

Company Number: 2400738

IAF SECURITIES LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

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COMPANIES HOUSE

IAF SECURITIES LIMITED

DIRECTORS: D. L. Massie
G. P. L. Addison (appointed 13 February 2006)
G. B. Ashley (appointed 13 February 2006)
E. P. H. Barber (appointed 13 February 2006)
M. McCutcheon (appointed 13 February 2006)
N. Medici (appointed 13 February 2006)
S. Davies (appointed 13 February 2006)

SECRETARY: E. P. H. Barber

REGISTERED OFFICE: 7 Apple Tree Yard
Duke of York Street
London
SW1Y 6LD

BANKERS: National Westminster Bank Plc
1 Princes Street
London
EC2R 8PA

AUDITORS: Chantrey Vellacott DFK LLP
Russell Square House
10-12 Russell Square
London
WC1B 5LF

IAF SECURITIES LIMITED

REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company expanded its activities during the year when it was given permission to undertake a wide range of corporate finance, investment management and private client stockbroking services by the Financial Services Authority ("FSA") under a Chapter 10 Part A licence.

The FSA authorisation was given on 20 February 2006 and the Company became a member of the London Stock Exchange on 26 May 2006.

RESULTS AND DIVIDENDS

The results of the company for the year are set out in detail on page 5. The directors do not recommend the payment of a dividend.

DIRECTORS

The directors who served during the year and their interests in the share capital of the company were as follows:-

		£1 Ordinary Shares	
		2006	2005
D. L. Massie		-	-
G. P. L. Addison	(appointed 13 February 2006)	-	-
G. B. Ashley	(appointed 13 February 2006)	-	-
E. P. H. Barber	(appointed 13 February 2006)	-	-
M. McCutcheon	(appointed 13 February 2006)	-	-
N. Medici	(appointed 13 February 2006)	-	-
S. Davies	(appointed 13 February 2006)	-	-

Mr. Massie, Mr. Ashley and Mr. Barber are directors of the ultimate parent undertaking, IAF Group plc, and their interests in the shares of that company are disclosed in the financial statements of that company.

The other directors had the following interests in the share capital of IAF Group plc:-

	Ordinary Shares	Share Options
G. P. L. Addison	89,285	1,900,000
S. Davies	189,285	1,900,000
M. McCutcheon	143,000	1,000,000
N. Medici	215,000	1,000,000

The share options were granted on 17 February 2006 at an option price of 14p and are exercisable after 3 years from date of grant.

IAF SECURITIES LIMITED

REPORT OF THE DIRECTORS - CONTINUED

DIRECTORS' RESPONSIBILITIES

Company law requires the director to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- follow applicable accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining 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 accounts comply with the Companies Act 1985. 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITORS

Each person who was a Director at the date of this report was approved has taken all steps that they ought to have taken as Director in order to:

- Make themselves aware of any audit information (as defined by the Companies Act 1985) and
- ensure that the auditors are aware of all relevant audit information.

As far as each Director is aware there is no relevant audit information of which the Company's auditors are aware.

AUDITORS

In accordance with Section 354 of the Companies Act 1985 a resolution to reappoint Chantrey Vellacott DFK LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.



E. P. H. Barber
Secretary

Date: 29th September 2006

IAF SECURITIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
IAF SECURITIES LIMITED

We have audited the financial statements of IAF Securities Limited for the year ended 30 June 2006 which comprise the income statement, the balance sheet, the cash flow statement 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 235 of the Companies Act 1985. 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 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of audit 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 parent company 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.

IAF SECURITIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS CONTINUED

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the company's affairs as at 30 June 2006 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS regulation; and
- the information given in the directors' report is consistent with the financial statements.


CHANTREY VELLACOTT DFK LLP

Chartered Accountants
Registered Auditors
LONDON

29 September 2006

IAF SECURITIES LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 £	2005 £
REVENUE	2	5,434	(1,182)
Administrative expenses		(624,762)	(15,000)
OPERATING LOSS	3	(619,328)	(16,182)
Interest receivable		25,696	62,646
Revaluation of listed investments		-	(19,875)
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(593,632)	26,589
Taxation	4	-	-
RETAINED (LOSS)/PROFIT FOR THE YEAR		<hr/> <hr/>	<hr/> <hr/>

Continuing operations

None of the company's activities was acquired or discontinued during the above two financial years.

Statement of total recognised gains and losses

The company had no recognised gains or losses other than the above.

