CENKOS

Cenkos Channel Islands Limited
Annual Report 2010

Highlights

Financial highlights

- Turnover up 48% to £6.84 million (2009: £4.62 million)
- Operating profit increased by 56% to £1.51 million (2009: £0.968 million)
- Profit before tax increased by 56% to £1.51 million (2009: £0.967 million)
- Basic earnings per share up by 53% to 14.93p (2009: 9.75p)
- Diluted earnings per share up by 51% to 14.76p (2009: 9.75p)
- Assets under management increased by 46% to £1,103 million (2009: £755 million)
- The Board proposes a final dividend of 4p per share compared to last year's final dividend of 3p per share. This makes a total dividend of 9p for the year.

Business highlights

- Continued success in attracting new clients, with assets under management surpassing £1 billion.
- Continued improvement in operating profits as a result of operational gearing within the business.
- Establishment of a specialist market making team within our broking division.
- Cenkos Channel Islands Limited appointed as investment manager to the Channel Islands Property Fund Limited, a closed-ended Investment Company which raised £21.7 million on listing on the Channel Islands Stock Exchange in November 2010.
- Increase in funds under management in the Cenkos Channel Island Investment Fund Diversity & Income sub-funds of 51% from £24.7 million to £37.2 million.

Contents

Officers and professional advisers

Directors

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

Secretary

Legis Corporate Services Limited

Registered office

The Market Buildings
Fountain Street
St Peter Port
Guernsey
GY1 4JG

Sponsor

Mourant Ozanne Securities Limited
PO Box 186
1 Le Marchant Street
St Peter Port
Guernsey
GY1 4HP

Auditors

Deloitte LLP
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 3HW

The board of directors

Andy Stewart
Chairman

Andy is the founder shareholder of Cenkos Securities Plc, the parent company of Cenkos Channel Islands. 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 twenty-five 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.

Jon is a member of the High Risk Business Committee.

Paul Oliver
Chief Operating Officer

Paul has over 16 years experience in the finance industry in Guernsey and joined Cenkos in 2006 having worked as a Senior Analyst for the Guernsey Financial Services Commission following an earlier career in investment management. Paul is Chief Operating Officer of Cenkos Channel Islands and serves as a non-executive Director of a Guernsey incorporated listed property fund. He was educated at Elizabeth College in Guernsey. Paul is a Chartered Fellow of the Securities and Investment Institute.

Paul is a member of the Risk Compliance and High Risk Business Committees and the Senior Management Team.

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 non-executive Director of Cenkos Channel Islands Limited, 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 a listed property & investment fund.

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

Simon Melling
Non-executive Director

Simon was appointed as the Chief Executive Officer of Cenkos Securities plc on 1 July 2009. He previously held the role of Group Finance Director and Chief Operating Officer and held those roles since September 2006 when he joined the Company. He has over 20 years' experience in the banking and securities industry and is a Chartered Accountant, having qualified with Peat Marwick Mitchell in 1988. He subsequently joined the Singer & Friedlander Group, ultimately becoming Director of Group Financial Services. In 2001 Simon joined Collins Stewart and was appointed Chief Operating Officer of the Private Client Division in 2001.

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

Chairman's statement

I am pleased to announce another year of significant growth for Cenkos Channel Islands Limited (the "Company") and its subsidiaries (together the "Group") in the year ended 31 December 2010, my first full year as Chairman.

Turnover for the Group rose 48% to £6.8 million and profits before tax increased 56% to £1.5 million. Assets under management now stand at £1.1 billion as at the year end as all areas of the business continue to grow their client bases. As a consequence of this continued expansion our Guernsey office has recently re-located to larger premises to accommodate the increase in staff numbers to service our clients to our usual high standard.

On 13 January 2011 we announced that Robin Newbould had resigned as an executive Director of the Company. I would like to thank Robin for all his hard work and enthusiasm since the Company's incorporation in 2005 and I wish him all the best for the future. Paul Oliver, our Chief Operating Officer, has subsequently joined the Board as his replacement. Paul has been at Cenkos since 2006 and has experience in both front and back office operations within the industry and I take this opportunity to formally welcome him to the Board.

Finally, I would like to announce that the Board proposes a final dividend of 4p per share compared to last year's final dividend of 3p per share. This makes a total dividend of 9p for the year and reflects the Company's commitment to rewarding shareholders through income and capital growth. Should this distribution be approved at the Company's Annual General Meeting, we intend paying this dividend on 26 April 2011 to all shareholders on the register at 8 April 2011. In the view of the Board, after this dividend the Group will still have sufficient funds to pursue its growth strategy and meet its regulatory capital obligations.

Andy Stewart
Chairman

10 March 2011

Business and financial review

We are very pleased to report another set of strong financial results for the Group. Total revenue for the year was up 48% to £6.84 million (2009: £4.62 million), while assets under management increased by 46% to £1,103 million (2009: £755 million).

The table below shows an analysis of revenue by type:

	2010 £	2009 £
Broking	6,031,431	4,152,384
Asset Management	811,514	466,174
	6,842,945	4,618,558

Broking

This business segment represents our private client and institutional broking teams, 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 commissions on secondary market transactions. Revenue was up 45% from £4.15 million to £6.03 million and operating profits were up 41% from £0.95 million to £1.34 million. As at 31 December 2010 the segment had assets under management of £968 million (2009: £654 million).

In the second half of 2010 the Group raised £21.7 million for the Channel Islands Property Fund. In addition, we were involved in the IPO of Breedon Aggregates Limited (formerly Marwyn Materials Limited) and our broking team hosted both Anthony Bolton of Fidelity and Terry Smith of Fundsmith during the year. Our market making team now acts as market maker for eight clients as at 31 December.

