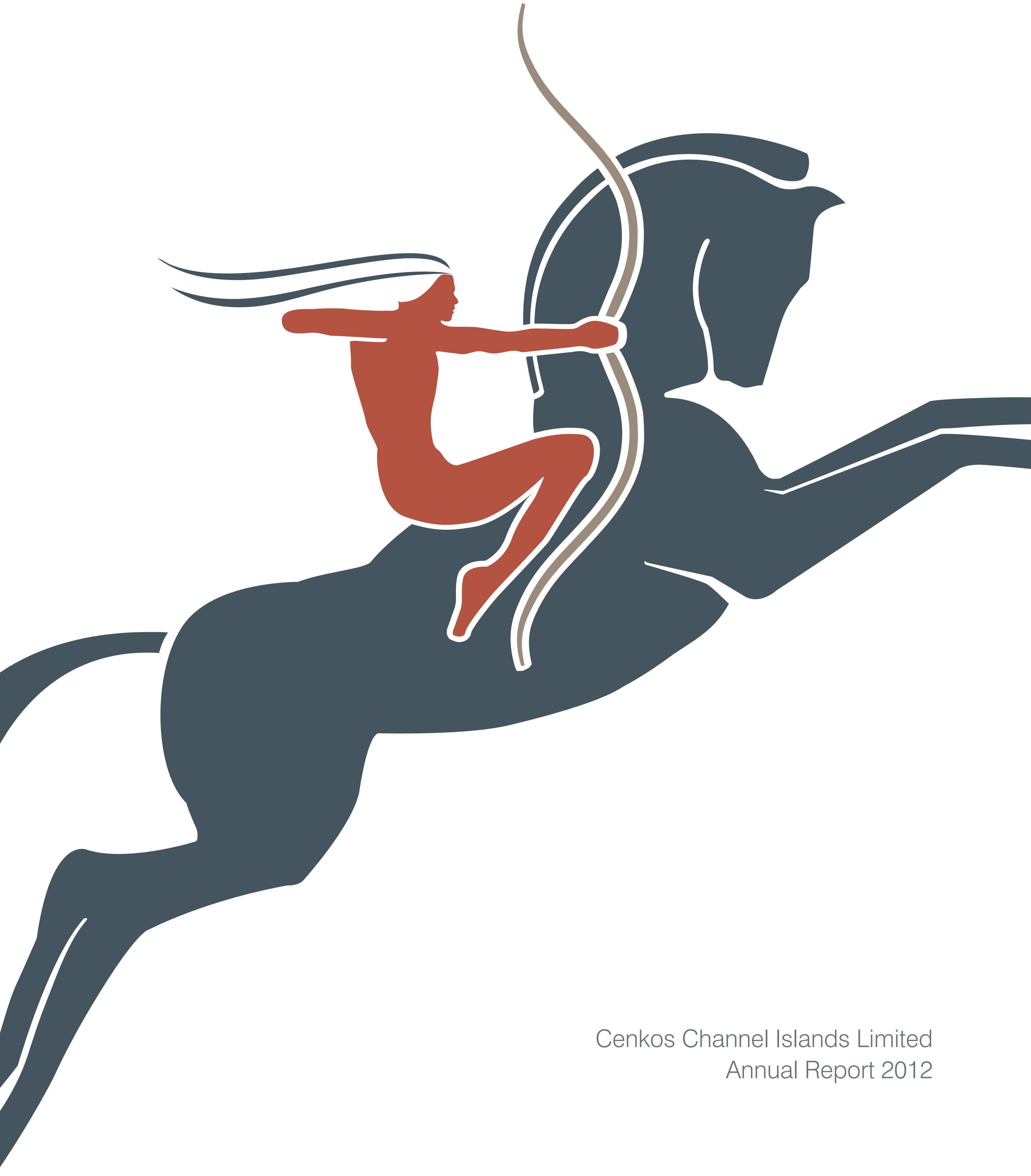
CENKOS

STOCKBROKING & INVESTMENT MANAGEMENT



Cenkos Channel Islands Limited
Annual Report 2012

Highlights

Year ended 31 December 2012

Business and financial highlights

- Turnover down 6% to £6.00m (2011: £6.34m)
- Total assets under management for the Group increased by 15% to £1.11bn (2011: £0.96bn)
- The Board proposes to maintain a final dividend of 3p, making a total dividend of 6p for the year
- Profit before tax decreased by 27% to £0.66m (2011: £0.90m)
- Basic earnings per share down by 26% to 6.57p (2011: 8.83p)
- Diluted earnings per share down by 25% to 6.41p (2011: 8.50p)

Contents

Officers and professional advisers
Year ended 31 December 2012

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

Secretary
D J McGall

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

Sponsor
Hatstone Listing Services Ltd
Eaton House
1 Seaton Place
St Helier
Jersey
JE2 3QL

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

The board of directors
Year ended 31 December 2012

Andy Stewart
Chairman

Andy was previously Chief Executive Officer and more latterly Deputy Chairman of Cenkos Securities plc having founded the Company in 2005 and 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 Chairman of the Nominations Committee and is a member of the Audit and Remuneration Committees.

Jon Ravenscroft
Chief Executive Officer

Jon founded Cenkos Channel Islands Limited in 2005 and was appointed Chief Executive Officer. He has more than 30 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.

Simon Melling
Chief Operating Officer

Simon was the Chief Executive Officer of Cenkos Securities plc until December 2011 having previously held the roles of Group Finance Director and Chief Operating Officer 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.

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 Vice-Chairman of the Guernsey Financial Services Commission and Commissioner of the Guernsey Sports Commission. She is also a Director of local property companies and is Non-Executive Director of listed property & investment funds.

Susie is Chairman of the Audit and Remuneration Committees and is a member of the Nominations Committee.

