Lawshare Limited

Directors' Report and Financial Statements

For the 17 months ended 30th September 2008

Company Registration No: 272~~2~~3420 (England and Wales)

Company Information

Directors	A McDonald	(Resigned 13th December 2007)
	J A L Blackman	(Resigned 13th December 2007)
	H Bourne	(Resigned 13th December 2007)
	C Galbraith	
	A J Bell	(Appointed 13th December 2007)
	S J Dootson	(Appointed 13th December 2007)

Secretary S J Dootson

Company Number 27223420

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Auditors
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Business Address
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Directors' report
For the 17 months ended 30th September 2008

The directors have pleasure in presenting their report and financial statements of Lawshare Limited (the "Company") for the 17 months ended 30th September 2008.

Principal activities and review of business

Principal activity

The principal activity of the Company is to act as a wholesale provider of securities research, dealing settlement and custody services to professional intermediaries.

Results and dividends

The profit attributable to the shareholder for the period ended 30th September 2008 was £280,000 (2007: loss of £102,000). No dividend was paid during the period ended 30th September 2008 or in the year ended 30th April 2007.

Change of ownership

On 13th December 2007 the Company was sold by OMX Securities (Holdings) Limited to A J Bell Holdings Limited. A J Bell Holdings Limited is now both the immediate and ultimate parent company.

Financial highlights

In the 17 months ended 30th September 2008 the Company recorded a profit before tax of £428,000. The financial performance of the business was a significant improvement on the previous financial year, when the Company recorded a pre-tax loss of £139,000. The improvement in financial performance was achieved by increasing turnover whilst largely maintaining the operating cost base of the business.

Outlook

The focus for 2008/2009 will have two separate elements:

Firstly, the Company will aim to further strengthen the long-standing relationships with its existing customers, through the development of the Company's current portfolio of products and services. Secondly, the Company will continue to develop the A J Bell Group's (the "Group") new retail stockbroking platform, which is currently under construction and due for release in Summer 2009.

Principal risks and uncertainties

Strategic risk

The Company derives the majority of its revenue from the commission generated from buying and selling securities on behalf of its institutional clients.

Strategic risk (continued)

As a result, there is a risk that the Company's level of trade will be adversely affected by an economic downturn. However, levels of dealing activity within the Company's institutional client base have proved to be extremely resilient even through the difficulties of the recent past.

Regulatory risk

The Company is regulated by the Financial Services Authority ("the FSA") and as a result must maintain sufficient financial resources to satisfy the regulatory requirements imposed by the FSA. In the normal course of business the financial strength of the Company is such that it is able to satisfy the FSA's financial requirements. However, the Company is currently incurring significant capital expenditure on behalf of the Group, by developing the retail stockbroking platform. During this period, A J Bell Holdings Limited has indicated its intention to support the financial resource requirements that the Company is obliged to satisfy. Indeed, during September 2008, the parent company injected £1.25m in equity to ensure such compliance.

Credit risk

As outlined above, the Company derives the majority of its revenue from dealing commission. The commission is deducted at source in these transactions and so no credit risk exists. In respect of the revenue generated from custody fees, the Company is exposed to the usual credit risk and cashflow risk associated with selling on credit. Prior to acceptance of a new client, rigorous checks are performed to ensure that it has an appropriate credit rating. Furthermore, credit risks are dramatically reduced in this industry, as the customers are both long standing and FSA regulated.

Environment

As the Company operates in the financial services sector its actions do not have a significant impact on the environment. The Company recognises the importance of the environment and acts to minimise its impact wherever it can, particularly in respect of recycling and energy consumption.

Supplier payment policy

The Company agrees terms and conditions for its transactions with its suppliers and payments are then made in accordance with those terms and conditions.

Directors' report (continued)
For the 17 months ended 30th September 2008

Directors

The following directors have held office since 1st May 2007:

A McDonald	(Resigned 13th December 2007)
J A L Blackman	(Resigned 13th December 2007)
H Bourne	(Resigned 13th December 2007)
C Galbraith	
A J Bell	(Appointed 13th December 2007)
S J Dootson	(Appointed 13th December 2007)

Directors' interests

None of the directors held interests in the shares of the Company at 30th September 2008 and 1st May 2007.

