



# CENKOS



Genkos Channel Islands Limited  
Interim Report 2009

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## Financial highlights

- Turnover up 67.20% to £1.751m (2008: £1.047m)
- Profits before tax up 58.60% to £217k (2008: £137k)
- Basic and diluted EPS up 38.65% to 2.26p (2008: 1.63p)
- Funds under management year-on-year up by 92.63% to £657.68m (2008: £341.43m)
- Interim dividend of 1.5p per share (2008: £nil)

## Business highlights

- A near doubling of client accounts from 800 to 1,500 year on year
- A new Executive Director for Cenkos Jersey Limited; James Amy has joined Cenkos from Cazenove Capital Management Jersey Limited, where he was Chief Executive Officer, to increase our profile and widen our marketing and investment management capabilities in Jersey
- Continued growth in all areas of the business, including the Cenkos Diversity Fund increasing net assets by 169% in the first six months of 2009
- Increase in expenses has arisen as a result of increase in staff numbers resulting from the take-on of the former Brewin Dolphin teams.

Commenting on the results, Jon Ravenscroft, Chief Executive Officer, said:

“Cenkos has made a solid start for the first half of 2009 and I’m pleased with the above set of numbers, given the uncertainty that continues to be evidenced in world markets. Everyone at Cenkos continues to work very hard and the teams are committed to taking the business to the next level.

### **Jon Ravenscroft**

Chief Executive Officer

16 September 2009

## **Chairman's statement**

I am happy to announce a set of pleasing results for the Company for the first half of 2009. Funds under management grew on a steady basis, as evidenced by the year-on-year rise of over 92%; turnover and profit is also up significantly, by 67% and 59% respectively, although expenses have increased by 67%.

There continues to be a steady flow of new business from all avenues of the Group, and the Company feels confident it can continue to overcome adverse market conditions.

Although the world is in better shape than it was six months ago when writing my previous statement, markets and investors alike are still living in uncertain times. Our view is that developed markets could well see slower long-term growth rates, lower levels of consumption and higher savings rates, which could potentially lead to opportunities for the Company. At the turn of the year I advocated caution amongst volatile and difficult markets; this still remains the case for the short term and Cenkos will continue to look for opportunities for its underlying clients and shareholders alike.

Cenkos has some interesting projects to look forward to in the second half of the year, including the launch of another sub-fund of Cenkos Channel Islands Investment Fund, to complement the Cenkos Diversity Fund, to be called the Cenkos Income Fund; and assisting Leicester Tigers in raising money by way of a convertible loan note to be listed on the Channel Islands Stock Exchange. These, coupled with servicing the existing clients in the Cenkos way, will bring their own challenges, but I'm sure given the excellent calibre of the personnel behind the scenes, that Cenkos will continue to hold its own within the Channel Islands.

I'm pleased to announce that the Board has declared an interim dividend of 1.5p per ordinary share. This is in line with our policy of increasing returns to shareholders, reflecting both the underlying profitability of the company and the capital requirements of the business. The Board confirms that after this distribution the Group still has sufficient funds to pursue its growth strategy and meet its regulatory capital obligations.

### **Tom Scott**

Chairman

16 September 2009

**Condensed consolidated income statement** for the six month period ended 30 June 2009

		<b>Unaudited 1 January 2009 to 30 June 2009 £</b>	<b>Unaudited 1 January 2008 to 30 June 2008 £</b>
<b>Revenue</b>	<b>Notes</b>	1,750,607	1,046,997
Administrative expenses		(1,523,341)	(895,260)
		<u>227,266</u>	<u>151,737</u>
Employee share option expense to be satisfied by parent	9	(9,652)	(39,066)
<b>Operating profit</b>		<u>217,614</u>	<u>112,671</u>
Finance income		3,399	28,583
Finance costs		(4,014)	(4,430)
<b>Profit before tax</b>		<u>216,999</u>	<u>136,824</u>
Taxation	2	8,816	2,417
<b>Profit for the period</b>		<u>225,815</u>	<u>139,241</u>
Attributable to:			
Equity holders of the parent		226,321	163,287
Minority interests		(506)	(24,046)
		<u>225,815</u>	<u>139,241</u>
<b>Earnings per share</b>			
Basic	3	2.26p	1.63p
Diluted	3	2.26p	1.63p

