



Alexander David Securities Group plc  
(formerly Griffin Group plc)

Annual Report and Financial Statements  
for the period ended 31 December 2008

# ALEXANDER DAVID SECURITIES GROUP PLC

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# ALEXANDER DAVID SECURITIES GROUP PLC

## COMPANY INFORMATION

<b>Directors</b>	M Hicks <i>Chairman</i> D Scott <i>Chief Executive</i> T Coote <i>Director</i> A Bull <i>Non-Executive Director</i> A Cowling <i>Non-Executive Director</i> A Grant <i>Non-Executive Director</i>
<b>Company No.</b>	03861966
<b>Registered Office</b>	10 Finsbury Square London EC2A 1AD
<b>Company Secretary</b>	S Scott
<b>Auditors</b>	Kingston Smith LLP Chartered Accountants & Registered Auditor Devonshire House 60 Goswell Road London EC1M 7AD
<b>Nominated Adviser</b>	Dowgate Capital Advisers Limited 46 Worship Street London EC2A 2EA
<b>Broker</b>	Alexander David Securities Limited 10 Finsbury Square London EC2A 1AD
<b>Lawyers</b>	K&L Gates 110 Cannon Street London EC4N 6AR
<b>Registrars</b>	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA

# ALEXANDER DAVID SECURITIES GROUP PLC

## CHAIRMAN'S STATEMENT

I am delighted to present my first report to you as Chairman of Alexander David Securities Group Plc.

### REVIEW OF ACTIVITIES

The results for the period show a strong increase in sales as the Group continues to develop its brand and client base. Turnover has increased by 186 % from £359,000 to £1,025,000 with a small increase in the operating loss of the Group from £899,000 in 2007 to £975,000 in 2008. In the year to 31 December 2008 we commenced trading in Contracts for Difference (CfDs) to complement our existing Private client business. During the year the Corporate Finance division has been appointed Broker to eight new clients.

The culmination of activities for the period was the admission of the Group's shares to trading on the AIM market by way of a reverse takeover of Griffin Group Plc ('Griffin').

The financial statements have been prepared in accordance with the principles of IFRS 3 Appendix B on reverse acquisition accounting. The principal effect of this is that the commentary in the Chairman's Statement and the disclosures in the Directors' Report relate to Alexander David Securities Group Plc (the 'Company') and its principal subsidiaries Alexander David Holdings Limited and Alexander David Securities Limited (together the 'Group'). These accounts do not include the results of Griffin Group Holdings Limited and its subsidiaries which were sold on 31 December 2008.

The Board has worked hard to ensure that the Group survives and ultimately prospers in current market conditions. The collapse of the markets in which we operate in the second half of the year have made this extremely difficult. The last three months of 2008 were the worst trading conditions which the Board had experienced.

However, the Board believes that the Group's controlled operating costs and growing reputation as an Independent Broker means that it is well positioned to take advantage of the current economic climate.

Since the year end we have seen a much stronger growth in corporate revenue and the Directors are pleased with how the business has continued to develop. We have also taken on a number of new staff, including two corporate directors who will focus on opportunities originating from China in addition to our UK franchise. Other activities since the year end include the launch of the Alexander David Small Cap EIS Fund which will invest in disproportionately undervalued small companies with proven business models and strong management teams. We have also been appointed Sponsor on Alternext and, at the request of clients, are in the process of becoming a Plus Corporate Advisor.

In these difficult times the Directors believe these actions will provide additional areas for growth in the current financial year.

### 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.

### ADMISSION TO AIM

On 31 December 2008 the Company admitted to AIM through the successful reverse take-over of Griffin Group Plc. On the same day, the name of the Company was changed to Alexander David Securities Group Plc.

On acquisition Griffin paid an initial consideration of £3,876,912 satisfied by the allotment of consideration shares, being 323,076,026 Ordinary Shares, equivalent to approximately 74.74 per cent of the Company's enlarged issued share capital. The issue of additional consideration shares depends on the financial performance of the Alexander David Securities Group in the two years ending 31 December 2009. If the aggregate consolidated profits exceed £1,500,000 the Company will issue and allot 2,692,000 additional consideration shares for every £50,000 by which such profits exceed that figure, up to a maximum of 80,769,006 additional consideration shares.

# ALEXANDER DAVID SECURITIES GROUP PLC

## CHAIRMAN'S STATEMENT (continued)

### OPERATING AND FINANCIAL REVIEW

The Group started trading in early 2007 and, whilst the current economic climate has impacted the development of the business, we are pleased with the progress in successfully establishing its presence in the market.

We consider that the key financial performance indicators, being turnover and number of clients, communicate the financial performance and strength of the Group as a whole.

