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David

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

<b>CONTENTS</b>	<b>PAGE</b>
STATUTORY AND OTHER INFORMATION	1
CHAIRMAN'S STATEMENT	2
DIRECTORS' REPORT	4
CORPORATE GOVERNANCE	7
REPORT ON DIRECTORS' REMUNERATION	8
AUDITORS' REPORT	9
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	11
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	12
CONSOLIDATED STATEMENT OF CASH FLOWS	13
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	14
COMPANY STATEMENT OF FINANCIAL POSITION	15
COMPANY STATEMENT OF CASH FLOWS	16
COMPANY STATEMENT OF CHANGES IN EQUITY	17
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	18
NOTICE OF ANNUAL GENERAL MEETING	37

## STATUTORY AND OTHER INFORMATION

### STATUTORY AND OTHER INFORMATION

Directors:	M. Hicks, Chairman D. Scott, Chief Executive T. Coote, Director A. Bull, Non-Executive Director A. Cowling, Non-Executive Director A. Grant, Non-Executive Director A. Rose, Finance Director
Company No:	03861966
Secretary:	S. Scott
Registered Office:	110 Cannon Street London EC4N 6AR
Principal Bankers:	Royal Bank of Scotland St Mary Axe London EC3M 7NQ
Auditors:	Kingston Smith LLP Chartered Accountants & Registered Auditor Devonshire House 60 Goswell Road London EC1M 7AD
Nominated Advisors:	Cairn Financial Advisers LLP 61 Cheapside London EC2V 6AX
Broker:	Alexander David Securities Limited 68 Lombard Street London EC3V 9LJ
Solicitors:	K&L Gates 110 Cannon Street London EC4N 6AR
Registrars:	Capita Registrars Woodsome Park Huddersfield West Yorkshire HD8 0LA

## CHAIRMAN'S STATEMENT

### Review of the year

The past year at Alexander David Securities Group plc (the "Company") has been a period of contrasts. Trading has been very strong at the beginning and end of the year, but much quieter during the summer months. Turnover has increased to £2.552m from £2.276m in 2009. Turnover in our first year of operation in 2007 was £359,000 and we are delighted by the continuing growth in our revenues and gross profits.

Despite growing revenues the environment in which we operate continues to be challenging. The market throughout this year varied between a good first and last quarter and a more indifferent period through the summer. As a result although turnover growth in the year has continued, the Group has continued to make a loss at the Group level of £970,000 (2009: loss of £557,000) and showed a net outflow of cash from operations of £941,000 (2009: outflow of £662,000). As a result during the last quarter of 2010 the Directors took a number of cost saving measures to reduce operating costs and to ensure that costs were more closely aligned to revenue. By the end of January 2011 the Directors had taken monthly costs of £40k out of the business. This included reducing staff costs and moving to premises which offer substantially better value for money. The Board continues to monitor costs and look at ways to operate at a lower fixed cost level. These steps have ensured that in the first three months of 2011 we are operating profitably from our new cost base.

Whilst the year under review has been mixed we are pleased with the development of the business. The equities side of the business has had a great deal of success in raising equity capital for smaller companies, made up of both our own clients and those of other firms who have approached us for assistance in raising capital. Throughout the year we raised a total of £15m in 40 fund raisings. The performance of the investments which we have made has also been very successful. In addition our corporate clients have in general performed well with a couple of star performers.

The board in reviewing the operations of the business is aware that critical mass is a key component of the sector we are in. Throughout the year we looked at several acquisitions. Most we did not pursue. As shareholders are aware we did look seriously at the possibility of acquiring HB Markets PLC. However, we decided not to proceed in the end but found the experience very useful as a board and as a management team. The costs of this exercise are included in the results of the year as an exceptional expense of £146,000.

We continue to look at prospects for acquisitions of people and businesses as it remains in the Group's interests to increase its scale.

The divisional performance of the business is as follows:

#### Private Clients

Turnover from our private client operations increased 14% to £1,718,000 (2009: £1,508,000). This segment of the business involves the provision of advisory services in CFD and equity trading. As at 31 December 2010 the Group had 1,069 private clients (31 December 2009: 892); funds under management's supervision (for advisory clients) were £34m (2009: £31m). In the year we were hit by a small number of bad debts amounting to £152k and these have been fully written off in the year.

#### Corporate Finance and Corporate Broking

Turnover in corporate finance operations increased by 22% to £620,000 (2009: £507,000). Our number of retained corporate broking clients increased to 17 as at 31 December 2010 (2009: 13). Over 2/3rds of our corporate clients raised capital in the year and we continued to see a steady growth in the quality and prospects of corporate broking clients we have taken on.

As a part of the fees which are received by corporate finance the Group has warrants valued at £242,000 (2009: £91,000). These are available for sale by the Group and are a source of capital which is available to the Group should it require funding. As at the 30<sup>th</sup> April 2011 this has grown to £430,000. The Directors do not include these sums as a part of its future cash inflows as these cannot be predicted and are dependent on both commercial and market price considerations.

#### Commodity Trading

The Company continued to explore commodity related activities during the financial year. To date these have not led to any additional activities. The board continues to review this activity as it believes it could make a contribution in the year ahead.

## **CHAIRMAN'S STATEMENT**

### **Capital raisings**

In June 2010 93 per cent of the Company's subordinated debt holders by value accepted an offer to convert their debt and accrued interest totalling £1,723,866 into preference shares at par (see note 19).

In December 2010 the Company raised £364,000 in a placing of new ordinary shares. The proceeds of this placing were put to the working capital and to the costs of the aborted acquisition.

### **Current Trading**

Trading in the first quarter of 2011 has been in line with our internal forecasts with turnover increasing by 6% on last year from £766,000 in 2010 to £811,000 in 2011. Cashflow forecasts prepared by the Directors indicate that the Group will be able to operate within its resources for the coming year assuming levels of income and expenditure consistent with current levels of activity. As ever, while the private client and the corporate retainer income is reasonably predictable, the Directors continue to make certain assumptions as to the timing of corporate revenues and placing income, which is by its nature difficult to predict.

The business continues to have a strong pipeline of corporate revenues with specific mandates however shareholders need to be aware that the market climate can be difficult and income may arise earlier or later than expected and may not occur at all. The Directors are confident though as the corporate revenue pipeline is strong and new transactions are coming to the Company as it has been developing its brand over the past four years.

Whilst the Directors recognise there are challenging times ahead both politically and economically they view the future with confidence.

### **EMPLOYEES**

Thanks are due to all management and staff for their dedication and commitment, without which the progress that has been made would not have been possible

### **M Hicks**

Chairman

## DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company and its Group for the year ended 31 December 2010.

### Principal activities and review of the business

The principal activity of the Group in the period under review was that of an investment broker and corporate adviser. A detailed review of the business is included in the Chairman's Statement.

### Results and dividend

The audited accounts for the period ended 31 December 2010 are set out on pages 11 to 36. The Directors do not recommend the payment of a dividend.

### Directors

The Directors of the Company during the year were:

M. Hicks  
D. Scott  
T. Coote  
A. Bull  
A. Cowling  
A. Grant  
A. Rose

### Directors' Interests

At 31 December 2010, the Directors held the following interests in the issued share capital of the Company:

	% of issued share capital	% of issued preference capital
M Hicks	0.1%	0.3%
D Scott	16.6%	12.3%
T Coote	14.5%	7.3%
A Bull	10.1%	27.9%
A Cowling	3.9%	8.3%
A Grant	2.8%	2.6%
A Rose	1.6%	-

A Grant's holding is held through Jarvis Securities plc in which he has a significant holding.

