

The Group is exposed to market risk arising from its short-term positions in predominantly market making stocks. To mitigate this risk 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 the Chief Executive Officer and also by the Group Risk and Compliance Committee.

Liquidity risk

The Group is also exposed to liquidity risk being that it is unable to fund its commitments as and when they arise. To mitigate this 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 Board has oversight and approves the liquidity risk management framework and ILAA at least annually. 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.

Changes in Cenkos' risk profile in 2011

In terms of material risks that have changed during the period from 1 January 2011 to the date of signing of this interim report, the economic outlook has been depressed, which may lead to a slowdown in primary and secondary fundraising, impacting Cenkos' revenues in the second half of 2011. Following the announcement on 4 July 2011 concerning the Chief Executive Officer, the Company continues to review its executive structure, as disclosed in note 12.

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 2011which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related notes to the condensed consolidated financial statements 1 to 13. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and 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 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP

Registered Auditors
London, United Kingdom

28 September 2011

Information for shareholders

Directors	Peter Sullivan	*Non-executive Chairman*
	Simon Melling	*Chief Executive Officer*
	Jeff Hewitt	*Non-executive Director*
	David Henderson	*Non-executive Director*
Secretary	Stephen Doherty	
Financial Calendar	March	Year end results announced
	April	Final dividend paid
	September	Half year results announced
	November	Interim dividend paid
Company Registration Number and Country of Incorporation	05210733, England & Wales	
Registered Office	6.7.8 Tokenhouse Yard London EC2R 7AS	
Bankers	HSBC West End Corporate Banking Centre 70 Pall Mall London SW1Y 5EZ	
Solicitors	Travers Smith 10 Snow Hill London EC1A 2AL	
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF	
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Road Kent BR3 4TU	
Nominated Adviser and Broker	HSBC 8 Canada Square London E14 5HQ	
Website	www.cenkos.com	

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