As shown below, turnover grew at an impressive rate in 2008 almost trebling that of 2007. The turnover of the Group was as follows:

	2008 £'000	2007 £'000
Turnover	<u>1,025</u>	<u>359</u>

The Group derives income from a number of sources including:

- Corporate Finance
- Private Client Broking
- Institutional Sales and Corporate Broking
- Contracts for Difference (CfDs)
- Research

Whilst not mutually exclusive, these income streams are all integral to the Group structure and business strategy with strong cross sales opportunities.

The overall operating loss for the Group was £975,000 (2007 – £899,000) which will be carried forward in the reserves. The loss for the period was in line with management expectations.

As at 31 December 2008, the Group had 692 (31 December 2007 – 271) private clients and managed funds in excess of £7 million. The CfDs desk was set up in April 2008 and in the nine months to the year end it secured 119 clients. Corporate broking clients on retainer at the year end rose from one in 2007 to nine in 2008. During 2008, Corporate Broking expanded and the Corporate Finance department carried out three transactions raising in aggregate £4million.

### CURRENT TRADING

On the corporate side, we have seen an increased demand for advice. The Group has been able to take advantage of its targeting of small cap clients and as a result has already successfully raised funds in three further secondary placings in the first quarter of 2009.

On the private client side of the business, the Group has been able to secure more new private clients and CfD clients in the first quarter of 2009. Although our clients have been affected by the inclement trading conditions, we believe that the Group has, through the implementation and adoption of strong and effective controls, made best endeavours to limit risk and bad debt exposure.

### FUTURE PROSPECTS

As with many businesses of our size, we operate in a challenging business environment. The current crisis in the global financial markets creates a difficult climate for the Group for the next 12 months which will slow the development of the business. Additionally, the future development of the business is likely to be subject to unforeseen future events outside of our control. However, the Board of Alexander David Securities Group believes it has mitigated, as far as possible, known risks and facilitated future growth in a responsible and structured manner. We believe that the Group is in a strong position to take advantage of the opportunities created by the current climate to generate good returns to shareholders as well as to move the Group forward.

**M Hicks**  
Chairman

# ALEXANDER DAVID SECURITIES GROUP PLC

## DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the period ended 31 December 2008.

## PRINCIPAL ACTIVITY

The principal activity of the Group in the period under review was that of an investment broker and corporate adviser. The Company's name was changed to Alexander David Securities Group plc from Griffin Group plc on 30 December 2008.

## BUSINESS REVIEW

A detailed review of the business and an analysis of the principal risks and uncertainties are included in the Chairman's Statement.

## RESULTS AND DIVIDENDS

The audited accounts for the period ended 31 December 2008 are set out on pages 11 to 34. The Income Statement showing the results for the period is set out on page 11. The Directors do not recommend the payment of a dividend.

## DIRECTORS

The Directors of the Company who served during the period were:

M Hicks	- appointed 31.12.08
D Scott	- appointed 31.12.08
T Coote	- appointed 31.12.08
A Bull	- appointed 31.12.08
A Cowling	- appointed 31.12.08
A Grant	- appointed 31.12.08
S Dean	- deceased 12.11.08
V Nicholls	- resigned 31.12.08
J Ledochowski	- resigned 31.12.08

## DIRECTORS' INTERESTS

At 31 December 2008, the directors held the following interests in the issued share capital of the Company:

	% of issued share capital
M Hicks	0.1%
D Scott	21.3%
T Coote	17.9%
A Bull	9.8%
A Cowling	2.3%
A Grant	-
S Dean	9.9%
V Nicholls	7.5%
J Ledochowski	-

S Dean, who died on 12 November 2008, held shares through Global Investments, a company in which he had a discretionary beneficial interest, and through his self invested personal pension fund.

# ALEXANDER DAVID SECURITIES GROUP PLC

## DIRECTORS' REPORT (continued)

### SUBSTANTIAL SHAREHOLDERS

At 31 December 2008 and in addition to the Directors' interests noted on the previous page, the Company had been notified of the following beneficial interests in 3% or more of its issued share capital pursuant to Part VI of the Companies Act 1985:

	% of issued share capital
Pershing Nominees Limited	17.48%
W Richards	4.18%
Wicks Holdings	3.80%

### SUPPLIER PAYMENT POLICY

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. Trade creditor days at the end of 2008 were 26 (2007 – 30).

### FINANCIAL RISK MANAGEMENT

Details of the Company's financial instruments and its policies with regard to financial risk management are given in note 21.

### TREASURY POLICY

The Company's treasury policy is one of conservatism approved by the board. Cash balances are managed as in note 14. As a matter of policy, the Company does not undertake speculative transactions, which would increase its interest rate exposure.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Company and of the Group for that period. In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing these financial statements.

# ALEXANDER DAVID SECURITIES GROUP PLC

## **DIRECTORS' REPORT (continued)**

### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the Directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **AUDITORS**

Kingston Smith LLP will be proposed for re-appointment in accordance with Section 489 of the Companies Act 2006.