The interests of the directors in the share capital of the parent company, A J Bell Holdings Limited (where they are common to both companies), are disclosed in the Directors' Report of that company's financial statements.

Taxation status

The Company was a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Auditors

Deloitte & Touche LLP were appointed as auditors during the period. On 1st December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP. Accordingly, a resolution to reappoint Deloitte LLP as auditors will be proposed at the forthcoming Annual General Meeting.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing those 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 will continue in business.

Directors' report (continued)
For the 17 months ended 30th September 2008

Directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and 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.

Statement of disclosure to auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

(a) So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) the director has taken all 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.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

On behalf of the Board

S J Dootson
Director
11th December 2008

Independent Auditors' Report to the shareholder of Lawshare Limited

We have audited the financial statements of Lawshare Limited for the 17 month period ended 30th September 2008 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared using the accounting policies set out therein.

This report is made solely to the Company's member 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 member those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and company's member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities the directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

We read the other information contained in the annual report, as described in the contents section and the Company information page, and consider whether it is consistent with the audited financial statements. 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 further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practice Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

Independent Auditors' Report to the shareholder of Lawshare Limited (continued)

Basis of audit opinion (continued)

It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30th September 2008 and of its profit for the 17 month period then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Manchester
11th December 2008

Profit and loss account
For the 17 months ended 30th September 2008

	Note	17 months ended 30th Sept 2008 £'000	Restated (see note 1) Year ended 30th April 2007 £'000
Turnover	2	4,320	2,524
Cost of sales		(983)	(496)
Gross profit		3,337	2,028
Administrative expenses - normal		(2,776)	(1,890)
- exceptional	3	(204)	(320)
Operating profit/(loss)	3	357	(182)
Interest receivable		117	61
Interest payable	6	(46)	(18)
Profit/(loss) on ordinary activities before taxation		428	(139)
Tax on profit/(loss) on ordinary activities	7	(148)	37
Profit/(loss) for the period	15	280	(102)

All activities are derived from continuing operations.

The company has no gains and losses in either the current year or prior year other than those included in the results above, and therefore no separate statement of total recognised gains and losses have been presented.

Balance sheet
As at 30th September 2008

	Note	30th September 2008 £'000	30th September 2008 £'000	30th April 2007 £'000	30th April 2007 £'000
Fixed assets					
Tangible fixed assets	8		718		274
Investments	9		-		-
			718		274
Current assets					
Debtors	10	12,052		29,404	
Cash at bank	11	3,803		1,592	
			15,855		30,996
Current liabilities					
Creditors	12	14,025		30,456	
Provisions	13	97		-	
			(14,122)		(30,456)
Net current assets			1,733		540
Long term provisions	13		(107)		-
Net assets			2,344		814
Capital and reserves					
Called up share capital	14		1,550		300
Share premium account	15		295		295
Capital redemption reserve	15		10		10
Profit and loss account	15		489		209
Equity shareholder's funds	16		2,344		814

Approved by the Board and authorised for issue on 11th December 2008.

S J Dootson
Director

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in financial reporting standard No. 1 (revised 1996) from the requirement to produce a cashflow statement on the grounds that it is a subsidiary undertaking where 90 per cent of the voting rights are controlled with the group.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Transaction date accounting

All bargains entered into on behalf of clients are recorded in the financial statements on the date of the transaction.

1.4 Counterparty balances

Amounts due to and from counterparties due to settle against delivery of stock are shown gross.

1.5 Foreign currencies

Foreign currency monetary assets and liabilities have been translated into sterling at the exchange rate ruling at the balance sheet date. Transactions during the period have been translated into sterling at the rates ruling at the time the transactions were executed.

1.6 Client money

The Company holds money on behalf of clients in accordance with the Client Money Rules of the Financial Services Authority. This client money represents balances which are not held in respect of the settlement of transactions.

1.7 Turnover

Turnover represents:

- Commission income from buying and selling securities on behalf of clients
- Custody fees
- Unit trust fees
- Overseas contract charges

Turnover is recognised on an accruals basis as services are provided to the customer.

1.8 Cost of sales

Following a review of the classification of costs in the profit and loss account, the directors consider that a change in policy is appropriate. Formerly, costs of sale were reflected as Administrative Expenses. The directors consider it more appropriate to recognise these expenses within cost of sales, to give a true and fair reflection of how costs are incurred within the Company. The amount reclassified from Administrative Expenses to cost of sales in the period ended 30^{th} September 2008 is £983,000 (2007: £496,000).