Chairman's statement

Year ended 31 December 2012

In my statement last year I said that 2011 had been a difficult year to be a stockbroker, well unfortunately 2012 was even more demanding, particularly in the second half of the year. Given the general economic uncertainties that existed during the year volumes in the equity markets were as low as I can remember. In addition corporate activity was negligible. Inevitably this turmoil in the markets have had an effect on our revenue which is down 6% (£6.34m to £6.00m). However whilst revenues are down we have continued to increase by 7% (2011: 31%) the amount of recurring revenue we generate this we believe puts us in a strong position to capitalise on any upturn in the market when it comes. We continue to keep a tight control over costs and as a result we have had to make some tough decisions, this has included cutting back on any discretionary spend and restructuring our Jersey office so that it is profitable going forward. The costs of this restructuring are included in the results for 2012.

Against this background during the year we have made significant advances and taken the opportunity to build for the future. Whilst our competitors come under overseas ownership with the acquisitions of Collins Stewart by Canaccord and Spearpoint by Brooks Macdonald we are now truly independent. In March this year, Cenkos Securities plc sold 80% of its stake in us; with many of our staff and clients purchasing the available shares. The one off costs of this exercise are included in the costs for 2012 and have affected this year's profits. This transaction was followed in December 2012 by the sale of their remaining 20% (10% of the market cap) to Stephen Lansdown's private investment company Pula Investments Limited, the co-founder of Hargreaves Lansdown and a Guernsey resident. These transactions are wonderful news for us as they allow us to expand our business in the way we want to in the best interests of our shareholders and clients. It also demonstrates the extent of the support that we have received from both you our clients and business leaders with a proven track record.

We have also taken the opportunity this year to invest into our infrastructure. As a result of our separation from Cenkos Securities plc, we have made sure that we are totally independent from an IT perspective. This project, whilst substantially complete, will be fully implemented by the end of March 2013. In addition we are in the process of implementing a new front office system, which will remove a number of labour intensive manual processes. The time saved on such tasks will allow us to dedicate more time to our clients and will hopefully result in an improved overall service. It will also allow us to scale up the business without vast increases in our outgoings or staff. I am also pleased to report that Simon Melling, previously CEO of Cenkos Securities plc, joined us during the year as our Chief Operating Officer. His experience, I am sure, will help us move to the next level.

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

The start to 2013 has been strong with good commission levels and reflects some of the cost changes mentioned above; we also have a good pipeline of corporate deals which we hope will convert into actual transactions.

The Board is proposing a final dividend of 3p per share to be approved at the Annual General Meeting in April 2013 and paid on 2 May 2013 to all shareholders on the register at 29 April 2013. This will bring the total dividend for the year to 6p.

Andy Stewart
Chairman
12 March 2013

Business and financial review

Year ended 31 December 2012

The challenging market conditions noted in my review in our Interim Report persisted for the remainder of 2012 and whilst we continue to reduce our reliance on transactional income, with recurring revenue increasing by 7% during the year, we still remain exposed to short-term fluctuations in investor and market sentiment. Consequently total revenue for Cenkos Channel Islands Limited ("the Company") and its subsidiaries ("the Group") decreased 6% to £6.00m for the year ended 31 December 2012 (2011: £6.34m), and operating profit fell 26% to £0.66m (2011: £0.90m). Total assets under management for the Group increased 15% year on year to £1.11bn (2011: £0.96bn). The table below shows an analysis of revenue by type:

	2012 £	2011 £
Guernsey Broking	3,730,236	4,171,763
Jersey Broking	829,461	835,860
Asset Management	1,435,403	1,336,501
	5,995,100	6,344,124

Guernsey Broking

Our broking team in Guernsey experienced an 11% decline in total income from customers to £3.73m (2011: £4.17m) as their hard work in growing recurring client revenue was unfortunately more than offset by a 16% decline in transactional revenues from client trades and corporate finance fees. As a result operating profits for the segment fell 21% to £0.37m (2011: £0.46m).

Despite the successful fund raisings for Leicester Tigers Rugby Club, Darwin Leisure Property Fund and Breedon Aggregates Limited in the first half of 2012, there were no significant corporate finance fees generated in the second half of the year although the team kept busy through acting as distributor for a number of retail bond issues and exploring a number of projects that will hopefully come to fruition during 2013.

Our market making team has continued to grow its client base, and is now the largest market maker on the Channel Islands Stock Exchange. As at the year end, the team now acts as market maker for 38 clients including all sub-funds. The team also continues to undertake 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.

Total assets under management for the segment at 31 December 2012 were £732m (2011: £633m).

Jersey Broking

Jersey turnover remains less dependent on transactional revenue, decreasing less than 1% to £0.83m (2011: £0.84m) as the team grew assets under management and an increase in the value of client trades offset a decline in trading volume during the second half of 2012. Operating profits for the segment fell 92% to £0.01m (2011: £0.12m) as we made provision for redundancy costs during the year.

Total assets under management for the segment at 31 December 2012 were £203m (2011: £183m).

Business and financial review (continued)

Year ended 31 December 2012

Asset Management

Our asset management team increased revenues by 7% from £1.34m to £1.44m as higher segregated mandate and fund management fees reflected their success in growing assets under management during the year.

The team's unitised funds all performed well during 2012, with their flagship Diversity Fund returning a pleasing 11% and they continue to work hard to increase its profile across both islands, and hosted a number of well attended roadshows in both Guernsey and Jersey during the year.

Total assets under management for the segment at 31 December 2012 were 16% higher at £172m (2011: £148m), of which £93m (2011: £79m) was in segregated mandates.

Profit before tax

The Group's profit before tax was £0.66m compared with £0.90m in 2011, a decline of 27%.

As a result of this decline, a review of expenditure and key supplier relationships was instigated in the second half of the year however given the nature of this review the benefits will not be fully realised until 2013. Included in staff costs within administrative expenses is a bonus paid to option holders, which amounts to £86,532 (2011: £85,000). In accordance with the Long Term Incentive Plan adopted at the 2011 Annual General Meeting, this bonus is linked to dividends so is entirely dependent on the after tax profits of the Group and is therefore variable.

Statements of Financial Positions and Cash Flows

As at the year end the Group had net assets of £2.99m (2011: £2.97m), including cash balances of £2.03m (2011: £2.92m).

