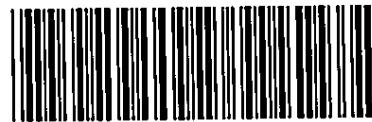


Company Number 2400738

**IAF SECURITIES LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

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COMPANIES HOUSE

**IAF SECURITIES LIMITED**

**DIRECTORS**

D L Massie  
G B Ashley  
M McCutcheon  
R Stott  
S Davies

**SECRETARY**

R Stott

**REGISTERED OFFICE**

117 Jermyn Street  
London  
SW1Y 6HH

**BANKERS**

National Westminster Bank Plc  
1 Princes Street  
London  
EC2R 8PA

**AUDITOR**

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 2007

**PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The principal activity of the Company is the provision of corporate finance, investment management and private client stockbroking services in the United Kingdom. During the year under review the Company continued to develop these services.

**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 were as follows -

D L Massie	
G P Addison	(resigned 12 January 2007)
G Ashley	
E Barber	(died 8 February 2007)
M McCutcheon	
N Medici	(resigned 16 March 2007)
R Stott	(appointed 26 February 2007)
S Davies	

Mr Massie and Mr Ashley 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.

## **IAF SECURITIES LIMITED**

### **REPORT OF THE DIRECTORS - CONTINUED**

#### **DIRECTORS' RESPONSIBILITIES**

Company law requires the directors 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 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 AUDITOR**

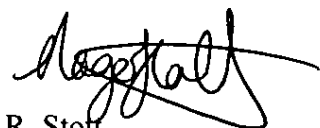
Each person who was a director at the date of this report was approved has taken all steps that they ought to have taken as a director in order to

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

As far as each director is aware there is no relevant audit information of which the company's auditor is unaware

#### **AUDITOR**

In accordance with Section 384 of the Companies Act 1985 a resolution to reappoint Chantrey Vellacott DFK LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting



R. Stott  
Secretary

Date 25 September 2007

## **IAF SECURITIES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF** **IAF SECURITIES LIMITED**

We have audited the financial statements of IAF Securities Limited for the year ended 30 June 2007 which comprise the income statement, the balance sheet, the statement of changes in equity, 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 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**

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.

We also report to you if, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we 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. We read other information contained in the Annual Report and consider whether it is consistent with the financial statements. This information comprises only the Directors' Report.

#### **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 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 AUDITOR'S 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 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*Chantrey Vellacott DFK*

CHANTREY VELLACOTT DFK LLP

Chartered Accountants  
Registered Auditor  
LONDON

25 September 2007

**IAF SECURITIES LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	2007 £	2006 £
<b>REVENUE</b>	1	1,203,859	5,434
Administrative expenses		(3,038,551)	(624,762)
<b>OPERATING LOSS</b>	2	<u>(1,834,692)</u>	<u>(619,328)</u>
Interest receivable		40,039	25,696
Revaluation of listed investments		11,667	-
		<u>          </u>	<u>          </u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,782,986)	(593,632)
Taxation	5	-	-
<b>RETAINED LOSS FOR THE YEAR</b>		<u><u>(1,782,986)</u></u>	<u><u>(593,632)</u></u>


All activities derive from continuing operations

**IAF SECURITIES LIMITED**

**BALANCE SHEET AS AT 30 JUNE 2007**

		2007	2006
		£	£
<b>NON CURRENT ASSETS</b>	Notes		
Property, plant and equipment	6	5,232	-
Investments	7	267,500	-
		<u>272,732</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	8	7,694,461	248,737
Investments	9	31,667	-
Cash and cash equivalents		107,191	1,781,402
		<u>7,833,319</u>	<u>2,030,139</u>
<b>TOTAL ASSETS</b>		<u>8,136,051</u>	<u>2,030,139</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	(7,194,749)	(320,851)
<b>NET ASSETS</b>		<u>911,302</u>	<u>1,709,288</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	1,585,000	600,000
Profit and loss account		(673,698)	1,109,288
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>911,302</u>	<u>1,709,288</u>

