

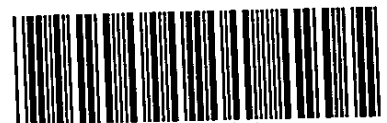
Company Registration No. 4056163

CG Asset Management Limited

Report and Financial Statements

For the year ended 30 April 2011

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CG Asset Management Limited

Report and financial statements 2011

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CG Asset Management Limited

Directors' report

The directors present their annual report and the audited financial statements of CG Asset Management Limited ('the Company') for the year ended 30 April 2011

Principal activities

The principal activities of the Company are the management of five portfolios (one closed-end) with the objective of producing absolute returns through long-term investment in bonds and equities. Two funds are invested entirely in overseas government index-linked bonds.

The Company is authorised and regulated by the Financial Services Authority.

Business review and future prospects

The last twelve months have been active for the Company with further progress being made leading to funds under management totalling £1,273 million at the end of the year (2010: £950 million).

All five funds have performed satisfactorily over the year to the 30 April 2011 although they have lagged the recovery of the world equity markets. However, all of them were standing at or near their all time high levels at the year end.

The outlook for markets remains extremely uncertain which enhances the attractions of the absolute returns sought by the Company.

Principal business risk and financial risk

The directors take the view that the balance sheet is strong enough to withstand any market shocks which may reasonably be expected. 7.7% (2010: 18%) of the value of investments (stated in the fixed assets) are unquoted securities. 92.3% (2010: 82%) of the value of investments are listed securities, predominately British Government Treasury Bonds and other investments in funds managed by the Company.

The most significant risk to which the Company may be subjected is assessed as reputational risk, for instance, the possibility of customers leaving, either by realisations of units or loss of one or more of three management contracts. Loss of key staff might be a factor leading to such events. The Company's ability to adjust overheads to meet these eventualities provides reasonable assurance.

The new Basel Accord has been implemented in the European Union via the Capital Requirements directive and the Company falls under the new three 'pillars' framework. The pillar 3 disclosures are published on the Company's website (www.cgasset.com).

Going concern

After making enquires, the directors have formed a judgment at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements. The balance sheet shows a free cash balance of £500,332 (2010: £695,203) as well as £5,655,580 (2010: £1,754,184). The Company has no borrowing facilities and from a review of budgets and forecasts the directors continue to believe that, notwithstanding the net current liability position shown in the balance sheet, the going concern basis is appropriate.

CG Asset Management Limited

Directors' report (continued)

Results and dividends and key performance indicators

The profit for the year on ordinary activities, after taxation, was £3,452,282 (2010 £2,442,098)

The directors have not recommended the payment of a final dividend (2010 £nil) During the year no interim dividend was paid (2010 £1,013,408 at £7.50 per share, and a second interim dividend was paid in 2010 of £1,013,408 at £7.50 per share)

The key performance indicator is the fee income from investment management and advisory services. This indicator is closely monitored, as is the performance of each fund against its benchmark.

Directors

The directors, who served throughout the year were as follows

M Cannon Brookes (Chairman, non-executive)
D R Brazier
E A C Cottrell
J M S Ekins (non-executive)
C Smith
R P A Spiller

Auditor

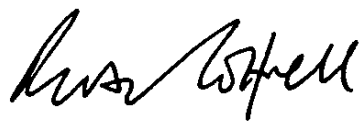
Each of the directors at the date of approval of this report confirms that

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Pursuant to S386 Companies Act 1985 an elective resolution was passed dispensing with the requirement to appoint an auditor annually. This election was in force immediately before 1 October 2007. Therefore Deloitte LLP are deemed to continue as auditor.

Approved by the Board of Directors and signed on behalf of the Board



E A C Cottrell
Director

27 July 2011

CG Asset Management Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law 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, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 Act 2006. 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.

Independent auditor's report to the members of CG Asset Management Limited

We have audited the financial statements of CG Asset Management Limited for the year ended 30 April 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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 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.