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. The team was recruited in the second half of 2008 and 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 we are currently exploring options to expand the number of funds within the CCIIF range. The business has grown during the year both in terms of the number of clients and assets under management, which now stand at £135 million (2009: £101 million).

As a result of the significant progress made in this area, segment revenue rose by 74% from £0.47 million to £0.81 million and principally due to the operational gearing in these activities segment profits have increased by 777% from £19,457 to £170,743.

Profit before tax

The Group's profit before tax was up 56% from £0.97 million to £1.51 million.

The Group continues to pursue a policy of moderate salaries and rewarding net income generation. Our headcount increased during the period 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 £50,000. 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.

Business and financial review continued

Statements of Financial Positions and Cash Flows

As mentioned above, as a result of the market making activities we have a position in trading investments of £0.80 million and currently have a cash position of £2.17 million (2009: £1.45 million). This year saw us produce a lower net cash flow from operating activities of £1.57 million (2009: £1.93 million) as a result of the increase in trading investments.

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 parent, 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.

During the year the new GFSC Capital Adequacy rules have been fully implemented. Our 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 2010 the Company had an excess gross capital of £482,888.

Earnings per share

Basic earnings per share for the year were 14.93p, compared with 9.75p in 2009. Diluted earnings per share for the year were 14.76p, compared with 9.75p for 2009.

Dividend

The Board is proposing to pay a final dividend of 4p per share. If approved at the Company's Annual General Meeting on 19 April 2011, the dividend will be paid on 26 April 2011 to all shareholders on the register at 8 April 2011. 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

The Group now employs thirty six people across two islands, and their hard work, skill and commitment has been reflected in this year's strong results. We are very aware that they are the key to the future of the business and we are committed to investing in our staff by encouraging them to undertake appropriate professional qualifications.

Robin Newbould left the Board of the Company on 13 January 2011. As a founding shareholder and Director, Robin has played a huge role in creating the Cenkos Channel Islands brand and developing the business in both Guernsey and Jersey. His hard work and commitment have been a driving force in the Company from the very beginning and we are all extremely grateful for all that he has done. We wish Robin the very best of luck for the future.

Principal risks and uncertainties

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

Economic conditions

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

Reputational risk

The Group considers that one of the greatest risks to the Group comes from the potential loss of its reputation. Whilst entrepreneurial employees are encouraged to develop new clients and streams of revenue, all new business is subject to a rigorous take-on process and risk rating as well as on-going controls and monitoring to ensure that it meets the Group's strict criteria.

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 minimize employee risk by rewarding employees through a remuneration package which includes performance-based payments that align the interests of both employees and shareholders.

Operational risk

Operational risk is the risk that the Group suffers a loss directly or indirectly from inadequate or failed internal processes, people, systems or, alternatively, from external events. Compliance personnel and senior management ensure that significant operational risks, their mitigations and appropriate control systems are continually reviewed. Where applicable, corrective action plans are put in place.

Market risk exposure

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

Liquidity risk

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

Business and financial review continued

Business continuity risk

There is a risk that any incident that the Group is affected by, directly or indirectly such as disruption to utilities and services, office closures or pandemic occurrences, could cause possible damage to the Group's infrastructure or effect key employees, which in turn could affect the Group's reputation or cause financial loss. Continuity planning is in place across the business in order to sustain operations with a minimum of disruption through a combination of business continuity planning, duplicated infrastructure and remote facilities. Regular testing of the business continuity plan is undertaken.

Outlook

We have made a satisfactory start to the current year and there are already a number of projects in the pipeline for 2011. We believe that the Group remains well positioned within its core markets and we continue to explore opportunities for growth in business areas that we understand and with which we are familiar.

Jon Ravenscroft
Chief Executive Officer

10 March 2011

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

The Directors present their report with the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2010.

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 Mark Stewart
Jonathan Richard Ravenscroft
Paul William Oliver (appointed 3 March 2011)
Sally-Ann (known as Susie) Farnon
Simon Charles Melling

Former Directors

Robin James Newbould (resigned 13 January 2011)

Directors' Interests In Ordinary Shares Of Cenkos Channel Islands Limited

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

	31 December 2010		31 December 2009	
	£	**Interest**	**£**	**Interest**
Jonathan Richard Ravenscroft*	1,200,000	12.0%	1,200,000	12.0%
Andrew Mark Stewart	615,000	6.2%	—	—
Robin James Newbould	100,000	1.0%	350,000	3.5%
Sally-Ann Farnon**	68,750	0.7%	87,500	0.9%

* 1,200,000 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.

In addition to the above, during the year Jonathan Ravenscroft was granted 120,000 share options (representing 1.1% of the authorised share capital of the Company) under the Long Term Incentive Plan which vested immediately. None of these options have been exercised to date.

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 9 March 2011.

	9 March 2011		31 December 2010	
	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* (formerly Cenkos Channel Islands Nominee Company Limited)	4,647,160	46.5%	4,590,660	45.9%

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

Directors' report continued

All of the Directors' interests as disclosed above are held as nominee by Huntress (CI) Nominees Limited (formerly Cenkos Channel Islands Nominee Company Limited).

Dividend

The Directors recommend the payment of a final dividend of 4p per ordinary share in respect of the year ended 31 December 2010 (2009: 3p). Subject to approval at the Annual General Meeting to be held on 19 April 2011, the dividend will be paid on 26 April 2011.

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

The Company purchases and maintains liability insurance for its Directors and Officers.