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

## Condensed consolidated balance sheet as at 30 June 2009

	Note	Unaudited 30 June 2009 £	Audited 31 December 2008 £
<b>Non-current assets</b>			
Property, plant and equipment	6	93,280	108,316
		<u>93,280</u>	<u>108,316</u>
<b>Current assets</b>			
Trade and other receivables		7,697,247	13,718,856
Cash and cash equivalents		996,910	888,676
		<u>8,694,157</u>	<u>14,607,532</u>
<b>Total assets</b>		<u>8,787,437</u>	<u>14,715,848</u>
<b>Current liabilities</b>			
Bank loans and overdrafts		–	979,273
Trade and other payables	8	7,147,873	12,369,729
Interest bearing loans from parent		275,000	100,000
Tax payable		–	43,749
		<u>7,422,873</u>	<u>13,492,751</u>
<b>Net current assets</b>		<u>1,271,284</u>	<u>1,114,781</u>
<b>Net assets</b>		<u>1,364,564</u>	<u>1,223,097</u>
<b>Equity</b>			
Called up share capital		100,000	100,000
Retained earnings		1,293,369	1,148,292
<b>Equity attributable to equity holders of the parent</b>		<u>1,393,369</u>	<u>1,248,292</u>
Minority interest		(28,805)	(25,195)
<b>Total equity</b>		<u>1,364,564</u>	<u>1,223,097</u>

The Directors confirm to the best of their knowledge that this condensed set of financial statements has been prepared in accordance with IAS34 – ‘Interim Financial Reporting’.

The interim financial information was approved by the board of directors on 16 September 2009.

**Condensed consolidated cash flow statement** for the six month period ended 30 June 2009

	<b>Unaudited 1 January 2009 to 30 June 2009 £</b>	<b>Unaudited 1 January 2008 to 30 June 2008 £</b>
<b>Cash flows from operations</b>		
Operating profit from continuing operations	217,614	112,671
Adjustments for:		
Depreciation of property, plant and equipment	25,328	17,125
Share option expense satisfied by parent	9,652	39,066
	<hr/>	<hr/>
Operating cash flows before movements in working capital	252,594	168,862
Decrease/(Increase) in receivables	6,021,609	(4,941,296)
(Decrease)/Increase in payables	(5,221,856)	4,102,045
	<hr/>	<hr/>
<b>Cash generated/(consumed) by operations</b>	1,052,347	(670,389)
Interest paid	(4,014)	(4,430)
Taxation paid	(34,933)	1,697
	<hr/>	<hr/>
<b>Net cash generated by/(used in) operating activities</b>	1,013,400	(673,122)
<b>Cash flows from investing activities</b>		
Interest received	3,399	28,582
Purchase of fixed assets	(10,292)	(98,586)
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(6,893)	(70,004)
<b>Cash flows from financing activities</b>		
Sale of shares to minority interest	6,000	22,000
Increase in borrowings	175,000	–
Dividends paid	(100,000)	–
	<hr/>	<hr/>
<b>Net cash from financing activities</b>	81,000	22,000
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,087,507	(721,126)
<b>Cash and cash equivalents at the beginning of the period</b>	(90,597)	1,126,401
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	996,910	405,275
	<hr/>	<hr/>

