



CENKOS

Cenkos Channel Islands Limited
Annual Report 2007

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Officers and professional advisers

Directors

T H Scott (Chairman)

J R Ravenscroft (Chief Executive Officer)

R J Newbould (Executive Director)

J Hodson (Non-executive Director)

Secretary

Legis Corporate Services Limited

Registered office

Suite F1 Hirzel Court
Hirzel Street
St Peter Port
Guernsey
GY1 4JG

Registered number

42906 (Guernsey)

Auditors

PKF (Guernsey) Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey
GY1 4NA

Chairman's statement

It was a pleasure to be asked to be the Chairman of Cenkos Channel Islands Limited ("Cenkos") prior to the Company's successful flotation on the Channel Islands Stock Exchange ("CISX") in December 2007. The Company was formed in 2005 and is the subsidiary company of Cenkos Securities plc, which provides institutional broking and related services and was itself admitted to the London Stock Exchange's Alternative Investment Market in October 2006. The Company commenced trading on 1 August 2005 with four professionals, each operating in stockbroking. The team has subsequently established a good track record and, in a short period of time, has turned the Company into a very profitable financial services company with the reputation for offering a flexible and tailored service to its client base. Its flotation was the first ever by a Channel Islands financial services company on the CISX.

The Company provides private client stockbroking to high-net-worth individuals, intermediaries and institutions. It seeks to differentiate itself through its commitment to providing a superior, bespoke service to its clients supported by in-depth market knowledge. This is delivered by combining traditional values with the latest research, technology and a forward thinking approach to investment, and through the experience of its team of professionals. Since inception, the Company has employed an additional six employees and, as at the end of the year, had ten professional and support staff in Guernsey. In January 2008, the Company launched a subsidiary company (Cenkos Jersey Limited, trading as Cenkos Channel Islands) in Jersey with a team of three investment professionals and will shortly welcome at least two others. At the end of 2007, the Company had 530 clients with assets under management of £185.6 million. The Company's short-term strategy is to increase its penetration in the Channel Islands and to increase its client base.

Although world stock markets have been very turbulent during 2007, and continue to be so during the opening months of 2008, it is pleasing to note not only the Company's increasing client base, but the stability of its existing business. While forecasts for growth in world markets in 2008 have been scaled back given recent events, the Company is confident of, and committed to, increasing its footprint and penetration within the Channel Islands market and beyond through its commitment to superior service. Moreover, the Company considers that the strength of its team together with a continually improving product offering leaves it well positioned for the future.

2008 has started well for the Company and Cenkos is confident of growing the business further, benefiting both existing and future shareholders by increasing the assets under management; it retains the potential to offer the opportunity of dividends to shareholders in the future.

In conclusion, the strong backing and support of its UK parent has enabled the Company to create an innovative and entrepreneurial business, which has subsequently been brought to market in a very short space of time. The Company is pleased to have created a dynamic and motivated team and is equally proud of the quality of its rapidly growing global client base. Finally, I am pleased to note the Company's commitment to its Channel Islands base through continuing generous sponsorship of sport, culture and the arts.

Tom Scott

Chairman

20 March 2008

Directors' report

Business review and future developments

2007 was a very busy year for the Company and it was pleasing to note the financial results as contained on page 7. The Company is continuing to grow in line with expectations, but is mindful of volatile market conditions. By careful control of its overheads and by having in place a flexible remuneration policy, the Company delivered solid results in the period, its second full year of trading. In 2008 the Company opened an office in Jersey to increase its footprint, its client base and diversification of earnings.

Directors

The Directors of the Company who held office during the current period are as follows:

Current directors

Thomas Hays Scott (appointed 5 December 2007)
Jonathan Richard Ravenscroft
Robin James Newbould
John Hodson

Former directors

Andrew Stewart (resigned 5 December 2007)
Wayne Bulpitt (resigned 5 December 2007)

Directors' interests in ordinary shares of Cenkos Channel Islands Limited

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

	31 December 2007		11 December 2007	
	£	Interest	£	Interest
Thomas Hays Scott*	1,000,000	10.0%	1,000,000	10.0%
Jonathan Richard Ravenscroft**	1,200,000	12.0%	1,200,000	12.0%
Robin James Newbould	500,000	5.0%	500,000	5.0%

* 850,000 of these ordinary shares are currently held by CI Investments Limited, a company owned by Mr T Scott. A further 150,000 of these ordinary shares are currently held in the name of Cenkos Channel Islands Nominee Company Limited to the order of CI Investments Limited.