**Approved by the board of Directors  
and signed on behalf of the board**

**S Scott**

Company Secretary  
30 March 2009

# ALEXANDER DAVID SECURITIES GROUP PLC

## **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 period, 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 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, 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.

## ALEXANDER DAVID SECURITIES GROUP PLC

### **CORPORATE GOVERNANCE (continued)**

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 2008.

### **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.

### **Going Concern**

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider it appropriate to prepare these financial statements on a going concern basis.

# ALEXANDER DAVID SECURITIES GROUP PLC

## 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, 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.

### Directors' Remuneration (audited)

	Salary or Fees £	Bonus £	Total 31.12.08 £	Total 31.12.07 £
<b>Executives</b>				
M Hicks	24,000	-	24,000	4,000
D Scott	72,000	11,111	83,111	51,046
T Coote	72,000	11,111	83,111	54,000
A Bull	72,000	-	72,000	48,000
A Cowling	-	-	-	-
A Grant	-	-	-	-
<b>Total</b>	<u>240,000</u>	<u>22,222</u>	<u>262,222</u>	<u>157,046</u>

### Directors' Interests

The Directors' interests in the ordinary shares of the Company are set out in the Report of the Directors on page 3.

D Scott, T Coote and A Bull were each issued 6,484,014 options on 31 December 2008. The options are exercisable at any time up to 31 December 2011 at a price of 1.2 pence each.

On behalf of the Remuneration Committee

**M Hicks**  
Chairman

# ALEXANDER DAVID SECURITIES GROUP PLC

## REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ALEXANDER DAVID SECURITIES GROUP PLC

We have audited the Group and Company financial statements (the 'financial statements') of Alexander David Securities Group plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes 1 to 25. We have also audited the information in the Directors' Remuneration Report that is described as having been audited. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985 are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements and the part of the Report on Directors' Remuneration to be audited give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes the specific information presented in the Chairman's Statement that is cross-referenced from the Business Review section of the Report of the Directors. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is inconsistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Report of the Directors, the Corporate Governance Statement and the unaudited part of the Report on Directors' Remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

# ALEXANDER DAVID SECURITIES GROUP PLC

## REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ALEXANDER DAVID SECURITIES GROUP PLC (continued)

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of the Group's loss for the period then ended;
- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Kingston Smith LLP  
Chartered Accountants & Registered Auditor  
Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

Date: 30 March 2009

# ALEXANDER DAVID SECURITIES GROUP PLC

## CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2008

		Year to 31 December 2008 £'000	Period to 31 December 2007 £'000
	Notes		
Revenue		1,025	359
Administrative expenses		<u>(1,901)</u>	<u>(1,207)</u>
Operating loss	3	(876)	(848)
Investment income	6	3	19
Finance costs	7	<u>(102)</u>	<u>(70)</u>
Loss before taxation		(975)	(899)
Taxation	8	<u>-</u>	<u>-</u>
Loss attributable to equity shareholders		<u>(975)</u>	<u>(899)</u>
Basic and diluted loss per share from continuing and total operations	9	(0.30)p	(0.28)p

The notes form part of these financial statements

# ALEXANDER DAVID SECURITIES GROUP PLC

## CONSOLIDATED BALANCE SHEET As at 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	62	111
Intangible assets	12	485	-
		<u>547</u>	<u>111</u>
<b>Current assets</b>			
Trade and other receivables	13	501	102
Cash and cash equivalents	14	893	273
		<u>1,394</u>	<u>375</u>
<b>Total current assets</b>		<u>1,394</u>	<u>375</u>
<b>Total assets</b>		<u><u>1,941</u></u>	<u><u>486</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	17	2,572	-
Share premium		528	11
Merger reserve		3,278	-
Reverse acquisition reserve		(5,036)	-
Accumulated losses		(1,874)	(899)
		<u>(532)</u>	<u>(888)</u>
<b>Non-Current liabilities</b>			
Subordinated loan notes	15	1,816	1,162
<b>Current liabilities</b>			
Trade and other payables	16	657	212
		<u>2,473</u>	<u>1,374</u>
<b>Total liabilities</b>		<u>2,473</u>	<u>1,374</u>
<b>Total equity and liabilities</b>		<u><u>1,941</u></u>	<u><u>486</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2009, and signed on its behalf by:

<b>M Hicks</b>	<b>D Scott</b>
Chairman	Director

The notes form part of these financial statements

# ALEXANDER DAVID SECURITIES GROUP PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2008

<b>GROUP – CURRENT YEAR</b>	Share capital	Share premium	Merger reserve	Reverse acquisition reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2008	-	11	-	-	(899)	(888)
Issue of share capital	323	-	3,554	-	-	3,877
Reverse acquisition adjustments	2,249	520	-	(5,036)	-	(2,267)
Expenses of issue	-	(3)	(276)	-	-	(279)
Loss for the period and total recognised income and expense for the period	-	-	-	-	(975)	(975)
Balance at 31 December 2008	<u>2,572</u>	<u>528</u>	<u>3,278</u>	<u>(5,036)</u>	<u>(1,874)</u>	<u>(532)</u>
<b>GROUP – PRIOR PERIOD</b>	Share capital	Share premium	Merger reserve	Reverse acquisition reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 7 December 2006	-	-	-	-	-	-
Issue of share capital	-	11	-	-	-	11
Loss for the period and total recognised income and expense for the period	-	-	-	-	(899)	(899)
Balance at 31 December 2007	<u>-</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>(899)</u>	<u>(888)</u>