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 April 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

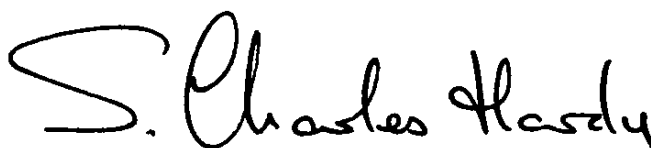
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of CG Asset Management 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 Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Simon Hardy, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

27 July 2011

CG Asset Management Limited

Profit and loss account For the year ended 30 April 2011

	Notes	2011 £	2010 £
Turnover		6,717,733	4,605,945
Staff costs	2	(1,646,018)	(1,194,652)
Other operating charges		(413,533)	(199,027)
Operating profit	3	4,658,182	3,212,266
Bank interest receivable		4,527	2,142
Other interest receivable		16,977	23,918
Other income		301,628	295,415
Gain on disposal of fixed asset investments		-	44,972
Movement on provision for impairment of fixed asset investments		(203,400)	(206,511)
Profit on ordinary activities before taxation		4,777,914	3,372,202
Tax on profit on ordinary activities	4	(1,325,632)	(930,104)
Profit on ordinary activities after taxation	9	3,452,282	2,442,098

All activities are continuing and there are no recognised gains or losses other than as shown above for the current and preceding year. Accordingly no statement of total recognised gains and losses has been prepared. The notes on pages 9 to 12 form an integral part of these financial statements.

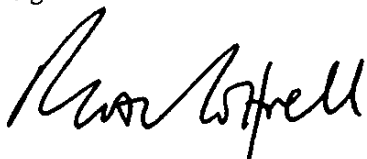
CG Asset Management Limited
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Balance sheet
30 April 2011

	Notes	2011 £	2010 £
Fixed assets			
Investments	5	6,082,865	2,138,537
Current assets			
Deferred tax asset	4	-	-
Prepayments and accrued income		651,335	429,431
Cash at bank and in hand		500,332	695,203
		1,151,667	1,124,634
Creditors: amounts falling due within one year	6	(1,742,479)	(1,223,400)
Net current liabilities		(590,812)	(98,766)
Total assets less current liabilities/net assets		5,492,053	2,039,771
Capital and reserves			
Called up share capital	7	135,121	135,121
Share premium account	8	481,167	481,167
Profit and loss account	8	4,875,765	1,423,483
Total equity shareholders' funds	9	5,492,053	2,039,771

These financial statements were approved and authorised for issue by the Board of Directors on 27 July 2011

Signed on behalf of the Board of Directors



E A C Cottrell

27 July 2011

Company Registration No 4056163

CG Asset Management Limited

Cash flow statement Year ended 30 April 2011

	Notes	2011 £	2010 £
Net cash inflow from operating activities	10	4,720,187	3,359,042
Returns on investments and servicing of finance	11	323,131	321,475
Taxation paid	11	(1,090,461)	(810,692)
Capital expenditure and financial investment	11	(4,147,728)	519,816
Equity dividends paid		-	(3,513,147)
Decrease in cash in the year	12, 13	<u>(194,871)</u>	<u>(123,506)</u>

CG Asset Management Limited

Notes to the accounts For the year ended 30 April 2011

1. Accounting policies

The financial statements of the Company have been prepared in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The particular accounting policies adopted are described below.

Going concern basis

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover and other income

Turnover, which arises in the United Kingdom, comprises fee income from investment management and advisory services and is stated on an accruals basis after deduction of value added tax. Other income primarily comprises dividend income, accounted for when receivable.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Taxation

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension contributions

The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions to personal pension plans payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. Information regarding directors and employees

	2011 £	2010 £
Directors' remuneration		
Emoluments (excluding pension contributions)	1,471,351	1,011,920
Pension costs	30,000	30,000
	<u>1,501,351</u>	<u>1,041,920</u>
	No.	No.
Number of directors who have personal pension contributions paid by the company	<u>1</u>	<u>1</u>