Non-current assets have increased following our significant investment in IT hardware and software systems since our separation from our former parent, the benefits of which will be realised from 2013 now that they have been fully implemented at the start of 2013. Our increased market making activities have seen our position in trading investments rise to £0.18m (2011: £0.05m), and both trade and other receivables and trade and other payables increased as a consequence of the rise in the value of open market and client trades at 31 December 2012 compared with the previous year end.

The Group saw a decline in cash balances of £0.89m during the year primarily as a result of movements in working capital, with the overall cash generated by operating activities being £0.17m compared with £1.83m in 2011. Cash outflows from investing and financing activities remained fairly static at £1.06m (2011: £1.08m), resulting in the year end cash position of £2.02m (2011: £2.92m).

The Group manages capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders. The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. At present the Group has no gearing and it is the responsibility of the Board to review the Group's gearing levels on an ongoing basis.

The Company and its subsidiaries are required to maintain certain minimum capital requirements. These requirements vary from time to time depending on the business conducted by the Group. The Company and two of its subsidiaries, Cenkos Channel Islands Investment Management Limited and Cenkos Jersey Limited, are required to maintain minimum financial resources in accordance with the rules of their respective regulators. The Group's financial resources have been fully reviewed and the levels maintained are considered by the Board as sufficient to meet the Group's commitments and withstand the risks to which they are subject. At 31 December 2012 the Company had excess net assets of £942,505 (2011: £1,037,506).

Earnings per share

Basic earnings per share for the year were 6.57p, compared with 8.83p in 2011. Diluted earnings per share for the year were 6.41p, compared with 8.50p for 2011.

Dividend

The Board is proposing to pay a final dividend of 3p per share. If approved at the Company's Annual General Meeting on 25 April 2013, the dividend will be paid on 2 May 2013 to all shareholders on the register at 29 April 2013. It is the view of the Board that after this distribution the Group still has sufficient funds to pursue its growth strategy and meets its regulatory capital obligations.

People

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

As at 31 December 2012, we employed 32 staff in Guernsey and 6 in Jersey.

Principal risks and uncertainties

The principal risks and uncertainties currently faced by the Group are outlined below. The risks outlined are those that the Group believes have the potential to have a significant detrimental impact on its financial performance and future prospects.

Economic conditions

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

Business and financial review (continued)

Year ended 31 December 2012

Principal risks and uncertainties (continued)

Reputational risk

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

Employee risk

The Group's employees are its greatest asset and the future success of the Group depends on the Group's ability to attract and retain high quality executives and employees. The Group seeks to minimise employee risk by rewarding employees through a remuneration package which includes performance-based payments that align the interests of both employees and shareholders.

Operational risk

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

Market risk exposure

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

Liquidity risk

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

Business continuity risk

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

Outlook

We have made a positive start to 2013, with trading ahead of our forecasts for the year to date, and I remain hopeful that the recent stability in financial markets will lead to both an increase in investor confidence and increased client trading and corporate finance work. Recent corporate activity in the local stockbroking sector highlights the current trend for merger and acquisitions within the industry, and it remains the Board's strategy to pursue growth both organically and through acquisition where appropriate.

Jon Ravenscroft
Chief Executive Officer
12 March 2013

Forward-looking statements

These financial statements contain forward-looking statements with respect to the financial condition, results, operations and businesses of the Group. Although the Group believes that the expectations reflected in these forward looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Such statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this statement. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Directors' report

Year ended 31 December 2012

The Directors present their report with the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2012.

Principal activity

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

Directors

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

Current Directors

Andrew Marshall Stewart
Jonathan Richard Ravenscroft
Sally-Ann (known as Susie) Farnon
Simon Charles Melling (appointed 1 July 2012)

Former Directors

Paul William Oliver (resigned 22 February 2012)

Directors' interests in ordinary shares of Cenkos Channel Islands Limited

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

	31 December 12		31 December 11	
	No. of shares	**Interest**	**No. of shares**	**Interest**
Jonathan Richard Ravenscroft*	1,499,000	14.99%	1,235,000	12.35%
Andrew Marshall Stewart	1,250,000	12.50%	797,500	7.98%
Sally-Ann Farnon**	125,000	1.25%	68,750	0.69%
Simon Charles Melling	76,600	0.77%	-	-

* All 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.

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

Directors' interests in share options in Cenkos Channel Islands Limited

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

	31 December 12	31 December 11	Exercise price	Grant date	First possible exercise date	Expiry date
Jonathan Richard Ravenscroft	120,000	120,000	90p	25.03.10	25.03.10	25.03.20
Jonathan Richard Ravenscroft	170,000	170,000	150p	19.04.11	19.04.11	25.03.20

Significant shareholdings

The Directors have been notified that the following shareholders had interests in 3% or more of the Company's ordinary share capital as at 12 March 2013 and 31 December 2012.

	12 March 13		31 December 12	
	No. of shares	Interest	No. of shares	Interest
Huntress (CI) Nominees Limited as nominee for:				
Jonathan Richard Ravenscroft	1,499,000	14.99%	1,499,000	14.99%
Andrew Marshall Stewart	1,250,000	12.50%	1,250,000	12.50%
Pula Investments Limited	1,000,000	10.00%	1,000,000	10.00%
Other <3% shareholders	5,622,060	56.22%	5,606,260	56.06%
Total	9,371,060	93.71%	9,355,260	93.55%

Dividend

The Directors recommend the payment of a final dividend of 3p per ordinary share in respect of the year ended 31 December 2012 (2011: 3p). Subject to approval at the Annual General Meeting to be held on 25 April 2013, the dividend will be paid on 2 May 2013.

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' report (continued)

Year ended 31 December 2012

Directors' and Officers' liability insurance

The Group maintains liability insurance on behalf of the Company for its Directors and Officers.

Auditor

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

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

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

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, Les Bas Courtils, St Saviour, Guernsey GY7 9YF on 25 April 2013 at 12.00 noon.

