



 CENKOS

Cenkos Channel Islands Limited  
Annual Report 2011

## Highlights

Year ended 31 December 2011

### Business and financial highlights

- Turnover down 7% to £6.34m (2010: £6.84m)
- Raised £8.9m in total through placings for Leicester Tigers Rugby Club and The Channel Islands Property Fund Limited
- Increase in funds under management in the Cenkos Channel Islands Investment Fund Diversity, Income & Global Equity sub-funds of 15% to £42.9m following the launch of a third sub-fund
- Operating profit decreased by 41% to £0.90m (2010: £1.51m)
- Profit before tax decreased by 40% to £0.90m (2010: £1.51m)
- Basic earnings per share down by 41% to 8.83p (2010: 14.93p)
- Diluted earnings per share down by 42% to 8.50p (2010: 14.76p)
- Total assets under management for the Group decreased by 13% to £964m (2010: £1,103m)
- The Board proposes a final dividend of 3p per share compared to last year's final dividend of 4p per share. This makes a total dividend of 6p for the year

---

## Contents

1	Highlights	21	Consolidated Statement of Comprehensive Income
2	Company Information	22	Consolidated Statement of Financial Position
3	The Board of Directors	23	Consolidated Statement of Cash Flows
4	Chairman's Statement	24	Consolidated Statement of Changes in Equity
5 - 8	Business and Financial Review	25 - 47	Notes to the Financial Statements
9 - 12	Directors' Report	48	Statement of Financial Resources
13 - 18	Corporate Governance Report	49	Summary Financial Information
19 - 20	Independent Auditor's Report		

## **Officers and professional advisers**

Year ended 31 December 2011

### **Directors**

A M Stewart (Chairman)

J R Ravenscroft (Chief Executive Officer)

S A Farnon (Non-Executive Director)

### **Secretary**

D J McGall

### **Registered office**

The Market Buildings

Fountain Street

St Peter Port

Guernsey

GY1 4JG

### **Sponsor**

Mourant Ozannes Securities Limited

PO Box 186

1 Le Marchant Street

St Peter Port

Guernsey

GY1 4HP

### **Auditor**

Deloitte LLP

Regency Court

Glategny Esplanade

St Peter Port

Guernsey

GY1 3HW

## **The board of directors**

Year ended 31 December 2011

### **Andy Stewart**

Chairman

Andy is the founder shareholder of Cenkos Securities Plc, the parent company of Cenkos Channel Islands Limited. He has over 40 years' experience in the UK securities industry. In 1991 he co-founded Collins Stewart, subsequently listing it on the London Stock Exchange with a market capitalisation on listing of approximately £326 million. Andy started his career as a stockbroker in 1969 with Simon & Coates, where he became a senior partner. After Simon & Coates was acquired by Chase Manhattan Bank, he became chief executive of Chase Manhattan Securities until the launch of Collins Stewart.

Andy is a member of the Audit, Remuneration and Nomination Committees.

### **Jon Ravenscroft**

Chief Executive Officer

Jon founded Cenkos in 2005 and was appointed Chief Executive Officer. He has more than 25 years' experience in stockbroking. Jon started his career in broking in 1983 as a trainee dealer at Sheppards & Chase and then spent a short time in the Isle of Man before returning to Guernsey to establish a broking office that is now Collins Stewart (CI) Limited. He was educated at Elizabeth College in Guernsey and Millfield School in the UK. Jon is a Fellow of the Securities and Investment Institute. Jon sits on the investment committee of Bailiwick Investments Limited.

### **Sally-Ann (Susie) Farnon**

Non-Executive Director

Susie Farnon qualified as a Chartered Accountant with KPMG in 1983 and was a banking and finance Partner with KPMG Channel Islands from 1990 until 2001 and Head of Audit KPMG Channel Islands from 1999. After leaving KPMG in 2001, she has been a member of the States of Guernsey Audit Commission and the States of Guernsey Public Accounts Committee. She is currently a Commissioner of the Guernsey Financial Services Commission and Commissioner of the Guernsey Sports Commission. She is also a Director of local property companies and is Non-Executive Director of listed property and investment funds.

Susie is a member of the Audit, Remuneration and Nomination Committees.

## Chairman's statement

Year ended 31 December 2011

There is no doubt that 2011 was a difficult year to be a stockbroker – the Eurozone crisis led both equity and credit markets on a roller coaster ride which affected the confidence of both private investors and institutions. As a consequence the Group saw fewer opportunities for corporate finance work, particularly in the second half of the year when a number of projects were postponed, and this is reflected in the 7% decrease in overall turnover. Nevertheless, I am pleased to report that the underlying business remains robust, with commission and other recurring revenues increasing by 18%, which shows the sustainability of our business model even during times of market stress.

During the year, the Guernsey Financial Services Commission ("GFSC") published its Finance Sector Code of Corporate Governance ("GFSC Code") which took effect on 1 January 2012. The Board has conducted a thorough review of the effectiveness of the corporate governance practices of the Company and, as noted in our Corporate Governance Report, is of the opinion that the Company complies fully with the Principles and Guidance set out in the GFSC Code. Although we have adopted the GFSC Code, it is on a "comply or explain basis" and therefore we continue to follow the recommendations of the UK Corporate Governance Code (as far as is practicable) in all areas relating to the disclosure of corporate governance.

As already announced in December, Simon Melling has resigned from the Board of Directors of the Company ("the Board") following his departure as Chief Executive Officer of our parent company, Cenkos Securities plc. Simon worked tirelessly to promote the Company within the wider Cenkos Group, and the experience, objectivity and professionalism he brought to the Board, Audit Committee and Remuneration Committee was most appreciated. On behalf of the rest of the Board, I wish Simon the very best for the future.

Subsequent to the year end, Paul Oliver resigned as an Executive Director of the Company and Chief Operating Officer of the Company and its subsidiaries ("the Group") in February. Paul joined the Company in 2007 and was responsible for the operational side of the business as it grew from embryonic start-up to the multi-jurisdictional Group it is today. He was instrumental in ensuring the Company was fully prepared for its flotation on the Channel Islands Stock Exchange in 2007 and also oversaw the opening of our Jersey office in 2008. The Board would like to thank Paul for his hard work and dedication over the last five years, and we also wish him the best in his future endeavours.

The Board is proposing a final dividend of 3p per share to be approved at the Annual General Meeting in April 2012 and paid on 25 April 2012 to all shareholders on the register at 11 April 2012. This will bring the total dividend for the year to 6p.

Finally, the Board advises that 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 that such exposures remain unsettled. However, based on information received to date, the Board is currently of the view that this situation should be resolved without a material impact on the financial or trading position of the Company.

**Andy Stewart**

Chairman

13 March 2012

## Business and financial review

Year ended 31 December 2011

2011 saw a fall in overall Group turnover of 7%, primarily as a result of a decrease in revenues in our broking business, following a drop in corporate finance work in the second half of the year in the face of continuing economic uncertainties. It is, however, pleasing to report that our core stockbroking business remains strong and that our asset management business achieved a 65% increase in revenue for the year.

The table below shows an analysis of revenue by type

	2011 £	2010 £
Broking	5,007,623	6,031,431
Asset Management	1,336,501	811,514
	6,344,124	6,842,945

### Broking

This business segment represents our private client and institutional broking teams in both Guernsey and Jersey, including our market making services carried on to support these areas. The segment's revenue is made up of placing commission on fund raisings, corporate finance fees, market making profits and stockbroking fees. Although total segment revenue fell 17% from £6.03m to £5.01m and operating profits declined by 56% from £1.34m to £0.58m as a result of the decline in placing and corporate finance fees, revenues from our core stockbroking activities recorded a satisfying 9% increase over 2010. As at 31 December 2011 the segment had assets under management of £816m (2010: £968m).

Following on from the successful £4.4m fund raising for Leicester Tigers and retail bond issues in which we participated during the first six months of 2011, the broking team also raised £5m for the Channel Islands Property Fund Limited and assisted our parent, Cenkos Securities plc, in raising £40m for NewRiver Retail Limited, for whom we act as sponsor on the CISX, through an equity placing during the second half of the year.

Our market making team has continued to attract new clients, and we now act as market maker to thirteen companies as at the end of the year. The Group also undertakes market making transactions in order to support the other services it provides to its clients. The Group does not engage in proprietary trading and applies position limits and monitoring procedures to ensure controls over investments held on balance sheet.

### Asset Management

The Group's asset management services are provided by Cenkos Channel Islands Investment Management Limited, a wholly owned subsidiary of the Company. The team provides segregated investment management services in addition to managing the Cenkos Channel Islands Investment Fund ("CCIIF") range of funds and a CISX listed fund, and continues to develop its thematic investment approach into a separately recognisable brand. The Global Equity sub-fund was successfully added to the CCIIF platform during the year, and with the team now achieving a three-year performance history with Cenkos, we are hopeful that 2012 will be another strong year for our asset management team.