Auditors

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

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 19 April 2011 at 12.00 noon.

Approved by the Board of Directors on 10 March 2011 and signed on its behalf by:

Jon Ravenscroft
Director

Paul Oliver
Director

Corporate Governance Report year ended 31 December 2010

Introduction

The Group is not subject to the UK Corporate Governance Code (June 2010), however the Directors are aware of the Code of Corporate Governance Consultation Paper issued by the Guernsey Financial Services Commission in 2010 that is proposed to come into effect for accounting periods starting on or after 1 October 2011. The Board fully supports high standards of corporate governance and intend to comply with the draft rules with immediate effect, and will follow the recommendations of the UK Corporate Governance Code in so far 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 Directors.

The composition of the Board

As at 31 December 2010 the Board consisted of two executive and three non-executive Directors. The Directors contribute a range of complementary skills, knowledge and experience. Details of the individual Directors and their biographies are set out on page 3. On 13 January 2011 Robin Newbould resigned as an executive Director of the Company.

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.

Non-executive Directors

As well as the Non-executive Chairman, the Board also has two independent Non-executive Directors. The independent Directors bring 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 Association, 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. Jon Ravenscroft 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 five 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

	Board Meeting	Audit Committee	Remuneration Committee
Total number of meetings in the year	10	3	2
Andy Stewart	10	2	2
Jon Ravenscroft	9	—	—
Robin Newbould	10	—	—
Susie Farnon	9	3	2
Simon Melling	8	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, it is envisaged that a review of the Board will take place in 2011.

Board committees
The Board has a supporting committee structure in line with the Combined 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 auditors are invited to attend these meetings, as appropriate.

Corporate Governance Report year ended 31 December 2010 continued

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 underline them, on behalf of the Board;
- the recommendation to the Board on the appointment and remuneration of the external auditors; and
- the monitoring of the independence of the external auditors and the establishment of a policy for the use of the auditors 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 auditors identifying any accounting or judgmental issues thereon, requiring attention;
- 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;
- 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 Company; 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 auditors. 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.

Due to the size of the Group, the monitoring of the Group's activities by the compliance department and the hands-on approach by the executive Directors, 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, Susie Farnon and Simon Melling. 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, 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.

Senior management committee
The Committee, which is chaired by the Group Financial Controller, deals with the implementation of strategic and operational issues as well as reviewing current business activities. The members of the Committee are the heads of each team.

High risk business committee
The Committee, which is chaired by the Chief Operating Officer, is responsible for the assessment and quality of high risk business taken on.

Risk and compliance committee
The Committee is chaired by the Group Financial Controller 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.

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.

Auditors' indepedence

The Audit Committee and the external auditors, Deloitte LLP, have safeguards in place to avoid the possibility that the auditors' objectivity and independence could be compromised. These safeguards include the auditors' 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 auditors are reviewed annually by the Audit Committee taking into account the views of management, the cost effectiveness, objectivity and a review of the principal findings arising from the inspection of the auditors carried out by the Audit Inspection Unit of the Financial Reporting Council.

Corporate Governance Report year ended 31 December 2010 continued

The annual appointment of the auditors by shareholders in General Meeting is a fundamental safeguard to auditor independence, but beyond this, appropriate consideration is given to whether additional work performed by the auditors 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 auditors, and a number of assignments are currently being undertaken by other firms.

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 2011. The Audit Committee considered the progress that had been made during the year ended 31 December 2010 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 2010 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 10 March 2011 and signed on its behalf by:

Jon Ravenscroft
Director

Paul Oliver
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 2010 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, the related notes 1 to 17 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.

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 company'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 2010 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.

Opinion on the Statement of Financial Resources

We have examined the Statement of Financial Resources set out on page 45 and, in our opinion, the financial resources requirement specified in Rule 2.2 of The Licensees (Capital Adequacy) Rules 2010 has been satisfied.

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

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: 10 March 2011

Consolidated statement of comprehensive income for the year ended 31 December 2010

	Notes	1 January 2010 to 31 December 2010 £	1 January 2009 to 31 December 2009 £
Revenue	1	6,842,945	4,618,558
Administrative expenses	1	(5,335,018)	(3,640,594)
		1,507,927	977,964
Employee share option expense to be satisfied by parent	14	–	(9,652)
Operating profit		1,507,927	968,312
Finance income		5,110	4,928
Finance costs		(1,496)	(6,264)
Profit before taxation		1,511,541	966,976
Taxation	3	(4,712)	8,816
Profit for the financial period		1,506,829	975,792
Attributable to:			
Equity holders of the parent		1,493,473	975,248
Non-controlling interests		13,356	544
		1,506,829	975,792
Earnings per share			
Basic	4	14.93p	9.75p
Diluted	4	14.76p	9.75p

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 2010 was £1,168,905 (year ended 31 December 2009: £947,421)

The notes on pages 25 to 44 form part of these financial statements.

