

Company Registration No. 2960433 (England and Wales)

C F S INDEPENDENT LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006



C F S INDEPENDENT LIMITED

COMPANY INFORMATION

Directors	A O Harwood J Brown	(Appointed 30 November 2005)
Secretary	G Harwood	
Company number	2960433	
Registered office	2 Fisher Street London WC1R 4QA	
Auditors	Fisher, Sassoon & Marks Farley Court Allsop Place London NW1 5LG	
Business address	2 Fisher Street London WC1R 4QA	

C F S INDEPENDENT LIMITED

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C F S INDEPENDENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

The directors present their report and financial statements for the year ended 31 March 2006.

Principal activities and review of the business

The principal activity of the company continued to be that of discretionary fund management and investment advisors.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

The company has been subject to an investigation by the Financial Services Authority which has now been concluded without any adverse effect on the operations of the company.

As a service provider the directors consider that the key financial risk exposures faced by the company relate to the need to maintain sufficient liquidity to satisfy regulatory capital requirements and working capital needs. The company does not invest in investments which expose it to material price risk nor does it have a material exposure to foreign exchange movements.

The company's financial risk management objectives are therefore to minimise the key financial risks through having clearly defined terms of business with clients, regular monitoring of cash flow and management accounts to ensure regulatory capital requirements are not breached and the company maintains adequate working capital.

The principal non financial risks faced by the company relate to breach of laws and regulations within the Financial Services and Markets Act 2000 and Financial Services Authority Rule Book. These risks are minimised through having stringent internal controls as well as regular reviews by a leading external compliance firm to minimise the risks.

The company has sufficient net assets to meet its working capital and regulatory capital requirements.

Given the nature of the company's business administration expenses are in the main a fixed cost. Accordingly the operating results are dependent on fees generated from fund management. Accordingly the key performance indicator is turnover and is dependent on the ability of the company to increase funds under management each year and to provide investment returns to clients which are at least equal to returns offered by other service providers.

Results and dividends

The results for the year are set out on page 6.

Post balance sheet events

There are no matters to report.

Directors

The following directors have held office since 1 April 2005:

A O Harwood

J Brown

(Appointed 30 November 2005)

C F S INDEPENDENT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March 2006	1 April 2005
A O Harwood	93,000	93,000
J Brown	-	-

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.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year end represented 939510 (2005- 10825170) days' purchases.

Introduction of the euro

The company has assessed the extent of the preparation that it needed to make for the introduction of the euro. It has identified that its systems needed to be amended to deal with the introduction of the euro. The costs of the changes have been charged in the current year to operating profit.

Auditors

Fisher, Sassoon & Marks were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

C F S INDEPENDENT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

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 of 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

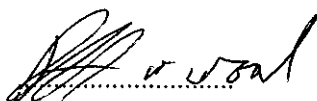
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



A O Harwood

Director

12 July 2006

C F S INDEPENDENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF C F S INDEPENDENT LIMITED

We have audited the financial statements of C F S Independent Limited for the year ended 31 March 2006 set out on pages 6 to 16. 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 the directors and auditors

As described in the Statement of Directors' Responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records or 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 directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

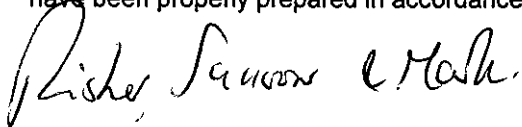
C F S INDEPENDENT LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF C F S INDEPENDENT LIMITED

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 31 March 2006 and of its profit for the year then ended ;
- the information given in the directors' report is consistent with the financial statements; and
- have been properly prepared in accordance with the Companies Act 1985.



Fisher, Sassoon & Marks

12/7/06

Chartered Accountants
Registered Auditor

Farley Court
Allsop Place
London
NW1 5LG

C F S INDEPENDENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 £	2005 £
Turnover	2	367,355	273,336
Administrative expenses		(335,177)	(336,717)
Operating profit/(loss)	3	32,178	(63,381)
Provision for regulatory fines		15,000	(40,000)
Profit/(loss) on ordinary activities before interest		47,178	(103,381)
Investment income	4	8,222	33,093
Other interest receivable and similar income	4	5,347	7,127
Interest payable and similar charges	5	(4,250)	(6,820)
Profit/(loss) on ordinary activities before taxation		56,497	(69,981)
Tax on profit/(loss) on ordinary activities	6	(1,650)	49
Profit/(loss) for the year	14	54,847	(69,932)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