Despite the challenging market conditions, the team ended the year with assets under management up 9% to £148m (2010: £135m) and increased revenue by 65% from £0.81m to £1.34m. Segment profits increased by 83% from £170,743 to £312,076 as the team continues to achieve scalability of service on the infrastructure which it has in place.

## **Business and financial review** (continued)

Year ended 31 December 2011

### **Profit before tax**

The Group's profit before tax was £0.90m compared with £1.51m in 2010, a decline of 40%.

The Group continues to pursue a policy of moderate salaries and rewarding net income generation. Our headcount increased during the year with the recruitment of mainly middle and back office staff, and included in staff costs within administrative expenses is the bonus paid to option holders, which amounts to £85,000. In accordance with the Long Term Incentive Plan adopted at the last Annual General Meeting, this bonus is linked to dividends so is entirely dependent on the after tax profits of the Group and is therefore variable.

### **Statements of Financial Positions and Cash Flows**

Property, plant and equipment have increased primarily from the move of the Guernsey business to new offices in February 2011. As a result of our market making activities we have a position in trading investments of £0.05m (2010: £0.80m), and both trade and other receivables and trade and other payables decreased as a consequence of the fall in the value of open market and client trades at the year end compared with previous years. Despite a lower cash flow before movements in working capital, the overall cash generated by operating activities was £1.83m (2010: £1.58m), resulting in a cash position at the end of the year of £2.92m (2010: £2.17m).

The Group manages capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders. The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. At present the Group has no gearing and it is the responsibility of the Board to review the Group's gearing levels on an ongoing basis. The Company and its subsidiaries are required to maintain certain minimum capital requirements. These requirements vary from time to time depending on the business conducted by the Group.

The Company and two of its subsidiaries, Cenkos Channel Islands Investment Management Limited and Cenkos Jersey Limited, are required to maintain minimum financial resources in accordance with the rules of their respective regulators. The Group's financial resources have been fully reviewed and the levels maintained are considered by the Board as sufficient to meet the Group's commitments and withstand the risks to which they are subject. At 31 December 2011 the Company had an excess net assets of £1,037,506.

### **Earnings per share**

Basic earnings per share for the year were 8.83p, compared with 14.93p in 2010. Diluted earnings per share for the year were 8.50p, compared with 14.76p for 2010.

### **Dividend**

The Board is proposing to pay a final dividend of 3p per share. If approved at the Company's Annual General Meeting on 18 April 2012, the dividend will be paid on 25 April 2012 to all shareholders on the register at 11 April 2012. It is the view of the Board that after this distribution the Group still has sufficient funds to pursue its growth strategy and meets its regulatory capital obligations.

## **People**

We recognise that our staff are a key resource of the business and the quality of leadership is vital to the success of the Group. The Board continually strives to improve the engagement and motivation of our people in order to improve business performance, and we ensure team leaders understand what is expected of them in developing their teams.

As at 31 December 2011, we employed 30 staff in Guernsey and 7 in Jersey.

## **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.

### **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.

### **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.

## **Business and financial review** (continued)

Year ended 31 December 2011

### **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 affect 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.

### **Outlook**

Given the operational leverage within the business, any increase in corporate finance work should be very profitable and we are hopeful that we will realise several new projects this year in addition to some that were delayed from 2011. We have identified a number of internal plans that we hope to implement to maximise efficiencies and ensure that we have the capacity within the Group to service a much higher level of turnover without the need for significant capital investment. In addition, we will continue to explore any opportunities for growth as they arise.

### **Jon Ravenscroft**

Chief Executive Officer

13 March 2012

### **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.

## Directors' report

Year ended 31 December 2011

The Directors present their report with the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2011.

### Principal activity

The principal activity of the Company and the Group in the year under review was that of the provision of investment services.

### Directors

The Directors of the Company who held office during the current year and to date of signing are as follows:

#### Current Directors

Andrew Marshall Stewart  
Jonathan Richard Ravenscroft  
Sally-Ann (known as Susie) Farnon

#### Former Directors

Simon Charles Melling (resigned 16 December 2011)  
Robin James Newbould (resigned 13 January 2011)  
Paul William Oliver (appointed 3 March 2011; resigned 22 February 2012)

### Directors' interests in ordinary shares of Cenkos Channel Islands Limited

The current Directors had interests in the ordinary share capital of the Company (all of which were beneficial) as shown below:

	31 December 11		31 December 10	
	No. of shares	Interest	No. of shares	Interest
Jonathan Richard Ravenscroft*	1,235,000	12.4%	1,200,000	12.0%
Andrew Marshall Stewart	797,500	8.0%	615,000	6.2%
Sally-Ann Farnon**	68,750	0.7%	68,750	0.7%

\* 1,235,000 of these ordinary shares are currently held by TEMK Investments Limited, an investment company whereby the beneficial owners are Mr J and Mrs J Ravenscroft.

\*\* 68,750 of these ordinary shares are currently held by Little Lucy Limited, an investment company whereby the beneficial owners are Mr D and Mrs S Farnon.

**Directors' report** (continued)

Year ended 31 December 2011

**Directors' interests in share options in Cenkos Channel Islands Limited**

The current Directors had interests in options over ordinary shares in the Company as shown below:

	31 December 11	31 December 10	Exercise price	Grant date	First possible exercise date	Expiry date
Jonathan Richard Ravenscroft	120,000	120,000	90p	25.03.10	25.03.10	25.03.20
	170,000	-	150p	19.04.11	19.04.11	25.03.20

**Significant shareholdings**

In addition to current Directors' interests shown above, the Directors have been notified that the following shareholders had interests in 3% or more of the Company's ordinary share capital as at 13 March 2012 and 31 December 2011.

	13 March 12		31 December 11	
	No. of shares	Interest	No. of shares	Interest
Cenkos Securities plc	5,000,000	50.0%	5,000,000	50.0%
Huntress (CI) Nominees Limited*	4,619,660	46.2%	4,590,660	45.9%

\* These shares are held as a nominee on behalf of underlying clients of the Company.

All of the Directors' interests as disclosed above are held as nominee by Huntress (CI) Nominees Limited.

**Directors' interests in ordinary shares of Cenkos Securities plc**

The current Directors had interests in the ordinary share capital of the Cenkos Securities plc as shown below:

	13 March 12		31 December 11	
	No. of shares	Interest	No. of shares	Interest
Jonathan Richard Ravenscroft*	510,000	0.70%	510,000	0.70%
Andrew Marshall Stewart**	8,859,964	12.18%	8,859,964	12.18%
Sally-Ann Farnon***	10,000	0.01%	10,000	0.01%

\* 434,770 of these ordinary shares are currently held by TEMK Investments Limited and 75,230 are held by TEMK Retirement Annuity Trust Scheme of which Mr J and Mrs J Ravenscroft are beneficial owners.

\*\* 300,000 shares are held in The Andrew Stewart Charitable Trust. Mr A Stewart is a trustee of this Charitable Trust and therefore has a non-beneficial interest in these shares.

\*\*\* 10,000 of these ordinary shares are currently held by Little Lucy Limited, an investment company whereby the beneficial owners are Mr D and Mrs S Farnon.

### **Dividend**

The Directors recommend the payment of a final dividend of 3p per ordinary share in respect of the year ended 31 December 2011 (2010: 4p). Subject to approval at the Annual General Meeting to be held on 18 April 2012, the dividend will be paid on 25 April 2012.

The dividend will be paid under the Zero 10 tax regime applying from 1 January 2008. To the extent that dividends are paid to Guernsey resident individual shareholders out of taxable profits subject to tax at the rate of 0% and which have not already been deemed distributed, the Company will be required to deduct tax at the individual standard rate of 20% on behalf of those shareholders and account for this to the Director of Income Tax.

### **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.

The information prepared has also been subjected to sensitivity analysis designed to stress test the forecast. 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.

### **Directors' and Officers' Liability Insurance**

Cenkos Securities plc purchases and maintains liability insurance on behalf of the Company for its Directors and Officers.

### **Auditor**

The Auditor, Deloitte LLP, have signified their willingness to continue in office. A resolution will be proposed at the Annual General Meeting to reappoint them as Auditor of the Company.

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of Section 249 of The Companies (Guernsey) Law, 2008.

