# RAYMOND JAMES FINANCIAL INTERNATIONAL LIMITED
# (REGISTERED NUMBER: 3127076)

**Directors' Report and Accounts**
**for the Year Ended 30 September 2010**

# Raymond James Financial International Limited

## For Year Ended 30 September 2010

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# Raymond James Financial International Limited

## For Year Ended 30 September 2010

**Company Information**

| | |
|---|---|
| **Company Registered No** | 3127076 |
| **Registered Office** | Bishopsgate Court<br>4-12 Norton Folgate<br>London, E1 6DB |
| **Directors** | Paul Steinhauser<br>Jeff Trocin |
| **Company Secretary** | John Critchlow |
| **Auditor** | KPMG Audit Plc<br>15 Canada Square,<br>London, E14 5GL |

## Raymond James Financial International Limited

### For Year Ended 30 September 2010

The Directors submit to the Shareholders their report and accounts for the year ended 30 September 2010

### Principal Activities and Business Review

The company is ordinarily engaged in the agency broking of transactions in US and European equity securities with a targeted base of professional and eligible counterparty clients The company also earns interest on its cash

Performance of the company is measured with the following Key Point Indicators (KPIs)

- Commissions generated by individual brokers
- Commissions generated by individual clients
- Number of new accounts opened
- Number of existing accounts closed

As with all businesses, the company faces a number of operating risks This year the company's turnover has been impacted by the increase in the sales force

### Going Concern Basis

The Directors consider it appropriate to prepare these financial statements on a going concern basis as the Shareholder has provided a 'Letter of Comfort' which acknowledges their requirement to continue to fund the Company's Capital needs (*please see note 8*)

### Results

The gain for the year was $165,808 (2009 loss $1,296,022) which has been transferred to reserves The Directors have not proposed or paid any dividend during or in respect of the year (2009 $ nil)

### Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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,

• state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

• 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

### Disclosure of Information to Auditors

The directors who held office at the date of the approval of this Directors' Report confirm that, so far as they each are aware, there is no relevant audit information of which the company's auditor are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the Board

4 April 2011

Paul Steinhauser
Director

Date

4-12 Norton Folgate
London
E1 6DB

## Independent auditor's report to the members of Raymond James Financial International Limited

We have audited the financial statements of Raymond James Financial International Limited for the year ended 30 September 2010 set out on pages 6 to 11 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them 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 the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

**Respective responsibilities of directors and auditors**
As explained more fully in the Directors' Responsibilities Statement set out page 3-4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

**Scope of the audit of the financial statements**
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKNP

**Opinion on financial statements**
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

**Anthony Kennedy (Senior Statutory Auditor)**
**For and on behalf of KPMG Audit Plc, Statutory Auditor**
Chartered Accountants
15 Canada Square
London E14 5GL
4 April 2011

# Raymond James Financial International Limited

## Profit and Loss Account
## for the Year Ended 30 September 2010

| | Note | 2010 USD | 2009 USD |
|---|---|---|---|
| Turnover | 1 | 4,865,439 | 919,336 |
| Cost of sales | 1 | (2,565,665) | (403,935) |
| Gross profit | | 2,299,774 | 515,401 |
| Administrative expenses | 3 | (2,140,971) | (1,822,662) |
| Operating profit/(loss) | | 158,803 | (1,307,261) |
| Interest receivable | 1 | 7,005 | 11,239 |
| Profit/(loss) on ordinary activities before taxation | 2 | 165,808 | (1,296,022) |
| Tax on profit/(loss) on ordinary activities | 4 | - | - |
| Profit/(loss) on ordinary activities after taxation | 6, 7 | 165,808 | (1,296,022) |

The company has no recognised gains or losses other than the results for the year as set out above

All of the activities of the company are classed as continuing

The notes on pages 8 to 11 form part of these accounts

# Raymond James Financial International Limited

## Balance Sheet – Registered number: 3127076

## As at 30 September 2010

| | Note | 30 September 2010 USD | 30 September 2009 USD |
|---|---|---|---|
| **Current assets** | | | |
| Cash at bank | | 1,798,881 | 2,456,934 |
| Short term investment | | - | 1,732 |
| Amounts owed by group undertakings | | 823,869 | 15,175 |
| | | 2,622,750 | 2,473,841 |
| **Creditors – Amounts falling due within one year** | | | |
| Accruals | 5 | (286,295) | (303,194) |
| | | (286,295) | (303,194) |
| **Net assets** | | 2,336,455 | 2,170,647 |
| **Capital and reserves** | | | |
| Called up share capital | 6 | 3,108,292 | 3,108,292 |
| Share premium account | 6 | 318,687 | 318,687 |
| Profit and loss account | 6 | (1,090,524) | (1,256,332) |
| **Total shareholders' funds** | 7 | 2,336,455 | 2,170,647 |

The financial statements were approved by the Board of Directors and signed on their behalf by