** 200,000 of these ordinary shares are currently held by TEMK Investments Limited, an investment company whereby the beneficial owners are Mr and Mrs J Ravenscroft.

Significant shareholdings

In addition to the current Directors' interests shown above, the Directors have been notified that the following shareholders had interests in 3% or more of the Company's ordinary share capital as at 20 March 2008.

	31 December 2007 and 20 March 2008		
	Number of shares	Class of share	Interest
Cenkos Securities plc	5,000,000	Ordinary	50.0%
Cenkos Channel Islands Nominee Company*	1,104,500	Ordinary	11.0%
David Kai Ming Chan	400,000	Ordinary	4.0%

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

Directors' report continued

Dividend

No final dividend for the year to December 2007 was proposed (2006: nil).

Directors' and officers' liability insurance

The Company purchases and maintains liability insurance for its Directors and Officers in compliance with The Licensees (Financial Resources, Notification, Conduct of Business and Compliance) Rules, 1998.

Auditors

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

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

PKF (Guernsey) Limited has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Statement of directors' responsibilities

The Directors are responsible for preparing financial statements for each financial period which 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 those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 1994 and The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Furthermore, the Directors are responsible for ensuring that the Company meets the financial resources requirements under Rule 2.01 of The Licensees (Financial Resources, Notification, Conduct of Business and Compliance) Rules, 1998. 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.

Annual general meeting

The Annual General Meeting of the Company will be held at The Farmhouse Hotel & Restaurant, Hougue Fouque, St Saviours, Guernsey, GY7 9YF on 21 April 2008 at 12.00 noon. A copy of the notice of the meeting is shown on page 28.

Approved by the Board of Directors on 20 March 2008 and signed on its behalf by:

Jon Ravenscroft

Chief Executive Officer

Robin Newbould

Executive Director

Independent auditors' report to the members of Cenkos Channel Islands Limited

We have audited the Group and Parent Company financial statements (the 'financial statements') of Cenkos Channel Islands Limited for the year from 1 January 2007 to 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Company Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 64 of The Companies (Guernsey) Law, 1994. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Protection of Investors (Bailiwick of Guernsey) Law, 1987 and The Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's statement and the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report continued

Opinion

In our opinion:

- The Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended; and
- The Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union of the state of the Parent Company's affairs as at 31 December 2007; and
- The Group and the Parent Company financial statements have been properly prepared in accordance with The Protection of Investors (Bailiwick of Guernsey) Law, 1987 and The Companies (Guernsey) Law, 1994.

Furthermore, we have examined the Statement of Financial Resources set out on page 26 and, in our opinion, the financial resources requirement specified in Rule 2.01 of The Licensees (Financial Resources, Notification, Conduct of Business and Compliance) Rules, 1998 have been satisfied.

PKF (Guernsey) Limited

St Peter Port
Guernsey
GY1 4NA

28 March 2008

Consolidated income statement for the year ended 31 December 2007

	Note	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Revenue		1,886,762	1,273,103
Administrative expenses		(1,382,260)	(939,390)
		<u>504,502</u>	<u>333,713</u>
Employee share option expense to be satisfied by Parent	14	(117,656)	(19,609)
Operating profit		386,846	314,104
Finance income		34,893	26,370
Finance costs		(10,904)	(21,404)
Profit before taxation		410,835	319,070
Taxation	2	(109,956)	(69,972)
Profit for the financial year/period		<u>300,879</u>	<u>249,098</u>
Earnings per share			
Basic	3	3.01p	2.49p
Diluted	3	3.01p	2.49p

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

The profit attributable to the Company in the year ended 31 December 2007 was £302,273 (period ended 31 December 2006: £249,098)

The notes on pages 13 to 25 form part of these financial statements.