1.9 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures and equipment	-	25% straight line
Computer equipment	-	33% straight line
Computer software	-	20% straight line

1.10 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.11 Leasing

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

1.12 Pensions

The Company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

Notes to the financial statements (continued)
For the 17 months ended 30th September 2008

1.13 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

1.14 Exemption from preparing group accounts

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared consolidated financial statements as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of A J Bell Holdings Limited, a company incorporated in England and Wales, and is included in the consolidated financial statements of that company.

2. Turnover

	17 months ended 30th Sept 2008 £'000	**Year ended 30th April 2007 £'000**
Commission arising in the UK	2,674	1,546
Custody fees, unit trust fees and overseas contract charges	1,646	978
	4,320	2,524

3. Operating profit/(loss)

	17 months ended 30th Sept 2008 £'000	**Year ended 30th April 2007 £'000**
Depreciation of tangible fixed assets	107	49
Auditors' remuneration		
- for audit	14	13
- for other services	3	2
Operating lease rentals:		
- property	146	41
Exceptional management fee payable to a fellow group undertaking	-	320
Exceptional provision for onerous property lease	204	-

Notes to the financial statements (continued)
For the 17 months ended 30th September 2008

4. Staff costs

Staff costs were as follows:	17 months ended 30th Sept 2008 £'000	Year ended 30th April 2007 £'000
Wages and salaries	1,280	899
Social security costs	133	65
Other pension costs	39	15
	1,452	979

The average monthly number of employees during the period was 30 (2007: 30).

5. Directors' emoluments

	17 months ended 30th Sept 2008 £'000	Year ended 30th April 2007 £'000
Emoluments	183	-
Contributions to pension scheme	10	-
	193	-

Remuneration of highest paid director:		
Emoluments	183	-
Contributions to pension scheme	10	-
	193	-

With the exception of C Galbraith, all directors are also directors of the parent company and are remunerated by that company.

6. Interest payable

	17 months ended 30th Sept 2008 £'000	Year ended 30th April 2007 £'000
Other interest	46	18

7. Taxation

Current tax:

	17 months ended 30th Sept 2008 £'000	Year ended 30th April 2007 £'000
UK corporation tax	148	-
Adjustments to prior years	-	(23)
	148	(23)
Deferred tax	-	(14)
	148	(37)
Profit/(loss) on ordinary activities before tax	428	(139)

Corporation Tax is calculated at 29% of the estimated assessable profit for the year. The rate of Corporation Tax was changed from 30% to 28% on the 6th April 2008. To reflect this change a blended rate of 29% has been applied.

Tax on ordinary activities at 29% (2007: 30%)	124	(42)
Effects of:		
Expenses not deductible for tax purposes	-	118
Depreciation in excess of capital allowances	-	(2)
Adjustments to prior periods	-	(23)
Effect of changes to tax rate	24	-
Group relief to be surrendered for £nil payment	-	(74)
Total actual amount of current tax	148	(23)

Notes to the financial statements (continued)
For the 17 months ended 30th September 2008

8. Tangible fixed assets

	Computer and office equipment £'000	Assets in course of construction £'000	Total £'000
Cost			
At 1st May 2007	1,371	-	1,371
Additions	32	519	551
Disposals	(856)	-	(856)
At 30th September 2008	547	519	1,066
Depreciation			
At 1st May 2007	1,097	-	1,097
Charge for the period	107	-	107
Disposals	(856)	-	(856)
At 30th September 2008	348	-	348
Net book value			
At 30th September 2008	199	519	718
At 30th April 2007	274	-	274

9. Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1st May 2007	2
Disposals	(1)
At 30th September 2008	1
Net book value	
At 30th September 2008	1
At 30th April 2007	2

Fixed asset investments comprise a 100% interest in the £1 ordinary shares of Lawshare Nominees Limited. The company was dormant during the 17 month period to 30th September 2008 and had net assets of £1 at 30th September 2008.

Notes to the financial statements (continued)
For the 17 months ended 30th September 2008

9. Fixed asset investments (continued)

During the period the 100% interest in £1 ordinary share of Lawshare Employee's Trustees Limited was written off. This company had net assets of £1 at 1st May 2007 through to 21st May 2008, at which point the company was dissolved.