Approved by the board and authorised for issue on 25 September 2007



D L Massie  
Director



**IAF SECURITIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	Share capital £	Profit and loss account £	Total £
<b>Balance at 1 July 2005</b>	1,000	1,702,920	<b>1,703,920</b>
Loss for the period	-	(593,632)	<b>(593,632)</b>
Issue of share capital	599,000	-	<b>599,000</b>
<b>Balance at 30 June 2006</b>	<u>600,000</u>	<u>1,109,288</u>	<u><b>1,709,288</b></u>
Loss for the period	-	(1,782,986)	<b>(1,782,986)</b>
Issue of share capital	985,000	-	<b>985,000</b>
<b>Balance at 30 June 2007</b>	<u><u><b>1,585,000</b></u></u>	<u><u><b>(673,698)</b></u></u>	<u><u><b>911,302</b></u></u>

**IAF SECURITIES LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	2007 £	2006 £
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	13	(2,374,895)	(544,343)
Interest received		40,039	25,696
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		<b>(2,334,856)</b>	<b>(518,647)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of subsidiary		(100)	-
Investment in LLPs		(20,000)	-
Purchase of investments		(72,400)	-
Purchase of fixed assets		(6,855)	-
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(99,355)</b>	<b>-</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of ordinary share capital	12	760,000	599,000
Finance provided by parent company		-	1,701,000
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>760,000</b>	<b>2,300,000</b>
<b>NET (DECREASE)/ INCREASE IN CASH</b>		<b>(1,674,211)</b>	<b>1,781,353</b>
Cash at beginning of period		1,781,402	49
<b>CASH AT END OF PERIOD</b>		<b>107,191</b>	<b>1,781,402</b>

**Significant non-cash movements**

During the year the company purchased the subsidiary, JP Jenkins Limited. This was funded by the parent, IAF Group Plc, in exchange for an increased share capital in the company of £225,000 (see note 12)

# **IAF SECURITIES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 JUNE 2007**

#### **1 ACCOUNTING POLICIES**

##### **Accounting convention**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

##### **Revenue**

Revenue represents commissions, fees and other charges excluding value added tax, chargeable for services provided in the year and derives entirely from stock-broking and corporate finance services

##### **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is charged so as to write down its cost to estimated residual values over its estimated useful economic life using the straight line method, on the following basis

Fixtures and fittings	- 10 %
Plant and equipment	- 20 %
Computers and IT equipment	- 33 %

##### **Investments**

Listed current investments are stated at mid-market value at the balance sheet date. Non current investments are stated at cost less any provision for impairment

##### **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

##### **Pensions**

The company operates a group personal pension scheme for the benefit of participating employees. The scheme is defined contribution and contributions are charged to the income statement when payable

**IAF SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

**2 OPERATING LOSS**

This has been arrived at after charging	2007 £	2006 £
Staff costs	972,358	224,222
Depreciation of property, plant and equipment	1,623	-
Write down of investments	30,000	-
Audit fees	24,000	6,667
	<u>972,358</u>	<u>224,222</u>

**3 STAFF COSTS**

Staff costs (including directors) comprise	2007 £	2006 £
Wages and salaries	843,971	194,745
Defined contribution pension cost	32,385	6,938
Employer's national insurance contributions and similar taxes	96,002	22,539
	<u>972,358</u>	<u>224,222</u>

The average number of persons employed by the company during the year was

	2007	2006
Selling and distribution	7	5
Administration	9	7
	<u>16</u>	<u>12</u>

**4 DIRECTORS' EMOLUMENTS**

Directors' emoluments comprise	2007 £	2006 £
Aggregate emoluments	298,333	122,026
Contributions to defined contribution pension scheme	14,917	7,167
	<u>313,250</u>	<u>129,193</u>

**IAF SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**FOR THE YEAR ENDED 30 JUNE 2007**

**5 TAXATION**

	2007 £	2006 £
UK corporation tax	-	-
	<u>=====</u>	<u>=====</u>

Factors affecting tax charge for the period

The tax charge for the period is at variance to the standard rate of corporation tax

The differences are explained below

	2007 £	2006 £
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2006-30%)	(525,922)	(178,090)
Unutilised losses	525,922	178,090
	<u>-----</u>	<u>-----</u>
	-	-
	<u>=====</u>	<u>=====</u>

**6 PROPERTY PLANT AND EQUIPMENT**

	Fixtures & Fittings £
<b>Cost</b>	
At 1 July 2006	-
Additions	6,855
At 30 June 2007	<u>6,855</u>
<b>Accumulated depreciation</b>	
At 1 July 2006	-
Charge for the year	1,623
At 30 June 2007	<u>1,623</u>
<b>Net book value</b>	
At 30 June 2007	<u>5,232</u>
At 30 June 2006	<u>-----</u>