Paul Steinhauser — 4 April 2011

Paul Steinhauser Date
Director

The notes on pages 8 to 11 form part of these accounts

# Raymond James Financial International Limited

## Notes to the Accounts
## for the Year Ended 30 September 2010

### 1. ACCOUNTING POLICIES

**Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with group entities

**Turnover**

Turnover comprises commission income generated from stockbroking activities, which is recognised at trade date

**Cost of sales**

Cost of sales comprises commissions payable to the independent agents and the employed sales team, together with the clearing costs payable to Raymond James and Associates, Inc

**Interest income**

Interest income is accounted for on an accrual basis

**Cash Flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard 1 (revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

**Deferred Taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date A deferred tax asset is only recognised to the extent that it is regarded as recoverable Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis The directors do not believe that there are any such timing differences at the balance sheet date

**Foreign Exchange**

Transactions denominated in foreign currencies are translated into USD at the exchange rate ruling on the date of the transaction Monetary assets and liabilities denominated in currencies other than USD are translated into USD at rates ruling at the balance sheet date Differences on currency translation are recognised in the profit and loss account

## Notes to the Accounts
## for the Year Ended 30 September 2010

### 2. Profit on ordinary activities before taxation

| | 2010 | 2009 |
|---|---|---|
| | USD | USD |
| Profit on ordinary activities before taxation is after charging | | |
| Auditors' remuneration | | |
| - Audit | 66,000 | 65,000 |

### 3. Directors' Remuneration and Staff Costs

The directors are employees of another member company (Raymond James & Associates, Inc ) and are paid by this principal employer Each director receives USD 1,000 as compensation for their services on the board The average number of employees during the year was 7 (2009 4) Wages and salaries for the year amounted to USD 1,492,766 (2009 USD 790,822) Social security costs were USD 202,150 (2009 USD 61,980)

### 4 Taxation

| | 2010 | 2009 |
|---|---|---|
| | USD | USD |
| Current tax | | |
| UK Corporation tax on profit/(credit for loss) for the year | - | - |

| | 2010 | 2009 |
|---|---|---|
| *Current tax reconciliation* | USD | USD |
| Profit/(loss) on ordinary activities before taxation | 165,808 | (1,296,022) |
| Tax on ordinary activities at 28% (2009 28%) | 46,426 | (362,886) |
| Expenses not deductible for tax purposes | 16,800 | 4,592 |
| Total tax charge/(credit) | 63,226 | (358,294) |
| Unrelieved tax carried forward | - | 358,294 |
| Utilisation of tax losses brought forward | (63,226) | - |
| Total tax charge/(credit) for the year | - | - |

The UK Corporation tax for the year ended 30 September 2010 was 28% (2009 28%)

There is no charge for UK corporation tax in respect of the year due to losses carried forward (2009 nil) The company has tax further losses available for carried forward of approximately $1,500,000 for which no deferred tax asset has been recognised Under FRS 14, such deferred tax assets should only be recognised when it is more likely than not that future profits will be generated to utilise these losses Future profitability is not sufficiently certain to warrant the establishment of a deferred tax asset

### Factors that may affect future tax charges

It is anticipated that the carried forward losses will eliminate the current tax charge for several accounting years

# Raymond James Financial International Limited

## Notes to the Accounts
## for the Year Ended 30 September 2010

### 5. Accruals.

| | 2010 | 2009 |
|---|---|---|
| | USD | USD |
| Bonus Payable | 20,000 | 183,333 |
| Commissions Payable | 200,295 | 24,861 |
| Auditors' Fees Payable | 66,000 | 65,000 |
| Miscellaneous Payable | - | 30,000 |
| Accruals | **286,295** | 303,194 |

### 6. Share Capital and Reserves

| | Called up Share Capital | Share Premium Account | Profit and Loss Account |
|---|---|---|---|
| | USD | USD | USD |
| At 30 September 2009 | 3,108,292 | 318,687 | (1,256,332) |
| Issuance of Share Capital | - | - | - |
| Profit for the year | - | - | 165,808 |
| At 30 September 2010 | **3,108,292** | **318,687** | **(1,090,524)** |

Authorised share capital is represented by 80,000 ordinary shares of GBP 50 each (2009 80,000)

Issued share capital is represented by 36,947 ordinary shares of GBP 50 each (2009 36,947)

### 7. Reconciliation of Movements in Shareholders' Funds

| | 2010 | 2009 |
|---|---|---|
| | USD | USD |
| Opening shareholders' funds | **2,170,647** | 1,466,269 |
| Issuance of Share Capital | - | 2,000,400 |
| Share Premium | - | - |
| Gain for the year | **165,808** | (1,296,022) |
| Closing shareholders' funds | **2,336,455** | 2,170,647 |

## 8. Parent Companies

The immediate parent company is Raymond James International Holdings, Inc The ultimate parent company is Raymond James Financial, Inc registered in the United States (Florida) Group accounts in respect of these companies may be obtained from the Company Secretary 4-12 Norton Folgate, London E1 6DB