The notes form part of these financial statements

# ALEXANDER DAVID SECURITIES GROUP PLC

## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December 2008

	Notes	Year to 31 December 2008 £'000	Period to 31 December 2007 £'000
Net cash from operating activities	18	(799)	(685)
Cash flow from investing activities:			
Acquisition of subsidiary net of cash acquired	19	602	-
Purchase of fixed assets		(5)	(164)
Investment income		1	19
Net cash used in investing activities		598	(145)
Cash flow from financing activities:			
Issue of shares		(3)	11
Issue of subordinated loan notes		824	1,092
Net cash from financing activities		821	1,103
Net increase in cash and cash equivalents		620	273
Cash and cash equivalents at beginning of period		273	-
<b>Cash and cash equivalents at end of period</b>		<b>893</b>	<b>273</b>

The notes form part of these financial statements

# ALEXANDER DAVID SECURITIES GROUP PLC

## COMPANY BALANCE SHEET As at 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	10	3,925	1,500
<b>Current assets</b>			
Trade and other receivables	13	3,075	733
Cash and cash equivalents	14	-	717
<b>Total current assets</b>		<u>3,075</u>	<u>1,450</u>
<b>Total assets</b>		<u><u>7,000</u></u>	<u><u>2,950</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	17	2,572	2,249
Share premium		528	1,340
Merger reserve		3,278	-
Accumulated losses		(1,611)	(809)
		<u>4,767</u>	<u>2,780</u>
<b>Non-Current liabilities</b>			
Subordinated loan notes	15	1,816	-
<b>Current liabilities</b>			
Trade and other payables	16	<u>417</u>	<u>170</u>
<b>Total liabilities</b>		<u>2,233</u>	<u>170</u>
<b>Total equity and liabilities</b>		<u><u>7,000</u></u>	<u><u>2,950</u></u>

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

**M Hicks**  
Chairman

**D Scott**  
Director

The notes form part of these financial statements

# ALEXANDER DAVID SECURITIES GROUP PLC

## COMPANY STATEMENT OF CHANGES IN EQUITY for the period ended 31 December 2008

<b>COMPANY – CURRENT PERIOD</b>	Share capital £'000	Share premium £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
Balance at 1 October 2007	2,249	1,340	-	(809)	2,780
Issue of share capital	323	-	3,554	-	3,877
Reduction in share premium	-	(809)	-	809	-
Expenses of issue	-	(3)	(276)	-	(279)
Loss for the period and total recognised income and expense for the period	-	-	-	(1,611)	(1,611)
Balance at 31 December 2008	<u>2,572</u>	<u>528</u>	<u>3,278</u>	<u>(1,611)</u>	<u>4,767</u>
<b>COMPANY – PRIOR YEAR</b>	Share capital £'000	Share premium £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
Balance at 1 October 2006	2,184	527	-	(732)	1,979
Issue of share capital	65	917	-	-	982
Expenses of issue	-	(104)	-	-	(104)
Loss for the period and total recognised income and expense for the period	-	-	-	(77)	(77)
Balance at 30 September 2007	<u>2,249</u>	<u>1,340</u>	<u>-</u>	<u>(809)</u>	<u>2,780</u>

The notes form part of these financial statements

# ALEXANDER DAVID SECURITIES GROUP PLC

## COMPANY CASH FLOW STATEMENT for the period ended 31 December 2008

	Notes	Year to 31 December 2008 £'000	Period to 30 September 2007 £'000
Net cash from operating activities	18	(646)	(744)
Cash flow from investing activities:			
Investment in subsidiaries		(48)	-
Sale of subsidiaries		250	-
Investment income		-	12
Net cash used in investing activities		<u>202</u>	<u>12</u>
Cash flow from financing activities:			
Issue of shares		-	983
Expenses of issue		(3)	(105)
Loans to subsidiaries		(270)	-
Repayment of loan notes		-	(450)
Net cash from financing activities		<u>(273)</u>	<u>428</u>
Net decrease in cash and cash equivalents		(717)	(304)
Cash and cash equivalents at beginning of period		<u>717</u>	<u>1,021</u>
<b>Cash and cash equivalents at end of period</b>		<u><u>-</u></u>	<u><u>717</u></u>

The notes form part of these financial statements

# ALEXANDER DAVID SECURITIES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. 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 period ended 31 December 2008 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 1985.