CG Asset Management Limited

Notes to the accounts For the year ended 30 April 2011

2 Information regarding directors and employees (continued)

	2011 £	2010 £
Highest paid director's remuneration:		
Aggregate of emoluments (excluding pension contributions)	877,399	597,957
Pension costs	-	-
	<u> </u>	<u> </u>
	No.	No
Average number of persons (including executive directors) employed by the Company in the year		
Investment department	6	5
	<u> </u>	<u> </u>
	2011 £	2010 £
Staff costs incurred during the year (including executive directors) in respect of these employees were:		
Wages and salaries	1,414,688	1,015,585
Social security costs	189,328	130,354
Pension costs	30,000	30,000
Other staff costs	300	6,713
	<u> </u>	<u> </u>
	1,634,316	1,182,652
	<u> </u>	<u> </u>

In addition, the Company paid £12,000 (2010 £12,000) in respect of consultancy fees to J M S Ekins, a non-executive director

3. Operating profit

	2011 £	2010 £
Operating profit is arrived at after charging:		
Fees payable to the company's auditor for the audit of the company annual accounts	9,750	9,750
Fees payable to the company's auditor for other services to the company (see below)	11,463	8,200
	<u> </u>	<u> </u>
	21,213	17,950
	<u> </u>	<u> </u>
Non audit fees		
Tax services	3,450	3,200
Regulatory services	8,013	5,000
	<u> </u>	<u> </u>
	11,463	8,200
	<u> </u>	<u> </u>

CG Asset Management Limited

Notes to the accounts For the year ended 30 April 2011

4 Tax on profit on ordinary activities

	2011 £	2010 £
United Kingdom corporation tax at 27.8% (2010: 28%) based on the taxable profit for the year	1,321,014	908,566
Adjustment in respect of prior period	4,618	21,538
	<u>1,325,632</u>	<u>930,104</u>

The tax assessed for the year is higher than that from applying the standard rate of corporation tax in the UK 27.8% (2010: 28%)

The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before taxation	4,777,914	3,372,202
Tax on profit on ordinary activities at 27.8% (2010: 28%) thereon	1,328,260	944,217
Factors affecting charge for the year		
Expenses not deductible for tax purposes	82,542	59,302
Non taxable income	(89,788)	(94,953)
Adjustment in respect of prior period	4,618	21,538
	<u>1,325,632</u>	<u>930,104</u>

A deferred tax asset has not been recognised in respect of short-term timing differences as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £2,763 (2010: £22,072)

CG Asset Management Limited

Notes to the accounts For the year ended 30 April 2011

5. Investments held as fixed assets

	Listed investments £	Shares in unlisted investments £	Total £
Cost			
At 1 May 2010	2,224,088	427,285	2,651,373
Additions	4,147,728	-	4,147,728
	<u>6,371,816</u>	<u>427,285</u>	<u>6,799,101</u>
At 30 April 2011			
Provision for impairment			
At 1 May 2010	(469,904)	(42,932)	(512,836)
Revaluation in the year	(246,332)	42,932	(203,400)
	<u>(716,236)</u>	<u>-</u>	<u>(716,236)</u>
At 30 April 2011			
Net book value			
At 30 April 2011	<u>5,655,580</u>	<u>427,285</u>	<u>6,082,865</u>
At 30 April 2010	<u>1,754,184</u>	<u>384,353</u>	<u>2,138,537</u>

The market value of the listed investments at 30 April 2011 was £ 5,975,242 (2010 £1,934,317)

As 30 April 2011 the Company held an investment of 147,828 (2010 147,828) 'A' shares in Smith & Williamson Holdings Limited at £ 427,285 (2010 £384,353)

6. Creditors' amounts falling due within one year

	2011 £	2010 £
Trade creditors	7,356	26,423
Corporation tax	707,985	472,814
Other taxation and social security	12,244	5,008
Accruals and deferred income	1,014,894	719,155
	<u>1,742,479</u>	<u>1,223,400</u>