## **Directors' report** (continued)

Year ended 31 December 2011

### **Statement of Directors' Responsibilities**

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under The Companies (Guernsey) Law, 2008 the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008 and The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Furthermore, the Directors are responsible for ensuring that the Company meets the financial resources requirement under The Licensees (Capital Adequacy) Rules, 2010. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Annual General Meeting**

The Annual General Meeting of the Company will be held at The Farmhouse, Bas Courtils, St Saviour, Guernsey GY7 9YF on 18 April 2012 at 12.00 noon.

Approved by the Board of Directors on 13 March 2012 and signed on its behalf by:

**Jon Ravenscroft**

Director

**Susie Farnon**

Director

## Corporate governance report

Year ended 31 December 2011

### Introduction

The Group is not subject to the UK Corporate Governance Code (June 2010), however the Directors are aware of the GFSC Code issued on 30 September 2011 that came into effect on 1 January 2012. The Board fully supports high standards of corporate governance and, although the Code only applies to the Company with effect from 1 January 2012, it is the Directors' opinion that throughout the year to 31 December 2011 the Company has complied fully with the Principles and Guidance set out in the GFSC Code. In addition, the Board will continue to follow the recommendations of the UK Corporate Governance Code, insofar as practicable given the Group's size and nature. The Group has therefore decided to disclose the following information relating to corporate governance.

### The role of the Board

The Directors collectively bring a broad range of business experience to the Board and this is considered essential for the effective management of the Company. The Board is responsible for both the strategic and the major operational issues affecting the Company. It reviews financial performance, regulatory compliance, monitors key performance indicators and will consider any matters of significance to the Group including corporate activity. Certain matters can only be decided by the Board. The Board also delegates certain responsibilities to Committees of the Board; the Board reviews the decisions of these Committees at each of its meetings. The day-to-day management of the Company's business is delegated to the Executive Director.

### The composition of the Board

The current Board consists of one executive and two Non-executive Directors. Details of the individual Directors and their biographies are set out on page 3.

The composition of the Board ensures that no single individual or group of individuals is able to dominate the decision making process.

### Roles of Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are separated, ensuring a clear division of authority and responsibility at the most senior level within the Company.

#### Chairman

The Non-executive Chairman is Andy Stewart. He is responsible for the leadership of the Board and ensuring the effective running and management of the Board. He is also responsible for the Board's oversight of the Group's affairs, which includes ensuring that the Directors receive accurate, timely and clear information, ensuring the effective contribution of the Non-executive Directors and implementing effective communication with shareholders.

#### Chief Executive Officer

The Chief Executive Officer is Jon Ravenscroft. He is responsible for the day-to-day management and the executive leadership of the business. His other responsibilities include the progress and development of objectives for the Group, managing the Group's risk exposure, implementing the decisions of the Board and ensuring effective communication with shareholders and the regulatory bodies.

## Corporate governance report (continued)

Year ended 31 December 2011

### Non-executive Director

Susie Farnon is the Board's independent Non-executive Director. Susie brings independent judgement, knowledge and experience to the Board.

### Senior Independent Directors

The Board has agreed not to appoint a senior independent Director. Given the size of the organisation and the policy of active dialogue being maintained with institutional shareholders by senior management, the Board is of the opinion that the appointment of a senior independent Director would not assist further in communication with shareholders.

### Independence

The Board is of the opinion that each Non-executive Director acts in an independent and objective manner. The Board's opinion was determined by considering for each Non-executive Director whether he is independent in character and judgement, his conduct at Board and Committee meetings, whether he has any interests that may give rise to an actual conflict of interest and whether he acts in the best interests of the Company and its shareholders at all times.

### Election and re-election of Directors

In accordance with the Company's Articles of Incorporation, the Directors are obliged to retire by rotation and are eligible for re-election at the third Annual General Meeting after the Annual General Meeting at which they were elected. Any Director appointed by the Board holds office only until the next Annual General Meeting, when he is eligible for election. Susie Farnon is due to retire at the forthcoming Annual General Meeting and will stand for re-election.

### Board meetings and information to the Board

The Board has regular scheduled meetings. During the year there were five scheduled Board meetings and six ad-hoc Board meetings were called to deal with specific time-critical business matters or to deal with operational issues.

Before each Board meeting the Directors receive comprehensive papers and reports on the issues to be discussed at the meeting. In addition to Board papers, Directors are provided with relevant information between meetings.

### Attendance at meetings

	<b>Board Meeting</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>
Total number of meetings in the year	11	3	2
Andy Stewart	11	3	2
Jon Ravenscroft	11	-	-
Paul Oliver (appointed 3 March 2011; resigned 22 February 2012)	10	-	-
Susie Farnon	11	3	2
Simon Melling (resigned 16 December 2011)	10	2	2

### **Support to the Board**

Any Director wishing to do so may take independent professional advice at the expense of the Company. All Directors are able to consult with the Company Secretary who is responsible for ensuring that Board procedures are followed.

### **Board evaluation**

A Board evaluation was not undertaken during the year. However, a review of the Board will take place in 2012.

### **Board committees**

The Board has a supporting committee structure in line with the UK Corporate Governance Code. The Board has two committees, namely: the Audit Committee and the Remuneration Committee, as described below.

#### **Audit Committee**

The Audit Committee comprises all Non-executive Directors. Susie Farnon undertook the chairmanship of the Committee. The Committee usually meets at least twice a year. Other Directors, members of staff and the external auditor are invited to attend these meetings, as appropriate.

The Committee has the following responsibilities:

- reviewing and monitoring the Group's systems of risk management, regulatory compliance and internal controls;
- the assessment of the Group's financial risks and plans for mitigating these risks;
- review of the Group's financial statements, reports and announcements and the accounting policies that underlie them, on behalf of the Board;
- the recommendation to the Board on the appointment and remuneration of the external Auditor; and
- the monitoring of the independence of the external Auditor and the establishment of a policy for the use of the auditor for non-audit work.

The Committee reports to the Board on all these issues identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

In discharging their duties during the year the Committee undertook the following tasks:

- reviewed the Company's Interim and Annual Results Announcements and the Annual Report and Accounts, respectively. On both occasions, the Committee received reports from the Auditor identifying any accounting or judgmental issues requiring attention thereon;
- reviewed reports from management which addressed the appropriateness of the production of the financial statements on a going concern basis;
- reviewed reports from the Group Financial Controller on identified accounting or judgmental issues;
- at each meeting reviewed both the risk management process operated by Group management designed to identify the key risks and how those risks were being managed;
- at each meeting received reports from the Group Compliance Officer on the compliance activities for that respective period together with monitoring plans;
- considered, reviewed and approved to the Board the Supervisory Review and Evaluation Process and the Capital Adequacy Rules that are required by the Company's regulator, the GFSC;

## **Corporate governance report** (continued)

Year ended 31 December 2011

### **Audit Committee (continued)**

- considered reports on the issue of research notes, business continuity planning, accounting policies and on segmental reporting;
- considered reports on a review of the governance and risk management process within the Group; and
- considered the level of audit fees and non-audit fees and the provisions of such services.

The Committee also reports to the Board on the Group's financial results, having examined the accounting policies on which they are based and ensured compliance with relevant accounting standards. In addition, it reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditor. To this end, the Audit Committee has stated as an objective that fees paid to the Auditor for non-audit work should not exceed the fees for audit work, without prior approval by the Audit Committee. During 2011, the Auditor performed significant compliance services in relation to the US Internal Revenue Service ("IRS") Qualified Intermediary regime. These fees for non-audit work are not expected to be a recurring cost.

Due to the size of the Group, the monitoring of the Group's activities by the Risk and Operations committees, the Board does not feel the need to establish a dedicated internal audit function at the present time; however this will continue to be reviewed annually.

### **Remuneration Committee**

Membership of the Remuneration Committee is limited to Non-executive Directors. The current members are Andy Stewart and Susie Farnon. Susie Farnon is the Chairman of the Committee. The Committee meets as and when required in order to ensure that it discharges its duties in determining the remuneration policy for the Group.

The main duties of the Committee are:

- determine and agree with the Board the framework or broad policy for the remuneration of the Executive Directors of the Company or such other members of the senior management as it is designated to consider;
- within the terms of the agreed policy, determine the total individual remuneration package of each Executive Director, including where appropriate, basic salaries, annual performance awards, and share and option based incentives;
- review the remuneration packages of the senior management;
- consider remuneration schemes to attract and retain employees and, where appropriate, determine the terms and allocations for any performance related share or option schemes operated by the Company; and
- review the ongoing appropriateness and relevance of the remuneration policy.

The Group has a policy to attract and retain individuals of the highest calibre and reward them such that they are motivated to grow the value of the business and to maximise returns to shareholders. This policy is as relevant to the Executive Directors as it is to the senior management and employees, and as such the rewards of Executive Directors are aligned with those of shareholders.