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 230 of the Companies Act 1985. The Company's loss for the period was £1,610,937 (2007 – £76,646).

#### ***Critical accounting judgements and key sources of estimation and uncertainty***

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates have been used principally when accounting for provisions for depreciation, doubtful debts and taxes. In particular, the Directors have concluded that the value of Alexander David Holdings Limited was clearly evident for the purposes of reverse accounting based on the negotiated price agreed between unconnected parties.

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

The consolidated financial statements have been prepared using the reverse accounting provisions of International Financial Reporting Standard 3. The consolidated financial statements include the results of Alexander David Holdings Limited and subsidiaries from 1 January 2008 to 31 December 2008 and the results of Alexander David Securities Group plc from 31 December 2008 (the acquisition date). The comparatives shown are the audited results of Alexander David Holdings Limited and subsidiaries to 31 December 2007.

The accounts of Alexander David Holdings Limited were previously prepared under IFRS. In respect of the Company results alone, which comprise only the results of Alexander David Securities Group plc, this is the first year of adoption of IFRS however no adjustments are necessary to the opening balance sheet, cash flow statement or income statement to comply with IFRS.

Reverse accounting has been determined to be required in accounting for the business combination of the Company and Alexander David Holdings Limited because, following the business combination, the Company is effectively controlled by the Board and the former shareholders of Alexander David Holdings Limited. In effect, the transaction is accounted for as though Alexander David Holdings Limited was the acquiring company rather than the acquired.

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 IFRS 3 Appendix B, less the fair value of the Company's assets and liabilities at the date of the business combination.

# ALEXANDER DAVID SECURITIES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. Accounting policies (continued)

The fair value of the consideration has been calculated based on the fair value of the shares in Alexander David Holdings Limited at the date of the business combination, determined with reference to the negotiated price for Alexander David Holdings Limited.

The financial information of the subsidiaries of Alexander David Holdings Limited is included in the consolidated financial statements using the acquisition method of accounting. On the date of acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

#### ***New standards and interpretations***

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet mandatorily effective:

		Effective for accounting periods beginning on or after:
IAS 1 (revision)	Presentation of Financial Statements	1 January 2009
IAS 23 (revision)	Borrowing Costs	1 January 2009
IFRS 3 (revision)	Business Combinations	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 27 (revision)	Consolidated and Separate Financial Statements	1 July 2009

In addition IFRIC and the IASB have issued the following standards and interpretations that are not applicable to the Company:

		Effective for accounting periods beginning on or after:
IFRIC 13	Customer Loyalty Programmes	1 July 2008

The Directors do not anticipate that the adoption of the other standards and interpretations listed above will have a material impact on the Company's financial statements in the period of initial application.

#### ***Revenue recognition***

Revenue includes the net profit/loss on principal trading, commission income, corporate advisory fees, fund management fees and other ancillary fees.

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)

### 1. Accounting policies (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 period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other 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 balance sheet 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, 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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign currency gains and losses arising from the translation of assets and liabilities are reflected in the income statement 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. Accounting policies (continued)

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.

#### ***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 balance sheet when the Company becomes a party to the contractual provisions of the instrument.

#### ***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 income statement.

#### ***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.

#### ***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.

# ALEXANDER DAVID SECURITIES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. Accounting policies (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 profit or loss in the period in which they are incurred.

#### *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 25.

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 profit and loss 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.

### 2. Segmental revenues and results

The segmental analysis of revenues and results is determined by the Group having a single business segment and no discontinued operations in the year under review. Revenue attributable to overseas operations totalled £Nil (2007 – £Nil).

### 3. Operating Loss

	Year to 31 December 2008 £'000	Period to 31 December 2007 £'000
Loss from operations has been arrived at after charging:		
Depreciation	54	53
Impairment of receivables recognised as an administration expense	11	-
Auditors' remuneration	15	8
	<u>          </u>	<u>          </u>

# ALEXANDER DAVID SECURITIES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. Auditor's remuneration

	Year to 31 December 2008 £'000	Period to 31 December 2007 £'000
Fees payable to the Company's auditor for the audit of the Company's accounts	21	8
Fees payable to the Company's auditor for other services	<u>2</u>	<u>11</u>

Auditor's fees of £40,030 relating to corporate finance transactions were debited to the Merger Reserve.

### 5. Staff costs

	Year to 31 December 2008 Number	Period to 31 December 2007 Number
The average monthly number of employees, including Directors, was:	<u>23</u>	<u>12</u>

#### Salaries, pension costs, other benefits and social security costs

	Year to 31 December 2008 £'000	Period to 31 December 2007 £'000
Wages and salaries	1,006	398
Social security costs	<u>109</u>	<u>43</u>
	<u>1,115</u>	<u>441</u>

#### Directors emoluments

	Year to 31 December 2008 £'000	Period to 31 December 2007 £'000
Aggregate emoluments	<u>262</u>	<u>157</u>
	<u>262</u>	<u>157</u>
Highest paid director, amounts included above:		
Aggregate emoluments	<u>83</u>	<u>54</u>

Included in Directors' emoluments above is an amount of £24,000, invoiced to the Company by Hicks International Limited, in respect of services provided by Mr M Hicks. No director was accruing benefits under a pension scheme.