### Substantial Shareholders

At 31 December 2010 and in addition to the Directors' interests noted on above, the Company had been notified of the following beneficial interests in 3% or more of its issued share capital

	% of issued share capital
A MacDonald	5.5%
V Nicholls	5.1%
M Tawse	4.5%
W Richards	4.3%
H Stammers	4.3%

### Policy on payments to creditors

The Group's policy is to agree terms of payment with suppliers when agreeing the terms of each transaction and then to abide by the terms of payment. As at 31 December 2010 the average period taken by the Company to pay creditors was 28 days (2009: 28 days).

## DIRECTORS' REPORT (CONTINUED)

### Corporate governance

The Board is accountable to the shareholders for good corporate governance of the Group. The principles of corporate governance and a code of best practice are set out in the revised combined code on corporate governance issued in June 2008. Although under the rules of the Alternative Investment Market the Company is not required to comply in full with the code nor state any areas in which it does not comply, the Board has taken steps to comply with the requirements of the code in so far as is reasonably practicable for a company of this size.

### Financial Risk Management

Details of the Company's financial instruments and its policies with regard to financial risk management are given in note 20.

### Principal Risks

In considering the business outlook, one also has to look at the principal risks facing the business which include:-

**Economic outlook:** future performance is to a certain extent dependent on relatively benign trading conditions and the health of the UK economy. However the Company has a low cost base and is well placed to take advantage of future revenue opportunities;

**Reputational risk:** one of the greatest risks to the Group could come from loss of reputation, however new business activities are rigorously scrutinised, new clients are thoroughly checked out before take on, and day to day processes are closely monitored by management;

**Operational risk:** the Group could suffer from failed internal processes or external failures in systems making it difficult to operate, however operations are outsourced to a reliable securities clearer whose operations would be capable of being operated from more than one location;

**Regulatory risk:** The Group's activities are monitored by the FSA. Risks of changes in the regulatory regime could cause increase costs of compliance or additional need for capital. However management has good experience at managing these risks.

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have also elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and the financial performance and cash flows of the Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether in preparation of the Group financial statements the Group has complied with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the group financial statements;
- state whether in preparation of the parent company financial statements the Company has complied with IFRS as adopted by the EU, 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 keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They

## **DIRECTORS' REPORT (CONTINUED)**

are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

### **Disclosure of Information to Auditors**

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

Kingston Smith have indicated their willingness to continue in office and in accordance with Section 489 of the Companies Act 2006, a resolution proposing that Kingston Smith LLP be reappointed as auditors of the Company will be put to the Annual General Meeting.

### **By order of the Board**

S Scott  
Company Secretary  
11 May 2011

## CORPORATE GOVERNANCE

The Directors acknowledge the importance of the Principles set out in The Combined Code issued by the Committee on Corporate Governance. Although the Combined Code is not compulsory for AIM-listed companies, the Directors have applied the principles as far as practicable and appropriate for a relatively small public company as follows:

### **The Board of Directors**

Throughout the year, the Board comprised a Chairman and at least two Executive Directors.

The Board meets regularly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. The Board has a formal schedule of matters specifically reserved to it for decision. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

A nominations committee is not considered appropriate because of the small size of the Board and the Company but all key appointments or potential appointments are fully discussed by all Board members.

Directors are subject to re-election by the shareholders at Annual General Meetings. The Articles of Association provide that Directors will be subject to re-election at the first opportunity after their appointment and that the Board will voluntarily submit to re-election at intervals of three years.

### **Audit Committee**

The Audit Committee currently consists of M Hicks, Chairman, and A Cowling, Non-Executive Director. The Audit Committee meets at least twice a year and considers the appointment and fees of the external auditors and discusses the scope of the audit and its findings. The Committee is also responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board.

### **Remuneration Committee**

The Remuneration Committee currently consists of M Hicks, Chairman, A Grant, Non-Executive Director and A Cowling, Non-Executive Director. The Committee's role is to consider and approve the remuneration and benefits of the Executive Directors. In framing the Company's remuneration policy, the Remuneration Committee has given full consideration to Section B of The Combined Code. The Report on Directors' Remuneration is set out on page 8.

### **AIM Compliance Committee**

The AIM Compliance Committee currently consists of M Hicks, Chairman, D Scott, Chief Executive, and A Cowling, Non-Executive Director. The Committee's role is to consider if the Company is complying with the rules of AIM and, if necessary, to implement any necessary compliance procedures to ensure that this is the case.

### **Internal Financial Control**

The Board is responsible for establishing and maintaining the Group's system of internal financial control and places importance on maintaining a strong control environment. The key procedures which the Directors have established with a view to providing effective internal financial control are as follows:

- The Group's organisational structure has clear lines of responsibility.
- The Group prepares a comprehensive annual budget that is approved by the Board. Monthly results are reported against the budget and variances are closely monitored by the Directors.
- The Board is responsible for identifying the major business risks faced by the Company and for determining the appropriate courses of action to manage those risks.

The Directors recognise, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss. The Directors have reviewed the effectiveness of the system of internal financial control as it operated during the year to 31 December 2010.

### **Relations with Shareholders**

Communications with shareholders are given high priority. The Board uses the Annual General Meeting to communicate with investors and welcomes their participation. The Chairman aims to ensure that the Directors are available at Annual General Meetings to answer questions.

### **Statement by Directors on Compliance with the Provisions of the Combined Code**

The Board considers that they have complied with the provisions of The Combined Code, as far as practicable and appropriate for a public company of this size, in accordance with the recommendations on corporate governance of the City Group for Smaller Companies.

## REPORT ON DIRECTORS' REMUNERATION

The Remuneration Committee is responsible for determining and reviewing the terms of appointment and the remuneration of Executive Directors. The Committee takes external advice, as appropriate, on remuneration issues and takes cognisance of major surveys covering all aspects of the pay and benefits of Directors and senior executives in many companies.

The Committee aims to provide base salaries and benefits which are competitive in the relevant external market and which take account of Company and individual performance thus enhancing the Company's ability to recruit and to retain individuals of the calibre required for its continuing business success. It is the policy of the Committee to provide financial incentives and to reward superior performance over the medium and long term by creating opportunities to enable senior executives to earn cash bonuses and share-related payments which result from achievement of performance targets.

The Remuneration Committee currently consists of M Hicks, Chairman, A Grant, Non-Executive Director and A Cowling, Non-Executive Director.

### Service Agreements

The Directors have service agreements, which require not more than 6 months notice of termination. The remuneration packages consist of basic salary or fees.

### Total Directors' Remuneration (audited)

	<u>Year to</u> <u>31 December 2010</u> £	<u>Year to</u> <u>31 December 2009</u> £
<b>Executives</b>		
M Hicks	30,000	27,000
D Scott	74,000	74,000
T Coote	74,000	122,000
A Bull	72,000	90,000
A Cowling	6,000	15,500
A Grant	6,000	6,000
A Rose	52,800	35,000
<b>Total</b>	<u>314,800</u>	<u>369,500</u>

### Directors' Interests (audited)

The Directors' interests in the ordinary shares of the Company are set out in the Directors Report on page 4.

D Scott, T Coote and A Bull were each issued 6,184,014 options on 31 December 2008. The options are exercisable at any time from 31 December 2011 to 31 December 2018 at a price of 1.2 pence each.