The Group operates in an arena where it is common practice to pay significant variable remuneration. However, the Group's policy is to pay large awards only where it can be demonstrated that individual and team performances have increased the profitability of the business and the return to shareholders. This is operated through a formula-based profit sharing arrangement for all staff and directors. These profit sharing arrangements compensate for basic salaries, which are capped at relatively modest levels.

### **Management Committees**

To assist the Executive Directors and senior management in the discharge of their duties the Company has a number of management committees.

#### **Operations Committee**

The Committee, which is chaired by the Group Financial Controller, meets weekly to manage the day-to-day operational issues of the business and reports to both the Board and the Risk Committee.

#### **Risk Committee**

The Committee is chaired by the Group Head of Risk and meets monthly to monitor, review and manage the market, credit, operational and regulatory risks within the business. This Committee reports to the Audit Committee.

#### **High Risk Business Committee**

The Committee is responsible for the assessment and quality of high risk business taken on.

### **Shareholder relations**

The Company places a great deal of importance on communicating with its shareholders. All shareholders are encouraged to attend and are given at least 21 days' notice of the Annual General Meeting, at which an opportunity is provided to ask questions. The Chief Executive Officer and Chairman are also in regular contact with the Company's major investors throughout the year and they are responsible for ensuring that shareholders' views are communicated to the Board as a whole.

### **Auditor's independence**

The Audit Committee and the external auditor, Deloitte LLP, have safeguards in place to avoid the possibility that the auditor's objectivity and independence could be compromised. These safeguards include the auditor's report to the Audit Committee on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence from the Group.

The overall performance and the independence of the auditor is reviewed annually by the Audit Committee, taking into account the views of management, the cost effectiveness of services, objectivity of the auditor and a review of the principal findings arising from the inspection of the auditor carried out by the Audit Inspection Unit of the Financial Reporting Council.

The annual appointment of the auditor by shareholders at the Annual General Meeting is a fundamental safeguard to auditor independence, but beyond this, appropriate consideration is given to whether additional work performed by the auditor may be appropriate for sound commercial and practical reasons, including confidentiality. Examples of work that would fall into this category include regulatory advice, taxation services and financial due diligence work. The Audit Committee also gives due consideration to appointing other firms where it is felt that the impact of an assignment may compromise the independence of the auditor, and a number of assignments are currently being undertaken by other firms.

## **Corporate governance report** (continued)

Year ended 31 December 2011

### **Internal control and risk management**

The Board is responsible for identifying, evaluating and managing significant risks faced by the Group and it acknowledges that it is responsible for the Group's system of internal controls and for setting the control framework including financial, operational, compliance controls and risk management systems and for reviewing the effectiveness of these systems. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. As such it can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board, through the Audit Committee, reviewed the effectiveness of the system of internal control in March 2012. The Audit Committee considered the progress that had been made during the year ended 31 December 2011 and assessed the status of the Group's system of internal control framework and it also considered how risks are identified, monitored, mitigated and reported throughout the Group. Following this review the Audit Committee agreed that the internal control framework continued to provide reasonable assurances that appropriate internal controls are in place. Accordingly, the Board confirms that throughout the year ended 31 December 2011 and up to the approval date of these Financial Statements there had been an on-going process of identifying, evaluating and managing significant risks faced by the Group.

This report was approved by the Board of Directors on 13 March 2012 and signed on its behalf by:

**Jon Ravenscroft**

Director

**Susie Farnon**

Director

## **Independent auditor's report** to the members of Cenkos Channel Islands Limited

We have audited the financial statements of Cenkos Channel Islands Limited for the year ended 31 December 2011 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, the related notes 1 to 19 and the Summary Financial Information. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Furthermore, as described in the Statement of Directors' Responsibilities, the company's Directors are responsible for ensuring that the statement of financial resources meets the requirement specified in Rule 2.2 of The Licensees (Capital Adequacy) Rules 2010. We examine the Statement of Financial Resources and state whether, in our opinion, the financial resources requirement specified in Rule 2.2 of The Licensees (Capital Adequacy) Rules 2010 has been satisfied. In addition, we read all the financial and non-financial information in the annual report to identify material misstatements or inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended.

## **Independent auditor's report** to the members of Cenkos Channel Islands Limited (continued)

### **Opinion on the statement of financial resources**

We have examined the Statement of Financial Resources set out on page 42 and, in our opinion, the financial resources requirement specified in Rule 2.2 of The Licensees (Capital Adequacy) Rules 2010 has been satisfied.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### **Deloitte LLP**

Chartered Accountants

St Peter Port

Guernsey

Date: 13 March 2012

## Consolidated statement of comprehensive income

Year ended 31 December 2011

	Notes	1 January 11 to 31 December 11 £	1 January 10 to 31 December 10 £
<b>Revenue</b>	1	6,344,124	6,842,945
Administrative expenses	1	(5,447,549)	(5,335,018)
<b>Operating profit</b>		896,575	1,507,927
Finance income		5,741	5,110
Finance costs		(1,103)	(1,496)
<b>Profit before taxation</b>		901,213	1,511,541
Taxation	4	(12,251)	(4,712)
<b>Profit for the financial period</b>		888,962	1,506,829
Attributable to:			
Equity holders of the parent		882,764	1,493,473
Non-controlling interests		6,198	13,356
		888,962	1,506,829
<b>Earnings per share</b>			
Basic	5	8.83p	14.93p
Diluted	5	8.50p	14.76p

All amounts shown in the consolidated financial statements derive from continuing operations of the Group. The profit attributable to the Company in the year ended 31 December 2011 was £465,546 (year ended 31 December 2010: £1,168,905).

The notes on pages 25 to 47 form part of these financial statements.

## Consolidated statement of financial position

Year ended 31 December 2011

	Notes	31 December 11 £	31 December 10 £
<b>Non-current assets</b>			
Property, plant and equipment	6	357,326	76,757
		<hr/>	<hr/>
		357,326	76,757
<b>Current assets</b>			
Trading investments - long positions	8	52,712	801,633
Trade and other receivables	9	4,571,838	6,400,490
Cash and cash equivalents	10	2,921,684	2,172,178
		<hr/>	<hr/>
		7,546,234	9,374,301
		<hr/>	<hr/>
<b>Total assets</b>		7,903,560	9,451,058
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	11	4,923,564	6,728,973
Tax payable		14,763	4,712
		<hr/>	<hr/>
		4,938,327	6,733,685
		<hr/>	<hr/>
<b>Net current assets</b>		2,607,907	2,640,616
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		2,965,233	2,717,373
		<hr/>	<hr/>
<b>Net assets</b>		2,965,233	2,717,373
		<hr/>	<hr/>
<b>Equity</b>			
Called up share capital	13	100,000	100,000
Reserves		2,865,233	2,631,772
		<hr/>	<hr/>
<b>Equity attributable to equity holders of the parent</b>		2,965,233	2,731,772
<b>Non-controlling interests</b>		-	(14,399)
		<hr/>	<hr/>
<b>Total equity</b>		2,965,233	2,717,373
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 13 March 2012 and signed on its behalf by:

**Jon Ravenscroft**  
Director

**Susie Farnon**  
Director

The notes on pages 25 to 47 form part of these financial statements.

## Consolidated statement of cash flows

Year ended 31 December 2011

	Notes	1 January 11 to 31 December 11 £	1 January 10 to 31 December 10 £
<b>Cash flows from operations</b>			
Operating profit from continuing operations		896,575	1,507,927
Adjustments for:			
Depreciation of property, plant and equipment	6	83,443	57,115
Share based payment expense		84,448	41,003
Profit on disposal of non-current assets		(973)	-
		<hr/>	<hr/>
Operating cash flows before movements in working capital		1,063,493	1,606,045
Decrease/(increase) in trading investments		748,921	(801,633)
Decrease in receivables		1,828,652	2,896,366
Decrease in payables		(1,805,409)	(2,121,048)
		<hr/>	<hr/>
<b>Cash generated by operations</b>		1,835,657	1,579,730
Interest paid		(1,103)	(1,496)
Taxation paid		(2,200)	-
		<hr/>	<hr/>
Net cash generated by operating activities		1,832,354	1,578,234
<b>Cash flows from investing activities</b>			
Interest received		5,741	5,110
Purchase of non-current assets	6	(367,539)	(64,002)
Sale of non-current assets	6	4,500	-
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		(357,298)	(58,892)
<b>Cash flows from financing activities</b>			
Purchase of shares from non-controlling interests		(8,000)	-
Acquisition of own shares subsequently held in treasury		(87,000)	-
Disposal of own shares held in treasury		63,375	-
Dividends paid		(693,925)	(795,000)
		<hr/>	<hr/>
<b>Net cash used in financing activities</b>		(725,550)	(795,000)
<b>Net increase in cash and cash equivalents</b>		749,506	724,342
<b>Cash and cash equivalents at the beginning of the year</b>		2,172,178	1,447,836
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>		2,921,684	2,172,178
		<hr/>	<hr/>

The notes on pages 25 to 47 form part of these financial statements.

