CENKOS

Cenkos Channel Islands Limited
Interim Report 2012

Highlights

- Revenue down 1.8% to £3.16m (30 June 2011: £3.22m)
- Profits before tax up 1% to £506k (30 June 2011: £502k)
- Basic EPS up 2.2% to 4.98p (30 June 2011: 4.87p)
- Diluted EPS up 2.75% to 4.85p (30 June 2011: 4.72p)
- Assets under management up by 1.3% to £1,013m (30 June 2011: £1,000m)
- Interim dividend of 3p per share (30 June 2011: 3p)
- Completed separation from Cenkos Securities plc in April 2012

Contents

Officers and professional advisers

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A M Stewart (Chairman)
J R Ravenscroft (Chief Executive Officer)
S C Melling (Chief Operating Officer)
S A Farnon (Non-Executive Director)

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Business and financial review

For the six month period ended 30 June 2012

I am pleased to report that Cenkos Channel Islands Limited (the "Company") has made a satisfactory start to life as an independent company following Cenkos Securities plc's (our "former parent") disposal of its controlling holding in the Company on 2 April 2012. Despite the continuing economic malaise and difficult market conditions, total revenue and operating profit for the Company and its subsidiaries ("the Group") in the first six months of 2012 remained steady at £3.16m (30 June 2011: £3.22m) and £0.51m (30 June 2011: £0.50m) respectively. Total assets under management as at 30 June 2012 increased year on year, rising to £1,013m (30 June 2011: £1,000m). The below table shows an analysis of revenue by segment:

	2012 £	2011 £
Guernsey Broking	1,994,530	2,251,184
Jersey Broking	451,672	463,057
Asset Management	712,777	506,348
	3,158,979	3,220,589

Guernsey Broking

Our broking team in Guernsey saw revenue from customers fall 11% to £1.99m (30 June 2011: £2.25m) as it experienced a decline in the value and volume of client trades during the first half of 2012 - this was against a background of the London Stock Exchange reporting an 18% year on year decline in the value of total trades during the period.

Operating profits after inter-segment eliminations remained static at £0.27m (30 June 2011: £0.26m), as an increase in market making revenue, placing and corporate finance fees compensated for the decline in transactional revenue. Significant transactions undertaken during the period included a fund raising for Leicester Tigers Rugby Club, a private placing for Darwin Leisure Property Fund Limited, assisting our former parent's fund raising for Breedon Aggregates Limited, and acting as distributor for a number of retail bond issues.

Total assets under management for the segment at 30 June 2012 were £675m (30 June 2011: £704m).

Business and financial review (continued)

For the six month period ended 30 June 2012

Jersey Broking

Our Jersey broking team recorded a smaller drop in revenue from customers to £0.45m (30 June 2011: £0.46m) as the value of client trades remained more bouyant than in Guernsey, whilst operating profits after inter-segment eliminations fell 4% to £0.08m (30 June 2011: £0.09m). Although the segment is more dependent on transactional revenue than our Guernsey broking team, our Jersey team helped their Guernsey counterparts raise funds for various corporate finance projects and retail bond issues.

Total assets under management for the segment at 30 June 2012 were £182m (30 June 2011: £151m).

Asset Management

Asset management revenue rose 41% in the first half of 2012 to £0.72m (30 June 2011: £0.51m), primarily as a result of an increase in recurring revenues which continues to represent over 90% of the segment's total income. Operating profit rose by just 4% to £0.16m as increased inter-segment fees offset the growth in revenue.

The team has been working hard on growing regular contributions to their Cenkos Channel Islands Investment Fund range via pension and other fund platforms, and they continue to provide local investors with access to UK fund managers via their quarterly presentations.

Total assets under management for the segment stood at £156m as at 30 June 2012, compared with £145m a year earlier, of which £86m (30 June 2011: £76m) is in segregated mandates.

Profit before tax

The Group's profit before tax rose just under 1% from £502,016 to £506,210 as administrative expenses fell in line with the small decrease in revenue, mainly as a result of a decrease in share based payment expenses.