M Hicks and A Cowling were issued 1,000,000 options on 1 June 2009. The options are exercisable at any time from 1 June 2012 to 1 June 2019 at a price of 1.2 pence.

On 7 December 2010 D Scott and T Coote were issued 800,000 options each, A Grant and A Rose were issued 650,000 options each and A Bull, A Cowling and M Hicks were issued 400,000 options each. The exercise price of the options is 0.275 pence and they vest on 7<sup>th</sup> December 2013.

Options issued to D Scott and T Coote are conditional on performance review.

On behalf of the Remuneration Committee

**M Hicks**  
Chairman

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALEXANDER DAVID SECURITIES GROUP PLC**

We have audited the financial statements of Alexander David Securities Group Plc for the year ended 31 December 2010 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the Company's members those matters which we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the Company and Company's members as a body, for our work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and Auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on the financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mark Twum Ampofo (Senior Statutory Auditor)  
For and on behalf of Kingston Smith LLP, Statutory Auditor  
Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

11 May 2011

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £'000	2009 £'000
<b>Revenue</b>		2,552	2,276
Cost of sales		(551)	(492)
<b>Gross profit</b>		<u>2,001</u>	<u>1,784</u>
Administrative expenses		(2,887)	(2,467)
Exceptional item - administrative expenses	5	(146)	-
<b>Operating loss</b>	5	<u>(1,032)</u>	<u>(683)</u>
Investment income	7	70	166
Finance costs	10	(8)	(40)
<b>Loss before taxation</b>		<u>(970)</u>	<u>(557)</u>
Taxation	11	-	-
<b>Total Comprehensive income for the year</b>		<u>(970)</u>	<u>(557)</u>
Basic and diluted loss per share from continuing and total operations	12	<u>(0.19)p</u>	<u>(0.12)p</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010**

	Notes	31 December 2010 £'000	31 December 2009 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	9	20
Goodwill	14	485	485
Total non-current assets		<u>494</u>	<u>505</u>
<b>Current assets</b>			
Listed securities	18	297	220
Trade and other receivables	16	381	303
Cash and cash equivalents	17	306	868
Total current assets		<u>984</u>	<u>1,391</u>
<b>TOTAL ASSETS</b>		<u><b>1,478</b></u>	<u><b>1,896</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary share capital	19	2,772	2,639
Share premium		1,351	1,120
Merger reserve		3,278	3,278
Reverse Acquisition reserve		(5,036)	(5,036)
Preference shares		1,724	-
Accumulated losses		(3,385)	(2,423)
<b>Total equity</b>		<u>704</u>	<u>(422)</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Subordinated loan notes	21	137	1,853
<b>Current liabilities</b>			
Trade and other payables	22	637	465
Total Liabilities		<u>774</u>	<u>2,318</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>1,478</b></u>	<u><b>1,896</b></u>

The financial statements were approved by the Board of Directors and authorised for issue on 11 May 2011, and signed on its behalf by:

**M Hicks**  
Chairman

**D Scott**  
Director

Company registered number 03861966 ( Registered in England and Wales)

The notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £'000	2009 £'000
<b>Cash flows from operating activities</b>			
(Loss) before taxation		(970)	(557)
Adjustments for:			
Investment income		(14)	(21)
Finance costs		8	40
(Loss)/profit on principal trading		10	(22)
Options and warrants received in lieu of fees		(32)	(43)
Changes in value of assets at fair value through profit or loss		(56)	(145)
Depreciation and amortisation		11	57
Share based payments		8	8
Decrease/(increase) in trade and other receivables		(78)	213
(Decrease)/increase in trade and other payables		172	(192)
<b>Cash generated from operations</b>		<hr style="width: 100%; border: 0.5px solid black;"/> (941)	<hr style="width: 100%; border: 0.5px solid black;"/> (662)
Interest paid		-	(3)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<hr style="width: 100%; border: 0.5px solid black;"/> (941)	<hr style="width: 100%; border: 0.5px solid black;"/> (665)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		-	(15)
Purchase of available for sale financial assets		(343)	(99)
Proceeds of available for sale financial assets		344	74
Investment Income		14	21
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<hr style="width: 100%; border: 0.5px solid black;"/> 15	<hr style="width: 100%; border: 0.5px solid black;"/> (19)
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity shares		364	668
Expense of share issue		-	(9)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<hr style="width: 100%; border: 0.5px solid black;"/> 364	<hr style="width: 100%; border: 0.5px solid black;"/> 659
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(562)	(25)
Cash and cash equivalents at beginning of year		868	893
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<hr style="width: 100%; border: 0.5px solid black;"/> 306	<hr style="width: 100%; border: 0.5px solid black;"/> 868

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>Ordinary share capital £'000</b>	<b>Share premium £'000</b>	<b>Merger reserve £'000</b>	<b>Reverse acquisition reserve £'000</b>	<b>Preference shares £'000</b>	<b>Accumulated losses £'000</b>	<b>Total £'000</b>
<b>Balance at 1 January 2009</b>	2,572	528	3,278	(5,036)	-	(1,874)	(532)
Total comprehensive income for the year						(557)	(557)
Transactions with owners:							
Issue of share capital	67	601	-	-	-	-	668
Costs of issue of share capital	-	(9)	-	-	-	-	(9)
Credit for share based payment	-	-	-	-	-	8	8
<b>Balance as at 31 December 2009</b>	2,639	1,120	3,278	(5,036)	-	(2,423)	(422)
Total comprehensive income for the year	-	-	-	-	-	(970)	(970)
Transactions with owners:							
Issue of share capital	133	231	-	-	-	-	364
Conversion of subordinated debt to preference shares	-	-	-	-	1,724	-	1,724
Credit for share based payment	-	-	-	-	-	8	8
<b>Balance as at 31 December 2010</b>	<b>2,772</b>	<b>1,351</b>	<b>3,278</b>	<b>(5,036)</b>	<b>1,724</b>	<b>(3,385)</b>	<b>704</b>

**COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT ENDED 31 DECEMBER 2010**

	Notes	31 December 2010 £'000	31 December 2009 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	15	3,925	3,925
		<hr/>	<hr/>
		3,925	3,925
<b>Current assets</b>			
Trade and other receivables	16	2,619	2,294
		<hr/>	<hr/>
Total current assets		2,619	2,294
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>6,544</b>	<b>6,219</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary share capital	19	2,772	2,639
Share premium		1,351	1,120
Merger reserve		3,278	3,278
Preference shares		1,724	-
Accumulated losses		(2,718)	(2,683)
		<hr/>	<hr/>
<b>Total equity</b>		<b>6,407</b>	<b>4,354</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Subordinated loan notes	21	137	1,853
<b>Current liabilities</b>			
Trade and other payables	22	-	12
		<hr/>	<hr/>
Total liabilities		137	1,865
		<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,544</b>	<b>6,219</b>
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 11 May 2011, and signed on its behalf by:

**M Hicks**  
Chairman

**D Scott**  
Director

**Company registered number 03861966 Registered in England and Wales**

The notes form part of these financial statements

**COMPANY STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	<b>2010</b> £'000	<b>2009</b> £'000
<b>Cash flows from operating activities</b>			
Profit/ (loss) before taxation		(43)	(1,080)
Adjustments for:			
Finance costs		8	40
Impairment provision		-	980
Share based payments		8	8
Decrease/(increase) in trade and other receivables		(327)	(199)
(Decrease)/increase in trade and other payables		(11)	(405)
		<hr/>	<hr/>
<b>Cash generated from operations</b>		(365)	(656)
Interest paid		-	(3)
		<hr/>	<hr/>
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		(365)	(659)
 <b>Cash flows from financing activities</b>			
Proceeds from issue of equity shares		365	668
Proceeds from issue of preference shares		1,724	-
Expense of share issue		-	(9)
Repayment of subordinated debt		(1,724)	-
		<hr/>	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		365	659
 <b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		-	-
Cash and cash equivalents at beginning of year		-	-
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		-	-

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>Ordinary share capital £'000</b>	<b>Share premium £'000</b>	<b>Merger reserve £'000</b>	<b>Preference shares £'000</b>	<b>Accumulated losses £'000</b>	<b>Total £'000</b>
<b>Balance at 1 January 2009</b>	2,572	528	3,278	-	(1,611)	4,767
Loss for year	-	-	-	-	(1,080)	(1,080)
Transactions with owners:						
Issue of share capital	67	601	-	-	-	668
Costs of issue of share capital	-	(9)	-	-	-	(9)
Credit for share based payment	-	-	-	-	8	8
<b>Balance as at 31 December 2009</b>	2,639	1,120	3,278	-	(2,683)	4,354
Loss for year	-	-	-	-	(43)	(43)
Transactions with owners:						
Issue of share capital	133	231	-	-	-	364
Conversion of subordinated debt to preference shares	-	-	-	1,724	-	1,724
Credit for share based payment	-	-	-	-	8	8
<b>Balance as at 31 December 2010</b>	<u>2,772</u>	<u>1,351</u>	<u>3,278</u>	<u>1,724</u>	<u>(2,718)</u>	<u>6,407</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Alexander David Securities Group plc is a public limited company incorporated in the United Kingdom under the Companies Act. The address of its registered office is given on page 1. The principal activities of the Company and its subsidiaries (the Group) are described in note 4.

### 2. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the period covered by these financial statements.

#### ***Basis of preparation***

The Company's financial statements are for the year ended 31 December 2010 and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union applied in accordance with the provisions of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention, unless otherwise stated in these financial statements.

The presentational and functional currency of the Group is Sterling. No income statement or related notes have been presented by the Company as permitted by Section 408 of the Companies Act 2006. They have been presented to and approved by the Board. The Company's loss for the year was £43,000 (2009 - £1,080,000).

#### ***Going concern***

Cashflow forecasts prepared by the Directors indicate that the Group will be able to operate within its resources for the coming year assuming levels of income and expenditure consistent with current levels of activity. Private client broking & retainer income is reasonably predictable, however the Directors have had to make certain assumptions as to the timing of corporate finance and placing income which is difficult to predict. While the business has a strong pipeline of 'named' deals, continuing uncertainty in the markets means that income may arise earlier or later than expected, may not arise at all or may be replaced by new deals. The Directors have excluded from cash inflows proceeds from the sale of securities which are sometimes received in exchange for broking services as the timing of the inflows cannot be predicted and are dependent on both commercial and market price considerations.

The forecasts also include certain assumptions as to the timing of payment of creditors. In the event that actual results fall short of forecast the Directors will seek to manage further the timing of payments to limit cash outflows (which may include exceeding standard payment terms) or if this is not possible may also seek to raise funds either by selling equity securities (shown in the balance sheet at fair value within current assets) or through an equity fundraising. The Group's working capital and forecasts indicate that it can manage the Group's cash position without the requirement of an additional fundraising. However, certain Directors have pledged funds for a further small fundraising in the event one is necessary. The Group successfully raised £364,000 through a placing in December 2010 and the Directors are confident that the business continues to enjoy the support of its existing shareholders.

After due consideration of the Group's financing arrangements the Directors believe that it is appropriate to continue to prepare the financial statements on the going concern basis. The accounts do not include the adjustments, if any, that might arise in the event that the Group ceased to be a going concern.

#### ***Basis of consolidation***

The consolidated accounts of Alexander David Securities Group have been prepared under International Reporting Standards and include the results of the Company's 100% owned subsidiaries

The Group has calculated the Goodwill arising on the business combination as being the fair value of the consideration deemed to have been paid by Alexander David Holdings Limited, as calculated in accordance with the reverse accounting rules - IFRS 3 Appendix B, less the fair value of the Company's assets and liabilities at the date of the business combination.

The merger and reverse acquisition reserves in the consolidated financial statements have been prepared using the reverse accounting provisions of IFRS3.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### **Standards in effect in 2010**

The following standards, interpretations, and amendments to standards have been adopted in the financial statements. None had any impact on the Group results or financial position:

- IFRS 3 (2008) 'Business Combinations' (Revised), IAS 27 (2008) 'Consolidated and Separate Financial Statements' and IAS 28 (2008) 'Investments in Associates'. These standards, effective for acquisitions taking place in accounting periods beginning on or after 1 July 2009, have introduced a number of changes in the accounting for business combinations when acquiring a subsidiary or an associate.

The following new and amended standards, and interpretations are mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events):

- IFRIC 17 Distribution of non-cash assets to owners (effective for periods beginning on or after 1 July 2009).
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009.
- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009.
- IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current.
- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment brings the standard in line with IFRS 8 'Operating Segments'.
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from 1 January 2010. The amendment clarifies accounting for share-based transactions between Group entities.
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies disclosures to be made in respect of disposal groups.

### **IFRS in issue but not applied in the current financial statements**

The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Group in preparing these financial statements as they are not as yet effective. The Group intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- Revised IAS 24 (revised), 'Related party disclosures', effective 1 January 2011
- IFRS 9, 'Financial instruments', effective 1 January 2013
- 'Classification of rights issues' (amendment to IAS 32), effective 1 February 2010
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010
- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14), effective 1 January 2011
- Improvements to IFRSs (May 2010)

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Group's activities and which have not therefore been adopted in preparing these financial statements.

### **Revenue recognition**

Revenue includes the net profit/loss on principal trading, commission income, corporate advisory fees, fund management fees and other ancillary fees. It also includes the fair value of options over securities which have been received as consideration for corporate finance services rendered.

Dividends and interest arising on bull and bear positions in securities form part of dealing profits and, because they are also reflected by movements in market prices, are not identified separately.

Fees for advisory engagements for which the work is substantially complete or which are at a stage where work for which separate payment is due is substantially complete, and which will become due but are not yet invoiced are recorded on a right to consideration basis. Where such fees are contingent on the outcome of a transaction they are only accounted for after the transaction has completed.

Revenue from Stock Exchange transactions is determined under the principles of trade date accounting.

Management fees and interest are credited to income in the period in which they relate.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### **Taxation**

The tax expense represents the sum of the tax currently payable and any deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all chargeable 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position 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 realised. Deferred tax is charged or credited in the Statement of Comprehensive income, except when it relates to items credited or charged 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 liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on the net basis.

### **Foreign currency translation**

Transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions or translated at the average exchange rates for the period. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of income using the exchange rate ruling on that date.

At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Foreign currency gains and losses arising from the translation of assets and liabilities are reflected in the Statement of Comprehensive income as foreign exchange translation movements.

### **Investments in subsidiaries**

Investments in subsidiaries are stated at cost less any provision for impairment.