Consolidated statement of financial position as at 31 December 2010

	Notes	31 December 2010 £	31 December 2009 £	31 December 2008 £
Non-current assets				
Property, plant and equipment	5	76,757	69,870	108,316
		76,757	69,870	108,316
Current assets				
Trading investments – long positions	7	801,633	–	–
Trade and other receivables	8	6,400,490	9,296,856	13,718,856
Cash and cash equivalents	9	2,172,178	1,447,836	888,676
		9,374,301	10,744,692	14,607,532
Total assets		9,451,058	10,814,562	14,715,848
Current liabilities				
Bank loans and overdrafts	9	–	–	979,273
Trade and other payables	10	6,728,973	8,850,021	12,369,729
Interest bearing loans and borrowings	11	–	–	100,000
Tax payable		4,712	–	43,749
		6,733,685	8,850,021	13,492,751
Net current assets		2,640,616	1,894,671	1,114,781
Total assets less current liabilities		2,717, 373	1,964,541	1,223,097
Net assets		2,717, 373	1,964,541	1,223,097
Equity				
Called up share capital	13	100,000	100,000	100,000
Retained earnings		2,631,772	1,892,296	1,148,292
Equity attributable to equity holders of the parent		2,731,772	1,992,296	1,248,292
Non-controlling interests		(14,399)	(27,755)	(25,195)
Total equity		2,717,373	1,964,541	1,223,097

The financial statements were approved by the Board of Directors on 10 March 2011 and signed on its behalf by:

Jon Ravenscroft
Director

Paul Oliver
Director

The notes on pages 25 to 44 form part of these financial statements.

Company statement of financial position as at 31 December 2010

	Notes	31 December 2010 £	31 December 2009 £	31 December 2008 £
Non-current assets				
Property, plant and equipment	5	45,060	57,266	84,098
Investments in subsidiary undertakings	6	377,004	377,004	108,002
		422,064	434,270	192,100
Current assets				
Trading investments – long positions	7	801,633	–	–
Trade and other receivables	8	6,080,669	9,347,238	14,283,586
Cash and cash equivalents	9	2,035,249	1,356,237	80,563
		8,917,551	10,703,475	14,364,149
Total assets		9,339,615	11,137,745	14,556,249
Current liabilities				
Bank loans and overdrafts	9	–	–	979,273
Trade and other payables	10	6,847,724	9,060,762	12,063,317
Interest bearing loans and borrowings	11	–	–	100,000
Tax payable		–	–	43,749
		6,847,724	9,060,762	13,186,339
Net current assets		2,069,827	1,642,713	1,177,810
Total assets less current liabilities		2,491,891	2,076,983	1,369,910
Net assets		2,491,891	2,076,983	1,369,910
Equity				
Called up share capital	13	100,000	100,000	100,000
Retained earnings		2,391,891	1,976,983	1,269,910
Equity shareholders' funds		2,491,891	2,076,983	1,369,910

The financial statements were approved by the Board of Directors on 10 March 2011 and signed on its behalf by:

Jon Ravenscroft
Director

Paul Oliver
Director

The notes on pages 25 to 44 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2010

	1 January 2010 to 31 December 2010 £	1 January 2009 to 31 December 2009 £
Cash flows from operations		
Operating profit from continuing operations	1,507,927	968,312
Adjustments for:		
Depreciation of property, plant and equipment	57,115	50,349
Share option expense to be satisfied by parent	–	9,652
Share based payment expense	41,003	–
Operating cash flows before movements in working capital	1,606,045	1,028,313
Increase in trading investments	(801,633)	–
Decrease in receivables	2,896,366	4,422,000
Decrease in payables	(2,121,048)	(3,519,708)
Cash generated by operations	1,579,730	1,930,605
Interest paid	(1,496)	(6,264)
Taxation paid	–	(34,933)
Net cash generated by operating activities	1,578,234	1,889,408
Cash flows from investing activities		
Interest received	5,110	4,928
Purchase of fixed assets	(64,002)	(11,903)
Net cash used in investing activities	(58,892)	(6,975)
Cash flows from financing activities		
Sales of shares to non-controlling interest	–	6,000
Decrease in borrowings	–	(100,000)
Dividends paid	(795,000)	(250,000)
Net cash used in financing activities	(795,000)	(344,000)
Net increase in cash and cash equivalents	724,342	1,538,433
Cash, cash equivalents and bank overdrafts at the beginning of the year	1,447,836	(90,597)
Cash, cash equivalents and bank overdrafts at the end of the year	2,172,178	1,447,836

The notes on pages 25 to 44 form part of these financial statements.

Company statement of cash flows for the year ended 31 December 2010

	1 January 2010 to 31 December 2010 £	1 January 2009 to 31 December 2009 £
Cash flows from operations		
Operating profit from continuing operations	1,165,517	940,611
Adjustments for:		
Depreciation of property, plant and equipment	43,234	38,735
Share option expense to be satisfied by parent	–	9,652
Share based payment expense	41,003	–
Operating cash flows before movements in working capital	1,249,754	988,998
Increase in trading investments	(801,633)	–
Decrease in receivables	3,266,569	4,936,348
Decrease in payables	(2,213,038)	(3,002,555)
Cash generated by operations	1,501,652	2,922,791
Interest paid	(1,496)	(6,264)
Taxation paid	–	(34,933)
Net cash generated by operating activities	1,500,156	2,881,594
Cash flows from investing activities		
Interest received	4,884	4,258
Purchase of fixed assets	(31,028)	(11,903)
Net cash used in investing activities	(26,144)	(7,645)
Cash flows from financing activities		
Purchase of shares in subsidiaries	–	(269,002)
Decrease in borrowings	–	(100,000)
Dividends paid	(795,000)	(250,000)
Net cash used in investing activities	(795,000)	(619,002)
Net increase in cash and cash equivalents	679,012	2,254,947
Cash, cash equivalents and bank overdrafts at the beginning of the year	1,356,237	(898,710)
Cash, cash equivalents and bank overdrafts at the end of the year	2,035,249	1,356,237

The notes on pages 25 to 44 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2010