10. Debtors

Debtors were as follows:

	30th Sept 2008 £'000	Restated 30th April 2007 £'000
Due within one year		
Trade debtors	275	130
Client debtors	11,393	29,070
Deferred tax asset	39	39
Prepayments and accrued income	345	165
	12,052	29,404

The directors consider that the prior year classifications of debtors were misleading and as such have restated the comparative figures. Formerly, all client debtors were recognised as trade debtors but in the directors' view, to reflect the true nature of the Company's assets, any client debtor should be disclosed separately. The value moved out of trade debtors into client debtors as at 30th September 2008 is £13,393,000 (2007: £29,070,000).

11. Cash at bank and in hand

	30th Sept 2008 £'000	30th April 2007 £'000
Cash at bank and in hand	1,811	758
Client settlement cash	1,992	834
Net cash	3,803	1,592

Client settlement cash is the amount held by the Company in trust on behalf of clients and is only available to complete the settlement of outstanding bargains.

12. Creditors: Amounts falling due within one year

	30th Sept 2008 £'000	Restated 30th April 2007 £'000
Trade creditors	91	256
Client creditors	11,089	28,881
Client segregated accounts	1,992	834
Amounts owed to group undertakings	-	196
Taxation and social security	43	21
Corporation tax	148	-
Accruals	662	268
	14,025	30,456

As highlighted in note 10, the directors consider that the prior year classifications of client balances were misleading and as such have restated the comparative figures. Formerly, all client creditors were recognised as trade creditors but have now been disclosed separately. The value moved out of trade creditors into client creditors and segregated accounts as at 30th September 2008 is £13,081,000 (2007: £29,715,000).

13. Provisions

	30th Sept 2008 £'000	30th April 2007 £'000
Vacant office	204	-
Included in current liabilities	97	-
Included in long term liabilities	107	-

The vacant property provision relates to the business premises occupied during the period, as prior to year end a binding agreement was reached to lease a new premises. The provision includes rent, rates and service costs for the old premises that cannot be mitigated prior to the termination of this lease at its earliest point, which is on 12th December 2010.

14. Share capital

	30th Sept 2008 £'000	30th April 2007 £'000
Authorised		
9,857,000 A ordinary shares of £1 each (2007: 332,600)	9,857	333
142,500 A non-voting ordinary shares of £1 each (2007: same)	143	143
	10,000	476
Allotted, called up and fully paid		
1,501,000 A ordinary shares of £1 each (2007: 251,000)	1,501	251
48,558 A non-voting ordinary shares of £1 each (2007: same)	49	49
	1,550	300

During the year 1,250,000 A ordinary shares of £1 each were issued to A J Bell Holdings Limited at par.

The A ordinary shares and the A non-voting shares rank equally in all respects except that the A non -voting shares cannot attend or vote at general meetings of the Company. No class of share entitles the holder to preference dividends.

15. Statement of movements in reserves

	Share premium account £'000	Capital redemption reserve £'000	Profit and account £'000
Balance at 1st May 2007	295	10	209
Profit for the financial year	-	-	280
Balance at 30th September 2008	295	10	489

16. Reconciliation of movement in shareholder's funds

	30th Sept 2008 £'000	30th April 2007 £'000
Profit/(loss) for the period	280	(102)
Ordinary shares issued	1,250	125
Net addition to Shareholder's funds	1,530	23
Opening shareholder's funds	814	791
Closing shareholder's funds	2,344	814

17. Financial commitments

At 30th September 2008 the Company had authorised and contracted for, though not provided for, £322,000 (2007: £nil) of capital expenditure.

Annual commitments under non-cancellable operating leases are as follows:

Expiry date	Land and buildings 2008 £'000	Other 2008 £'000	Land and buildings 2007 £'000	Other 2007 £'000
Within one year	-	-	39	-
Within two to five years	-	4	-	4
After more than 5 years	165	-	-	-
	165	4	39	4

18. Control

Following the acquisition of the entire issued share capital of the Company on 13th December 2007, both the immediate and the ultimate parent company became A J Bell Holdings Limited (a company registered in England and Wales). A J Bell Holdings Limited prepares consolidated financial statements and copies can be obtained from Companies House.

19. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.