### **Goodwill**

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Goodwill arising as a result of the application of the reverse accounting rules in IFRS is allocated to the continuing business of the legal subsidiary. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in the subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write-off the cost of assets less any residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment	- Over 3 years
Furniture and fittings	- Over 4 years

### **Financial instruments**

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

### **Financial assets**

Investments are recognized and derecognized on trade date. Financial assets are classified into the following specified categories: financial assets at fair value through profit and loss (FVTPL) and "loans and receivables". The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

### **Financial assets at fair value through profit and loss**

Financial assets are held at FVTPL when the financial asset is held for trading or is designated as FVTPL. Such assets are held for trading or are acquired principally for the purpose of selling in the near term and are initially measured at fair value. Subsequently and at each reporting date these investments are measured at their fair values with the resultant gains or losses arising from changes in fair value being taken to the income statement within investment income. Financial assets at FVTPL includes securities and options over securities which have been received as consideration for corporate finance services rendered.

### **Trade and other receivables**

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due. The amount of any provision is recognised in the statement of comprehensive income.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less.

### **Listed Securities**

Listed securities are marked to market at accounting period ends. The Black Scholes method of valuation is used to value warrants held by the Company.

### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the original recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly.

### **Trade and other payables**

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### ***Financial liabilities and equity instruments***

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

Interest bearing loans are recorded at fair value at recognition, net of direct issue costs, and subsequently measured at amortised cost. Finance costs are accounted for on an accruals basis in the income statement using the effective interest method.

### ***Borrowing costs***

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

### ***Operating leases***

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

### ***Share-based payments***

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of the equity-settled share-based transactions are set out in Note 19.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the statement of comprehensive income reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

### ***Segmental reporting***

The Group reports internally on the basis of the following segments.

#### **Corporate Finance**

This segment provides corporate finance and corporate broking services to small and mid cap companies

#### **Institutional Equities**

The institutional equities team raises money for corporate clients and provides execution services to institutional and high net worth clients

#### **Private Clients**

The Private Client team provides advice regarding cash equity and derivative products and execution services to private and high net worth clients

#### **Central costs**

These are costs which are not allocated to a segment.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial information in accordance with generally accepted accounting practice, in the case of the Group being International Financial Reporting Standards as adopted by the European Union, requires the Directors to make estimates and judgements that affect the reported amount of assets, liabilities, income and expenditure and the disclosures made in the financial statements. Such estimates and judgements must be continually evaluated based on historical experience and other factors, including expectations of future events.

The significant judgements made by management in applying the Group's accounting policies as set out above, and the key sources of estimation, were:

- Impairment of goodwill: the Group tests goodwill annually for impairment, in accordance with the accounting policy stated in note 2 above. The value in use calculation requires the Group to estimate the future cash flows expected to arise from each cash generating unit and also to estimate a suitable discount rate in order to calculate the present values of the anticipated future cash flows. The Directors have had to estimate the timing of corporate finance and placing income which is difficult to predict.
- In the valuation of the Company's listed equity securities (see note 18) and share options (see note 19) the Directors have had to exercise their judgement in calculating the value of the inputs for the Black Scholes method of valuation used, where the Securities in question have limited or no history of trading.

### 4. SEGMENTAL REPORTING

As described in note 1, the Directors consider that the Group's internal financial reporting is organised along product and service lines and therefore segmental information has been presented about business segments. The segmental analysis of the Group's business was derived from its principal activities as set out below. All revenue is from external customers. Depreciation is included in the admin expense.

#### Reportable segments

The reportable segment results for the year ended 31 December 2010 are as follows:

<b>Revenue Analysis</b>	<b>Corporate Finance</b>	<b>Institutional Sales</b>	<b>Private Client Sales</b>	<b>Research and Central costs</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000
Fees	605	-	-	20	625
Trading	15	-	-	-	15
Commissions	-	194	1,298	-	1,492
Securities	-	-	420	-	420
<b>Total revenue</b>	<b>620</b>	<b>194</b>	<b>1,718</b>	<b>20</b>	<b>2,552</b>
Cost of sales	(55)	(45)	(451)	-	(551)
<b>Gross Profit</b>	<b>565</b>	<b>149</b>	<b>1,267</b>	<b>20</b>	<b>2,001</b>
Admin expense	(950)	(562)	(1,188)	(187)	(2,887)
Exceptional expense	(52)	(30)	(64)	-	(146)
Investment income	88	-	-	(18)	70
Finance expense	-	-	-	(8)	(8)
<b>(Loss) Profit for the Year</b>	<b>(349)</b>	<b>(443)</b>	<b>15</b>	<b>(193)</b>	<b>(970)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The reportable segment results for the year ended 31 December 2009 are as follows:

	<b>Corporate Finance</b>	<b>Institutional Sales</b>	<b>Private Client Sales</b>	<b>Research and Central costs</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000
Fees	487	-	-	(57)	430
Trading	20	-	-	-	20
Commissions	-	318	1,199	-	1,517
Securities	-	-	309	-	309
<b>Total revenue</b>	<b>507</b>	<b>318</b>	<b>1,508</b>	<b>(57)</b>	<b>2,276</b>
Other cost of sales	(37)	(52)	(403)	-	(492)
<b>Gross Profit</b>	<b>470</b>	<b>266</b>	<b>1,105</b>	<b>(57)</b>	<b>1,784</b>
Admin expense	(839)	(545)	(982)	(101)	(2,467)
Investment income	-	-	-	166	166
Finance expense	-	-	-	(40)	(40)
<b>(Loss) Profit for the Year</b>	<b>(369)</b>	<b>(279)</b>	<b>123</b>	<b>(32)</b>	<b>(557)</b>

A geographical analysis of the Group's revenue for the year ended 31 December 2010 is given below. Revenue is allocated based on the location of the customer.

	<b>Corporate Finance</b>	<b>Institutional Sales</b>	<b>Private Client Sales</b>	<b>Research and Central costs</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000
UK	298	175	1,546	20	2,039
Overseas	322	19	172	-	513
<b>Total revenue</b>	<b>620</b>	<b>194</b>	<b>1,718</b>	<b>20</b>	<b>2,552</b>

The geographical analysis for the year ended 31 December 2009 is as follows:

	<b>Corporate Finance</b>	<b>Institutional Sales</b>	<b>Private Client Sales</b>	<b>Research and Central costs</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000
UK	361	227	1,367	(57)	1,898
Overseas	146	91	141	-	378
<b>Total revenue</b>	<b>507</b>	<b>318</b>	<b>1,508</b>	<b>(57)</b>	<b>2,276</b>

Total assets and liabilities per segment is not information which the Directors consider to be important for the purposes of running the business.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. OPERATING LOSS

Group operating loss for the year is stated after charging the following:

	<b>Year to 31 December 2010</b>	<b>Year to 31 December 2009</b>
	£'000	£'000
Depreciation of owned property, plant and equipment	11	57
Changes in fair value of financial assets held at FVTPL	46	145
Impairment of receivables recognised as an administrative expense	84	49
Auditors' non audit remuneration – corporate finance services	73	-
Auditors' remuneration for the audit of the Company's accounts	28	36
Auditors' remuneration – other	19	36
Payments under operating lease	140	75
Exceptional item – costs from aborted purchase of stockbroker	146	-