# ALEXANDER DAVID SECURITIES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. Investment income

	Year to 31 December 2008 £'000	Period to 31 December 2007 £'000
Bank interest receivable	2	19
Gains on short term investments	1	-
	<u>3</u>	<u>19</u>

### 7. Finance costs

	Year to 31 December 2008 £'000	Period to 31 December 2007 £'000
Interest on subordinated loan notes	100	70
Other interest	2	-
	<u>102</u>	<u>70</u>

### 8. Taxation

	Year to 31 December 2008 £'000	Period to 31 December 2007 £'000
<b><i>Tax charge for the period</i></b>		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

The difference between the total tax expense shown above and the amount calculated by applying the standard UK corporation tax to the loss before tax is as follows:

Loss before taxation	(975)	(899)
Tax on loss on ordinary activities at the applicable rate of 28% (2007: 30%)	(273)	(270)
Effects of:		
Expenses not allowed for tax	17	6
Unutilised tax losses	256	264
Total tax expense for the period	<u>-</u>	<u>-</u>

The Group had unutilised tax losses of approximately £1,765,000 at 31 December 2008 (2007: £860,000). The Company has not recognised a deferred tax asset in respect of these losses as there is insufficient evidence of future taxable profits.

# ALEXANDER DAVID SECURITIES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. Earnings per share

	Year to 31 December 2008 £'000	Period to 31 December 2007 £'000
Loss for the purpose of basic and diluted loss per share	<u>(975)</u>	<u>(899)</u>
<b>Number of shares:</b>		
Weighted average number of shares in issue during the year	323,375,181	323,076,026
Effect of outstanding options	-	-
Adjusted weighted average number of shares	<u>323,375,181</u>	<u>323,076,026</u>
Basic and diluted loss per share from continuing and total operations	<u>(0.30)p</u>	<u>(0.28)p</u>

### 10. Investment in subsidiary undertakings

The carrying value of the investment in subsidiary undertakings as at 31 December 2008 represents the fair value of the shares issued on acquisition of Alexander David Holdings Limited, which was acquired on that date, is 100% owned and incorporated in England and Wales (see also note 24).

The investment in subsidiary undertakings is made up as follows:

	2008 £'000	2007 £'000
Cost of shares in subsidiary undertakings	<u>3,925</u>	<u>1,500</u>

The aggregate amount of capital and reserves, and the results of Alexander David Holdings Limited, whose principal activity during the period was that of a holding company, at 31 December 2008 were as follows:

Net loss for the period	(125)
Capital and reserves at end of period	2,617

Alexander David Holdings Limited has two subsidiaries. Both subsidiary companies are 100% owned, as detailed below:

	<i>Country of Incorporation</i>
Alexander David Securities Limited	England & Wales
Finsquare Investment Limited (dormant)	England & Wales

The aggregate amount of capital and reserves, and the results of Alexander David Securities Limited, whose principal activity during the period was that of an investment broker and corporate adviser, at 31 December 2008 were as follows:

Net loss for the period	(975)
Capital and reserves at end of period	<u>(1,859)</u>

# ALEXANDER DAVID SECURITIES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Also on 31 December 2008, Griffin Group Plc disposed of Griffin Group Holdings Limited for a consideration of £1.2m payable in cash. The carrying value of the investment in Griffin Group Holdings Limited on disposal was £1.2m, after taking into account an impairment charge of £300,000 recognised during the year, and therefore no profit or loss arose.

### 11. Property, plant and equipment

<b>Group – current and prior period</b>	Furniture & fittings £'000	Office Equipment £'000	Total £'000
Cost			
At 7 December 2006	-	-	-
Additions	12	152	164
At 31 December 2007	12	152	164
Additions	1	4	5
At 31 December 2008	13	156	169
Depreciation			
At 7 December 2006	-	-	-
Depreciation for period	3	50	53
At 31 December 2007	3	50	53
Depreciation	3	51	54
At 31 December 2008	6	101	107
Net book value at 31 December 2008	7	55	62
Net book value at 31 December 2007	9	102	111

The Company had no property, plant and equipment in either period.

### 12. Intangible assets

	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
Goodwill – additions in year and carried forward (see also note 24)	485	-	-	-

No goodwill has been included in respect of the deferred consideration due on the acquisition of Alexander David Holdings Limited as the Directors consider that the current economic climate makes the issue of these shares not probable at the date of signing.

No impairment charge is required on the basis of an impairment review performed at the date of acquisition.

