

IAF SECURITIES LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003



IAF SECURITIES LIMITED

DIRECTOR: D. L. Massie

SECRETARY: E. 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

IAF SECURITIES LIMITED

REPORT OF THE DIRECTOR

The director presents his report and audited financial statements for the year ended 30th June 2003.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be those of an investment and foreign exchange / treasury dealing company. The director is satisfied with the performance of the company.

RESULTS AND DIVIDENDS

The results of the company for the year are set out in detail on page 5. The director does 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	
	2003	2002
D. L. Massie	-	-
P. G. Glossop (resigned 17th September 2002)	-	-
V. J. Maguire (resigned 31st October 2002)	-	-
C. J. Spence (resigned 17th September 2002)	-	-

The directors interests in the shares of the ultimate parent undertaking, IAF Group plc, are disclosed in the financial statements of that company.

DIRECTOR'S 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 director is 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.

IAF SECURITIES LIMITED

REPORT OF THE DIRECTOR - CONTINUED

The director is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the accounts comply with the Companies Act 1985. He is 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.

AUDITORS

Messrs. Chantrey Vellacott DFK were appointed auditors to the company to fill the casual vacancy arising on the resignation of Horwath Clark Whitehill, and have indicated their willingness to accept re-appointment at the Annual General Meeting.



E. Barber
Secretary

Date: 28th April 2004

IAF SECURITIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements of IAF Securities Limited for the year ended 30th June 2003 which comprise the profit and loss account, balance sheet and related notes.

These financial statements have been prepared under this historical cost convention and 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

As described in the Statement of Director's Responsibilities the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Companies Act 1985. We also report to you if, in our opinion, the Director's Report is not consistent with the financial statements, if 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 director's remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistency. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board of the Accountancy Foundation. 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 director 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.

IAF SECURITIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

CONTINUED

Basis of audit opinion continued

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30th June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chantrey Vellacott DFK
Chartered Accountants and Registered Auditors
London

Date: 29 April 2004

IAF SECURITIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2003

	Notes	2003 £	2002 £
TURNOVER	2	540,832	71,226
ADMINISTRATIVE EXPENSES			
- Administrative expenses		(50,000)	(15,109)
- Revaluation of listed investments		144,161	-
OPERATING PROFIT	3	634,993	56,117
Interest receivable		1,274	3,657
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		636,267	59,774
Tax on profit on ordinary activities	4	-	-
RETAINED PROFIT THE YEAR	10	636,267	59,774

Continuing operations

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

Statement of total recognised gains

The company had no recognised gains or losses other than the profit for the above two financial years.

IAF SECURITIES LIMITED

BALANCE SHEET AS AT 30TH JUNE 2003

	Notes	£	2003 £	£	2002 £
CURRENT ASSETS					
Debtors	5	1,195,648		980,129	
Investments	6	354,388		56,280	
Cash at bank and in hand		101,496		-	
			<u>1,651,532</u>	<u>1,036,409</u>	
CREDITORS: amounts					
falling due within one year	7	-		(21,144)	
				<u></u>	
NET CURRENT ASSETS			1,651,532		1,015,265
NET ASSETS			<u>1,651,532</u>		<u>1,015,265</u>
CAPITAL AND RESERVES					
Called up share capital	8		1,000		1,000
Profit and loss account	9		1,650,532		1,014,265
Shareholders' funds:					
Equity	10		<u>1,651,532</u>		<u>1,015,265</u>

Approved by the board on 28/07 2004



D. L. Massie
Director

IAF SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared in accordance with the historical cost convention as modified by the carrying of listed investments at market value, and in compliance with applicable UK Accounting Standards. The principal accounting policies which the directors have adopted within that convention are set out below.

Investments

Listed investments are stated at the middle 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. TURNOVER

Turnover represents profit or loss on dealings and investment income.

3. OPERATING PROFIT

Auditors' remuneration was paid by the parent undertaking in the current and previous period.

No director received emoluments from the company in the year (2002 - £Nil). The costs of directors who are also directors of other group undertakings are borne in those undertakings.

IAF SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE 2003

4. TAXATION

	2003 £	2002 £
UK corporation tax	-	-
	=====	=====

Factors effecting tax charge for the period.

The tax charge for the period is lower than the standard rate of corporation tax (30%).

The differences are explained below.

	2003 £	2002 £
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2002 - 30%)	190,880	17,932
Effects of:		
Group relief to be surrendered to the company	(190,880)	(17,932)
	-----	-----
	-	-
	=====	=====

5. DEBTORS

	2003 £	2002 £
Amounts due from parent undertaking	1,195,648	848,611
Other debtors	-	131,518
	-----	-----
	1,195,648	980,129
	=====	=====

6. INVESTMENTS

	2003 £	2002 £
Listed investments	354,388	56,280
	=====	=====

The historic cost of the listed investments was £159,000 (2002 - £5,000)

IAF SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE 2003

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Other creditors	-	21,144
	<u>-</u>	<u>21,144</u>
	=====	=====

8. SHARE CAPITAL

	2003 No	2002 No	2003 £	2002 £
Authorised: Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

	2003 No	2002 No	2003 £	2002 £
Allotted, called up and fully paid: Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

9. PROFIT AND LOSS ACCOUNT

	2003 £	2002 £
At 1st July 2002	1,014,265	954,491
Retained profit	636,267	59,774
At 30th June 2003	<u>1,650,532</u>	<u>1,014,265</u>
	=====	=====

IAF SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE 2003

**10. RECONCILIATION OF MOVEMENT IN
SHAREHOLDERS' FUNDS**

	2003 £	2002 £
At 1st July 2002	1,015,265	955,491
Retained profit	636,267	59,774
At 30th June 2003	<u>1,651,532</u>	<u>1,015,265</u>

11. RELATED PARTY TRANSACTIONS

The company is exempt from disclosing its transactions with fellow group undertakings as a result of it being a 100% subsidiary of IAF Group plc.

12. 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.