Approved by the Board of Directors on 12 March 2013 and signed on its behalf by:

Jon Ravenscroft	**Susie Farnon**
Director	Director

Corporate governance report

Year ended 31 December 2012

Introduction

The Company is subject to the Finance Sector Code of Corporate Governance ("the Code") issued by the Guernsey Financial Services Commission ("GFSC") that came into effect on 1 January 2012. The Board fully supports high standards of corporate governance and it is the Directors' opinion that throughout the year to 31 December 2012 the Company has complied fully with the Principles and Guidance set out in the Code. Although the Group is not subject to the UK Corporate Governance Code (June 2010), the Board will continue to 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 2012 the Board consisted of two Executive and two 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.

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 Director

As well as the Non-executive Chairman, the Board also has one independent Non-executive Director. The independent Director brings independent judgement, knowledge and experience to the Board.

Senior Independent Directors

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

The Board is of the opinion that each Non-executive Director acts in an 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. Andy Stewart 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 four 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	9	2	2
Andy Stewart	9	2	2
Jon Ravenscroft	9	N/A	N/A
Paul Oliver (resigned 22 February 2012)	3	N/A	N/A
Susie Farnon	9	2	2
Simon Melling (appointed 1 July 2012)	2	N/A	N/A

Corporate governance report (continued)

Year ended 31 December 2012

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 undertaken during the year following the introduction of the Code on 1 January 2012. It is envisaged that a review of the Board will take place annually.

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 auditor are invited to attend these meetings, as appropriate.

The Committee has the following responsibilities:

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

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

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

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

- considered, reviewed and approved to the Board the Supervisory Review and Evaluation Process and the Capital Adequacy Rules that are required by the Company's regulator, the GFSC;
- 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 auditor. To this end, the Audit Committee has stated as an objective that fees paid to the auditor for non-audit work should not exceed the fees for audit work, without prior approval.

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 and Susie Farnon. Susie Farnon is the Chairman of the Committee. The Committee meets as and when required in order to ensure that it discharges its duties in determining the remuneration policy for the Group.

The main duties of the Committee are:

- determine and agree with the Board the framework or broad policy for the remuneration of the Executive Directors of the Company or such other members of the senior management as it is designated to consider;
- within the terms of the agreed policy, determine the total individual remuneration package of each Executive Director including where appropriate, basic salaries, annual performance awards, 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.

Corporate governance report (continued)
Year ended 31 December 2012

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

Executive Committee
The Committee, which is chaired by the Chief Executive Officer, deals with the implementation of strategic goals as well as reviewing current business activities. The members of the Committee are the Executive Directors and the heads of each team.

Operations Committee
The Committee, which is chaired by the Chief Operating Officer, meets bi-weekly to manage the day-to-day operational issues of the business and reports to both the Board and Risk Committee.

Risk Committee
The Committee is chaired by the Group Head of Risk and meets monthly to monitor, review and manage the market, credit, operational and regulatory risks within the business and is responsible for the assessment and quality of high risk business taken on. 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.

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

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

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

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 controls in March 2013. The Audit Committee considered the progress that had been made during the year ended 31 December 2012 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 2012 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 12 March 2013 and signed on its behalf by:

Jon Ravenscroft
Director

Susie Farnon
Director

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

We have audited the annual financial statements of Cenkos Channel Islands Limited for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the related notes 1 to 19 and the Summary Financial Information. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Furthermore, as described in the Statement of Directors' Responsibilities, the company's Directors are responsible for ensuring that the statement of financial resources meets the requirement specified in Rule 2.2.5 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 2.2.5 of The Licensees (Capital Adequacy) Rules 2010 has been satisfied. In addition, we read all the financial and non-financial information in the annual report to identify material misstatements or inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 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 48 and, in our opinion, the financial resources requirement specified in Rule 2.2.5 of The Licensees (Capital Adequacy) Rules 2010 has been satisfied.

Matters on which we are required to report by exception

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

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

Deloitte LLP
Chartered Accountants
St Peter Port
Guernsey

Date: 12 March 2013

Consolidated statement of comprehensive income

Year ended 31 December 2012

	Notes	1 January 12 to 31 December 12 £	1 January 11 to 31 December 11 £
Revenue	1	5,995,100	6,344,124
Administrative expenses	1	(5,335,619)	(5,447,549)
Operating profit		659,481	896,575
Finance income		4,789	5,741
Finance costs		(6,010)	(1,103)
Profit before taxation		658,260	901,213
Taxation	4	(1,032)	(12,251)
Profit for the financial period		657,228	888,962
Attributable to:			
Equity holders of the parent		657,228	882,764
Non-controlling interests		-	6,198
		657,228	888,962
Earnings per share			
Basic	5	6.57p	8.83p
Diluted	5	6.41p	8.50p

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 2012 was £364,679 (year ended 31 December 2011: £465,546).

The notes on pages 26 to 47 form part of these financial statements.

Consolidated statement of financial position

Year ended 31 December 2012

	Notes	31 December 12 £	31 December 11 £
Non-current assets			
Intangible assets	6	303,076	-
Property, plant and equipment	7	398,794	357,326
		701,870	357,326
Current assets			
Trading investments - long positions	9	178,425	52,712
Trade and other receivables	10	8,941,353	4,571,838
Cash and cash equivalents	11	2,028,888	2,921,684
		11,148,666	7,546,234
Total assets		11,850,536	7,903,560
Current liabilities			
Trade and other payables	12	8,857,262	4,923,564
Tax payable		899	14,763
		8,858,161	4,938,327
Net current assets		2,290,505	2,607,907
Total assets less current liabilities		2,992,375	2,965,233
Net assets		2,992,375	2,965,233
Equity			
Called up share capital	14	100,000	100,000
Reserves		2,892,375	2,865,233
Total equity		2,992,375	2,965,233

The financial statements were approved by the Board of Directors on 12 March 2013 and signed on its behalf by:

Jon Ravenscroft
Director

Susie Farnon
Director

The notes on pages 26 to 47 form part of these financial statements.