The Group continues to pursue a policy of moderate salaries and rewarding net income generation. Our headcount remained static during the period, and included in staff costs within administrative expenses is the bonus paid to option holders, which amounts to £90,000 (30 June 2011: £60,000). This bonus is dependent on the declaration of dividends and the after tax profits of the Group.

Earnings per share

Basic earnings per share for the period were 4.98p, compared with 4.87p to 30 June 2011. Diluted earnings per share for the period were 4.85p, compared with 4.72p to 30 June 2011.

Statements of Financial Position and Cash Flows

At the period end the Group had cash balances in excess of £2m and net assets in excess of £3m. It is the view of the Board that the Group's balance sheet is strong enough to meet the principal risks faced by the Group as an independent business (see Note 12), particularly in light of the cessation of the loan facility with our former parent which has not been replaced by another similar arrangement. The Directors also confirm that the Company has satisfied the financial resources requirement as specified in The Licensees (Capital Adequacy) Rules, 2010, throughout the period to 30 June 2012. At 30 June 2012 the Company had excess gross capital of £1,288,424.

Following the disposal of our former parent's controlling interest, we repaid the outstanding loan from Cenkos Securities plc and have invested significantly in IT related services which were previously provided by our former parent. This has had a negative impact on cash flows, with the Group recording a decrease in cash and cash equivalents of £756,099 for the first half of 2012.

Contingent Liability

As disclosed in our 2011 Annual Report, several clients of the Company had exposure to MF Global (UK) Limited when that company entered the Special Administration Regime on 31 October 2011. I am pleased to report that, subsequent to the period end, this exposure has now been settled without material impact on the financial or trading position of the Company.

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

The Board is proposing to pay an interim dividend of 3p per share. We intend paying the dividend on 26 October 2012 to all shareholders on the register at 11 October 2012. It is the view of the Board that after this distribution the Group still has sufficient funds to meets its regulatory and working capital obligations.

Business and financial review (continued)

For the six month period ended 30 June 2012

People

The continued success of the Group would not be possible without the skill, commitment and professionalism of our employees. It is our objective to continue to attract, retain and develop the best people in our industry, and we continue to invest in training to support both their business performance and individual growth, enabling them to maximise their potential and make the greatest possible contribution to the Group.

It is with great pleasure that we welcome back Simon Melling on to the Board of the Company as Executive Director. Simon's extensive industry experience speaks for itself and we are delighted that he has agreed to re-join the firm as our Chief Operating Officer.

Principal risks and uncertainties

The principal risks and uncertainties currently faced by the Group are outlined in Note 12.

Outlook

The difficult market conditions that we saw in the second half of 2011 have continued into 2012, and our short-term performance remains influenced by the ongoing global economic uncertainty. This uncertainty however has also presented a number of opportunities for expansion, both within the Channel Islands and further afield, that the Board is currently exploring for the long-term benefit of the Group.

Responsibility statement

The Board confirms that to the best of its knowledge:

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34 - 'Interim Financial Reporting';
- the business and financial review 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 Channel Islands Limited and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the condensed financial statements includes a fair review of the information required on related party transactions.

Forward-looking statements

These financial statements contain forward-looking statements with respect to the financial condition, results, operations and businesses of the Group. 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.

Jon Ravenscroft
Chief Executive Officer
27 September 2012

Condensed consolidated statement of comprehensive income

For the six month period ended 30 June 2012

	Notes	Unaudited 1 January 2012 to 30 June 2012 £	Unaudited 1 January 2011 to 30 June 2011 £
Revenue		3,158,979	3,220,589
Administrative expenses		(2,651,694)	(2,720,353)
Operating profit		507,285	500,236
Finance income		2,503	2,240
Finance costs		(3,578)	(460)
Profit before taxation		506,210	502,016
Taxation	3	(8,214)	(8,594)
Profit for the financial period		497,996	493,422
Attributable to:			
Equity holders of the parent		497,996	487,224
Non-controlling interests		-	6,198
		497,996	493,422
Earnings per share			
Basic	5	4.98p	4.87p
Diluted	5	4.85p	4.72p