C F S INDEPENDENT LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 £	2005 £
Profit/(loss) for the financial year		54,847	(69,932)
Prior year adjustment	14	-	41,000
Total gains and losses recognised since last financial statements		<u>54,847</u>	<u>(28,932)</u>

C F S INDEPENDENT LIMITED

BALANCE SHEET AS AT 31 MARCH 2006

	Notes	2006 £	£	2005 £	£
Fixed assets					
Tangible assets	7		6,291		5,180
Current assets					
Debtors	8	133,651		97,667	
Investments	9	6,924		31,071	
Cash at bank and in hand		102,217		167,426	
		<u>242,792</u>		<u>296,164</u>	
Creditors: amounts falling due within one year	10	<u>(28,514)</u>		<u>(45,622)</u>	
Net current assets			214,278		250,542
Total assets less current liabilities			<u>220,569</u>		<u>255,722</u>
Creditors: amounts falling due after more than one year	11		(38,000)		(88,000)
Provisions for liabilities			-		(40,000)
			<u>182,569</u>		<u>127,722</u>
Capital and reserves					
Called up share capital	13		186,000		186,000
Profit and loss account	14		(3,431)		(58,278)
Shareholders' funds	15		<u>182,569</u>		<u>127,722</u>

Approved by the Board and authorised for issue on 12/7/06


A O Harwood
Director

C F S INDEPENDENT LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	£	2006 £	£	2005 £
Net cash outflow from operating activities		(50,008)		(80,330)
Returns on investments and servicing of finance				
Interest received	5,347		7,127	
Net cash inflow for returns on investments and servicing of finance		5,347		7,127
Taxation		-		49
Capital expenditure and financial investment				
Payments to acquire tangible assets	(2,397)		(1,888)	
Receipts from sales of investments	8,222		33,093	
Net cash inflow for capital expenditure		5,825		31,205
Net cash outflow before management of liquid resources and financing		(38,836)		(41,949)
Management of liquid resources				
Current asset investments	24,147		7,313	
		24,147		7,313
Financing				
Issue of ordinary share capital	-		115,000	
Other new long term loans	-		88,000	
Repayment of other long term loans	(50,000)		-	
Net cash (outflow)/inflow from financing		(50,000)		203,000
(Decrease)/increase in cash in the year		(64,689)		168,364

C F S INDEPENDENT LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

1	Reconciliation of operating profit/(loss) to net cash outflow from operating activities	2006 £	2005 £
	Operating profit/(loss)	32,178	(63,381)
	Depreciation of tangible assets	1,286	2,344
	Increase in debtors	(35,984)	(41,456)
	(Decrease)/Increase in creditors within one year	(22,488)	22,163
	Utilisation of provision	(25,000)	-
	Net cash outflow from operating activities	(50,008)	(80,330)

2	Analysis of net funds	1 April 2005 £	Cash flow £	Other non- cash changes £	31 March 2006 £
	Net cash:				
	Cash at bank and in hand	167,426	(65,209)	-	102,217
	Bank overdrafts	(520)	520	-	-
		<u>166,906</u>	<u>(64,689)</u>	<u>-</u>	<u>102,217</u>
	Liquid resources:				
	Current asset investments	31,071	(24,147)	-	6,924
	Bank deposits	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Debt:				
	Debts falling due after one year	(88,000)	50,000	-	(38,000)
		<u>(88,000)</u>	<u>50,000</u>	<u>-</u>	<u>(38,000)</u>
	Net funds	109,977	(38,836)	-	71,141

3	Reconciliation of net cash flow to movement in net funds	2006 £	2005 £
	(Decrease)/increase in cash in the year	(64,689)	168,364
	Cash inflow from decrease in liquid resources	(24,147)	(7,313)
	Cash outflow/(inflow) from decrease/(increase) in debt	50,000	(88,000)
	Movement in net funds in the year	(38,836)	73,051
	Opening net funds	109,977	36,926
	Closing net funds	71,141	109,977

C F S INDEPENDENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

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 Turnover

Turnover represents amounts receivable for undertaking discretionary fund management and investment advice net of VAT and client rebates.

1.4 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, fittings & equipment	25 % - 33 % reducing balance
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1.5 Investments

Current asset investments are stated at the lower of cost and net realisable value.

1.6 Revenue recognition

Fee income represents revenue earned under from contracts to provide investment services. Revenue is recognised as earned when, and to the extent that, the firm obtains the right to consideration in exchange for its performance under these contracts. It is measured at the fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements but excluding value added tax.