	Share capital £	Retained earnings £	Non-controlling interests £	Total £
At 1 January 2009	100,000	1,148,292	(25,195)	1,223,097
Profit for the year	–	975,248	–	975,248
Profit allocated to non-controlling interests	–	–	544	544
Sale of shares to non-controlling interest	–	–	6,000	6,000
Profit on sale of shares to non-controlling interest	–	9,104	(9,104)	–
Capital contribution relating to share options	–	9,652	–	9,652
Dividends paid	–	(250,000)	–	(250,000)
At 31 December 2009	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)
At 31 December 2010	100,000	2,631,772	(14,399)	2,717,373

Company statement of changes in equity for the year ended 31 December 2010

	Share capital £	Retained earnings £	Total £
At 1 January 2009	100,000	1,269,910	1,369,910
Profit for the year	–	947,421	947,421
Capital contribution relating to share options	–	9,652	9,652
Dividends paid	–	(250,000)	(250,000)
At 31 December 2009	100,000	1,976,983	2,076,983
Profit for the year	–	1,168,905	1,168,905
Credit to equity for equity-settled share-based payments	–	41,003	41,003
Dividends paid	–	(795,000)	(795,000)
At 31 December 2010	100,000	2,391,891	2,491,891

The notes on pages 25 to 44 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2010

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 IFRS 3 (Revised) 'Business Combinations' and IAS 27 (Revised) 'Consolidated and Separate Financial Statements' which are effective for accounting periods beginning on or after 1 July 2009. There has been no impact on the Group's financial statements from the adoption of IFRS 3 (Revised) and IAS 27 (Revised).

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 2011 or later periods, but the Group has not early adopted them:

IAS 24 'Related Party Disclosures' (effective 1 January 2011);

IFRS 7 (Amendment) ' Disclosures – Transfers of Financial Assets' (effective 1 July 2011); and

IFRS 9 'Financial Instruments' – (financial assets) (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 16 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.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries as disclosed in note 6) 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 income statement 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.

Notes to the financial statements continued

1. Accounting policies (continued)

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.

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 at FVTPL when the financial asset is either held for trading or it is designated as at 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 income statement.

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.

1. Accounting policies (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 year 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.

Investments in subsidiary undertakings
Investments in subsidiary undertakings are stated at cost, less any provision for impairment in the Parent Company statement of financial position.

Operating leases
Operating lease rentals are charged to the income statement in equal annual amounts over the lease term.

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

Notes to the financial statements continued

1. Accounting policies (continued)

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

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.

Cenkos Channel Islands Limited 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. £29,058 (2009: £22,721) 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%.

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 stock-broking 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 Cenkos Channel Islands Limited 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.

1. Accounting policies (continued)

Client money

The company holds money on behalf of its clients in accordance with the client money rules of The Guernsey Financial Services Commission through its wholly owned non-trading subsidiary, Huntress (CI) Nominees Limited (formerly Cenkos Channel Islands Nominee Company 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 (formerly Cenkos Channel Islands Nominee Company Limited), and services company, Cenkos Channel Islands Services Limited.

	Guernsey Broking £	Jersey Broking £	Asset Management £	Consolidated £
Operating segment for the year ended 31 December 2010:				
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

Notes to the financial statements continued

2. Segment information (continued)

	Guernsey Broking £	Jersey Broking £	Asset Management £	Eliminations & Unallocated £	Consolidated £
Other segment information for the year ended 31 December 2010:					
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

	Guernsey Broking £	Jersey Broking £	Asset Management £	Consolidated £
Operating segment for the year ended 31 December 2009:				
Revenues from external customers	3,711,451	440,933	466,174	4,618,558
Total revenues	3,711,451	440,933	466,174	4,618,558
Operating profit	940,611	8,244	19,457	968,312
Finance income				4,928
Finance costs				(6,264)
Profit before tax				966,976
Tax				8,816
Profit for the year				975,792

	Guernsey Broking £	Jersey Broking £	Asset Management £	Eliminations & Unallocated £	Consolidated £
Other segment information for the year ended 31 December 2009:					
Segment assets	11,137,745	360,348	204,013	(887,544)	10,814,562
Segment liabilities	9,060,762	125,917	173,885	(510,543)	8,850,021

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 £799,715 (2009: £521,442), arising from sales from the Guernsey and Jersey Broking and Asset Management segments. Related party transactions are detailed in note 15.

	31 December 2010 £	31 December 2009 £
Location of non-current assets:		
Channel Islands	76,757	69,870

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

3. Taxation

	1 January 2010 to 31 December 2010 £	1 January 2009 to 31 December 2009 £
The current tax charge comprised:		
Current tax		
Guernsey income tax at 0% based on profit for the year	–	–
Overseas tax charge borne by subsidiaries operating in other jurisdictions	4,712	–
Adjustment in respect of prior year:		
Guernsey income tax	–	(8,816)
	4,712	(8,816)

4. Earnings per share

	Group	
	31 December 2010 £	31 December 2009 £
Earnings:		
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the Parent	1,493,473	975,248
Effect of dilutive potential of ordinary shares	–	–
Earnings for the purposes of diluted earnings per share	1,493,473	975,248
Number of shares:	**No.**	**No.**
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	119,751	–
Weighted average number of shares for the purposes of diluted earnings per share	10,119,751	10,000,000