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

Condensed consolidated statement of financial position

As at 30 June 2012

	Notes	Unaudited 30 June 2012 £	Audited 31 December 2011 £
Non-current assets			
Intangible assets	1	170,541	-
Property, plant and equipment	7	372,201	357,326
		542,742	357,326
Current assets			
Trading investments - long positions		83,987	52,712
Trade and other receivables	8	12,838,288	4,571,838
Cash and cash equivalents		2,165,585	2,921,684
		15,087,860	7,546,234
Total assets		15,630,602	7,903,560
Current liabilities			
Trade and other payables	9	12,471,017	4,923,564
Taxation payable		8,081	14,763
		12,479,098	4,938,327
Net current assets		2,608,762	2,607,907
Total assets less current liabilities		3,151,504	2,965,233
Net assets		3,151,504	2,965,233
Equity			
Called up share capital		100,000	100,000
Retained earnings		3,051,504	2,865,233
Equity attributable to equity holders of the parent		3,151,504	2,965,233

Condensed consolidated statement of cash flows

For the six month period ended 30 June 2012

	Unaudited 1 January 2012 to 30 June 2012 £	Unaudited 1 January 2011 to 30 June 2011 £
Cash flows from operations		
Operating profit from continuing operations	507,285	500,236
Adjustments for:		
Depreciation of property, plant and equipment	40,890	41,299
Share based payment expense	-	84,448
Profit on disposal of property, plant and equipment	-	(973)
Operating cash flows before movements in working capital	548,175	625,010
(Increase)/decrease in trading investments	(31,275)	684,246
Increase in receivables	(8,266,450)	(8,155,733)
Increase in payables	7,547,453	8,218,927
Cash (used in)/generated by operations	(202,097)	1,372,450
Interest paid	(3,578)	(460)
Taxation paid	(14,896)	(2,200)
Net cash (used in)/generated by operating activities	(220,571)	1,369,790
Cash flows from investing activities		
Interest received	2,503	2,240
Purchase of intangible assets	(170,541)	-
Purchase of property, plant and equipment	(55,765)	(351,644)
Sale of property, plant and equipment	-	4,500
Net cash used in investing activities	(223,803)	(344,904)
Cash flows from financing activities		
Purchase of shares from non-controlling interests	-	(8,000)
Acquisition of own shares subsequently held in treasury	(12,250)	(87,000)
Disposal of own shares held in treasury	-	33,375
Dividends paid	(299,475)	(395,200)
Net cash flows from financing activities	(311,725)	(456,825)
Net (decrease)/increase in cash and cash equivalents	(756,099)	568,061
Cash and cash equivalents at the beginning of the period	2,921,684	2,172,178
Cash and cash equivalents at the end of the period	2,165,585	2,740,239

Condensed consolidated statement of changes in equity

For the six month period ended 30 June 2012

	Share capital £	Retained earnings £	Non-controlling interests £	Total £
At 1 January 2011	100,000	2,631,772	(14,399)	2,717,373
Retained profit for the period	-	487,224	-	487,224
Own shares purchased in the period	-	(87,000)	-	(87,000)
Own shares sold in the period	-	33,375	-	33,375
Profit allocated to non-controlling interests	-	-	6,198	6,198
Purchase of shares from non-controlling interests	-	-	(8,000)	(8,000)
Loss on purchase of shares from non-controlling interest	-	(16,201)	16,201	-
Credit to equity for equity-settled share-based payments	-	84,448	-	84,448
Dividends paid	-	(395,200)	-	(395,200)
At 30 June 2011	100,000	2,738,418	-	2,838,418
Retained profit for the period	-	395,540	-	395,540
Own shares sold in the period	-	30,000	-	30,000
Dividends paid	-	(298,725)	-	(298,725)
At 31 December 2011	100,000	2,865,233	-	2,965,233
Retained profit for the period	-	497,996	-	497,996
Own shares purchased in the period	-	(12,250)	-	(12,250)
Dividends paid	-	(299,475)	-	(299,475)
At 30 June 2012	100,000	3,051,504	-	3,151,504

Notes to the condensed consolidated financial statements

For the six month period ended 30 June 2012

1. Accounting policies

General information

Cenkos Channel Islands Limited is a company incorporated with limited liability in Guernsey. The Company's principal activity is the provision of investment 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 interim financial statements have been prepared in accordance with IAS34 - 'Interim Financial Reporting', but have not been audited or reviewed by auditors pursuant to the Auditing Practices Board's guidance on the review of interim financial statements.