Revenue is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed. Revenue not billed to clients is included in debtors and payments on account in excess of the relevant amount of revenue are included in creditors.

Fee income that is contingent on events outside the control of the firm is recognised when the contingent event occurs.

1.7 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.

1.8 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax 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.

C F S INDEPENDENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit/(loss)	2006	2005
	£	£
Operating profit/(loss) is stated after charging:		
Depreciation of tangible assets	1,286	2,344
Auditors' remuneration	4,500	4,500

4 Investment income	2006	2005
	£	£
Income from fixed asset investments	8,222	33,093
Bank interest	5,347	7,127
	13,569	40,220

5 Interest payable	2006	2005
	£	£
Other interest	4,250	6,820

6 Taxation	2006	2005
	£	£
Domestic current year tax		
U.K. corporation tax	1,650	-
Adjustment for prior years	-	(49)
Current tax charge	1,650	(49)

C F S INDEPENDENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

7 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 April 2005	61,941
Additions	2,397
	<hr/>
At 31 March 2006	64,338
	<hr/>
Depreciation	
At 1 April 2005	56,761
Charge for the year	1,286
	<hr/>
At 31 March 2006	58,047
	<hr/>
Net book value	
At 31 March 2006	6,291
	<hr/>
At 31 March 2005	5,180
	<hr/>

8 Debtors	2006 £	2005 £
Trade debtors	14,588	520
Other debtors	3,632	10,404
Prepayments and accrued income	115,431	86,743
	<hr/>	<hr/>
	133,651	97,667
	<hr/>	<hr/>

9 Current asset investments	2006 £	2005 £
Listed investments	6,924	31,071
	<hr/>	<hr/>
Market valuation of listed investments	7,636	51,867
	<hr/>	<hr/>

C F S INDEPENDENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

10 Creditors: amounts falling due within one year	2006	2005
	£	£
Bank loans and overdrafts	-	520
Trade creditors	2,574	29,658
Corporation tax	1,650	-
Other taxes and social security costs	8,420	4,124
Accruals and deferred income	15,870	11,320
	<u>28,514</u>	<u>45,622</u>
11 Creditors: amounts falling due after more than one year	2006	2005
	£	£
Other loans	<u>38,000</u>	<u>88,000</u>
Analysis of loans		
Wholly repayable within five years	<u>38,000</u>	<u>88,000</u>
	<u>38,000</u>	<u>88,000</u>
Loan maturity analysis		
In more than five years	<u>38,000</u>	<u>88,000</u>
12 Pension costs		
Defined contribution		
	2006	2005
	£	£
Contributions payable by the company for the year	<u>5,049</u>	<u>4,105</u>
13 Share capital	2006	2005
	£	£
Authorised		
500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid		
186,000 Ordinary shares of £1 each	<u>186,000</u>	<u>186,000</u>

C F S INDEPENDENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 2005	(58,278)
Profit for the year	54,847
	<hr/>
Balance at 31 March 2006	(3,431)
	<hr/>

15 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit/(Loss) for the financial year	54,847	(69,932)
Proceeds from issue of shares	-	115,000
	<hr/>	<hr/>
Net addition to shareholders' funds	54,847	45,068
Opening shareholders' funds	127,722	82,654
	<hr/>	<hr/>
Closing shareholders' funds	182,569	127,722
	<hr/>	<hr/>

16 Directors' emoluments

	2006 £	2005 £
Emoluments for qualifying services	41,000	53,854
Company pension contributions to money purchase schemes	1,000	-
	<hr/>	<hr/>
	42,000	53,854
	<hr/>	<hr/>

C F S INDEPENDENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

17 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2006 Number	2005 Number
Financial services and management	3	3
Administration	3	3
	<u>6</u>	<u>6</u>

Employment costs

	2006 £	2005 £
Wages and salaries	153,405	145,242
Social security costs	15,944	15,949
Other pension costs	5,049	4,105
	<u>174,398</u>	<u>165,296</u>

18 Control

Mr and Mrs A Harwood have a controlling interest in the company.

19 Related party transactions

During the year the company paid A Harwood rent on its premises in the sum of £26,136 (2005 - £21,204).

During the previous year A Harwood entered into a subordinated loan agreement with the company in the sum of £88,000, of which £50,000 has now been repaid. The loan is for a term exceeding five years and interest is payable by reference to the Bank Rate of the Royal Bank of Scotland plus 3 per cent.

20 Post balance sheet events

There are no matters to report.