Notes to the financial statements continued

5. Property, plant and equipment

					Group
	Communications equipment £	**Office equipment £**	**Fixtures and fittings £**	**Leasehold Improvements £**	**Total £**
Cost:					
At 31 December 2008	120,193	67,773	4,147	–	192,113
Additions	11,903	–	–	–	11,903
Disposals	–	(2,234)	–	–	(2,234)
At 31 December 2009	132,096	65,539	4,147	–	201,782
Additions	17,282	31,920	–	14,800	64,002
Disposals	–	–	–	–	–
At 31 December 2010	149,378	97,459	4,147	14,800	265,784
Depreciation:					
At 31 December 2008	52,693	28,057	3,047	–	83,797
Charge for year	32,153	17,783	413	–	50,349
Disposals	–	(2,234)	–	–	(2,234)
At 31 December 2009	84,846	43,606	3,460	–	131,912
Charge for year	40,951	15,751	413	–	57,115
Disposals	–	–	–	–	–
At 31 December 2010	125,797	59,357	3,873	–	189,027
Net book value:					
At 31 December 2010	23,581	38,102	274	14,800	76,757
At 31 December 2009	47,250	21,933	687	–	69,870
At 31 December 2008	67,500	39,716	1,100	–	108,316

Included in property, plant and equipment are assets with a book cost of £83,013 which have been fully depreciated at the year end (2009: £55,767; 2008: £42,529).

5. Property, plant and equipment (continued)

				Company
	Communications equipment £	Office equipment £	Fixtures and fittings £	Total £
Cost:				
At 31 December 2008	95,665	57,458	4,147	157,270
Additions	11,903	–	–	11,903
Disposals	–	(2,234)	–	(2,234)
At 31 December 2009	107,568	55,224	4,147	166,939
Additions	29,512	1,516	–	31,028
Disposals	–	–	–	–
At 31 December 2010	137,080	56,740	4,147	197,967
Depreciation:				
At 31 December 2008	45,254	24,871	3,047	73,172
Charge for year	23,977	14,345	413	38,735
Disposals	–	(2,234)	–	(2,234)
At 31 December 2009	69,231	36,982	3,460	109,673
Charge for year	29,279	13,542	413	43,234
Disposals	–	–	–	–
At 31 December 2010	98,510	50,524	3,873	152,907
Net book value:				
At 31 December 2010	38,570	6,216	274	45,060
At 31 December 2009	38,337	18,242	687	57,266
At 31 December 2008	50,411	32,587	1,100	84,098

Included in property, plant and equipment are assets with a book cost of £56,675 which have been fully depreciated at the year end (2009: £55,767; 2008: £42,529).

Notes to the financial statements continued

6. Investments in subsidiary undertakings

			Company
	31 December 2010 £	**31 December 2009 £**	**31 December 2008 £**
Non-current asset investments at cost comprised:			
At 1 January	377,004	108,002	6
Ordinary capital subscribed in Cenkos Jersey Limited	–	–	97,998
Ordinary capital subscribed in Cenkos Channel Islands Investment Management Limited	–	–	10,000
Ordinary capital subscribed in Cenkos Channel Islands Services Limited	–	2	–
Disposal of ordinary shares in Waste Management Guernsey Limited	–	–	(2)
Preference capital subscribed in Cenkos Jersey Limited	–	275,000	–
Part disposal of capital in Cenkos Jersey Limited	–	(6,000)	–
At 31 December	377,004	377,004	108,002

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

Principal subsidiary undertakings:	**Country of registration**	**Principal activity**	**Proportion of ordinary shares held**
Huntress (CI) Nominees Limited (formerly Cenkos Channel Islands Nominee Company Limited)	Guernsey	Nominee company	100%
Cenkos Jersey Limited	Jersey	Provision of investment services	92%
Cenkos Channel Islands Investment Management Limited	Guernsey	Provision of investment services	100%
Cenkos Channel Islands Services Limited	Guernsey	Services company	100%

Principal subsidiary undertakings:	**Country of registration**	**Principal activity**	**Proportion of preference shares held**
Cenkos Jersey Limited	Jersey	Provision of investment services	100%

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

7. Trading investments

	Group			Company		
	31 December 2010 £	**31 December 2009 £**	**31 December 2008 £**	**31 December 2010 £**	**31 December 2009 £**	**31 December 2008 £**
Long positions						
Fair value	801,633	–	–	801,633	–	–
Net position	801,633	–	–	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 16.

8. Trade and other receivables

	Group			Company		
	31 December 2010 £	**31 December 2009 £**	**31 December 2008 £**	**31 December 2010 £**	**31 December 2009 £**	**31 December 2008 £**
Amounts falling due within one year:						
Prepayments and accrued income	1,326,617	620,467	386,728	753,911	435,307	852,212
Market and client debtors	5,073,873	8,658,934	13,327,675	5,073,873	8,658,934	13,327,675
Loans & receivables due from parent entity	–	17,455	4,453	–	17,455	–
Loans & receivables due from subsidiary undertakings	–	–	–	252,885	235,542	103,699
	6,400,490	9,296,856	13,718,856	6,080,669	9,347,238	14,283,586

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

The balance receivable from the parent entity, Cenkos Securities plc, was unsecured, interest free and was repayable on demand. The balance receivable from subsidiary undertakings is unsecured, interest free and repayable on demand.