### 6. AUDITOR'S REMUNERATION

	<b>Year to 31 December 2010</b>	<b>Year to 31 December 2009</b>
	£'000	£'000
Corporate Finance transactions of the Company or its associates	73	-
Fees payable to the Company's auditor for the audit of the Company's accounts	28	25
Other	19	11
	<u>120</u>	<u>36</u>

### 7. INVESTMENT INCOME

	<b>Year to 31 December 2010</b>	<b>Year to 31 December 2009</b>
	£'000	£'000
Interest on Gilts	9	28
Profit (loss) on Gilts	5	(7)
Gains on short term investments	56	145
	<u>70</u>	<u>166</u>

### 8. EMPLOYEES

	<b>Year to 31 December 2010</b>	<b>Year to 31 December 2009</b>
	£'000	£'000
Staff costs comprised:		
Wages and salaries	1,711	1,496
Social security costs	189	166
Pension costs – defined contributions plan	17	15
Share based payments – see Note 19	8	8
	<u>1,925</u>	<u>1,685</u>

The average monthly number of employees, including Directors, employed by the Group during the year was:

36	32
----	----

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 9. DIRECTORS' EMOLUMENTS

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Emoluments	311	366
Pension costs	4	4
	<hr/> 315	<hr/> 370
	<hr/> <hr/>	<hr/> <hr/>

Included in Directors' emoluments above is an amount of £30,000, invoiced to the Company by Hicks International Limited, in respect of services provided by Mr M Hicks. No Director accrued benefits under a pension scheme. There was no key management compensation other than the Directors remuneration shown above.

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
M Hicks	30	27
D Scott	72	72
T Coote	72	120
A Bull	72	90
A Cowling	6	16
A Grant	6	6
A Rose	53	35
	<hr/> 311	<hr/> 366
	<hr/> <hr/>	<hr/> <hr/>

The emoluments of the highest paid director were as follows:

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Emoluments, including benefits in kind	72	120
Pension costs	2	2
	<hr/> 74	<hr/> 122
	<hr/> <hr/>	<hr/> <hr/>

### 10. FINANCE COSTS

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Interest on subordinated loan notes	8	40
	<hr/> 8	<hr/> 40
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11. TAXATION

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
<b>Group</b>		
Current tax charge	-	-
Adjustments relating to prior periods	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>
<b>Total tax charge / (credit) for period</b>	<hr/> <hr/>	<hr/> <hr/>

The tax charge for the year is different from the standard rate of corporation tax in the United Kingdom of 28% (2009: 28%). The difference can be reconciled as follows:

Loss before taxation	<hr/> <hr/>	<hr/> <hr/>
	(970)	(557)
Tax calculated at the applicable rate based on profit for the year	(272)	(156)
Expenses not deductible for taxation	41	20
Unutilised tax losses	231	136
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

The Group had unutilised tax losses of approximately £2,708,000 at 31 December 2010 (2009: £1,883,000). The Company has not recognised a deferred tax asset in respect of these losses as there is insufficient evidence of future taxable profits.

### 12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding equity shares held by the company's Employee Share Ownership Plan or in treasury.

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Loss from continuing and total activities for the purpose of basic and diluted loss per share	(970)	(557)
Weighted average number of ordinary shares in issue	508,158,508	471,234,000
	<hr/>	<hr/>
Basic and diluted loss per share from continuing and total operations	<hr/> <hr/>	<hr/> <hr/>
	(0.19)p	(0.12)p

No share options outstanding at 31 December 2010 or 31 December 2009 were dilutive and all such potential ordinary shares are therefore excluded from the weighted average number of ordinary shares for the purposes of calculating diluted earnings per share. Details of options which are outstanding are given in note 19.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 13. PROPERTY, PLANT AND EQUIPMENT

	<b>Fixtures and fittings £'000</b>	<b>Office Equipment £'000</b>	<b>Total £'000</b>
<b>Cost/ valuation</b>			
At 1 January 2009	13	156	169
Additions	1	14	15
	<hr/>	<hr/>	<hr/>
At 31 December 2009	14	170	184
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2010</b>	<b>14</b>	<b>170</b>	<b>184</b>
<b>Depreciation</b>			
At 1 January 2009	6	101	107
Charge for the year	3	51	54
	<hr/>	<hr/>	<hr/>
At 31 December 2009	9	155	164
Charge for the year	4	7	11
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2010</b>	<b>13</b>	<b>162</b>	<b>175</b>
<b>Net book value as at 31 December 2010</b>	<b>1</b>	<b>8</b>	<b>9</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value as at 31 December 2009	5	15	20
	<hr/>	<hr/>	<hr/>
Net book value as at 1 January 2009	7	55	62
	<hr/>	<hr/>	<hr/>

The Company had no property, plant and equipment in either year

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14. INTANGIBLE ASSETS

	2010 Group £'000	2009 Group £'000	2010 Company £'000	2009 Company £'000
<b>Cost</b>				
At 1 January 2009	485	485	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 December 2009	485	485	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
<b>At 31 December 2010</b>	<b>485</b>	<b>485</b>	<b>-</b>	<b>-</b>

The goodwill is tested annually for impairment on the basis of its value in use. A three year cash flow forecast has been prepared and reviewed by the Board for the purpose of the impairment review. The assumptions used in the three year cash flow forecast are: income will increase by 8 per cent in 2011, 11 per cent in 2012 and 13 per cent in 2013. Administration costs will increase by 5 per cent per annum from the March 2011 run rate. As a result of the review of the three year forecast no impairment of the goodwill is required.

### 15. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The investment in subsidiary undertakings is made up as follows:

	2010 £000	2009 £000
Opening carrying value of shares in subsidiary undertakings	3,925	4,815
Provision for impairment	-	(890)
Closing carrying value of shares in subsidiary undertakings	<u>3,925</u>	<u>3,925</u>

The parent company has investments in the following subsidiary undertakings consisting solely of shares:

Company	Country registration operation	of and	Principal activity	Proportion of ordinary shares and voting rights held
Alexander David Holdings Limited	UK		Holding company	100%
Alexander David Securities Limited	UK		Investment broker and Corporate adviser	100%
Finsquare Investments Limited	UK		Nominee company	100%
Alpina Finance Limited	Malta		Dormant company	100%

The Group also holds an investment in 20% of the ordinary shares of Alpina Energy Resources Limited, a dormant company registered in Malta.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16. TRADE AND OTHER RECEIVABLES

	2010 Group £'000	2009 Group £'000	2010 Company £'000	2009 Company £'000
Trade receivables	193	91	-	-
Amounts due from Group undertakings	-	-	2,619	2,266
Other receivables	142	163	-	19
Prepayments and accrued income	46	49	-	9
At 31 December 2010	<u>381</u>	<u>303</u>	<u>2,619</u>	<u>2,294</u>

Trade receivables are shown net of a £84,000 doubtful debt provision in 2010 (2009: £14,000).

Receivables are summarised as follows:

	2010 £000	2009 £000
Neither past due nor impaired	130	253
Past due but not impaired, 30-60 days	25	4
Past due but not impaired, over 60 days	226	46
Total Group receivables	<u>381</u>	<u>303</u>

### 17. CASH AND CASH EQUIVALENTS

The investment in subsidiary undertakings is made up as follows:

	2010 Group £'000	2009 Group £'000	2010 Company £'000	2009 Company £'000
Gilts	-	779	-	-
Cash at bank	306	89	-	-
	<u>306</u>	<u>868</u>	<u>-</u>	<u>-</u>

The Directors consider that the carrying amount of these assets approximates to their fair value. The credit risk on liquid funds is limited because the counter-parties are banks with high credit ratings and Gilt edged securities.