Consolidated statement of cash flows
Year ended 31 December 2012

	Notes	1 January 12 to 31 December 12 £	1 January 11 to 31 December 11 £
Cash flows from operations			
Operating profit from continuing operations		659,481	896,575
Adjustments for:			
Depreciation of property, plant and equipment	7	92,310	83,443
Share based payment expense		-	84,448
Profit on disposal of non-current assets		-	(973)
Operating cash flows before movements in working capital		751,791	1,063,493
(Increase)/decrease in trading investments		(125,713)	748,921
(Increase)/decrease in receivables		(4,369,515)	1,828,652
Increase/(decrease) in payables		3,933,698	(1,805,409)
Cash generated by operations		190,261	1,835,657
Interest paid		(6,010)	(1,103)
Taxation paid		(14,896)	(2,200)
Net cash generated by operating activities		169,355	1,832,354
Cash flows from investing activities			
Interest received		4,789	5,741
Purchase of intangible assets	6	(303,076)	-
Purchase of property, plant and equipment	7	(133,778)	(367,539)
Sale of property, plant and equipment	7	-	4,500
Net cash used in investing activities		(432,065)	(357,298)
Cash flows from financing activities			
Purchase of shares from non-controlling interests		-	(8,000)
Acquisition of own shares subsequently held in treasury		(61,804)	(87,000)
Disposal of own shares held in treasury		30,500	63,375
Dividends paid		(598,782)	(693,925)
Net cash used in financing activities		(630,086)	(725,550)
Net (decrease)/increase in cash and cash equivalents		(892,796)	749,506
Cash and cash equivalents at the beginning of the year		2,921,684	2,172,178
Cash and cash equivalents at the end of the year		2,028,888	2,921,684

The notes on pages 26 to 47 form part of these financial statements.

Consolidated statement of changes in equity

Year ended 31 December 2012

	Notes	Share Capital £	Reserves £	Non-controlling Interests £	Total £
At 1 January 2011		100,000	2,631,772	(14,399)	2,717,373
Profit for the year		-	882,764	-	882,764
Own shares purchased in the period		-	(87,000)	-	(87,000)
Own shares sold in the period		-	63,375	-	63,375
Profit allocated to non-controlling interests		-	-	6,198	6,198
Purchase of shares from non-controlling interests		-	-	(8,000)	(8,000)
Loss on purchase of shares from minority interests		-	(16,201)	16,201	-
Credit to equity for equity-settled share-based payments		-	84,448	-	84,448
Dividends paid		-	(693,925)	-	(693,925)
At 31 December 2011		100,000	2,865,233	-	2,965,233
Profit for the year		-	657,228	-	657,228
Own shares purchased in the period	16	-	(61,804)	-	(61,804)
Own shares sold in the period	16	-	31,831	-	31,831
Loss on disposal of own shares		-	(1,331)	-	(1,331)
Dividends paid		-	(598,782)	-	(598,782)
At 31 December 2012		100,000	2,892,375	-	2,992,375

The notes on pages 26 to 47 form part of these financial statements.

Notes to the financial statements

Year ended 31 December 2012

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

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 2013 or later periods, but the Group has not early adopted them:

IAS 19 (Amendment) 'Employee Benefits' (effective 1 January 2013);
IFRS 7 (Amendment) 'Disclosures - Financial Instruments' (effective 1 January 2013);
IFRS 9 'Financial Instruments' - (financial assets) (effective 1 January 2013);
IFRS 10 'Consolidated Financial Statements' (effective 1 January 2013);
IFRS 11 'Joint Arrangements' (effective 1 January 2013);
IFRS 12 'Disclosure of Interests in Other Entities' (effective 1 January 2013); and
IFRS 13 'Fair Value Measurement' (effective 1 January 2013);

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

Critical accounting judgement and key sources of estimation uncertainty

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

Bad debt policy
The Group regularly reviews all outstanding balances including market and client receivables referred to in note 18 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 15.

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company (its subsidiaries as disclosed in note 8), and employee benefit trusts (as disclosed in note 16) made up to co-terminus period ends. Control is achieved where the Company has power to govern the financial and operating policies of an investee entity so as to obtain benefit from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective point of acquisition or up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

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

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

Segment reporting

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

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.

Notes to the financial statements (continued)

Year ended 31 December 2012

1. Accounting policies (continued)

Financial instruments (continued)

Financial assets at fair value through profit or loss

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

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

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

Trade and other receivables

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

Impairment of financial assets

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

Derecognition of financial assets

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

Trade and other payables

Trade and other payables are measured at amortised cost.

Interest bearing loans and receivables

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

Financial liabilities and equity

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

Equity instruments

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

Foreign currencies

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

Operating leases

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

Intangible assets

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

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

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

Purchased software and software development

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

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

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

Notes to the financial statements (continued)

Year ended 31 December 2012

1. Accounting policies (continued)

Property, plant and equipment

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

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

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

Cash and cash equivalents

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

Taxation

The Company and its Guernsey subsidiaries are taxed at the standard Guernsey rate of income tax of 0%. Cenkos Jersey Limited is taxed in Jersey at the rate applicable to financial service companies of 10%.

The Company and its Guernsey subsidiaries were 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. £nil (2011: £35,703) 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 arise before 1 January 2008.

The deemed distribution regime has been repealed with effect from 1 January 2013 and it is now only actual distributions and loans to participators that the Company may be required to deduct and pay tax on.

Revenue recognition

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

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

Share based payments

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

Client money

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

Broker settlement balances

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

2. Segment information

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

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

Notes to the financial statements (continued)

Year ended 31 December 2012

2. Segment information (continued)

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

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

	Guernsey Broking	Jersey Broking	Asset Management	Eliminations	Consolidated
	£	£	£	£	£
Operating segment information for the year ended 31 December 2012:					
Revenues from external customers	3,730,236	829,461	1,435,403	-	5,995,100
Inter-segment revenue	149,682	20,091	-	(169,773)	-
Total revenues	3,879,918	849,552	1,435,403	(169,773)	5,995,100
Operating profit	365,378	10,009	284,094	-	659,481
Finance income					4,789
Finance costs					(6,010)
Profit before tax					658,260
Tax					(1,032)
Profit for the year					657,228

	Guernsey Broking	Jersey Broking	Asset Management	Eliminations & Unallocated	Consolidated
	£	£	£	£	£
Other segment information as at 31 December 2012:					
Segment assets	10,634,389	422,361	672,634	121,152	11,850,536
Segment liabilities	8,358,799	899	274,250	224,213	8,858,161