Consolidated balance statement as at 31 December 2007

	Note	31 December 2007 £	31 December 2006 £
Non-current assets			
Property, plant and equipment	4	15,615	32,548
		<hr/>	<hr/>
		15,615	32,548
Current assets			
Trading investments	6	–	350,000
Trade and other receivables	7	3,178,633	993,266
Cash and cash equivalents	8	1,126,401	261,001
		<hr/>	<hr/>
		4,305,034	1,604,267
Current liabilities			
Trade and other payables	9	3,408,330	1,123,192
Interest bearing loans and borrowings	10	100,000	–
Tax payable		43,059	60,898
Deferred tax liability	11	–	2,000
		<hr/>	<hr/>
		3,551,389	1,186,090
Net current assets		<hr/>	<hr/>
		753,645	418,177
Total assets less current liabilities		769,260	450,725
Non-current liabilities			
Interest bearing loans and borrowings	10	–	(100,000)
Net assets		<hr/>	<hr/>
		769,260	350,725
Equity			
Called up share capital	13	100,000	10,000
Share premium account	13	–	90,000
Retained earnings		669,260	250,725
Equity shareholders' funds		<hr/>	<hr/>
		769,260	350,725

The financial statements were approved by the Board of Directors on 20 March 2008 and signed on its behalf by:

Jon Ravenscroft

Chief Executive Officer

Robin Newbould

Executive Director

The notes on pages 13 to 25 form part of these financial statements.

Company balance sheet as at 31 December 2007

	Note	31 December 2007 £	31 December 2006 £
Non-current assets			
Property, plant and equipment	4	15,615	32,548
Investments in subsidiary undertakings	5	6	2
		<hr/>	<hr/>
		15,621	32,550
Current assets			
Trading investments	6	–	350,000
Trade and other receivables	7	3,181,129	993,266
Cash and cash equivalents	8	1,125,295	261,001
		<hr/>	<hr/>
		4,306,424	1,604,267
Current liabilities			
Trade and other payables	9	3,408,332	1,123,194
Interest bearing loans and borrowings	10	100,000	–
Tax payable		43,059	60,898
Deferred tax liability	11	–	2,000
		<hr/>	<hr/>
		3,551,391	1,186,092
Net current assets		<hr/>	<hr/>
		755,033	418,175
Total assets less current liabilities		770,654	450,725
Non-current liabilities			
Interest bearing loans and borrowings	10	–	(100,000)
Net assets		<hr/>	<hr/>
		770,654	350,725
Equity			
Called up share capital	13	100,000	10,000
Share premium account	13	–	90,000
Retained earnings		670,654	250,725
Equity shareholders' funds		<hr/>	<hr/>
		770,654	350,725

The financial statements were approved by the Board of Directors on 20 March 2008 and signed on its behalf by:

Jon Ravenscroft

Chief Executive Officer

Robin Newbould

Executive Director

The notes on pages 13 to 25 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2007

	1 January 2007 to 31 December 2007	1 December 2005 to 31 December 2006
	£	£
Cash flows from operations		
Operating profit from continuing operations	386,846	314,104
Adjustments for:		
Depreciation of property, plant and equipment	20,075	17,412
Share option expense to be satisfied by Parent	117,656	19,609
Operating cash flows before movements in working capital	524,577	351,125
Decrease/(Increase) in net trading investments	350,000	(350,000)
Increase in receivables	(2,185,366)	(534,619)
Increase in payables	2,285,136	766,763
Cash generated by operations	974,347	233,269
Interest paid	(10,904)	(23,133)
Taxation paid	(129,795)	(8,000)
Net cash inflow from operating activities	833,648	202,136
Cash flows from investing activities		
Interest received	34,893	22,073
Purchase of fixed assets	(3,141)	(16,414)
Disposal of fixed assets	–	1,016
Net cash generated by investing activities	31,752	6,675
Net increase in cash and cash equivalents	865,400	208,811
Cash and cash equivalents at the beginning of the year/period	261,001	52,190
Cash and cash equivalents at the end of the year/period	1,126,401	261,001

The notes on pages 13 to 25 form part of these financial statements.

Company cash flow statement for the year ended 31 December 2007

	1 January 2007 to 31 December 2007	1 December 2005 to 31 December 2006
	£	£
Cash flows from operations		
Operating profit from continuing operations	388,287	314,104
Adjustments for:		
Depreciation of property, plant and equipment	20,075	17,412
Share option expense to be satisfied by Parent	117,656	19,609
Operating cash flows before movements in working capital	526,018	351,125
Decrease/(Increase) in net trading investments	350,000	(350,000)
Increase in receivables	(2,187,864)	(534,619)
Increase in payables	2,285,138	766,763
Cash generated by operations	973,292	233,269
Interest paid	(10,904)	(23,133)
Taxation paid	(129,795)	(8,000)
Net cash inflow from operating activities	832,593	202,136
Cash flows from investing activities		
Interest received	34,846	22,073
Purchase of fixed assets	(3,145)	(16,414)
Disposal of fixed assets	–	1,016
Net cash generated by investing activities	31,701	6,675
Net increase in cash and cash equivalents	864,294	208,811
Cash and cash equivalents at the beginning of the year/period	261,001	52,190
Cash and cash equivalents at the end of the year/period	1,125,295	261,001