CG Asset Management Limited

Notes to the accounts For the year ended 30 April 2011

7. Called up share capital

	2011 £	2010 £
Authorised:		
200,000 ordinary shares of £1 each	200,000	200,000
Called up, allotted and fully paid:		
135,121 ordinary A shares of £0.50 each	67,561	135,121
135,121 ordinary B shares of £0.50 each	67,560	-
	<u>135,121</u>	<u>135,121</u>

During the year the directors decided to restructure the company's capital into 'A' and 'B' class of shares in order that the new joiners to the company could participate in the future growth of the business

8 Reserves

	Share premium account £	Profit and loss account £
At 1 May 2009	481,167	2,494,532
Retained profit for the year	-	2,442,098
Dividends	-	(3,513,147)
At 1 May 2010	<u>481,167</u>	<u>1,423,483</u>
Retained profit for the year	-	3,452,282
At 30 April 2011	<u>481,167</u>	<u>4,875,765</u>

9. Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Profit for the year	3,452,282	2,442,098
Dividends paid	-	(3,513,147)
Net increase/(decrease) in shareholders' funds	<u>3,452,282</u>	<u>(1,071,049)</u>
Opening shareholders' funds	2,039,771	3,110,820
Closing shareholders' funds	<u>5,492,053</u>	<u>2,039,771</u>

CG Asset Management Limited

Notes to the accounts For the year ended 30 April 2011

10. Reconciliation of operating profit to operating cashflows

	2011 £	2010 £
Operating profit	4,658,182	3,212,266
Increase in debtors	(221,904)	(88,020)
Increase in creditors	283,909	234,796
Net cash inflow from operating activities	<u>4,720,187</u>	<u>3,359,042</u>

11 Analysis of cash flows

	2011 £	2010 £
Returns on investments and servicing of finance		
Interest received	21,504	26,060
Other income	301,627	295,415
Net cash inflow	<u>323,131</u>	<u>321,475</u>
Taxation		
UK corporation tax paid	(1,090,461)	(810,692)
Net cash outflow	<u>(1,090,461)</u>	<u>(810,692)</u>
Capital expenditure and financial investment		
Purchase of fixed asset investments (listed)	(4,147,728)	(3,058,084)
Proceeds from sale of fixed asset investments (listed)	-	3,577,900
Net cash (outflow)/inflow	<u>(4,147,728)</u>	<u>519,816</u>

12 Reconciliation of net cash flow to movements in net funds

	2011 £	2010 £
Decrease in cash during the year	(194,871)	(123,506)
Movement in net funds in the year	(194,871)	(123,506)
Net funds at 1 May	695,203	818,709
Net funds at 30 April	<u>500,332</u>	<u>695,203</u>

CG Asset Management Limited

Notes to the accounts For the year ended 30 April 2011

13. Analysis of net funds

	At 1 May 2010 £	Cash flow	At 30 April 2011 £
Cash at bank	<u>695,203</u>	<u>(194,871)</u>	<u>500,332</u>

14. Controlling party

The ultimate controlling party is R P A Spiller, by virtue of his 58.50 % (2009 63.42%) shareholding in the company

15. Related party transactions

During the year the Company incurred expenditure of £ 111,632 (2010 £89,757) in respect of office facilities to Smith & Williamson Investment Management Limited ('SWIM') part of the Smith & Williamson Group of companies, which also owns 10% of the issued share capital of the Company. At 30 April 2011 £ 3,501 was owed to SWIM (2010 £26,423). The Company also has current and deposit account balances held with SWIM which at the year end amounted to £500,332 (2010 £695,203). Additionally, the Company has purchased listed investments in the CG Portfolio Fund PLC Dollar sub fund at a cost of £nil (2010 £201,508), the CG Portfolio Fund PLC Real Return Fund £nil (2010 £400,007), the Capital Value Fund £1,008,824 (2010 £nil) and the CG Portfolio Fund Limited at a cost of £1,550,000 (2010 £nil). These funds are all managed by CG Asset Management.