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

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

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

	Revenue from customers		Non-current assets	
	1 January 12 to 31 December 12	1 January 11 to 31 December 11	31 December 12	31 December 11
	£	£	£	£
Geographical location:				
Channel Islands	5,995,100	6,344,124	701,870	357,326

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

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

Notes to the financial statements (continued)
Year ended 31 December 2012

3. Profit for the year

	1 January 12 to 31 December 12 £	1 January 11 to 31 December 11 £
Profit for the year has been arrived at after charging auditor's remuneration as follows:		
Fees payable to the Company's auditor for the audit of the Group's annual accounts and consolidation	29,004	20,085
Fees payable to the Company's auditor for other services:		
- The audit of the Company's subsidiaries	39,992	22,150
Total audit fees	68,996	42,235
Taxation compliance services	16,800	13,000
Other services: half year review	-	13,845
US IRS Qualified Intermediary compliance	32,750	58,232
Total non-audit fees	49,550	85,077
	118,546	127,312

4. Taxation

	1 January 12 to 31 December 12 £	1 January 11 to 31 December 11 £
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	1,032	12,251
	1,032	12,251

5. Earnings per share

	31 December 12 £	31 December 11 £
Earnings:		
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	657,228	882,764
Effect of dilutive potential of ordinary shares	-	-
Earnings for the purposes of diluted earnings per share	657,228	882,764

	No.	No.
Number of shares:		
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	253,982	385,497
Weighted average number of shares for the purposes of diluted earnings per share	10,253,982	10,385,497

6. Intangible assets

	Purchased Software and Software Development £	Software Licences £	Total £
Cost:			
Additions	187,076	116,000	303,076
At 31 December 2012	187,076	116,000	303,076
Amortisation:			
Charge for the year	-	-	-
At 31 December 2012	-	-	-
Carrying amount:			
At 31 December 2012	187,076	116,000	303,076

Notes to the financial statements (continued)

Year ended 31 December 2012

7. Property, plant and equipment

	Communication Equipment	Office Equipment	Fixtures & Fittings	Leasehold Improvements	Total
	£	£	£	£	£
Cost:					
At 31 December 2011	213,524	104,564	4,147	284,252	606,487
Additions	130,490	3,288	-	-	133,778
At 31 December 2012	344,014	107,852	4,147	284,252	740,265
Depreciation:					
December 2011	162,378	57,841	4,147	24,795	249,161
Charge for year	40,568	23,317	-	28,425	92,310
At 31 December 2012	202,946	81,158	4,147	53,220	341,471
Net book value:					
At 31 December 2012	141,068	26,694	-	231,032	398,794
At 31 December 2011	51,146	46,723	-	259,457	357,326

Included in property, plant and equipment are assets with a book cost of £172,966 which have been fully depreciated at the year end (2011: £160,271).

8. Investments in subsidiary undertakings

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

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

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

9. Trading investments

	31 December 12 £	31 December 11 £
Long positions:		
Fair value	178,425	52,712
Net position	178,425	52,712

The fair values of these securities are based on quoted market prices. The risks resulting from these positions are set out in note 18.

10. Trade and other receivables

	31 December 12 £	31 December 11 £
Amounts falling due within one year:		
Prepayments and accrued income	883,615	731,412
Market and client debtors	8,057,738	3,840,426
	8,941,353	4,571,838

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

11. Cash and cash equivalents

	31 December 12 £	31 December 11 £
Cash and cash equivalents	2,028,888	2,921,684

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

12. Trade and other payables

	31 December 12 £	31 December 11 £
Amounts falling due within one year:		
Accrued expenses	850,440	1,113,016
Deferred income	50,225	96,734
Market and client payables	7,956,597	3,661,949
Loan payable to Cenkos Securities plc	-	51,865
	8,857,262	4,923,564

The Directors consider that the carrying amount of trade and other payables approximates their fair values.
The loan from Cenkos Securities plc was unsecured, interest free and was repaid during the year.

Notes to the financial statements (continued)

Year ended 31 December 2012

13. Commitments

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

	Land and Buildings	
	31 December 12	31 December 11
	£	£
Within one year	182,761	113,592
Within two to five years inclusive	567,500	612,500
Over five years	401,458	518,958
	1,151,719	1,245,050

14. Called up share capital

	31 December 12	31 December 11
	No.	No.
Authorised:		
Ordinary shares of £0.01	12,000,000	11,000,000
Allotted, issued and fully paid:		
Ordinary shares of £0.01	10,000,000	10,000,000

	31 December 12	31 December 11
	£	£
Authorised:		
Ordinary shares of £0.01	120,000	110,000
Allotted, issued and fully paid:		
Ordinary shares of £0.01	100,000	100,000

15. Shared based option plan

Group Share Option Plan

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

Company Share Option Plan (“CSOP”)

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

Long Term Incentive Plan ("LTIP")
A number of options have been granted under the terms of the LTIP. These options are exercisable at a price agreed in accordance with the rules of the scheme on the date of grant. The vesting date of the options is detailed below. If the options remain unexercised after 25 March 2020, the options will expire. If the option holder ceases to be an employee or office holder within the Group the options will lapse.

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

	Number of share options	31 December 12 Weighted averaged exercise price (£)	Number of share options	31 December 11 Weighted average exercise price (£)
Outstanding and exercisable at the beginning of the year	1,857,500	1.11	1,000,000	0.90
Granted during the year	-	-	857,500	1.35
Exercised during the year	-	-	-	-
Lapsed during the year	(137,500)	1.16	-	-
Outstanding and exercisable at the end of the year	1,720,000	1.11	1,857,500	1.11

	Date of grant	Vesting date	Date of expiry	Remaining contractual life (months)	31 December 12 Number of share options	31 December 11 Number of share options
Options exercisable at £0.90 per share	Mar-10	Mar-10	Mar-20	87	920,950	1,000,000
Options exercisable at £1.25 per share	Apr-11	Apr-11	Mar-20	87	500,000	500,000
Options exercisable at £1.50 per share	Apr-11	Apr-11	Mar-20	87	299,050	357,500
Options exercisable at 31 December					1,720,000	1,857,500

The options outstanding at 31 December 2012 have a weighted average exercise price of £1.11 (2011: £1.11) and a weighted average remaining contractual life of 7 years (2011: 8 years). At the date of grant, they had an estimated fair value of 2012 £116,164 (2011: £125,451).