These financial statements have been prepared on the historical cost basis, modified by 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.

The accounting policies used in arriving at these 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 2011 which are prepared in accordance with International Financial Reporting Standards (IFRS). In addition the following accounting policy has been adopted during the period:

Intangible Assets

Intangible assets are stated at cost less provisions for amortisation and impairments. Amortisation is provided at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its estimated useful life as follows:

Purchased software and software development	Five years
Software licences	Life of the licence

The carrying values of intangible assets are subject to annual review and any impairment is charged to the income statement.

1. Accounting policies (continued)

Basis of accounting (continued)

Purchased software and software development

An internally generated intangible asset arising from the Group's software development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where no intangible asset can be recognised, software development expenditure is recognised as an expense in the period in which it is incurred.

Going concern

The Board has prepared forecasts taking account of the current uncertain market conditions which demonstrate that the Group will continue to operate within its own resources for at least 12 months after the reporting date.

The information prepared has also been subjected to sensitivity analysis designed to stress test the forecasts. As a result, the Board considers that the Group has adequate resources to meet its business needs and it is therefore appropriate to adopt the going concern basis in preparing these financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries") and employee benefit trusts made up to co-terminus period ends. Control is achieved where the Company has power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective point of acquisition or up to the effective date of disposal, as appropriate. All inter group transactions, balances, income and expenses are eliminated on consolidation.

2. Segment information

Management currently identifies the Group's reportable segments as follows:

- The Guernsey Broking segment provides private client and institutional broking services in Guernsey
- The Jersey Broking segment provides private client and institutional broking services in Jersey
- The Asset Management segment provides private client investment management and institutional fund management services.

Notes to the condensed consolidated financial statements (continued)

For the six month period ended 30 June 2012

2. Segment information (continued)

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss. Finance income, finance costs and income taxes are managed on a group basis.

Revenues, assets and liabilities which are not directly attributable to the business activities of any operating segment are classified as unallocated. In the financial period under review, this applies to the Group's nominee company, Huntress (CI) Nominees Limited, and services company, Cenkos Channel Islands Services Limited.

	Guernsey Broking	Jersey Broking	Asset Management	Eliminations	Consolidated
	£	£	£	£	£
Operating segment for the period ended 30 June 2012:					
Revenues from cutomers	1,994,530	451,672	712,777	-	3,158,979
Inter-segment revenue	469,952	10,560	-	(480,512)	-
Total revenues	2,464,482	462,232	712,777	(480,512)	3,158,979
Operating profit	665,797	82,756	158,732	(400,000)	507,285
Finance income					2,503
Finance costs					(3,578)
Profit before taxation					506,210
Taxation					(8,214)
Profit for the period					497,996

	Guernsey Broking	Jersey Broking	Asset Management	Eliminations & Unallocated	Consolidated
	£	£	£	£	£
Segment assets	14,564,907	594,873	564,784	(93,962)	15,630,602
Segment liabilities	11,936,665	8,081	291,988	242,364	12,479,098

2. Segment information (continued)

	Guernsey Broking £	Jersey Broking £	Asset Management £	Consolidated £
Operating segment for the period ended 30 June 2011:				
Total revenues	2,251,184	463,057	506,348	3,220,589
Operating profit	262,180	86,070	151,986	500,236
Finance income				2,240
Finance costs				(460)
Profit before taxation				502,016
Taxation				(8,594)
Profit for the period				493,422

	Guernsey Broking £	Jersey Broking £	Asset Management £	Eliminations & Unallocated £	Consolidated £
Segment assets	16,890,732	494,634	403,532	8,526	17,797,424
Segment liabilities	14,496,101	15,771	50,316	396,818	14,959,006

An analysis of the Group's revenue from customers and information about its segment assets (non-current assets including financial instruments and other financial assets) by geographical location is shown below:

	Revenue from customers		Non-current assets	
	1 January 2012 to 30 June 2012 £	1 January 2011 to 30 June 2011 £	30 June 2012 £	30 December 2011 £
Geographical information:				
Channel Islands	3,158,979	3,220,589	542,742	357,326

Non-current assets for this purpose consist of intangible assets and property, plant and equipment.