## Condensed consolidated statement of changes in equity

for the six month period ended 30 June 2009

	Share capital £	Retained earnings £	Minority interests £	Total £
<b>At 1 January 2008</b>	100,000	669,260	–	769,260
Profit for the period	–	163,287	–	163,287
Loss allocated to minority interest	–	–	(24,046)	(24,046)
Sale of shares to minority interest	–	–	22,000	22,000
Capital contribution relating to share option	–	39,066	–	39,066
<b>At 30 June 2008</b>	100,000	871,613	(2,046)	969,567
Profit for the period	–	257,375	–	257,375
Loss allocated to minority interest	–	–	(3,149)	(3,149)
Purchase of shares from minority interest	–	–	(20,000)	(20,000)
Capital contribution relating to share option	–	19,304	–	19,304
<b>At 31 December 2008</b>	100,000	1,148,292	(25,195)	1,223,097
Profit for the period	–	226,321	–	226,321
Loss allocated to minority interest	–	–	(506)	(506)
Sale of shares to minority interest	–	–	6,000	6,000
Profit on sale of shares to minority interest	–	9,104	(9,104)	–
Capital contribution relating to share option	–	9,652	–	9,652
Dividends paid	–	(100,000)	–	(100,000)
<b>At 30 June 2009</b>	100,000	1,293,369	(28,805)	1,364,564

## Notes to the condensed consolidated financial statements

### 1. Accounting policies

#### General information

Centkos Channel Islands Limited is a company incorporated in Guernsey. The Company's principal activity is the provision of investment services. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company and its subsidiaries ("the Group") operates.

#### Basis of accounting

The interim financial information has been prepared in accordance with International Accounting Standard ("IAS") 34 – "Interim Financial Reporting".

The accounting policies used in arriving at these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

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

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

#### 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 forecasts. As a result, the board considers that the Group has adequate resources to meet its business needs and it is therefore appropriate to adopt the going concern basis in preparing these financial statements.

The principal risks faced by the Group are not materially different, in the opinion of the Directors, to those disclosed in the latest annual report.

#### Basis of consolidation

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

### 2. Taxation

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

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

## Notes to the condensed consolidated financial statements continued

### 2. Taxation (continued)

Cenkos Channel Islands Limited will be 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. £6,087 (31 December 2008: £nil) 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 the 2009 year of assessment the standard rate of income tax for Jersey companies has changed. For the period ended 30 June 2009 and subsequent periods, Jersey companies will be taxable at the rate applicable to financial service companies of 10%. The comparative figures have been prepared using the previous standard rate of tax of 20% based on the average profits under the provisions for transition to a current year basis of taxation.

### 3. Dividends

	30 June 2009 £	30 June 2008 £
<b>Amounts recognised as distributions to equity holders in the period:</b>		
Final dividend for the year ended 31 December 2008 of 1p per share (31 December 2007: nil)	100,000	–

The proposed interim dividend for 2009 of 1.5p (2008: nil) per share was approved by the board on 8 September 2009 and has not been included as a liability as at 30 June 2009. The dividend will be payable on 15 October 2009 to all shareholders on the register as at 24 September 2009.

### 4. Earnings per share

	30 June 2009 £	30 June 2008 £
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the Parent	226,321	163,287
Effect of dilutive potential ordinary shares	–	–
Earnings for the purpose of diluted earnings per share	226,321	163,287
	<b>No.</b>	<b>No.</b>
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic earnings per share	10,000,000	10,000,000
Effect of dilutive potential ordinary shares	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	10,000,000	10,000,000

**5. Investments in subsidiary undertakings**

	Incorporated in	30 June 2009 % holding	31 December 2008 % holding
Cenkos Channel Islands Nominee Company Limited	Guernsey	100%	100%
Cenkos Jersey Limited	Jersey	92%	98%
Cenkos Channel Islands Investment Management Limited	Guernsey	100%	100%

The principal activities of the subsidiaries were as follows:

Cenkos Channel Islands Nominee Company Limited	Nominee company
Cenkos Jersey Limited	Provision of investment services
Cenkos Channel Islands Investment Management Limited	Provision of investment services

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

**6. Property, plant & equipment**

During the period, the Group spent £10,292 (six month period ended 30 June 2008: £98,586, year ended 31 December 2008: £133,205) on property plant and equipment. This mostly related to the purchase of new office equipment in Guernsey.