IAF SECURITIES LIMITED

BALANCE SHEET AS AT 30 JUNE 2006

		2006	2005
CURRENT ASSETS	Notes	£	£
Trade and other receivables	5	248,737	1,342,794
Investments	6	-	361,077
Cash at bank and in hand		1,781,402	49
TOTAL ASSETS		<u>2,030,139</u>	<u>1,703,920</u>
CURRENT LIABILITIES			
Trade and other payables	7	(320,851)	-
NET ASSETS		<u>1,709,288</u>	<u>1,703,920</u>
CAPITAL AND RESERVES			
Share capital	8	600,000	1,000
Profit and loss account	9	1,109,288	1,702,920
Shareholders' funds:			
Equity	10	<u>1,709,288</u>	<u>1,703,920</u>

Approved by the board on 29 September 2006



D. L. Massie
Director

IAF SECURITIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 £	2005 £
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	11	(544,343)	(115,174)
Interest received		25,696	62,646
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(518,647)	(52,528)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of ordinary share capital		599,000	-
Finance provided by parent company		1,701,000	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		2,300,000	-
NET INCREASE/(DECREASE) IN CASH		1,781,353	(52,528)
Cash at beginning of period		49	52,577
CASH AT END OF PERIOD		1,781,402	49

IAF SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. Under IFRS, there are no differences between the previous reported profits and the total equity. Following adoption of IFRS the Company is therefore required to prepare accounts from 1 July 2004.

Investments

Listed investments are stated at mid-market value at the balance sheet date. Other investments are stated at the lower of cost or net realisable value.

Taxation

The charge for the year is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Deferred taxation is provided in full under the liability method. Deferred taxation assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Sterling at the rates of exchange ruling at that date. These translation differences are dealt with in the profit and loss account.

2. REVENUE

Turnover represents profit or loss on dealings and investment income.

3. OPERATING LOSS

The statutory audit fees comprised £6,667 (2005- £Nil).

The aggregate emoluments of the directors were £124,005 (2005-£Nil). The costs of directors who are also directors of other group undertakings are borne by those undertakings.

IAF SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30 JUNE 2006

4. TAXATION

	2006 £	2005 £
UK corporation tax	-	-
	=====	=====

Factors affecting tax charge for the period.

The tax charge for the period is at variance to the standard rate of corporation tax (30%).

The differences are explained below.

	2006 £	2005 £
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2005-30%)	(178,090)	7,977
Group relief to be surrendered to the company	-	(7,977)
Unutilised losses	178,090	-
	-----	-----
	-	-
	=====	=====

5. TRADE AND OTHER RECEIVABLES

	2006 £	2005 £
Trade receivables	1,500	-
Counterparty receivables	61,396	-
Margin calls	151,394	-
Prepayments	13,334	-
Other debtors	18,242	-
Amounts due from parent undertaking	2,871	1,342,794
	-----	-----
	248,737	1,342,794
	=====	=====

6. INVESTMENTS

	2006 £	2005 £
Listed Investments	-	361,077
	=====	=====

The listed investment was transferred to the parent company during the year at book value.

IAF SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30 JUNE 2006

7. TRADE AND OTHER PAYABLES

	2006 £	2005 £
Counterparty payables	21,707	-
Amounts owed to parent undertaking	148,186	-
Amount owed to group undertaking	12,140	-
Other taxation and social security	31,854	-
Accruals	106,964	-
	<u>320,851</u>	<u>-</u>

8. SHARE CAPITAL

	2006 No.	2005 No.	2006 £	2005 £
Authorised:				
Ordinary shares of £1 each	600,000	1,000	600,000	1,000
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
	2006 No .	2005 No .	2006 £	2005 £
Allotted, called up and fully paid:				
Ordinary shares of £1 each	600,000	1,000	600,000	1,000
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

On 13 February 2006 599,000 ordinary shares of £1 each were issued to the company's parent company for cash at par.

9. PROFIT AND LOSS ACCOUNT

	2006 £	2005 £
At 1 July	1,702,920	1,676,331
Retained (loss)/profit	(593,632)	26,589
At 30 June	<u>1,109,288</u>	<u>1,702,920</u>

IAF SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30 JUNE 2006

10. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2006 £	2005 £
At 1 July	1,703,920	1,677,331
Retained (loss)/profit	(593,632)	26,589
Shares issued	599,000	-
	<u>1,709,288</u>	<u>1,703,920</u>

11. CASH FLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating Loss	(619,327)	(16,182)
Changes in working capital:		
Increase in trade and other receivables	(245,867)	(98,992)
Increase in trade and other payables	320,851	-
	<u>(544,343)</u>	<u>(115,174)</u>

12. RELATED PARTY TRANSACTIONS

The company itself does not hold any fixed assets. These assets are held by International Asset Finance Limited, a wholly owned subsidiary of IAF Group plc. The company is charged for the use of these assets. The costs during the year amounted to £12,140 (2005-£Nil). The operating lease to the premises from which the company operates is held by the parent undertaking, IAF Group plc. The charges in relation to these premises during the year were £144,436 (2005- £Nil).

13. ULTIMATE PARENT UNDERTAKING

The results of the company are included in the consolidated financial statements of IAF Group plc which is the company's ultimate parent undertaking.