## Consolidated statement of changes in equity

Year ended 31 December 2011

	Notes	Share Capital £	Reserves £	Non-controlling Interests £	Total £
<b>At 1 January 2010</b>		100,000	1,892,296	(27,755)	1,964,541
Profit for the year		-	1,493,473	-	1,493,473
Profit allocated to non-controlling interests		-	-	13,356	13,356
Credit to equity for equity-settled share-based payments		-	41,003	-	41,003
Dividends paid		-	(795,000)	-	(795,000)
<b>At 31 December 2010</b>		100,000	2,631,772	(14,399)	2,717,373
Profit for the year		-	882,764	-	882,764
Own shares purchased in the period	15	-	(87,000)	-	(87,000)
Own shares sold in the period	15	-	63,375	-	63,375
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 minority interests		-	(16,201)	16,201	-
Credit to equity for equity-settled share-based payments		-	84,448	-	84,448
Dividends paid		-	(693,925)	-	(693,925)
<b>At 31 December 2011</b>		100,000	2,865,233	-	2,965,233

The notes on pages 25 to 47 form part of these financial statements.

## Notes to the financial statements

Year ended 31 December 2011

### 1. Accounting policies

#### **Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

#### **Adoption of new and revised standards**

In the current year, the Group has adopted IAS 24 'Related Party Disclosures' and IFRS 7 (Amendment) 'Disclosures - Transfer of Financial Assets' which are effective for accounting periods beginning on or after 1 January 2011 and 1 July 2011 respectively. There has been no impact on the Group's financial statements from the adoption of IAS 24 and IFRS 7 (Amendment).

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting policies beginning on or after 1 January 2012 or later periods, but the Group has not early adopted them:

IAS 1 (Amendment) 'Presentation of Financial Statements' (effective 1 July 2012);  
 IAS 19 (Amendment) 'Employee Benefits' (effective 1 January 2013);  
 IFRS 9 'Financial Instruments' - (financial assets) (effective 1 January 2013);  
 IFRS 10 'Consolidated Financial Statements' (effective 1 January 2013);  
 IFRS 12 'Disclosure of Interests in Other Entities' (effective 1 January 2013); and  
 IFRS 13 'Fair Value Measurement' (effective 1 January 2013).

These standards, if adopted, would not have had a significant impact on the financial statements.

#### **Critical accounting judgement and key sources of estimation uncertainty**

##### ***Revenue Recognition***

Where appropriate, management makes estimates of certain revenue streams based on their best knowledge of the amount receivable based on the value of assets under management.

##### ***Bad debt policy***

The Group regularly reviews all outstanding balances including market and client receivables referred to in note 17 and provides for amounts it considers irrecoverable.

##### ***Equity settled share based payment expense***

The fair value of share based payments is calculated by reference to a Monte Carlo simulation model. Inputs into the model are based on management's best estimates of appropriate volatility, discount rate and share price growth, which are referred to in note 14.

## Notes to the financial statements (continued)

Year ended 31 December 2011

### 1. Accounting policies (continued)

#### Critical accounting judgement and key sources of estimation uncertainty (continued)

##### *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle a present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### *Contingent Liabilities*

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. It can also be a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements. Please refer to note 18 for details of contingent liabilities as at the period end.

##### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company (its subsidiaries as disclosed in note 7), and employee benefit trusts (as disclosed in note 15) 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 benefit 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 company transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the minority's share of undistributed reserves.

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

##### **Segment Reporting**

In identifying its operating segments, management generally follows the Group's service lines, which represent the main services provided by the Group. The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

## 1. Accounting policies (continued)

### Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

#### *Financial assets*

Investments are recognised and derecognised on trade date when the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value which are described below.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Financial assets at fair value through profit or loss*

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL.

Trading investments pertain to investment securities which are held for trading purposes. These investments can comprise both long and short positions and are initially measured at fair value excluding transaction costs. Subsequently, and at each reporting date, these investments are measured at their fair values, with the resultant gains and losses arising from changes in fair value being taken to the profit or loss.

Financial assets are classified as financial assets at FVTPL where the Group acquires the instrument principally for the purpose of selling in the near term, the financial asset is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking as well as all derivatives that are not designated and effective hedging instruments. Financial assets at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

#### *Trade and other receivables*

Trade and other receivables are measured at amortised cost as adjusted for credit losses.

#### *Impairment of financial assets*

Financial assets, other than those held for trading purposes or held at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

## **Notes to the financial statements** (continued)

Year ended 31 December 2011

### **1. Accounting policies (continued)**

#### **Financial instruments (continued)**

##### ***Derecognition of financial assets***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

##### ***Trade and other payables***

Trade and other payables are measured at amortised cost.

##### ***Interest bearing loans and receivables***

Interest bearing loans and receivables are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

##### ***Financial liabilities and equity***

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

##### **Equity instruments**

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

##### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the rates of exchange prevailing at that date. Gains and losses arising during the year on transactions denominated in foreign currencies are treated as normal items of income and expenditure in the income statement. Both the presentation and functional currency of the Company is pounds sterling.

##### **Operating leases**

Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

## 1. Accounting policies (continued)

### Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its estimated useful life as follows:

Fixtures and fittings	Three years
Office equipment	Three years
Communications equipment	Three years
Leasehold improvements	Ten years

The carrying values of property, plant and equipment are subject to annual review and any impairment is charged to the profit or loss.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### Taxation

With effect from 1 January 2008, the standard rate of income tax for Guernsey companies changed. Thereafter, the Company is taxed at 0%. The charge included in the financial statements is based on this rate.

The Company and its Guernsey subsidiaries are required to deduct or account for tax at the difference between the tax suffered by the Company and the shareholders' individual rate of 20% in respect of dividends and deemed distributions and pay that tax over to the Director of Income Tax in respect of Guernsey resident individual shareholders. £35,703 (2010: £29,058) of tax paid by the Company in respect of deemed distributions is accounted for as a debit balance on the shareholders' loan accounts and is included in prepayments and accrued income.

Deemed distributions include investment income as it arises and any undistributed trading income of a company if a trigger event, such as death, sale of share, migration of company/Guernsey resident shareholder etc., should occur. No deductions need to be made in respect of distributions made wholly from income that arose before 1 January 2008.

With effect from 1 January 2009 the standard rate of income tax for Jersey companies changed. Thereafter, Cenkos Jersey Limited is taxed at the rate applicable to financial service companies of 10%.

## Notes to the financial statements (continued)

Year ended 31 December 2011

### 1. Accounting policies (continued)

#### Revenue recognition

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

Revenue comprises fees for investment management and corporate finance advisory services which are taken to the income statement when the services have been performed and the deal has become unconditional. Revenue also comprises commission income receivable, in respect of stockbroking activities which are accounted for at trade date.

#### Share based payments

The Group has applied the requirements of IFRS 2 'Share-based Payment'. The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Share options in the parent entity, Cenkos Securities plc, granted by that company to employees of the Company have been treated in accordance with IFRIC 11 IFRS 2 'Group and Treasury Share Transactions'. The fair value of the options granted is expensed to the statement of comprehensive income and a corresponding credit in respect of the contribution from the parent reflected in the statement of changes in equity.

#### Client money

The Company holds money on behalf of its clients in accordance with the client money rules of the GFSC through its wholly owned non-trading subsidiary, Huntress (CI) Nominees Limited. Such money and the corresponding liabilities to clients are not shown on the face of the statement of financial position as the company or its subsidiaries have no beneficial entitlement. The net return received by the Group on managing client money is included within revenue.

#### Broker settlement balances

The Group is involved, as principal, in the purchase and simultaneous commitment to sell securities between third parties. Such trades are only complete when both sides of the deal are settled, and so the Group is exposed to risk in the event that one side remains unmatched. The gross exposure to this risk is presented within the trade debtors and creditors as appropriate, though these would be expected to settle during the normal course of trading. Receivable amounts are classified as receivables held at amortised cost and payable amounts are classified as financial liabilities measured at amortised cost.

## 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.

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.