**7. Trade and other receivables**

	30 June 2009 £	31 December 2008 £
<b>Amounts falling due within one year:</b>		
Prepayments and accrued income	528,896	386,728
Market and client debtors	7,168,351	13,327,675
Loans & receivables due from parent entity	–	4,453
	<u>7,697,247</u>	<u>13,718,856</u>

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

**8. Trade and other payables**

	30 June 2009 £	31 December 2008 £
<b>Amounts falling due within one year:</b>		
Accrued expenses	356,342	843,519
Deferred income	32,299	8,292
Market and client payables	6,738,321	11,117,224
Loan payable to parent entity	20,912	400,694
	<u>7,147,873</u>	<u>12,369,729</u>

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

The advance from the parent entity, Cenkos Securities plc, is unsecured, interest free and repayable on demand.

## Notes to the condensed consolidated financial statements continued

### 9. Share based payments

In the period ended 31 December 2006, Cenkos Securities plc granted options over 177,500 of its £0.01 ordinary shares to employees of Cenkos Channel Islands Limited including 75,530 and 37,770 to Robin Newbould and Jonathan Ravenscroft, directors of the Company, respectively. 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. If the option holder ceases to be an employee or office holder within the Cenkos Securities plc Group before the options vest, the options will lapse on the date of such cessation. None of the options granted in relation to employees or officers of Cenkos Channel Islands Limited have been forfeited or lapsed to date. The expense to income is calculated using the Monte Carlo simulation model and assumes a volatility of 35% and discount rate of 25%.

The expense is reimbursed by the parent as disclosed in the Statement of Changes in Equity.

### 10. Related party transactions

The Directors consider the immediate and ultimate controlling party to be Cenkos Securities plc.

During the period the Group earned income from Cenkos Securities plc relating to market maker activities of £119,031 (30 June 2008: £11,765). The Group also earned other income from Cenkos Securities plc totalling £36,000 (30 June 2008: £89,667) relating principally to commission on the placing of investments.

The Group also receives realised profits and losses on dealings on a client account held in the name of Cenkos Securities plc and managed for the benefit of Cenkos Channel Islands Limited. Such income for the period totalled £61,188 (30 June 2008: £nil). Ownership of any investments on the account lies with Cenkos Securities plc.

At the period end £295,912 (31 December 2008: £500,694) was due to Cenkos Securities plc. Of this balance, £275,000 (31 December 2008: £100,000) is unsecured, bears interest at 0.25% above UK base rate and is repayable on demand. The balance of £20,912 (31 December 2008: £400,694) is unsecured, interest free and repayable on demand. Simon Melling, who served as a Director during the period, is also a Director of Cenkos Securities plc.

During the period the Company paid rent of £31,500 (30 June 2008: £5,250) to New Street Investments Limited. Jonathan Ravenscroft, who served as a Director during the period and his wife Jackie Ravenscroft, are the sole shareholders of New Street Investments Limited.

During the period the Group paid Lapwing Services Limited £60,703 (30 June 2008: £nil) in respect of fees received from Balliwick Investments Limited, of which Cenkos Channel Islands Investment Management Limited is the investment manager. Thomas Hays Scott, who served as a Director during the period, is the ultimate beneficial owner of Lapwing Services Limited.

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

On 7 January 2009 the Company sold 6,000 shares in Cenkos Jersey Limited to the directors of Cenkos Jersey Limited for a total consideration of £6,000. A profit of £9,104 relating to this sale has been recognised in the Company's retained earnings account.

**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>30 June 2009</b>	<b>30 June 2008</b>
	<b>£</b>	<b>£</b>
Short-term employment benefits	190,000	186,044
Equity compensation benefits	9,652	39,066
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See also note 9 for details of share options granted to certain directors of the Company.

## **Independent review report** of Cenkos Channel Islands Limited

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2009 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 10. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

### **Directors' responsibilities**

The interim financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with IFRSs. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

### **Our responsibility**

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

### **Scope of review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

### **Deloitte LLP**

Chartered Accountants  
Guernsey, Channel Islands

16 September 2009

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