# ALEXANDER DAVID SECURITIES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 13. Trade and other receivables

	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
Trade receivables	72	5	-	-
Amounts due from group undertakings	-	-	2,738	-
Other receivables	400	72	330	718
Prepayments and accrued income	29	25	7	15
	<u>501</u>	<u>102</u>	<u>3,075</u>	<u>733</u>

### 14. Cash and cash equivalents

	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
Cash at bank	<u>893</u>	<u>273</u>	<u>-</u>	<u>717</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.

The Group's cash balances were held on current accounts and earned no interest during the period, therefore an increase or decrease of 1% in average interest rates would have no significant effect on the result for the period or on the value of the Company's equity.

### 15. Borrowings

	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
<b>Non-current</b>				
Subordinated loan notes – principal	1,646	1,092	1,646	-
Subordinated loan notes – accrued interest	170	70	170	-
	<u>1,816</u>	<u>1,162</u>	<u>1,816</u>	<u>-</u>

By a deed of novation dated 29 October 2008, the Company assumed responsibility for the subordinated loan notes then in issue in Alexander David Holdings Limited. The subordinated loan notes accrue interest at 1% 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% 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 balance sheet for borrowings.

# ALEXANDER DAVID SECURITIES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
In the first to fifth period	765	765	-	-
Over five period	1,704	1,704	-	-
	<u>2,469</u>	<u>2,469</u>	<u>-</u>	<u>-</u>

The average interest rate on borrowings was approximately 6.6% in 2008 and this rate has been applied for projecting the amount to be repaid on maturity.

### 16. Trade and other payables

	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
Trade payables	376	133	306	76
Amounts due to group undertakings	-	-	-	40
Other taxes and social security	98	41	-	-
Other creditors	-	8	2	-
Accruals and deferred income	183	30	109	54
	<u>657</u>	<u>212</u>	<u>417</u>	<u>170</u>

### 17. Called up share capital

Number	Class	Nominal value	2008 £'000	2007 £'000
<b>Authorised:</b>				
7,859,845,179	Ordinary	0.1p	7,860	7,860
43,676,629	Deferred	4.9p	2,140	2,140
			<u>10,000</u>	<u>10,000</u>
<b>Allotted, issued and fully paid:</b>				
432,267,599 (2007 – 109,191,573)	Ordinary	0.1p	432	109
43,676,629	Deferred	4.9p	2,140	2,140
			<u>2,572</u>	<u>2,249</u>

On 31 December 2008, 323,076,026 new ordinary shares were issued at 1.2 pence each as part consideration for the acquisition of Alexander David Holdings Limited.

Also on 31 December 2008, 25,675,375 options to subscribe for ordinary shares were granted with a vesting date of 31 December 2011 and an exercise price of 1.2 pence each. In addition to these, a maximum of 15,333,461 options were granted exercisable from the date of grant to 31 January 2010.

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.

# ALEXANDER DAVID SECURITIES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 18. Cash used in operations

	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
Operating loss	(876)	(848)	(1,613)	(89)
Operating cash flow before movements in working capital	(876)	(848)	(1,613)	(89)
Depreciation	54	53	-	-
Impairment provisions	-	-	300	-
Decrease in investments held for resale	-	-	-	9
Decrease/(increase) in receivables	(71)	(102)	696	(700)
Increase in payables	94	212	(29)	36
	<u>(799)</u>	<u>(685)</u>	<u>(646)</u>	<u>(744)</u>

### 19. Net cash acquired on acquisition of subsidiary

During the period, Alexander David Holdings Limited was deemed to have acquired Alexander David Securities Group plc under the reverse accounting rules within IFRS3. The fair value of assets and liabilities assumed were as follows:

	£'000
Cash	650
Trade and other receivables	609
Trade and other payables	(417)
Goodwill	485
	<u>1,327</u>
Less: element of consideration deemed satisfied by equity	(1,279)
Cash paid	48
Cash acquired with subsidiary	(650)
Net cash inflow on business combination	<u>(602)</u>

### 20. Operating lease commitments

	2008 £'000	2007 £'000
Minimum lease payments under operating leases recognised as an expense during the period	<u>95</u>	<u>59</u>

At the balance sheet date, the Company had total outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 £'000	2007 £'000
Within one period	112	89
Within two to five periods	75	187
	<u>187</u>	<u>276</u>

Operating lease payments represent rental payments and related service charges payable by the Group for its office accommodation. The lease expires on 1 September 2010.

# ALEXANDER DAVID SECURITIES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 21. 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*:

	2008 £'000	2007 £'000
Short-term employee benefits	262	189
	<u>262</u>	<u>189</u>

Included in Directors' emoluments is an amount of £24,000 invoiced to the Company by a company controlled by Mr M Hicks. No amount was due at 31 December 2008.

#### *Other*

On 30 October 2008, Alexander David Securities Group plc subscribed for £270,000 loan notes in Alexander David Holdings Limited and charged an arrangement fee of £20,000.