	<b>Guernsey Broking</b>	<b>Jersey Broking</b>	<b>Asset Management</b>	<b>Eliminations</b>	<b>Consolidated</b>
	£	£	£	£	£
<b>Other segment information</b>					
<b>as at 31 December 2011:</b>					
Revenues from external customers	4,171,763	835,860	1,336,501	-	6,344,124
Inter-segment revenue	79,885	23,832	-	(103,717)	-
	<hr/>				
Total revenues	4,251,648	859,692	1,336,501	(103,717)	6,344,124
	<hr/>				
Operating profit	461,460	123,039	312,076	-	896,575
	<hr/>				
Finance income					5,741
Finance costs					(1,103)
	<hr/>				
Profit before tax					901,213
Tax					(12,251)
	<hr/>				
Profit for the year					888,962
	<hr/>				

**Notes to the financial statements** (continued)

Year ended 31 December 2011

**2. Segment information (continued)**

	Guernsey Broking £	Jersey Broking £	Asset Management £	Eliminations & Unallocated £	Consolidated £
<b>Other segment information as at 31 December 2011:</b>					
Segment assets	7,118,198	526,938	846,941	(588,517)	7,903,560
Segment liabilities	4,854,686	14,763	333,319	(264,441)	4,938,327

	Guernsey Broking £	Jersey Broking £	Asset Management £	Consolidated £
<b>Operating segment for the year ended 31 December 2010:</b>				
Revenues from external customers	5,123,742	907,689	811,514	6,842,945
Total revenues	5,123,742	907,689	811,514	6,842,945
Operating profit	1,165,516	171,668	170,743	1,507,927
Finance income				5,110
Finance costs				(1,496)
Profit before tax				1,511,541
Tax				(4,712)
Profit for the year				1,506,829

	Guernsey Broking £	Jersey Broking £	Asset Management £	Eliminations & Unallocated £	Consolidated £
<b>Other segment information as at 31 December 2010:</b>					
Segment assets	9,339,615	437,688	285,066	(611,311)	9,451,058
Segment liabilities	6,847,724	36,302	83,970	(234,311)	6,733,685

## 2. Segment information

The Group does not currently analyse revenues from external customers by geographical location and the chief operating decision maker is of the opinion that the costs involved in developing systems to produce this information would be excessive.

Revenue from one customer amounted to £358,044 (2010: £799,715), arising from sales from the Guernsey and Jersey Broking and Asset Management segments. Related party transactions are detailed in note 16.

	31 December 11 £	31 December 10 £
<b>Location of non-current assets:</b>		
Channel Islands	357,326	76,757

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

## 3. Profit for the year

	1 January 11 to 31 December 11 £	1 January 10 to 31 December 10 £
<b>Profit for the year has been arrived at after charging Auditor's remuneration as follows:</b>		
Fees payable to the Company's Auditor for the audit of the Group's annual accounts and consolidation	20,085	19,500
Fees payable to the Company's Auditor for other services:		
- The audit of the Company's subsidiaries	22,150	21,500
Total audit fees	42,235	41,000
Taxation compliance services	13,000	9,950
Other services: half year review	13,845	13,440
US IRS Qualified Intermediary compliance	58,232	35,000
Total non-audit fees	85,077	58,390
	127,312	99,390

**Notes to the financial statements** (continued)

Year ended 31 December 2011

**4. Taxation**

	<b>1 January 11 to 31 December 11</b>	<b>1 January 10 to 31 December 10</b>
	£	£
<b>The current tax charge comprised:</b>		
Current tax		
Guernsey income tax at 0% based on profit for the year	-	-
Overseas tax charge borne by subsidiaries operating in other jurisdictions	12,251	4,712
	<hr/> 12,251	<hr/> 4,712

**5. Earnings per share**

	<b>1 January 11 to 31 December 11</b>	<b>1 January 10 to 31 December 10</b>
	£	£
<b>Earnings:</b>		
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	882,764	1,493,473
Effect of dilutive potential of ordinary shares	-	-
	<hr/> 882,764	<hr/> 1,493,473
Earnings for the purposes of diluted earnings per share	882,764	1,493,473
	<hr/>	<hr/>
	<b>No.</b>	<b>No.</b>
<b>Number of shares:</b>		
Weighted average number of shares for the purposes of basic earnings per share	10,000,000	10,000,000
Effect of dilutive potential ordinary shares	385,497	119,751
	<hr/>	<hr/>
Weighted average number of shares for the purposes of diluted earnings per share	10,385,497	10,119,751
	<hr/>	<hr/>

## 6. Property, plant and equipment

	Communication Equipment	Office Equipment	Fixtures & Fittings	Leasehold Improvements	Total
	£	£	£	£	£
<b>Cost:</b>					
At 31 December 2009	132,096	65,539	4,147	-	201,782
Additions	17,282	31,920	-	14,800	64,002
At 31 December 2010	149,378	97,459	4,147	14,800	265,784
Additions	64,146	33,941	-	269,452	367,539
Disposals	-	(26,836)	-	-	(26,836)
At 31 December 2011	213,524	104,564	4,147	284,252	606,487
<b>Depreciation:</b>					
At 31 December 2009	84,846	43,606	3,460	-	131,912
Charge for year	40,951	15,751	413	-	57,115
At 31 December 2010	125,797	59,357	3,873	-	189,027
Charge for year	36,581	21,793	274	24,795	83,443
Disposals	-	(23,309)	-	-	(23,309)
At 31 December 2011	162,378	57,841	4,147	24,795	249,161
<b>Net book value:</b>					
At 31 December 2011	51,146	46,723	-	259,457	357,326
At 31 December 2010	23,581	38,102	274	14,800	76,757

Included in property, plant and equipment are assets with a book cost of £160,271 which have been fully depreciated at the year end (2010: £83,013).

## 7. Investments in subsidiary undertakings

The Parent Company has investments in the following principal subsidiary undertakings:

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

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

**Notes to the financial statements** (continued)

Year ended 31 December 2011

**8. Trading investments**

	31 December 11 £	31 December 10 £
<b>Long positions</b>		
Fair value	52,712	801,633
Net position	52,712	801,633

The fair values of these securities are based on quoted market prices. The risks resulting from these positions are set out in note 17.

**9. Trade and other receivables**

	31 December 11 £	31 December 10 £
<b>Amounts falling due within one year:</b>		
Prepayments and accrued income	731,412	1,326,617
Market and client debtors	3,840,426	5,073,873
	4,571,838	6,400,490

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

**10. Cash and cash equivalents**

	31 December 11 £	31 December 10 £
Cash and cash equivalents	2,921,684	2,172,178

The Directors consider that the carrying amount of cash and cash equivalents approximates their fair values.

**11. Trade and other payables**

	31 December 11 £	31 December 10 £
<b>Amounts falling due within one year:</b>		
Accrued expenses	1,113,016	1,476,173
Deferred income	96,734	119,765
Market and client payables	3,661,949	5,024,736
Loan payable to parent entity	51,865	108,299
	4,923,564	6,728,973

The Directors consider that the carrying amount of trade and other payables approximates their fair values.

## 12. Commitments

At 31 December there were outstanding cumulative commitments under non-cancellable operating leases as set out below.

	<b>Land and Buildings</b>	
	<b>31 December 11</b>	<b>31 December 10</b>
	£	£
Within one year	113,592	68,986
Within two to five years inclusive	612,500	581,458
Over five years	518,958	643,958
	1,245,050	1,294,402

## 13. Called up share capital

	<b>31 December 11</b>	<b>31 December 10</b>
	No.	No.
<b>Authorised:</b>		
Ordinary shares of £0.01	12,000,000	11,000,000
<b>Allotted, issued and fully paid:</b>		
Ordinary shares of £0.01	10,000,000	10,000,000
	<b>31 December 11</b>	<b>31 December 10</b>
	£	£
<b>Authorised:</b>		
Ordinary shares of £0.01	120,000	110,000
<b>Allotted, issued and fully paid:</b>		
Ordinary shares of £0.01	100,000	100,000

At the Company's Annual General Meeting on 25 March 2010 the authorised share capital of the Company was increased to 11,000,000 shares of £0.01 each. At the Company's Annual General Meeting on 19 April 2011 the authorised share capital of the Company was increased to 12,000,000 shares of £0.01 each.

**Notes to the financial statements** (continued)

Year ended 31 December 2011

**14. Shared based option plan****Group Share Option Plan**

In the period ended 31 December 2006, Cenkos Securities plc granted options over 177,500 of its £0.01 ordinary shares to employees of the Company including 37,770 to Jonathan Ravenscroft, a Director of the Company. The exercise price is the nominal value of the shares and the date of grant was 31 October 2006. These options, subject to relevant vesting dates, are exercisable for a period of up to five years. 50% of the options vested on the publication of the Cenkos Securities plc 31 December 2007 financial statements, with a fair value of £1.26 per share and 50% vested on the publication of the 31 December 2008 financial statements with a fair value of £1.05 per share. All of the options granted in relation to employees or officers of the Company have now been exercised. The expense to income is calculated using the Monte Carlo simulation model and assumes a volatility of 35% and discount rate of 25%.