9. Cash, cash equivalents and bank overdrafts

	Group			Company		
	31 December 2010 £	**31 December 2009 £**	**31 December 2008 £**	**31 December 2010 £**	**31 December 2009 £**	**31 December 2008 £**
Cash and cash equivalents	2,172,178	1,447,836	888,676	2,035,249	1,356,237	80,563
Bank overdraft	–	–	(979,273)	–	–	(979,273)
	2,172,178	1,447,836	(90,597)	2,035,249	1,356,237	(898,710)

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

Notes to the financial statements continued

10. Trade and other payables

	Group			Company		
	31 December 2010 £	31 December 2009 £	31 December 2008 £	31 December 2010 £	31 December 2009 £	31 December 2008 £
Amounts falling due within one year:						
Accrued expenses	1,476,173	845,856	843,519	1,293,341	802,750	537,105
Deferred income	119,765	62,251	8,292	99,561	41,096	8,292
Market and client payables	5,024,736	7,941,914	11,117,224	5,024,736	7,941,914	11,117,224
Loans payable to subsidiary undertakings	–	–	–	321,787	275,002	2
Loans payable to parent entity	108,299	–	400,694	108,299	–	400,694
	6,728,973	8,850,021	12,369,729	6,847,724	9,060,762	12,063,317

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

The loans payable to the parent entity and the subsidiary undertakings are unsecured, interest free and repayable on demand.

11. Interest bearing loans and borrowings

	Group and Company		
	31 December 2010 £	31 December 2009 £	31 December 2008 £
Amounts falling due within one year:			
Loan payable to parent entity	–	–	100,000

The loan payable to Cenkos Securities plc was unsecured, bore interest at 0.25% above UK base rate and was repaid on 31 October 2009.

The Directors consider that the carrying amount of interest bearing loans and borrowings approximated their fair values.

12. Commitments

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

	Land and Buildings			
	Group		Company	
	31 December 2010 £	31 December 2009 £	31 December 2010 £	31 December 2009 £
Within one year	68,986	76,333	6,386	63,000
Within two to five years inclusive	581,458	212,250	–	215,250
Over five years	643,958	–	–	–
	1,294,402	288,583	6,386	278,250

13. Called up share capital

	Group and Company		
	31 December 2010 No.	31 December 2009 No.	31 December 2008 No.
Authorised:			
Ordinary shares of £0.01	11,000,000	10,000,000	10,000,000
Allotted, issued and fully paid:			
Ordinary shares of £0.01	10,000,000	10,000,000	10,000,000

	31 December 2010 £	31 December 2009 £	31 December 2008 £
Authorised:			
Ordinary shares of £0.01	110,000	100,000	100,000
Allotted, issued and fully paid:			
Ordinary shares of £0.01	100,000	100,000	100,000

Following 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.

14. Share based payments

Cenkos Securities plc

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. 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%.

No further options have been granted during the year ended 31 December 2010 (2009: nil)

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 were granted following the Company's Annual General Meeting on 25 March 2010. 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 was 25 March 2010. If the options remain unexercised after 10 years from the date of grant, the options will expire. If the option holder ceases to be an employee or office holder within the Group the options will lapse.

Notes to the financial statements continued

14. Share based payments (continued)

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

	31 December 2010		31 December 2009	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Granted during the year	1,000,000	0.90	–	–
Exercised during the year	–	–	–	–
Lapsed during the year	–	–	–	–
Outstanding and exercisable at the end of the year	1,000,000	0.90	–	–

	Date of grant	Vesting date	Date of expiry	Remaining contractual life (months)	31 December 2010 Number of share options	31 December 2009 Number of share options
Options exercisable at £0.90 per share	Mar-10	Mar-10	Mar-20	111	1,000,000	–
Options exercisable at 31 December					1,000,000	–

The options outstanding at 31 December 2010 have a weighted average exercise price of £0.90 (2009: £nil) and a weighted average remaining contractual life of 9 years (2009: nil). At the date of grant, they had an estimated fair value of £20,106.

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

	31 December 2010	31 December 2009
Expected volatility	6%	–
Expected share price growth	1%	–
Discount rate	4%	–

Expected volatility was based on the 20-day moving average of the Cenkos Channel Islands Limited 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 £41,003 (2009: £nil) related to equity-settled share-based payment transactions with regard to issue of share options.

Employee Benefit Trusts

The Group operates two Employee Benefit Trusts (The Cenkos CI Employee Benefit Trust and The Cenkos Jersey Discretionary Employee Benefit Trust) which were both established in 2010 to handle the purchase, holding and sale of Company shares for benefit of directors and staff. As at 31 December 2010 none of the total ordinary shares held by the Trusts had been allocated. The Trusts have waived their rights to dividends.

15. 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, is also a director of Cenkos Securities plc.

During the year the Group earned income from Cenkos Securities plc relating to market maker activities of £118,697 (2009: £285,642). The Group also earned other income from Cenkos Securities plc totalling £681,018 (2009: £235,800) 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 the Cenkos Channel Islands Group. Such income for the year totalled £177,192 (2009: £165,437). Legal ownership of any investments on the account lies with Cenkos Securities plc, however assets held within this account are included in the statement of financial position of Cenkos Channel Islands Limited as the Group is entitled to any realised profits and losses.

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

As at 31 December 2010 the Company was owed £60,000 (2009: £nil) by the Cenkos CI Employee Benefit Trust. The loan is unsecured, interest free and is repayable on demand.

On 22 May 2008 the Company entered into a six year tenant repairing lease with New Street Investments Limited. The Company subsequently gave notice and terminated the lease with effect from 6 February 2011 at no additional cost. During the year the Company paid £63,000 rent to New Street Investments Limited and £6,386 was included in prepayments at the year end in respect of rent payable to the termination date. Jonathan Ravenscroft, who served as a director during the year and his wife Jackie Ravenscroft, are the sole shareholders of New Street Investments Limited. The Directors consider that these transactions were made on terms equivalent to those that prevail in arm's length transactions.

Shareholders' loan accounts receivable in respect of deductions for Guernsey deemed distribution taxes totalled £29,058 (2009: £22,721).