The notes on pages 13 to 25 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2007

	Notes	Share capital £	Share premium £	Retained earnings £
At 1 December 2005		2	–	(17,982)
Shares issued in period	13	9,998	90,000	–
Profit for the period		–	–	249,098
Capital contribution relating to share option	14	–	–	19,609
At 31 December 2006		10,000	90,000	250,725
Shares issued in year	13	90,000	(90,000)	–
Profit for the year		–	–	300,879
Capital contribution relating to share option	14	–	–	117,656
At 31 December 2007		100,000	–	669,260

Company statement of changes in equity for the year ended 31 December 2007

	Notes	Share capital £	Share premium £	Retained earnings £
At 1 December 2005		2	–	(17,982)
Shares issued in period	13	9,998	90,000	–
Profit for the period		–	–	249,098
Capital contribution relating to share option	14	–	–	19,609
At 31 December 2006		10,000	90,000	250,725
Shares issued in year	13	90,000	(90,000)	–
Profit for the year		–	–	302,273
Capital contribution relating to share option	14	–	–	117,656
At 31 December 2007		100,000	–	670,654

The notes on pages 13 to 25 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2007

1. Accounting policies

Basis of accounting

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

Adoption of new and revised standards

In the current year, the Group has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in the financial statements regarding the Group's financial instruments and management of capital.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009);

FRS 8, 'Operating segments' (effective from 1 January 2009); and

IFRIC 14, IAS 19 'The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008).

It is not considered that the effects of any of these standards and interpretations would impact the financial statements including the presentation and disclosure had they been adopted.

Basis of consolidation

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

Financial instruments

Trading investments

Trading investments pertain to investment securities which are held for trading purposes. These investments comprise long positions and are initially measured at fair value. Subsequently, at each reporting date, these investments are measured at their fair values with the resultant gains and losses arising from changes in fair value being taken to the income statement.

Trade and other receivables

Trade and other receivables are measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

Trade and other payables are measured at amortised cost.

Notes to the financial statements continued

1. Accounting policies (continued)

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 balance sheet date are reported at the rates of exchange prevailing at that date. Gains and losses arising during the period on transactions denominated in foreign currencies are treated as normal items of income and expenditure in the income statement. Both the presentational and functional currency of the Company and its subsidiaries is pounds sterling.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost, less any provision for diminution in value in the Parent Company balance sheet.

Operating leases

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

Property, plant and equipment

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

Fixtures and fittings	Three years
Office equipment	Three years
Communications equipment	Three years

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and 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 tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profits differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Share based payments

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

Client money

The Group holds money on behalf of its clients in accordance with the client money rules of The Guernsey Financial Services Commission through its wholly owned non-trading subsidiary, Cenkos Channel Islands Nominee Company Limited. Such money and the corresponding liabilities to clients are not shown on the face of the balance sheet as the Group is not entitled thereto. The net return received on managing client money is included within turnover.

Critical accounting judgement and key sources of estimate uncertainty

The fair value of equity settled share based payments is calculated by reference to a Monte Carlo Simulation model. Inputs into the model are based on managements' best estimates of appropriate volatility, discount rate and share price growth.

Notes to the financial statements continued

1. Accounting policies (continued)

Business and geographic segments

The Directors consider that there is only one activity undertaken by the Group, that being the provision of investment services. The majority of this is undertaken in Guernsey.

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. Taxation

	Group	
	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
The taxation charge for the year /period represented:		
Overprovision in prior period	–	(926)
Provision for Guernsey income tax	111,956	68,898
Deferred tax expense relating to the origin and reversal of temporary differences	(2,000)	2,000
	<u>109,956</u>	<u>69,972</u>

The tax charge for the period differs from that resulting from applying the standard rate of 20% to the profit before tax for the reasons set out in the following reconciliation:

	Group	
	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Accounting profit	410,835	319,070
Add: Depreciation for accounting purposes	20,075	17,412
Research and start-up costs	–	14,225
Capital expenditure	–	1,016
Donations	11,280	200
Previously unrealised gain on held for trading financial investments now realised	10,000	–
Employee share options expense to be satisfied by Parent	117,656	19,609
	<u>569,846</u>	<u>371,532</u>
Deduct: Depreciation for tax purposes	(8,566)	(17,044)
Unrealised gain on held for trading financial investments	–	(10,000)
Allowance for donations made under deed of covenant	(1,500)	–
Taxable profit	<u>559,780</u>	<u>344,488</u>
Current tax at 20%	<u>111,956</u>	<u>68,898</u>