Notes to the financial statements (continued)

Year ended 31 December 2012

15. Shared based option plan (continued)

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

	31 December 12 £	31 December 11 £
Expected volatility	8%	6%
Expected share price growth	2%	1%
Discount rate	4%	4%

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

During the year the Group recognised expenses of £nil (2011: £84,448) related to equity-settled share-based payment transactions with regard to issue of share options.

Certain option holders are entitled to a cash bonus equivalent to the amount of any dividend per share that the Company pays to ordinary shareholders multiplied by the number of share options awarded. The option holders are required to be employed when the dividend is paid in order to be entitled to the bonus and this bonus is charged as an expense at that date.

16. Own shares

The Group operates two Employee Benefit Trusts (The Cenkos CI Employee Benefit Trust ("CCIEBT") and The Cenkos Jersey Discretionary Employee Benefit Trust ("CJDEBT")) which were both established in 2010 to handle the purchase, holding and sale of Company shares for benefit of directors and staff and to satisfy future share option obligations under the Group's share option scheme (see note 15). As at 31 December 2012 CCIEBT owned 44,300 ordinary £0.01 shares with a book cost of £53,598, and the CJDEBT did not own any shares. The Employee Benefit Trusts have waived their rights to dividends.

	31 December 12		31 December 11	
	Number of Shares	Cost £	Number of Shares	Cost £
At 1 January	17,500	23,625	-	-
Acquired in the year	51,200	61,804	120,000	87,000
Disposed of in the year	(24,400)	(31,831)	(102,500)	(63,375)
At 31 December	44,300	53,598	17,500	23,625

17. Controlling party and related party disclosures

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

Shareholders' loan accounts receivable in respect of deductions for Guernsey deemed distribution taxes totalled £nil (2011: £35,703).

The Group acts market maker for the investments held within trading investments with a value of £165,175 (2011: £35,212).

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 12 £	31 December 11 £
Short-term employment benefits	282,283	616,959
Equity compensation benefits	-	10,718

18. 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:

	31 December 12 £	31 December 11 £
Financial assets		
Fair value through profit and loss (FVTPL):		
Trading investments - long positions	178,425	52,712
Amortised cost:		
Cash and cash equivalents	2,028,888	2,921,684
Market and client receivables	8,057,738	3,840,426
	10,265,051	6,814,822

	31 December 12 £	31 December 11 £
Financial liabilities		
Amortised cost:		
Accrued expenses	850,440	1,113,016
Market and client payables	7,956,597	3,661,949
Loan payable to Cenkos Securities plc	-	51,865
Taxation payable	899	14,763
	8,807,936	4,841,593

Notes to the financial statements (continued)

Year ended 31 December 2012

18. Financial instruments and risk management (continued)

Credit risk

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

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

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

Market and client receivables include £1,024,434 (2011: £1,100,761) relating to unsettled trades that have gone past their due dates. Of this balance, £nil (2011: £108,683) relates to trades awaiting settlement confirmation from unit trust managers and £455,734 (2011: £105,114) relates to trades where the market is unable to deliver stock. As at 12 March 2013 £1,024,428 of these trades had settled subsequent to the year end. At the year end the Group was owed £286,469 to (2011: owed £21,202 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 £660 (2011: £71,500) relating to unsettled trades.

Also within the market and client receivables are receivable amounts in respect of overdrawn client accounts of £271,347 (2011: £142,628) 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% (2011: 99%) of the overdrawn accounts and is described in more detail below.

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

Collateral exists in relation to the Group's right to liquidate client assets under management to make good funds owed to the Group by individual clients. For clients with assets under management the fair value of the available assets would exceed any amounts owed. This collateral does not affect market side receivables or clients using cash against delivery services. The fair value of this collateral at the year end is £437,531 (2011: £273,943). 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 £6,744,699 (2011: £2,324,290) that are expected to settle within a few days of the year end as these fall due for settlement. The corresponding counterparty/client receivables are presented within the market and client receivables balance.

Such obligations relating to transactions entered into as principal in a nominee capacity are done so through a subsidiary of the Company, Huntress (CI) Nominees Limited, which exists solely to act in this capacity. Funds held on behalf of clients are reconciled daily and on occasion the Company may be required to advance funds to meet counterparty obligations. It is not considered that this represents a significant liquidity risk as the Group has the means to meet these obligations.

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 2012						
Trading investments - long positions	Non-interest bearing		178,425	-	-	178,425
Trade and other receivables	Non-interest bearing		8,941,353	-	-	8,941,353
Trade and other payables	Non-interest bearing		(8,857,262)	-	-	(8,857,262)
Cash and cash equivalents	Variable interest rate instruments	0.20%	2,028,888	-	-	2,028,888
			2,291,404	-	-	2,291,404

Notes to the financial statements (continued)

Year ended 31 December 2012

18. Financial instruments and risk management (contnued)

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

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

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 role as a market maker on the Channel Islands Stock Exchange. The Group applies monitors and controls to minimise the risk and details of the exposure to equity price risks are shown below.

(iii) Equity price sensitivity analysis

The sensitivity analysis below has 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 2012 would have been £17,843 higher/lower (2011: £5,271 higher/lower) due to changes in the value of FVTPL held for trading investments.

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

(iv) Interest rate risk

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

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).

				31 December 12
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Financial assets at FVTPL				
Non-derivative financial assets held for trading	24,715	153,710	-	178,425

Notes to the financial statements (continued)

Year ended 31 December 2012

18. Financial instruments and risk management (contnued)

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

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:

(i) Quoted market price
Financial instruments with quoted prices for identical instruments in active markets.

(ii) 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.

(iii) Valuation technique with significant non-observable inputs
Financial instruments valued using models where one or more significant inputs are not observable.

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

Capital risk management

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

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

19. Post balance sheet events

The Directors propose a final dividend of 3p per share, totalling £300,000. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 25 April 2013.