Interest on gilts earned money market rates and the Directors do not envisage material changes in interest rates in the short term.

### 18. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 £000	2009 £000
<b>Assets</b>		
Listed equity securities	297	220
Loans and receivables (including cash and cash equivalents)	687	1,171
	<u>984</u>	<u>1,391</u>
<b>Liabilities</b>		
Amortised cost	774	2,318
	<u>774</u>	<u>2,318</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19. SHARE CAPITAL

	Class	Nominal value	2010 £'000	2009 £'000
<b>Authorised:</b>				
1,860,580	Preference	£1	1,861	-
7,859,845,179	Ordinary	0.1p	7,860	7,860
43,676,629	Deferred	4.9p	2,140	2,140
			<u>11,861</u>	<u>10,000</u>
<b>Allotted, issued and fully paid:</b>				
1,723,866	Preference	£1	1,724	-
631,794,869 (2009 –499,067,599)	Ordinary	0.1p	632	499
43,676,629	Deferred	4.9p	2,140	2,140
			<u>4,496</u>	<u>2,639</u>

On 7<sup>th</sup> December 2010 Alexander David Securities Group plc placed 132,727,270 ordinary shares at a nominal value of 1p each issued at a cost of 0.275p. The proceeds of the issue were £364,000 and included a premium of £231,000.

On 2nd June 2010 93 per cent of the Company's subordinated debt holders by value accepted an offer to convert their debt and accrued interest totalling £1,723,866 into preference shares at par. The Articles of association were altered to include the details of the preference shares issued. The preference share holders are entitled to receive a fixed non-cumulative preferential dividend at 1 per cent above the London Inter-Bank Offered Rate. On a return of capital (on liquidation or otherwise) the surplus assets of the Company remaining after payment of its liabilities shall be applied first in paying to the holders of the preference shares an amount equal to the subscription price plus any accrued but unpaid dividend. The acceptance of this offer further demonstrates the willingness of investors to commit to long term funding of the Group. No profit or loss was made in the transfer of the loan notes to preference shares.

#### Share Options

The company operates share-based payment arrangements to remunerate Directors and key employees in the form of a share option scheme. The exercise price of the option is normally equal to the market price of an ordinary share in the company at the date of grant. The options may be exercised over periods ranging from three to ten years from the date of grant and lapse if not exercised by that date.

During the year 9,200,000 share options were granted, exercisable at 0.275p per share at any time between 7 December 2013 and 7 December 2020 (2009: 2,000,000 share options were granted). The deferred shares have no rights, powers or benefits attached to them and do not confer on holders of deferred shares any right to attend or vote at any general meeting.

	2010		2009	
	Average exercise price (pence)	Number of share options	Average exercise price (pence)	Number of share options
At 1 January	1.2	43,008,836	1.2	41,008,836
Granted	0.275	9,200,000	1.2	2,000,000
Forfeited	-	-	-	-
Exercised	-	-	-	-
Lapsed unexercised	-	(15,333,451)	-	-
	<u>1.037</u>	<u>34,675,375</u>	<u>1.2</u>	<u>43,008,836</u>

Of the total options in issue, none were exercisable at 31 December 2010 (2009: none).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price (pence)	Number of share options	
		2010	2009
31 December 2010	1.2	-	15,333,461
31 December 2018	1.2	23,475,375	25,675,375
19 June 2019	1.2	2,000,000	2,000,000
7 December 2020	0.275	9,200,000	-
		0.969	43,008,836
		34,675,375	43,008,836

The share options outstanding at 31 December 2010 have a weighted average remaining contractual life of 8.5 years (2009: 6.2 years).

The weighted average fair value of the options granted during the year was determined using the Black-Scholes option pricing model and was 0.127 pence per option (2009: 0.66 pence). The significant inputs to the model were as follows:

	2010	2009
Grant date share price	£0.0025	£0.012
Exercise share price	£0.00275	£0.012
No. of share options	9,200,000	2,000,000
Risk free rate	2.25 per cent	3 per cent
Expected volatility	40 per cent	40 per cent
Option life	10 years	10 years
Calculated fair value	£0.001266	£0.0066

The expected volatility is based on management's best estimate of the historic volatility of similar shares in the market. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the warrants), and behavioural considerations.

The total share-based payment expense recognised in the income statement in respect of share options granted to Directors and employees is £8,534 (2009: £8,148).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 20. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise cash, cash equivalents listed securities and items such as trade payables which arise directly from its operations. The main purpose of these financial instruments is to finance the Company's operations.

Cash and cash equivalents have an immediate maturity value. There is no contractual maturity date for trade and other receivables.

As at 31 December 2010 no financial assets were past due and no financial assets were impaired.

#### *Categories of financial instruments*

	2010 Group £'000	2009 Group £'000	2010 Company £'000	2009 Company £'000
<b>Financial assets</b>				
Fair value through profit and loss (FVTPL):				
Held for trading	297	220	-	-
At amortised cost:				
Loans and receivables (including cash and cash equivalents)	687	1,171	2,620	2,294
<b>Financial Liabilities</b>				
Amortised cost	774	2,318	137	1,865

#### *Capital risk management*

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising returns to shareholders. It is the current strategy of the Company to finance its activities from existing equity and reserves and by the issue of new equity as required. The Group is also required to maintain a certain amount of capital to meet the requirement of the regulator the Financial Services Authority.

#### *Other risks management*

The Company's operations expose it to a variety of financial risks that include the effects of changes in interest rates, liquidity risk and credit risk. As all the Company's assets and liabilities are denominated in sterling it is not exposed to any foreign exchange risk.

Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of Directors are implemented by the Company's finance department.

#### *Interest rate risk*

The interest rate risk in relation to cash and cash equivalents, and borrowings is dealt with in Notes 17 and 21.

#### *Liquidity risk*

Ultimate responsibility for liquidity risk management rests with the board of Directors, which has devised an appropriate strategy for liquidity risk management. The Company manages its liquidity risk by maintaining adequate reserves and cash resources to meet its day to day requirements.

#### *Credit risk*

The maximum credit exposure is for the carrying value of cash and cash equivalents. Further details of credit risk in relation to cash and cash equivalents are dealt with in Note 17.

#### *Fair value measurements recognized in the statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 £000s	Level 2 £000s	Level 3 £000s	2010 Total £000s
Financial assets at FVTPL:				
Listed securities	55	-	-	55
Options and warrants over listed securities	-	242	-	242
	55	242	-	297

There were no transfers between Level 1 and 2 during the year.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments measured at fair value on an ongoing basis include trading assets and liabilities and financial investment classified as available-for-sale.

### Determination of fair value

Fair values are determined according to the following hierarchy:

- (a) Quoted market price  
Financial instruments with quoted prices for identical instruments in active markets.
- (b) Valuation technique using observable inputs  
Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- (c) Valuation technique with significant non-observable inputs  
The Group holds financial instruments valued using models where one or more significant inputs are not observable.