**IAF SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**FOR THE YEAR ENDED 30 JUNE 2007**

**7 NON CURRENT INVESTMENTS**

	Debtentures	Investment in subsidiary undertakings	Investment in partnership undertakings	Total
	£	£	£	£
1 July 2006	-	-	-	-
Additions	22,400	225,100	20,000	267,500
30 June 2007	<u>22,400</u>	<u>225,100</u>	<u>20,000</u>	<u>267,500</u>

On 7 March 2007, the company acquired 100% of the issued share capital of JP Jenkins Limited. The consideration, for the goodwill of the business, was £225,000.

During the year the company entered into an agreement with its parent undertaking, IAF Group plc to establish two limited liability partnerships, IAF Corporate Finance LLP and IAF PCS LLP, for the purpose of carrying out its activities in corporate finance and private client stockbroking. The company contributed £10,000 fixed capital to each partnership.

**Subsidiary companies**

	Proportion held	Country of incorporation
Apple Tree Nominees Ltd	100%	England & Wales
JP Jenkins Ltd	100%	England & Wales

**IAF SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**FOR THE YEAR ENDED 30 JUNE 2007**

**8 TRADE AND OTHER RECEIVABLES**

	2007 £	2006 £
Trade receivables	60,195	1,500
Counterparty receivables	7,340,839	61,396
Margin calls	80,564	151,394
Prepayments	82,187	13,334
Other debtors	130,676	18,242
Amounts due from parent undertaking	-	2,871
	<u>7,694,461</u>	<u>248,737</u>

**9 CURRENT INVESTMENTS**

	2007 £	2006 £
Listed investments	31,667	-
	<u>31,667</u>	<u>-</u>

**10 CLIENT MONEY**

At 30 June 2007, amounts held by IAF Securities Limited on behalf of clients in accordance with the Financial Services Authority ("FSA") Client Assets Sourcebook amounted to £5,653,000 (2006 £Nil) The company had no beneficial interest in these deposits and accordingly they are not included in the balance sheet

**11 TRADE AND OTHER PAYABLES**

	2007 £	2006 £
Trade creditors and other creditors	155,920	-
Counterparty payables	6,746,209	21,707
Amounts owed to parent undertaking	-	148,186
Amount owed to group undertakings	21,199	12,140
Other taxation and social security	83,714	31,854
Accruals	187,707	106,964
	<u>7,194,749</u>	<u>320,851</u>

**IAF SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**FOR THE YEAR ENDED 30 JUNE 2007**

**12 SHARE CAPITAL**

	2007 No	2006 No	2007 £	2006 £
Authorised				
Ordinary shares of £1 each	<u>2,000,000</u>	<u>600,000</u>	<u>2,000,000</u>	<u>600,000</u>
	2007 No	2006 No	2007 £	2006 £
Allotted, called up and fully paid				
Ordinary shares of £1 each	<u>1,585,000</u>	<u>600,000</u>	<u>1,585,000</u>	<u>600,000</u>

During the year 760,000 ordinary shares of £1 each were issued to the company's parent company for cash at par

	No
31 January 2007	150,000
8 March 2007	450,000
31 May 2007	160,000
	<u>760,000</u>

On 13 April 2007 225,000 ordinary shares of £1 each were issued to the company's parent company at par in settlement of the consideration for the acquisition of JP Jenkins Limited

On 11 July 2007 600,000 ordinary shares of £1 each were issued to the company's parent company for cash at par



**IAF SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**FOR THE YEAR ENDED 30 JUNE 2007**

**13 CASH FLOW FROM OPERATING ACTIVITIES**

	2007 £	2006 £
Operating loss	(1,834,692)	(619,328)
Write down of investments	30,000	-
Depreciation	1,623	-
Changes in working capital		
Increase in trade and other receivables	(7,445,724)	(245,867)
Increase in trade and other payables	6,873,898	320,852
Cash used in operations	<u>(2,374,895)</u>	<u>(544,343)</u>

**14 RELATED PARTY TRANSACTIONS**

Certain assets used by the company are owned 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 £82,751 (2006-£12,140). The operating lease of 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 £627,930 (2006-£144,436).

**15 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.