No one customer accounted for more than 10% of the Group's revenue for the period.

Notes to the condensed consolidated financial statements (continued)

For the six month period ended 30 June 2012

3. Taxation

	1 January 2012 to 30 June 2012	1 January 2011 to 30 June 2011
	£	£
The current tax charge comprised:		
Guernsey income tax at 0% based on profit for the period	-	-
Overseas tax charge borne by subsidiaries operating in other jurisdictions	8,214	8,594
	8,214	8,594

Income Tax expense is recognised based on management's best estimate of the weighted average annual Income Tax rate expected for the full financial year.

4. Dividends

	30 June 2012	30 June 2011
	£	£
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2011 of 3p (31 December 2010: 4p) per share	299,475	395,200

The proposed interim dividend for 2012 of 3p (2011: 3p) per share was approved by the board on 26 September 2012 and has not been included as a liability as at 30 June 2012. The dividend will be payable on 26 October 2012 to all shareholders on the register as at 11 October 2012.

5. Earnings per share

	30 June 2012	30 June 2011
	£	£
Earnings		
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the Parent	497,996	487,224
Effect of dilutive potential ordinary shares	-	-
Earnings for the purpose of diluted earnings per share	497,996	487,224

5. Earnings per share (continued)

	30 June 2012 No.	30 June 2011 No.
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	10,000,000	10,000,000
Effect of dilutive potential ordinary shares	265,306	324,713
Weighted average number of ordinary shares for the purpose of diluted earnings per share	10,265,306	10,324,713

6. Investments in subsidiary undertakings

	Country of registration	Principal activity	Proportion of shares held
Principal subsidiary undertakings			
Cenkos Channel Islands Investment Management Limited	Guernsey	Provision of investment services	100%
Cenkos Channel Islands Services Limited	Guernsey	Services company	100%
Cenkos Jersey Limited	Jersey	Provision of investment services	100%
Huntress (CI) Nominees Limited	Guernsey	Nominee Company	100%

All these companies have been consolidated in the Group financial statements.

7. Property, plant & equipment

At 30 June 2012 the Group had property, plant and equipment with a net book value of £372,201 (31 December 2011: £357,326). During the period, the Group spent £55,765 (six month period ended 30 June 2011: £351,644, year ended 31 December 2011: £367,539) on property plant and equipment. This mostly related to communications & IT equipment in Guernsey. The depreciation charge for the period was £40,890 (six month period ended 30 June 2011: £41,299; year ended 31 December 2011: £83,443).

8. Trade and other receivables

	30 June 2012 £	30 June 2011 £
Amounts falling due within one year:		
Prepayments and accrued income	1,072,678	731,412
Market and client debtors	11,765,610	3,840,426
	12,838,288	4,571,838

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Notes to the condensed consolidated financial statements (continued)

For the six month period ended 30 June 2012

9. Trade and other payables

	30 June 2012	30 June 2011
	£	£
Amounts falling due within one year:		
Accrued expenses	1,189,794	1,113,016
Deferred income	37,522	96,734
Market and client payables	11,243,701	3,661,949
Loan payable to Cenkos Securities plc	-	51,865
	12,471,017	4,923,564

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The loan payable to Cenkos Securities plc, was unsecured, interest free and repayable on demand.

10. Share based payments

Cenkos Channel Islands Limited has a share option scheme ("CSOP") and a long term incentive plan ("LTIP") for all employees of the Group.

CSOP

No awards have been granted under the terms of the CSOP.

LTIP

A number of options have been granted under the terms of the LTIP. These options are exercisable at a price agreed in accordance with the rules of the scheme on the date of grant. If the options remain unexercised at the date of expiry, the options will lapse. If the option holder ceases to be an employee or office holder within the Group the options will lapse.