The Company finances the activities of its subsidiaries by way of share subscription and a periodic subordinated loan, as required. At 31 December 2007, the Company was owed £765,000 by its subsidiaries and £2,738,691 at 31 December 2008.

Amounts due from other Group companies at the year end are disclosed in Note 13.

During the year the Group received income from share trading services of £567,000 (2007: £126,000) from Jarvis Investment Management plc, which company is the trading subsidiary of Jarvis Securities plc, which is a director of Alexander David Holdings Limited and a shareholder of Alexander David Securities Group plc. Transactions are undertaken on a normal commercial basis. At the year end there was a balance of £52,000 (2007: £Nil) due from Jarvis Investment Management plc.

### 22. Financial instruments

The Company's financial instruments comprise cash and cash equivalents 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.

The accounting policies for financial instruments have been applied to the line items below:

	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
Trade and receivables	472	77	3,068	60
Cash and cash equivalents	893	273	-	717
	<u>1,365</u>	<u>350</u>	<u>3,068</u>	<u>777</u>

# ALEXANDER DAVID SECURITIES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22. Financial instruments (continued)

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

As at 31 December 2008 no financial assets were past due and no financial assets were impaired.

	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
Financial liabilities at amortised cost:				
Trade and other payables	474	182	306	76
Borrowings due after more than one period:				
Subordinated loan notes	1,816	1,162	1,816	-
	<u>2,290</u>	<u>1,344</u>	<u>2,122</u>	<u>32</u>

#### *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.

#### *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 14 and 15.

#### *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 14.

### 23. Post balance sheet events

As far as the Directors are aware there are no material post balance sheet events.

# ALEXANDER DAVID SECURITIES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 24. Acquisitions

On 31 December 2008, the Company acquired 100% of the ordinary share capital of Alexander David Holdings Limited. The fair value of the identifiable assets and liabilities of Alexander David Holdings Limited at the date of the transaction were as follows:

	£'000
Investments in subsidiaries	1,810
Trade and other receivables	58
Cash and cash equivalents	749
Subordinated loan notes	(272)
Other loans	(2,466)
Trade and other payables	(7)
	-
	<u>(128)</u>

As stated in note 1 the combination of Alexander David Holdings Limited and Alexander David Securities Group plc has been accounted for as a reverse acquisition. At the date of combination, the fair value of the net assets of Alexander David Securities Group plc, which were identical to their book values, were £841,963. To effect the combination, Alexander David Securities Group plc issued 323,076,026 ordinary shares at 1.2 pence per share and incurred costs directly attributable to the combination of £48,450.

The terms of the combination provide for a maximum of 80,769,006 additional ordinary shares to be issued to the sellers of Alexander David Holdings Limited depending on the financial performance of the Alexander David Securities Group plc in the two years ending 31 December 2009. If the aggregate consolidated profits exceed £1,500,000, the Company will issue an additional 2,692,000 shares for every £50,000 by which profits exceed that figure.

The directors do not currently consider that the amount of this contingent consideration can be reliably measured. On this basis, no provision has been made in these financial statements for any shares which may be issued under the agreement and the cost of the combination does not include an estimate of the value of shares to be issued.

In accordance with IFRS3, an adjustment will be made to the cost of the combination and the goodwill arising in future periods if and when the issue of additional shares becomes probable.

In accordance with the principles of IFRS 3 Appendix B on reverse acquisition accounting and as noted in note 1, the cost of the combination to Alexander David Holdings Limited, the acquirer for accounting purposes, was calculated at a total consideration of £1,326,674 being the total fair value of the equity instruments notionally issued by Alexander David Holdings Limited to effect the combination. After taking into account the fair value of the net assets of Alexander David Securities Group plc, goodwill of £484,711 was recognised on the business combination as follows:

	£'000
Fair value of beneficial holding in Alexander David Holdings Limited transferred to the original shareholders of Alexander David Securities Group plc	1,327
Net assets of parent company acquired	<u>(842)</u>
Goodwill acquired	<u>485</u>

### 25. Share-based payments

On 31 December 2008, 25,675,375 options to subscribe for ordinary shares were granted with a vesting date of 31 December 2011 and an exercise price of 1.2 pence each. In addition to these, a maximum of 15,333,461 options were granted exercisable, subject to certain conditions, from the date of grant to 31 January 2010.

The warrants have a fair value of 0.0374 pence at date of grant and have been priced using the Black-Scholes method. 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. Expected volatility is based on management's best estimate of the historic volatility of similar shares in the market.

Inputs into the model:

Grant date share price – 0.625 pence

Exercise price – 1.2 pence

Expected volatility – 35%

Warrant life – 3 years

Risk-free interest rate – 2%

None of the 25,675,375 warrants issued on 31 December 2008 had been exercised by the period end.

No charge has been recognised in these financial statements in respect of either grant of options.