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

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'

	31 December 2010	**31 December 2009**
	£	**£**
Short-term employment benefits	429,600	262,000
Equity compensation benefits	4,920	6,161

During the year Jonathan Ravenscroft was granted 120,000 options under the terms of the LTIP. See note 14 for full details of the LTIP.

Notes to the financial statements continued

16. 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:

	Group		Company	
	31 December 2010 £	31 December 2009 £	31 December 2010 £	31 December 2009 £
Financial assets:				
Fair value through profit and loss (FVTPL):				
Trading investments – long positions	801,633	–	801,633	–
Amortised cost:				
Cash and cash equivalents	2,172,178	1,447,836	2,035,249	1,356,237
Prepayments and accrued income	1,326,617	620,467	753,911	435,307
Market and client receivables	5,073,873	8,658,934	5,073,873	8,658,934
Loans and receivables due from parent entity	–	17,455	–	17,455
Loans and receivables due from subsidiary undertakings	–	–	252,885	235,542
	9,374,301	10,744,692	8,917,551	10,703,475

	Group		Company	
	31 December 2010 £	31 December 2009 £	31 December 2010 £	31 December 2009 £
Financial liabilities				
Amortised cost:				
Accrued expenses	1,476,173	845,856	1,293,341	802,750
Deferred income	119,765	62,251	99,561	41,096
Market and client payables	5,024,736	7,941,914	5,024,736	7,941,914
Loans payable to parent entity	108,299	—	108,299	—
Loans payable to subsidiary undertakings	—	—	321,787	275,002
Taxation payable	4,712	—	—	—
	6,733,685	8,850,021	6,847,724	9,060,762

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.

16. Financial instruments and risk management (continued)

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 £729,181 (2009: £1,222,003) relating to unsettled trades that have gone past their due dates. Of this balance, £112,937 (2009: £964,215) relates to trades awaiting settlement confirmation from unit trust managers and £596,321 (2009: £240,665) relates to trades where the market is unable to deliver stock. As at 10 March 2011 £714,706 of these trades had settled subsequent to the year end. At the year end the Group owes £159,020 to (2009: is entitled to £75,914 from) 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 £9,537 (2009: £12,989) relating to unsettled trades.

Also within the market and client receivables are receivable amounts in respect of overdrawn client accounts of £337,882 (2009: £639,265) 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% (2009: 100%) 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 £338,605 (2009: £976,856). 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.

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 £2,786,421 (2009: £5,431,634) 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 (formerly Cenkos Channel Islands Nominee Company Limited), which exists solely to act in this capacity. Funds held on behalf of clients are reconciled daily and on occasion Cenkos Channel Islands Limited 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.

Notes to the financial statements continued

16. Financial instruments and risk management (continued)

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.

		Weighted average effective interest rates	Less than 1 month £	1-12 months £	1-5 years £	Total £
At 31 December 2010						
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
			2,315,328	270,000	60,000	2,645,328

		Weighted average effective interest rates	Less than 1 month £	1-12 months £	1-5 years £	Total £
At 31 December 2009						
Trade and other receivables	Non-interest bearing		9,296,856	–	–	9,296,856
Trade and other payables	Non-interest bearing		(8,850,021)	–	–	(8,850,021)
Cash and cash equivalents	Variable interest rate instruments	0.20%	1,447,836	–	–	1,447,836
			1,894,671	–	–	1,894,671

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

16. 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 Cenkos Securities plc which is managed for the benefit of Cenkos Channel Islands Limited. The Group applies monitors and controls to minimise the risk. Details of profits and losses realised on the account are shown in note 15.

(iii) Equity price sensitivity analysis

The sensitivity analyses 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 2010 would have been £80,163 higher/lower (2009: £nil higher/lower) due to change 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.

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).

Notes to the financial statements continued

16. Financial instruments and risk management (continued)

	31 December 2010			
	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at FVTPL				
Non-derivative financial assets held for trading	772,875	28,758	–	801,633
Total	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.

(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, Huntress (CI) Nominees Limited (formerly Cenkos Channel Islands Nominee Company Limited) and Cenkos Channel Islands Investment Management Limited are regulated by the Guernsey Financial Services Commission 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.

17. Post balance sheet events

The Directors propose a final dividend of 4p per share, totalling £400,000. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 19 April 2011.

Statement of financial resources for the year ended 31 December 2010

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 2010.

FInancial resources as at 31 December 2010

	31 December 2010 £	31 December 2009 £
Net assets after adjustments, contingent liabilities and risks	1,556,818	1,699,981
Expenditure based requirement at 25% of licensee's annual audited expenditure after adjustments	1,073,930	805,933
Excess of gross capital over the financial resources requirement	482,888	894,048

Jon Ravenscroft
Director

Paul Oliver
Director

10 March 2011

Summary financial information for the year ended 31 December 2010

Consolidated statement of comprehensive income

	1 January 2010 to 31 December 2010 £	1 January 2009 to 31 December 2009 £
Revenue	6,842,945	4,618,558
Expenses	(5,335,018)	(3,650,246)
Operating Profit	1,507,927	968,312
Finance income and costs	3,614	(1,336)
Profit Before Taxation	1,511,541	966,976
Taxation	(4,712)	8,816
Profit For The Financial Year	1,506,829	975,792

Consolidated statement of financial position

	31 December 2010 £	31 December 2009 £
Non-current assets	76,757	69,870
Current assets	9,374,301	10,744,692
Current liabilities	(6,733,685)	(8,850,021)
Net current assets	2,717,373	1,964,541
Equity shareholders' funds	2,717,373	1,964,541

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