No further options have been granted during the year ended 31 December 2011 (2010: nil).

The Company has a share option scheme ("CSOP") and a long term incentive plan ("LTIP") for all employees of the Group.

**Company Share Option Plan ("CSOP")**

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

**Long Term Incentive Plan ("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. The vesting date of the options is detailed below. If the options remain unexercised after 25 March 2020, the options will expire. If the option holder ceases to be an employee or office holder within the Group the options will lapse.

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

	<b>Number of share options</b>	<b>31 December 11 Weighted averaged exercise price (£)</b>	<b>Number of share options</b>	<b>31 December 10 Weighted average exercise price (£)</b>
Outstanding and exercisable at the beginning of the period	1,000,000	0.90	-	-
Granted during the year	857,500	1.35	1,000,000	0.90
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Outstanding and exercisable at the end of the year	1,857,500	1.11	1,000,000	0.90

**14. Shared based option plan (continued)**

				<b>31 December 11</b>	<b>31 December 10</b>	
	<b>Date of grant</b>	<b>Vesting date</b>	<b>Date of expiry</b>	<b>Remaining contractual life (months)</b>	<b>Number of share options</b>	<b>Number of share options</b>
Options exercisable at £0.90 per share	Mar-10	Mar-10	Mar-20	99	1,000,000	1,000,000
Options exercisable at £1.25 per share	Apr-11	Apr-11	Mar-20	99	500,000	-
Options exercisable at £1.50 per share	Apr-11	Apr-11	Mar-20	99	357,500	-
					<hr/>	
Options exercisable at 31 December					1,857,500	1,000,000
					<hr/>	

The options outstanding at 31 December 2011 have a weighted average exercise price of £1.11 (2010: £0.90) and a weighted average remaining contractual life of 8 years (2010: 9 years). At the date of grant, they had an estimated fair value of £84,448 (2010: £41,003).

The inputs into the Monte Carlo simulation model are as follows:

	<b>31 December 11</b>	<b>31 December 10</b>
	<b>£</b>	<b>£</b>
Expected volatility	8%	6%
Expected share price growth	2%	1%
Discount rate	4%	4%
	<hr/>	<hr/>

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

During the year the Group recognised expenses of £84,448 (2010: £41,003) related to equity-settled share-based payment transactions with regard to issue of share options.

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.

**Notes to the financial statements** (continued)

Year ended 31 December 2011

**15. Own shares**

The Group operates two Employee Benefit Trusts (The Cenkos CI Employee Benefit Trust ("CCIEBT") and The Cenkos Jersey Discretionary Employee Benefit Trust ("CJDEBT")) which were both established in 2010 to handle the purchase, holding and sale of Company shares for benefit of directors and staff and to satisfy future share option obligations under the Group's share option scheme (see note 13). As at 31 December 2011 CCIEBT owned 17,500 ordinary £0.01 shares with a book cost of £23,625, and the CJDEBT did not own any shares. The Employee Benefit Trusts have waived their rights to dividends.

	31 December 11		31 December 10	
	Number of Shares	Cost £	Number of Shares	Cost £
At 1 January	-	-	-	-
Acquired in the year	120,000	87,000	-	-
Disposed of in the year	(102,500)	(63,375)	-	-
At 31 December	17,500	23,625	-	-

**16. Controlling party and related party disclosures**

The Directors consider the immediate and ultimate controlling party to be Cenkos Securities plc. Simon Melling, who served as a Director during the year, was also a director of Cenkos Securities plc until 16 December 2011.

During the year the Group earned income from Cenkos Securities plc relating to market maker activities of £214,669 (2010: £118,697). The Group also earned other income from Cenkos Securities plc totalling £143,375 (2010: £681,018) relating principally to commission on the placing of investments. At the year-end there was a balance due to Cenkos Securities plc of £51,865 (2010: £108,299) as disclosed in note 11.

Transactions between the Company and its subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in this note.

During the period the Company paid rent under the terms of a tenant repairing lease of £6,386 (2010: £63,000) to New Street Investments Limited. Jonathan Ravenscroft, who served as a Director during the period and his wife, Jackie Ravenscroft, were the sole shareholders of New Street Investments Limited. The Company gave notice and terminated the lease with effect from 6 February 2011 at no additional cost.

Shareholders' loan accounts receivable in respect of deductions for Guernsey deemed distribution taxes totalled £35,703 (2010: £29,058).

The Group acts as investment manager and market maker for the investments held within trading investments with a value of £35,212 (2010: £750,625).

**16. Controlling party and related party disclosures (continued)****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'.

	<b>31 December 11</b>	<b>31 December 10</b>
	£	£
Short-term employment benefits	616,959	262,000
Equity compensation benefits	10,718	6,161
	<hr/>	<hr/>

During the period Jonathan Ravenscroft was granted 170,000 (2010: 120,000) options and Paul Oliver was granted 58,450 (2010: 36,550) options under the terms of the LTIP. See note 14 for full details of the LTIP.

**17. Financial instruments and risk management**

The Directors are of the opinion that there have been no significant changes in the financial risks relating to the financial instruments since the prior year. Financial instruments as appearing in the statement of financial position and notes to the financial statements are classified as follows:

	<b>31 December 11</b>	<b>31 December 10</b>
	£	£
<b>Financial assets</b>		
<i>Fair value through profit and loss (FVTPL):</i>		
Trading investments - long positions	52,712	801,633
<i>Amortised cost:</i>		
Cash and cash equivalents	2,921,684	2,172,178
Market and client receivables	3,840,426	5,073,873
	<hr/>	<hr/>
	6,814,822	8,047,684
	<hr/>	<hr/>
<b>Financial liabilities</b>		
<i>Amortised cost:</i>		
Accrued expenses	1,113,016	1,476,173
Market and client payables	3,661,949	5,024,736
Loans payable to parent entity	51,865	108,299
Taxation payable	14,763	4,712
	<hr/>	<hr/>
	4,841,593	6,613,920
	<hr/>	<hr/>

## Notes to the financial statements (continued)

Year ended 31 December 2011

### 17. Financial instruments and risk management (continued)

#### Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risk is primarily attributable to its market and client receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. The maximum exposure of the financial instruments to this risk approximates the statement of financial position values. There was no change in the value of loans and receivables in any period presented as a result of changes in credit risk.

Market and client receivables include £1,100,761 (2010: £729,181) relating to unsettled trades that have gone past their due dates. Of this balance, £108,683 (2010: £112,937) relates to trades awaiting settlement confirmation from unit trust managers and £105,114 (2010: £596,321) relates to trades where the market is unable to deliver stock. As at 13 March 2012 £1,081,012 of these trades had settled subsequent to the year end. At the year end the Group was owed £21,202 from (2010: owed £159,020 to) bank accounts operated on behalf of clients in a nominee capacity. Of these totals all balances were less than 30 days overdue at the year end other than £71,500 (2010: £9,537) relating to unsettled trades.

Also within the market and client receivables are receivable amounts in respect of overdrawn client accounts of £142,628 (2010: £337,882) which by their nature are due for repayment immediately. For commercial reasons the Group may not necessarily seek immediate repayment of these balances, though none are considered impaired. Of the amounts overdrawn at the statement of financial position date these have substantially all been repaid since the statement of financial position date. Collateral relating to these receivables exists covering 99% (2010: 99%) of the overdrawn accounts and is described in more detail below.

The remaining market and client receivables are neither past due nor impaired. These relate to trades entered into in an agent capacity on behalf of counterparties that have been subject to assessment of credit risk upon acceptance as a client. To date no losses have been incurred as a result of changes in credit quality and all these outstanding trade positions were settled in full after the statement of financial position date.

Collateral exists in relation to the Group's right to liquidate client assets under management to make good funds owed to the Group by individual clients. For clients with assets under management the fair value of the available assets would exceed any amounts owed. This collateral does not affect market side receivables or clients using cash against delivery services. The fair value of this collateral at the year end is £273,943 (2010: £338,605). To date it has not been considered necessary to utilise such recourse. The collateral is over assets held in a nominee capacity and is therefore not otherwise recognised in the financial statements.

## 17. Financial instruments and risk management (continued)

### Credit Risk (continued)

Credit risk relating to cash and cash equivalents and market exposures within market and client receivables is limited because the counterparties are institutions with high credit ratings assigned by international credit rating agencies.

### Liquidity Risk

Included in market and client payables are trades not yet due for settlement amounting to £2,324,290 (2010: £2,786,421) that are expected to settle within a few days of the year end as these fall due for settlement. The corresponding counterparty/client receivables are presented within the market and client receivables balance.