The immediate parent company has provided a 'Letter of Comfort' which acknowledges the requirement to continue to fund the Company's Capital needs

## 9. Post Balance Sheet Event

There have been no post Balance Sheet Events

## 10. Related party transactions

As the company is a wholly owned subsidiary of Raymond James Financial, Inc for which consolidated accounts are publicly available, it is exempt from the disclosure requirements of FRS8 in respect of transactions with other entities within the Raymond James group

RAYMOND JAMES FINANCIAL INTERNATIONAL LIMITED

## Appendix A – Pillar III Disclosures - Unaudited

## Introduction

The company is classified as a Limited Licence £50,000 firm and, as such, is required to comply with the three "Pillars" of the Capital Requirements Directive These are

- Pillar 1, which sets out the minimum amount of capital that the company needs to meet its basic regulatory obligations,

- Pillar 2, which requires the company to calculate how much (if any) additional capital it needs to maintain to mitigate other prudential risks (e g credit risk, market risk and operational risk) that are specific to the company,

- Pillar 3, which requires the company to disclose to market participants key information about the company's underlying risks, risk management controls and capital position

The rules allow for firms to omit certain information, in specifically-defined circumstances, where a disclosure contains information that is immaterial, proprietary or confidential **The company confirms that it has NOT omitted any disclosures on these grounds.**

## Risk Management Policies and Objectives

Where possible, the company seeks to manage all of the risks that arise from its operations The company has devised a prudential risk management framework that is appropriate to its size, scope and operations The risk management framework identifies the key prudential risks faced by the company, and reports them to the board of directors, which then determines the company's risk appetite, and ensures that an appropriate amount of capital is maintained Other risk management information is collected, reviewed, and where appropriate, acted upon as part of established internal procedures

A summary of the key risks that have been identified by the company, and their mitigants, is given below

1 Business Risk
   - Market correction due to economic factors and/or a geopolitical event Mitigated by the retention of appropriate capital resources, which are determined on the basis of stress testing, sensitivity testing and modelling,
   - Loss of key staff Mitigated by the maintenance of competitive staff compensation, measured by benchmarking with our peers
   - Loss of key clients Mitigated by diversification of clients and servicing clients with sales teams rather than one individual sales associate

2 Counterparty Risk
   - Failure of a client to complete a dealing transaction Mitigated by the credit analysis undertaken by the company as part of the company's account opening process and period review of clients

3 Currency Risk
   - Company's loss of income due to currency fluctuations Mitigated by maintaining sufficient cash reserves to absorb currency fluctuations

## Risk Management Function

Given the size and scope of the company's business activities, the company does not have a dedicated risk management function Instead, responsibility for risk management is divided between the board of directors, the London Operating Committee (a committee established by the board consisting of board members and non-board senior managers within the company's group each of whom is involved in the company's day to day business activities) and senior managers of the company The company's internal capital adequacy assessment process is commissioned and approved by the Board on at least an annual basis

## Capital Resources

Capital is held to ensure that a suitable operating margin is maintained in excess of the higher of Pillar 1 and Pillar 2 capital requirements Pillar 2 capital requirements are determined using a risk-based approach that explicitly takes into account management's view of specific risk exposures
Pillar 1 capital requirements are the greater of

- Base capital requirement of €50,000, or
- The sum of market and credit risk requirements, or
- The Fixed Overhead Requirement

The company has determined that, as at 30 September 2010, the Fixed Overheads Requirement established our Pillar 1 capital requirements The company's capital resources are comprised entirely of share capital, share premium and audited reserves

Tier 1, Tier 2 and Tier 3 capital of the firm as at 30 September 2010 is as set out below

| | ***Tier 1 Capital ($'000)*** |
|---|---|
| Gross | 2,336 |
| Less Innovative Tier 1 capital | - |
| Deductions | - |
| Net | 2,336 |
| | ***Tier 2 Capital ($'000)*** |
| Gross | - |
| Plus Innovative Tier<br>1 capital Deductions | - |
| Net | - |
| | ***Tier 3 Capital ($'000)*** |
| Gross | - |
| Net | - |
| | ***Total Capital ($'000)*** |
| Gross * | 2,336 |
| Deductions | - |
| Net | 2,336 |

* net of deductions in GENPRU 2 2 and limits laid down in GENPRU 2 2 25R to 30R and GENPRU 2 2 42R to 50R

## Integration into Business Strategy

Our current primary objectives are

- To continue to operate in the EU market undertaking agency dealing with professional and eligible counterparty clients,
- To increase, the size of our operations through organic growth,
- To achieve economies of scale that will allow us to operate profitably, thereby providing a return to our shareholders

We intend to maintain sufficient capital resources to allow us to achieve these objectives whilst meeting our regulatory obligations Accordingly, our Internal Capital Adequacy Assessment Process **('ICAAP')**, which considers the prudential risks that we are exposed to, is undertaken on at least an annual basis and reviewed and approved by the firm's governing body to ensure that there is sufficient capital within the firm to meet our future plans and anticipated risks