3. Earnings per share

	Group	
	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the Parent	300,879	249,098
Effect of dilutive potential ordinary shares	–	–
Earnings for the purposes of diluted earnings per share	<u>300,879</u>	<u>249,098</u>
	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	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>10,000,000</u>	<u>10,000,000</u>

The denominators for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the sub-division of shares on 5 December 2007 and the conversion to shares of the existing share premium on the same date, as there is no corresponding change in resources.

4. Property, plant and equipment

	Group and Company			
	Communications equipment £	Office equipment £	Fixtures and fittings £	Totals £
Cost:				
At 1 January 2006	29,752	7,568	3,048	40,368
Additions	6,712	9,702	–	16,414
Disposals	(877)	–	(139)	(1,016)
At 31 December 2006	<u>35,587</u>	<u>17,270</u>	<u>2,909</u>	<u>55,766</u>
Depreciation:				
At 1 January 2006	4,125	1,261	419	5,805
Charge for year	11,653	4,920	970	17,543
Eliminated on disposal	(115)	–	(15)	(130)
At 31 December 2006	<u>15,663</u>	<u>6,181</u>	<u>1,374</u>	<u>23,218</u>
Net book value:				
At 31 December 2006	<u>19,924</u>	<u>11,089</u>	<u>1,535</u>	<u>32,548</u>

Notes to the financial statements continued

4. Property, plant and equipment (continued)

	Group and Company			
	Communications equipment £	Office equipment £	Fixtures and fittings £	Totals £
Cost:				
At 1 January 2007	35,587	17,270	2,909	55,766
Additions	1,197	1,945	–	3,142
At 31 December 2007	36,784	19,215	2,909	58,908
Depreciation:				
At 1 January 2007	15,663	6,181	1,374	23,218
Charge for year	12,978	6,046	1,051	20,075
At 31 December 2007	28,641	12,227	2,425	43,293
Net book value:				
At 31 December 2007	8,143	6,988	484	15,615

5. Investments in subsidiary undertakings

	Incorporated in	Company			
		Ordinary £1 shares		31 December 2007 £	31 December 2006 £
		31 December 2007 % holding	31 December 2006 % holding		
Non-current asset investments at cost comprised:					
Cenkos Channel Islands Nominee Company Limited	Guernsey	100%	100%	2	2
Waste Management Guernsey Limited	Guernsey	100%	–	2	–
Cenkos Jersey Limited	Jersey	100%	–	2	–
At cost				6	2

The principal activities of the subsidiaries were as follows:

Cenkos Channel Islands Nominee Company Limited	Nominee company
Waste Management Guernsey Limited	Tender for Guernsey waste management project
Cenkos Jersey Limited	Provision of investment services

All these companies are wholly owned subsidiaries and have been consolidated in the Group financial statements.

6. Trading investments

	Group and Company	
	31 December 2007	31 December 2006
	£	£
Trading investments comprised:		
Held for trading – fair value	–	350,000

The investments above represent investments in equity securities that present the Company with opportunity for returns through trading gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices where available. Where no quoted market prices are available, fair value is based on valuation techniques based on observable market information. Included within revenue for the year is £50,000 gain on held for trading financial assets (2006: £10,000 gain).

7. Trade and other receivables

	Group		Company	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£	£	£	£
Amounts falling due within one year:				
Prepayments and accrued income	85,156	85,940	85,156	85,940
Market and client debtors	3,093,477	814,392	3,093,473	814,392
Loans and receivables due from Parent entity	–	92,934	–	92,934
Loans and receivables due from subsidiary	–	–	2,500	–
	<u>3,178,633</u>	<u>993,266</u>	<u>3,181,129</u>	<u>993,266</u>

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

The balance receivable from the Parent entity, Cenkos Securities plc, is unsecured, interest free and is repayable on demand.

The balance receivable from the subsidiary entity, Waste Management Guernsey Limited, is unsecured, interest free and is repayable on demand.