Such obligations relating to transactions entered into as principal in a nominee capacity are done so through a subsidiary of the Company, Huntress (CI) Nominees Limited, which exists solely to act in this capacity. Funds held on behalf of clients are reconciled daily and on occasion the Company may be required to advance funds to meet counterparty obligations. A loan facility is in place with the parent entity to provide short term finance for these liquidity fluctuations, should it be required, up to £1,000,000. When drawn down the facility carries an interest rate of HSBC Bank plc base rate +0.5%.

It is not considered that the loans payable to the parent entity represent a significant liquidity risk as the Group has the means to meet these obligations and the repayment dates are considered able to be renegotiated on terms that are not unfavourable to the Group.

### Liquidity and Interest Risk Tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The tables include both interest and principal cash flows. The tables also detail the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

**Notes to the financial statements** (continued)

Year ended 31 December 2011

**17. Financial instruments and risk management (continued)****Liquidity and Interest Risk Tables (continued)**

		Weighted average effective interest rates	Less than 1 month £	1 - 12 months £	1 - 5 years £	Total £
<b>At 31 December 2011</b>						
Trading investments - long positions	Non-interest bearing		52,712	-	-	52,712
Trade and other receivables	Non-interest bearing		4,571,838	-	-	4,571,838
Trade and other payables	Non-interest bearing		(4,923,564)	-	-	(4,923,564)
Cash and cash equivalents	Variable interest rate instruments	0.19%	2,921,684	-	-	2,921,684
			<u>2,622,670</u>	<u>-</u>	<u>-</u>	<u>2,622,670</u>

		Weighted average effective interest rates	Less than 1 month £	1 - 12 months £	1 - 5 years £	Total £
<b>At 31 December 2010</b>						
Trading investments - long positions	Non-interest bearing		801,633	-	-	801,633
Trade and other receivables	Non-interest bearing		6,070,490	270,000	60,000	6,400,490
Trade and other payables	Non-interest bearing		(6,728,973)	-	-	(6,728,973)
Cash and cash equivalents	Variable interest rate instruments	0.15%	2,172,178	-	-	2,172,178
			<u>2,315,328</u>	<u>270,000</u>	<u>60,000</u>	<u>2,645,328</u>

The carrying amounts of financial assets recorded at amortised cost in the financial statements approximates their fair value.

## 17. Financial instruments and risk management (continued)

### Market risks

#### *(i) Foreign exchange risk*

Foreign exchange balances are held to meet the settlement obligations of clients who bear the currency risk in accordance with the terms and conditions of trading. Foreign currency is bought and sold at the time of trading. Where possible the Group deals in foreign currencies on a matched basis on behalf of customers, limiting exchange exposure. Reasonable fluctuations in foreign exchange rates in which such balances are held are not considered to significantly influence the overall profit or loss for the year.

#### *(ii) Price risk*

Minimal price risk is considered to exist in relation to the Group's role as an intermediary between buyers and sellers of financial instruments that give rise to the client and market payables and receivables. The exposure is limited to trade mismatches or error, or if one matched counterparty fails to fulfil its obligations. The Group applies monitors and controls to minimize the occurrence of such events. No significant gains or losses have been made to date in respect of such exposure.

The Group is also exposed to price risk in respect of its entitlement to profits and losses arising on a client account held in the name of the Company and in its role as market maker. The Group applies monitors and controls to minimise the risk.

#### *(iii) Equity price sensitivity analysis*

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 10% higher/lower:

- net profit for the year ended 31 December 2011 would have been £5,271 higher/lower (2010: £80,163 higher/lower) due to changes in the value of FVTPL held for trading investments.

The Group's exposure to equity price risk is closely managed. The Group has built a framework of overall and individual stock limits and these are actively monitored by the Chief Executive Officer on a daily basis. The Group's overall exposure to equity price risk is set by the Board.

#### *(iv) Interest rate risk*

The Group bears some interest rate risk in relation to the finance income and expenses relating to cash and cash equivalents and bank overdrafts. However, it is considered that the effect of reasonable changes in interest rates does not have a significant effect on fair value or future cash flows. The element of client and market receivables relating to overdrawn client accounts is also a source of interest income which is not significant to overall trading results. All other financial instruments are not interest bearing.

**Notes to the financial statements** (continued)

Year ended 31 December 2011

**17. Financial instruments and risk management (continued)****Fair value measurements recognised in the statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 £	Level 2 £	Level 3 £	31 December 11 Total £
<b>Financial assets at FVTPL</b>				
Non-derivative financial assets held for trading	30,000	22,712	-	52,712

	Level 1 £	Level 2 £	Level 3 £	31 December 10 Total £
<b>Financial assets at FVTPL</b>				
Non-derivative financial assets held for trading	772,875	28,758	-	801,633

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments measured at fair value on an ongoing basis include trading assets.

**Determination of fair value**

Fair values are determined according to the following hierarchy:

**(a) Quoted market price**

Financial instruments with quoted prices for identical instruments in active markets.

## 17. Financial instruments and risk management (continued)

### Determination of fair value (continued)

#### *(b) Valuation technique using observable inputs*

Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

#### *(c) Valuation technique with significant non-observable inputs*

Financial instruments valued using models where one or more significant inputs are not observable.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used.

### Capital risk management

The Company and Cenkos Channel Islands Investment Management Limited are regulated by the GFSC under the Protection of Investors (Bailiwick of Guernsey) Law, 1987. Cenkos Jersey Limited is regulated by the Jersey Financial Services Commission under the Financial Services (Jersey) Law, 1998. These companies are therefore required to meet certain minimum capital requirements. Notwithstanding this the Directors maintain levels of equity and reserves and professional indemnity insurance cover that they consider sufficient to meet the Group's commitments and withstand the risks to which it is subject.

The Group has complied with these requirements during the period under review.

## 18. Contingent liabilities

During the reporting period, 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 remain unsettled. Further details of the exposures has not been given as any additional disclosure could, in the opinion of the Directors, prove seriously prejudicial to the interests of the Group and its clients due to the ongoing special administration process.

Based on information received to date, the Board is currently of the view that the situation should be resolved without a material impact on the financial or trading position of the Company.

## 19. Post balance sheet events

The Directors propose a final dividend of 3p per share, totalling £300,000. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 18 April 2012.

## Statement of financial resources

Year ended 31 December 2011

The Directors confirm that the Company has satisfied the financial resources requirement as specified in Rule 2.2 of The Licensees (Capital Adequacy) Rules, 2010, throughout the year ended 31 December 2011.

### Financial resources as at 31 December 2011

	31 December 11 £	31 December 10 £
Net assets after adjustments, contingent liabilities and risks	1,851,409	1,556,818
Expenditure based requirement at 25% of licensee's annual audited expenditure after adjustments	813,903	1,073,930
	<hr/>	<hr/>
Excess of net assets over the financial resources requirement	1,037,506	482,888
	<hr/>	<hr/>

**Jon Ravenscroft**

Director

**Susie Farnon**

Director

13 March 2012

## Summary of financial information

Year ended 31 December 2011

### Consolidated statement of comprehensive income

	1 January 11 to 31 December 11 £	1 January 10 to 31 December 10 £
<b>Revenue</b>	6,344,124	6,842,945
Expenses	(5,447,549)	(5,335,018)
<b>Operating Profit</b>	896,575	1,507,927
Finance income and costs	4,638	3,614
<b>Profit Before Taxation</b>	901,213	1,511,541
Taxation	(12,251)	(4,712)
<b>Profit For The Financial Year</b>	888,962	1,506,829

### Consolidated statement of financial position

	31 December 11 £	31 December 10 £
Non-current assets	357,326	76,757
Current assets	7,546,234	9,374,301
Current liabilities	(4,938,327)	(6,733,685)
<b>Net current assets</b>	2,965,233	2,717,373
<b>Equity shareholders' funds</b>	2,965,233	2,717,373

**Cenkos Channel Islands Limited**

The Market Buildings  
Fountain Street  
St Peter Port  
Guernsey  
GY1 4JG  
Telephone: 01481 729 100  
Fax: 01481 729 700

**Cenkos Jersey Limited**

13 Broad Street  
St Helier  
Jersey  
JE4 5QH  
Telephone: 01534 722 051  
Fax: 01534 722 052

**Cenkos Channel Islands Investment  
Management Limited**

The Market Buildings  
Fountain Street  
St Peter Port  
Guernsey  
GY1 4JG  
Telephone: 01481 732 769  
Fax: 01481 729 700

**Cenkos Securities plc  
London**

6.7.8. Tokenhouse Yard  
London  
EC2R 7AS  
Telephone: 020 7397 8900  
Fax: 020 7397 8901

**Edinburgh**

3rd Floor  
66 Hanover Street  
Edinburgh  
EG2 1EL  
Telephone: 0131 220 6939  
Fax: 0131 220 2051