Statement of financial resources
Year ended 31 December 2012

The Directors confirm that the Company has satisfied the financial resources requirement as specified in Rule 2.2.5 of The Licensees (Capital Adequacy) Rules, 2010, throughout the year ended 31 December 2012.

Financial resources as at 31 December 2012

	31 December 12 £	31 December 11 £
Net assets after adjustments, contingent liabilities and risks	1,749,413	1,851,409
Expenditure based requirement at 25% of licensee's annual audited expenditure after adjustments	806,908	813,903
Excess of net assets over the financial resources requirement	942,505	1,037,506

Jon Ravenscroft
Director

Susie Farnon
Director

Date: 12 March 2013

Summary of financial information

Year ended 31 December 2012

Consolidated statement of comprehensive income

	1 January 12 to 31 December 12 £	1 January 11 to 31 December 11 £
Revenue	5,995,100	6,344,124
Expenses	(5,335,619)	(5,447,549)
Operating profit	659,481	896,575
Finance income and costs	(1,221)	4,638
Profit before taxation	658,260	901,213
Taxation	(1,032)	(12,251)
Profit for the financial year	657,228	888,962

Consolidated statement of financial position

	31 December 12 £	31 December 11 £
Non-current assets	701,870	357,326
Current assets	11,148,666	7,546,234
Current liabilities	(8,858,161)	(4,938,327)
Net current assets	2,992,375	2,965,233
Equity shareholders' funds	2,992,375	2,965,233

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting ("AGM") of Cenkos Channel Islands Limited (the "Company") will be held at The Farmhouse, Les Bas Courtils, St Saviour, Guernsey GY7 9YF on 25 April 2013 at 12.00 noon to consider and, if thought fit, to pass the following resolutions:

Ordinary Resolutions

1. To receive the Company's annual accounts for the year ended 31 December 2012 together with the Director's Report and the Auditor's Report on those accounts;

2. To appoint Simon Charles Melling as a Director of the Company;

3. To re-appoint Andrew Marshall Stewart as a Director of the Company;

4. To declare a final dividend of 3p per Ordinary Share; and

5. To re-appoint Deloitte LLP as Auditor of the Company until the conclusion of the next Annual General Meeting of the Company and the Directors be authorised to fix the Auditor's remuneration

The Board is of the opinion that the resolutions are in the best interest of the Company and its Shareholders as a whole and unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the AGM. The Directors who hold shares intend to vote in favour of the Resolutions in respect of their entire shareholdings of 2,950,600 shares, representing 29.64% of the total number of issued shares (excluding treasury shares) as at 12 March 2013 (the latest practicable date prior to publication of this notice).

By order of the Board

David McGall
Company Secretary

12 March 2013

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

Notes:

i. A form of appointment of proxy (the "Proxy Appointment") is enclosed with this notice. A Shareholder entitled to attend, speak and vote is entitled to appoint one or more proxies to exercise all or any of his/her/its rights to attend, speak and vote at the AGM. A proxy need not be a Shareholder of the Company. If you wish to appoint a person other than the Chairman of the AGM, please insert the name of your chosen proxy holder in the space provided on the enclosed Proxy Appointment.

ii. In the case of joint holders such persons shall not have the right to vote individually in respect of a Share but shall elect one person to represent them and vote in person or by proxy in their name. In default of such an election, the vote of the person first named in the register of members of the Company tendering a vote will be accepted to the exclusion of the votes of the other joint holders.

iii. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Shares. You may not appoint more than one proxy to exercise rights attached to any one Share. To appoint more than one proxy you may photocopy the enclosed Proxy Appointment. Please indicate the proxy holder's name and the number of Shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions given by you. All hard copy Proxy Appointments must be signed and should be returned together in the same envelope.

iv. In order to be valid, a Proxy Appointment must be returned in hard copy form by post, by courier or by hand to:
   i. the Company (FAO David McGall) at The Market Building, Fountain Street, St. Peter Port, Guernsey GY1 4JG; or
   ii. Legis Corporate Services Limited at Legis House, 11 New Street, St. Peter Port, Guernsey GY1 3EG

v. In the case of a Shareholder which is a company, a hard copy Proxy Appointment must be executed under its common seal or under the hand of an officer or attorney duly authorised.

vi. Any corporation which is a Shareholder may by a resolution of its directors or other governing body authorise such persons as it thinks fit to act as its representative at any meeting of the Company or of any class of Shareholders of the Company or to approve a resolution submitted in writing and the person so authorised shall be entitled to exercise on behalf of the corporation which he represents the same powers (other than to appoint a proxy) as that corporation could exercise if it were an individual Shareholder.

vii. Completion and return of the Proxy Appointment will not preclude a holder of Shares from subsequently attending, speaking and voting in person at the AGM should they wish. If a Shareholder attends the AGM in person, any Proxy Appointment will automatically be terminated.

viii. By attending the AGM a holder of Shares expressly agrees they are requesting and willing to receive any communications made at the AGM.

ix. If you submit more than one valid Proxy Appointment, the Proxy Appointment received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which Proxy Appointment was last validly received, none of them shall be treated as valid in respect of the same.

x. To have the right to attend, speak and to vote at the AGM (and also for the purpose of how many votes a holder of Shares casts), a holder of Shares must first have his or her name entered in the register of holders of Shares by no later than 12:00 p.m. on 23 April 2013. Changes to entries on the register of holders of Shares after that time shall be disregarded in determining the right of any holder of Shares to attend, speak and vote at the AGM.

xi. A quorum consisting of two Shareholders being entitled to vote and attending in person or by proxy is required for the AGM. If within half an hour after the time appointed for the meeting a quorum is not present the AGM shall be adjourned for 7 (seven) days at the same time and place or to such other day and at such other time and place as the Board may determine and no notice of adjournment need be given at any such adjourned meeting. Those Shareholders present in person or by proxy shall constitute the quorum at any such adjourned meeting.

xii. The resolutions to be proposed at the AGM will be proposed as ordinary resolutions which, to be passed, must receive the support of a majority of the total number of votes cast for, or against, the ordinary resolution.

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