8. Cash and cash equivalents

	Group		Company	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£	£	£	£
Cash and cash equivalents	1,126,401	261,001	1,125,295	261,001

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

Notes to the financial statements continued

9. Trade and other payables

	Group		Company	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£	£	£	£
Amounts falling due within one year:				
Other creditors	–	506	–	506
Accrued expenses	447,671	216,702	447,671	216,702
Deferred income	–	–	–	–
Market and client payables	2,576,456	889,404	2,576,452	889,404
Loans payable to subsidiary undertaking	–	–	6	2
Loans payable to Parent entity	384,203	16,580	384,203	16,580
	<u>3,408,330</u>	<u>1,123,192</u>	<u>3,408,332</u>	<u>1,123,194</u>

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

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

The advance from the subsidiary entities is unsecured, interest free and repayable on demand.

10. Interest bearing loans and borrowings

	Group and Company	
	31 December 2007	31 December 2006
	£	£
Amounts falling due within one year		
Loan from Parent entity	<u>100,000</u>	–
Amounts falling due after more than one year but less than two years		
Loan from Parent entity	–	<u>100,000</u>

The loan from Cenkos Securities plc is unsecured, bears interest at 4.75% and is repayable on 31 December 2008.

The Directors consider that the carrying amount of interest bearing loans and borrowings approximates to their fair value.

11. Deferred tax liabilities

Deferred tax arises in respect of unrealised gains on available for sale investments. The movement on deferred tax in the year is as follows:

	Group and Company	
	31 December 2007	31 December 2006
	£	£
Opening balance	2,000	–
Current year charge	(2,000)	2,000
Closing balance	<u>–</u>	<u>2,000</u>

12. Commitments

At 31 December the Company had outstanding commitments under a non-cancellable operating lease as set out below. The lease is in respect of a property known as Suite F1 Hirzel Court, Hirzel Street, St Peter Port, Guernsey and car parking at same.

	Land and buildings	
	31 December 2007	31 December 2006
	£	£
Within one year	37,011	33,075
Within two to five years inclusive	55,513	81,827
	<u>92,524</u>	<u>114,902</u>

13. Called up share capital

	Group and Company	
	31 December 2007	31 December 2006
	No.	No.
Authorised:		
Ordinary shares of £1	–	10,000
Ordinary shares of £0.01	10,000,000	–
	<u>10,000,000</u>	<u>–</u>
Allotted, issued and fully paid:		
Ordinary shares of £1	–	10,000
Ordinary shares of £0.01	10,000,000	–
	<u>10,000,000</u>	<u>–</u>
	31 December 2007	31 December 2006
	£	£
Authorised:		
Ordinary shares of £1	–	10,000
Ordinary shares of £0.01	100,000	–
	<u>100,000</u>	<u>–</u>
Allotted, issued and fully paid:		
Ordinary shares of £1	–	10,000
Ordinary shares of £0.01	100,000	–
	<u>100,000</u>	<u>–</u>

On 8 March 2005, 2 ordinary shares of £1 each were issued at par value. On 20 June 2006, 9,998 ordinary shares of £1 each were issued at a premium of £9 each for cash.

On 5 December 2007, the Company declared a 100:1 stock split of ordinary shares to create a new class of £0.01 shares, amended the authorised share capital to create an additional 9,000,000 ordinary shares of £0.01 each and issued the available share capital to the existing shareholders by capitalising the existing share premium account. The Company at all times only had one class of shares.

Notes to the financial statements continued

14. Share based payments

In the period ended 31 December 2006, Cenkos Securities plc granted options over 177,500 of its £0.01 ordinary shares to employees of Cenkos Channel Islands Limited including 75,530 and 37,770 to Robin Newbould and Jon Ravenscroft, Directors of the Company, respectively. The exercise price is the nominal value of the shares and the date of grant was 31 October 2006. These options, subject to relevant vesting dates, are exercisable for a period of up to five years. 50% of the options vested on the publication of the Cenkos Securities plc 31 December 2007 financial statements, with a fair value of £1.26 per share and 50% vest on the publication of the 31 December 2008 financial statements with a fair value of £1.05 per share. If the option holder ceases to be an employee or office holder within the Cenkos Securities plc Group before the options vest, the options will lapse on the date of such cessation. None of the options granted relating to employees and officers of Cenkos Channel Islands Limited have been forfeited or lapsed to date. The expense to income is calculated using the Monte Carlo simulation model and assumes a weighted average share price of £1.405, expected share price growth of 5%, volatility of 35% and discount rate of 25%.

No such options have been granted during the year ended 31 December 2007.