10. Share based payments (continued)

Details of the share options outstanding during the period in respect of all the above plans are as follows:

	30 June 2012 Number of share options	30 June 2012 Weighted average exercise price (£)	30 June 2011 Number of share options	30 June 2011 Weighted average exercise price (£)
Outstanding and exercisable at the beginning of the period	1,857,500	1.11	1,000,000	0.90
Granted during the period	-	-	857,500	1.35
Lapsed during the period	(95,000)	1.27	-	-
Outstanding and exercisable at the end of the period	1,762,500	1.10	1,857,500	1.11

	Date of grant	Vesting date	Date of expiry	Remaining contractual life (months)	30 June 2012 Number of share options	30 June 2011 Number of share options
Options exercisable at £0.90 per share	Mar-10	Mar-10	Mar-20	93	963,450	1,000,000
Options exercisable at £1.25 per share	Apr-11	Apr-11	Mar-20	93	500,000	500,000
Options exercisable at £1.50 per share	Apr-11	Apr-11	Mar-20	93	299,050	357,500
Options exercisable at the end of the period					1,762,500	1,857,500

The options outstanding at 30 June 2012 have a weighted average exercise price of £1.10 (2011: £1.11) and a weighted average remaining contractual life of 8 years (2011: 9 years). At the date of grant, they had an estimated fair value of £118,196 (2011: £125,451).

Notes to the condensed consolidated financial statements (continued)

For the six month period ended 30 June 2012

10. Share based payments (continued)

Certain option holders are entitled 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. The option holders are required to be employed when the dividend is paid in order to be entitled to the bonus and this bonus is charged as an expense at that date.

Employee Benefit Trusts

The Group operates two Employee Benefit Trusts (The Cenkos CI Employee Benefit Trust and The Cenkos Jersey Discretionary Employee Benefit Trust) which were both established in 2010 to handle the purchase, holding and sale of Company shares for benefit of directors and staff. In the period to 30 June 2012 The Cenkos CI Employee Benefit Trust did not allocate any shares (2011: allocated 52,500) previously held in treasury to employees of the Group. The Trusts have waived their rights to dividends.

11. Related party transactions

The Directors consider there to be no immediate controlling party. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 - ‘Related Party Disclosure’.

	1 January 2012 to 30 June 2012 £	1 January 2011 to 30 June 2011 £
Short-term employment benefits	114,850	404,262
Equity compensation benefits	-	10,718

Related party interest in ordinary shares of Cenkos Channel Islands Limited

	30 June 2012 £	30 June 2011 £
Number of shares	2,874,000	2,232,750
Percentage interest in the Company’s share capital	29%	22%

11. Related party transactions (continued)

Related party interest in share options of Cenkos Channel Islands Limited

	Number of share options	30 June 2012 Weighted average exercise price (£)	Number of share options	30 June 2011 Weighted average exercise price (£)
Outstanding at the beginning of the period	385,000	1.26	156,550	0.90
Granted during the period	-	-	228,450	1.50
Lapsed during the period	(95,000)	1.27	-	-
Outstanding at the end of the period	290,000	1.25	385,000	1.26

12. Principal risks and uncertainties

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 risk 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. 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 value of assets under management. 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.

Reputational risk

The Group considers 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 take-on process and risk rating as well as on-going controls and monitoring to ensure that it meets the Group's strict criteria.

Notes to the condensed consolidated financial statements (continued)

For the six month period ended 30 June 2012

12. Principal risks and uncertainties

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 executives and employees. The Group seeks to minimise employee risk by rewarding employees through a remuneration package which includes performance-based payments that align the interests of both employees and shareholders.

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, alternatively, from external events. Compliance personnel and senior management ensure that significant operational risks, their mitigations and appropriate control systems are continually reviewed. Where applicable, corrective action plans are put in place.

Market risk exposure

The Group is exposed to market risk predominantly through its position in trading investments. The Group applies monitors and controls to minimise this risk on a daily basis.

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 its non-client and market liabilities.

Business continuity risk

There is a risk that any incident that the Group is affected by, directly or indirectly such as 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. Continuity planning is in place across the business in order to sustain operations with a minimum of disruption through a combination of business continuity planning, duplicated infrastructure and remote facilities. Regular testing of the business continuity plan is undertaken.

13. Post Balance Sheet Events

Certain underlying clients of the Company had exposure to MF Global UK Limited when that company entered the Special Administration Regime on 31 October 2011 and such exposures remained unsettled as at 30 June 2012. These exposures have subsequently been settled without material impact on the financial or trading position of the Company.

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