All financial instruments are current and non-interest bearing.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 21. BORROWINGS

	2010 Group £'000	2009 Group £'000	2010 Company £'000	2009 Company £'000
<b>Non-current</b>				
Subordinated loan notes - principal	119	1,646	119	1,646
Subordinated loan notes – accrued interest	18	207	18	207
At 31 December 2010	<u>137</u>	<u>1,853</u>	<u>137</u>	<u>1,853</u>

The subordinated loan notes accrue interest at 1 per cent over the 6 months London inter bank offer rate, and are repayable, if not repaid earlier, on 31 December 2015. Accrued interest is payable on the same date that the loan notes are repaid. An increase or decrease of 1 per cent in the average interest rate on the Company's borrowings would have no significant effect on the result for the period or on the value of the Company's equity.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, so they include the relevant interest payable, and therefore do not reconcile to the amounts disclosed on the Statement of Financial Position for borrowings.

	2010 Group £'000	2009 Group £'000	2010 Company £'000	2009 Company £'000
In the first to fifth period	154	416	154	416
Over five period	-	1,727	-	1,727
	<u>154</u>	<u>2,143</u>	<u>154</u>	<u>2,143</u>

### 22. TRADE AND OTHER PAYABLES

	2010 Group £'000	2009 Group £'000	2010 Company £'000	2009 Company £'000
Trade payables	104	176	-	-
Other payables	19	6	-	-
Taxation and social security	230	56	-	12
Accruals and accrued income	284	227	-	-
Amounts due to Group undertakings	-	-	-	-
At 31 December 2010	<u>637</u>	<u>465</u>	<u>-</u>	<u>12</u>

### 23. PENSIONS

The Group operates a defined contribution pension scheme the assets of which are held separately from those of the company in an independently administered fund. The pension cost charge for the year represents contributions made by the company to the fund and amounted to £17,000 (2009: £15,000).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 24. FINANCIAL COMMITMENTS

At 31 December 2010 the Group had the following total commitments under operating leases:

	2010		2009	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases expiring:				
Within one year	34	-	75	-
In two to five years	-	-	-	-
In over five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	34	-	75	-

### 25. RELATED PARTY TRANSACTIONS

#### *Ultimate controlling party*

The Directors do not consider there to be a single ultimate controlling party.

#### *Management*

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Company. In the opinion of the Board, the Company's key management are the Directors of the Company. Information regarding their compensation is given below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*

	2010 £'000	2009 £'000
Short-term employee benefits	311	366
	<hr/>	<hr/>
	311	366

Included in Directors' emoluments is an amount of £30,000 invoiced to the Company by a company controlled by Mr M Hicks.

The Company finances the activities of its subsidiaries by way of share subscription and a periodic subordinated loan, as required. At 31 December 2010, the Company was owed £2,677,000 by its subsidiaries and £2,266,000 at 31 December 2009.

During the year the Group received income from share trading conducted through Jarvis Investment Management Ltd. Jarvis Investment Management Ltd is the trading subsidiary of Jarvis Securities plc. The chief executive of Jarvis Securities plc, Andrew Grant, is a director and a shareholder of Alexander David Securities Group plc. The total income derived from trading through Jarvis Investment Management Ltd was £1,154,000 (2009 - £783,000). Transactions are undertaken on a normal commercial basis. At the year end there was a balance of £33,000 (2009: £56,000) due from Jarvis Investment Management Ltd.

### 26. POST BALANCE SHEET EVENTS

On 28 January 2011 the Board of ReGen Therapeutics plc announced that M. Hicks and D. Scott will be appointed Directors of ReGen Therapeutics plc and that the company will be renamed Alexander David Investments plc.

On 18 February 2011 Alexander David Securities Ltd acquired a warrant of 29.9 per cent of the share capital of Alexander David Investments plc following the ReGen Therapeutics plc demerger. The warrant had a valuation of £230,000 on date of issue. Commission and fees earned by Alexander David Securities Ltd on the placing was £75,000.

On 11 March 2011 Alexander David Securities Group plc moved its office premises from 60 Lombard St to 68 Lombard St.

**ALEXANDER DAVID SECURITIES GROUP PLC**  
*(Registered in England and Wales, Company Number 3861966)*

**NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Alexander David Securities Group Plc (“the Company”) will be held at 68 Lombard street, London, EC3V 9JL on 22 June 2011 at 10 am for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed, in the case of Resolutions 1 to 5 inclusive, as ordinary resolutions and, in the case of Resolution 6 as a special resolution:

1. That the report of the directors and the audited accounts of the Company for the year ended 31 December 2010, together with the auditors' report and the remuneration committee's report contained therein, be received and adopted.
2. To re-elect Tony Cowling as a Director.
3. To re-elect Trevor Coote as a Director.
4. That Kingston Smith LLP be re-appointed as the auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to agree their remuneration.
5. That (in substitution for any existing authority which is hereby revoked but without prejudice to the validity of any allotment pursuant to such previous authority) the Directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company (together, "Relevant Securities") or otherwise deal with or dispose of Relevant Securities up to a maximum nominal amount of £210,598, (being approximately one-third of the Company's issued share capital). This authority shall, unless previously revoked, varied or renewed by the Company in general meeting, expire on the conclusion of the next annual general meeting of the Company following the passing of this resolution or, if earlier, the date 15 months after the date of passing this resolution, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the power and authority conferred by this resolution had not expired.
6. That, subject to the passing of resolution 5 above, the Directors be and are hereby generally and unconditionally given power for the purposes of section 571 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolution 5 above or otherwise in the case of treasury shares (as defined in section 727 of the Act), in each case as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - (a) the allotment of equity securities in connection with or pursuant to a rights issue, open offer or other pro-rata issue made to the holders of shares in the company and other persons entitled to participate therein, in the proportion (or as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the respective number of shares which such other persons are for these purposes deemed to hold), but subject to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with fractional entitlements or the regulations or requirements of any recognised regulatory body or any stock exchange in any territory;
  - (b) the grant of options to subscribe for shares in the Company, and the allotment of such shares pursuant to the exercise of options granted, under the terms of any share option scheme adopted or operated by the Company; and

- (c) the allotment of equity securities, other than pursuant to sub-paragraphs (a) and (b) above of this resolution, up to an aggregate nominal amount of £126,356.

This power shall (unless previously renewed, varied or revoked by the Company in general meeting) expire at the conclusion of the next annual general meeting of the Company following the passing of this resolution or, if earlier, on the date 15 months after the passing of such resolution, save that the Company may before the expiry of this power make any offer or enter into any agreement which would or might require equity securities to be allotted, or treasury shares sold, after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 561(3) of the Act as if in the first paragraph of this resolution the words "That, subject to the passing of resolution 5 above," were omitted

BY ORDER OF THE BOARD

*Sandra Scott*

**Company Secretary**

Date: 23 May 2011

*Registered office:*  
110 Cannon Street  
London  
EC4M 9AF

Notes:

1. A member entitled to attend the meeting is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member. A member wishing to appoint more than one proxy should contact the Company's registrars, Capita Registrars.
2. A form of proxy for use in relation to the meeting is enclosed. To be valid, the form of proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such power or authority) must be deposited with the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 10 a.m. on 20 June 2011 or, in the case of an adjourned meeting, not less than 48 hours before the time appointed for the holding of the adjourned meeting. Completion and return of the form of proxy will not prevent a member from attending and voting at the meeting in person.
3. In accordance with article 67 of the Company's articles of association, to be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes that may be cast), members must be entered in the register of members of the Company at 10 a.m. on 20 June 2011 (or, if the meeting is adjourned, at 10 a.m. on the day which is two days before the date fixed for the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and/or vote at the meeting.
4. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all of its powers as a member provided that no more than one corporate representative exercises power over the same share.