15. Controlling party and related party disclosures

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

During the period the Group earned income from Cenkos Securities plc relating to market making activities of £13,045 (2006: £26,989). The Group also earned other income from Cenkos Securities plc totaling £329,963 (2006: £134,451) relating principally to commission on the placing of investments.

The Group also receives realised profits and losses on dealings on a client account held in the name of Cenkos Securities plc and managed for the benefit of Cenkos Channel Islands Limited. Such income for the period totaled £183,903 (2006: £nil). Ownership of any investments on the account lies with Cenkos Securities plc.

During the year commission was earned on trades performed for the benefit of Cenkos Securities plc totalling £695,055 (2006: £3,209). This commission has not been included in turnover as the Company retains no economic benefit in relation to these trades due to the arrangements with Cenkos Securities plc.

At the period end balances were due to and from Cenkos Securities plc as disclosed in notes 7, 9 and 10. Andrew Stewart and John Hodson are also Directors of Cenkos Securities plc.

Wayne Bulpitt, who served as a Director during the year, is also a Director of Active Management Services to whom fees of £60,284 (2006: £76,668) were paid relating to Non-executive Director fees, premises costs, compliance consultancy and start-up costs on an arms' length basis.

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

Remuneration of key management personnel

The remuneration of the Executive 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'.

	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Emoluments	214,340	119,249
Share options in Parent company	75,101	12,517
	289,441	131,766

See also note 14 for details of share options granted to certain Directors of the Company.

16. Financial instruments and risk management

The Directors are of the opinion that there have been no significant changes in the financial risks relating to the financial instruments since the comparative period. Financial instruments as appearing in the balance sheet and notes to the financial statements are classified as follows:

	Group		Company	
	31 December 2007 £	31 December 2006 £	31 December 2007 £	31 December 2006 £
Financial assets:				
Fair value through profit or loss:				
Held-for-trading investments	–	350,000	–	350,000
Loans and receivables:				
Cash and equivalents	1,126,401	261,001	1,125,295	261,001
Market and client receivables	3,093,477	814,392	3,093,473	814,392
Loans and receivables due from Parent	–	92,934	–	92,934
Loans and receivables due from subsidiary	–	–	2,500	–
	4,219,878	1,518,327	4,221,268	1,518,327
Financial liabilities:				
Loans and payables at amortised cost:				
Market and client payables	2,576,456	889,404	2,576,452	889,404
Accrued expenses	447,671	216,702	447,671	216,702
Loans payable to Parent entity	384,203	16,580	384,203	16,580
Loans payable to subsidiaries	–	–	6	2
Interest bearing loans and borrowings – Loan from Parent entity due within one year	100,000	–	100,000	–
Interest bearing loans and borrowings – Loan from Parent entity due after one year	–	100,000	–	100,000
	3,508,330	1,222,686	3,508,332	1,222,688

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 balance sheet 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 balance sheet values. There was no change in the value of loans and receivables in any period presented as a result of changes in credit risk.

Notes to the financial statements continued

16. Financial instruments and risk management (continued)

Market and client receivables include £1,004,669 (2006: £600,580) relating to unsettled trades that have gone past their due dates. At the year end the Group is also entitled to £249,836 (2006: payable of £379,478) 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 £10,692 relating to unsettled trades. All were settled without loss to the Group subsequent to the year end.

Also within the market and client receivables are receivable amounts in respect of overdrawn client accounts of £306,233 (2006: £190,539) 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 balance sheet date these have substantially all been repaid since the balance sheet date. Collateral relating to these receivables exists covering 100% of the overdrawn accounts (2006: 100%) 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 balance sheet 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 period end is £1,729,379 (2006: £1,073,244). To date it has not been considered necessary to utilise such recourse. The collateral relates to 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 the 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 £1,454,315 (2006: £1,358,046) that are expected to settle within a few days of the period 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, Cenkos Channel Islands Nominee Company Limited, which exists solely to act in this capacity. Funds held on behalf of clients are reconciled daily and on occasion Cenkos Channel Islands Limited may be required to advance funds to meet counterparty obligations. A loan facility is in place with the Parent Company to provide short term finance for these liquidity fluctuations should it be required up to £1,000,000. When drawn down this carries an interest rate of HSBC Bank plc base rate +0.5% and would ordinarily be repaid once the short term fluctuations even themselves out in a matter of days. This facility has not yet been used.

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

Market risks

(i) Foreign exchange risk

Foreign currency 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

The Group's price risk relates primarily to its held-for-trading investments. The Group has a policy since 2006 of no longer trading as principal in such securities. Therefore there are no significant remaining price risks. There is no such exposure at the period end and no further sales or acquisitions were made in the year other than as relates to the disposal of unit held at the start of the year.

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 fulfill 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.

(iii) Interest rate risk

The Group bears some interest risk in relation to the loan from its Parent undertaking and finance income and expenses relating to cash and cash equivalents. 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 clients accounts is also a source of interest income which is not significant to overall trading results. All other financial instruments are not interest bearing.

Capital risk management

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

Details of minimum capital criteria, comparative information and measurement basis are shown in the Statement of Financial Resources on page 26.

17. Operating profit

	Group and Company	
	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £
Operating profit is stated after charging:		
Staff costs	210,532	107,290
Depreciation	20,075	17,412
Operating lease expense	35,796	46,275
Foreign exchange loss	26,233	1,457
	<hr/>	<hr/>

Statement of financial resources for the year ended 31 December 2007

The Directors confirm that the Company has satisfied the financial resources requirement as specified in Rule 2.01 of The Licensees (Financial Resources, Notification, Conduct of Business and Compliance) Rules, 1998, throughout the year ended 31 December 2007.

Financial resources as at 31 December 2007

	31 December 2007 £	31 December 2006 £
Licensee's annual audited expenditure	1,509,380	710,690
Expenditure based requirement at 25%	<u>377,345</u>	<u>177,673</u>
Issued share capital	100,000	10,000
Share premium	–	90,000
Profit and loss account	<u>670,655</u>	<u>250,725</u>
Total capital	<u>770,655</u>	<u>350,725</u>
Excess of gross capital over the financial resources requirement	<u>393,310</u>	<u>173,052</u>

Jon Ravenscroft

Chief Executive Officer

Robin Newbould

Executive Director

20 March 2008

Summary financial information

Consolidated income statement

	1 January 2007 to 31 December 2007 £	1 December 2005 to 31 December 2006 £	8 March 2005 to 30 November 2005 £
Revenue	1,886,762	1,273,103	259,414
Expenses	(1,499,916)	(958,999)	(272,754)
Operating profit	386,846	314,104	(13,340)
Finance income and costs	23,989	4,966	(3,716)
Profit before taxation	410,835	319,070	(17,056)
Taxation	(109,956)	(69,972)	(926)
Profit for the financial year/period	300,879	249,098	(17,982)

Consolidated balance sheet

	31 December 2007 £	31 December 2006 £	30 November 2005 £
Non-current assets	15,616	32,548	34,563
Current assets	4,305,034	1,604,267	489,960
Current liabilities	(3,551,389)	(1,186,090)	(374,108)
Net current assets	753,645	418,177	115,852
Total assets less current liabilities	769,261	450,725	150,415
Non-current liabilities	–	(100,000)	(68,397)
Net assets	769,261	350,725	82,018
Equity shareholders' funds	769,261	350,725	82,018

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of Cenkos Channel Islands Limited (the 'Company') will be held at The Farmhouse Hotel & Restaurant, Hougue Fouque, St Saviours, Guernsey GY7 9YF on 21 April 2008 at 12.00 noon for the transaction of the following business:

Ordinary business

As ordinary business to consider and, if thought fit, to pass the following resolutions each of which will be proposed as an ordinary resolution:

1. That the Company's annual accounts for the year ended 31 December 2007 together with the Directors' report and the auditors' report on those accounts be received.
2. That Jon Ravenscroft be re-elected as a Director.
3. That Robin Newbould be re-elected as a Director.
4. That Tom Scott be elected as a Director.
5. That John Hodson be elected as a Director.
6. That PKF (Guernsey) Limited be re-appointed as auditors to the Company until the conclusion of the next Annual General Meeting of the Company and that the Directors be authorised to fix the auditors' remuneration.

By order of the Board

Legis Corporate Services Limited

Company Secretary

2 April 2008

Registered office:
Suite F1 Hirzel Court
Hirzel Street
St Peter Port
Guernsey
GY1 4FG

Notes:

- (i) A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.
- (ii) To appoint a proxy you may use the Form of Proxy enclosed with this notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 12.00 noon on 19 April 2008 at Suite F1 Hirzel Court, Hirzel Street, St Peter Port, Guernsey GY1 4FG.
Completion of the Form of Proxy will not prevent you from attending and voting in person.

Guernsey

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