

IAF Group
Full Year Results

3.25p

2 September 2008

Share Price: 3.25p



Source – Reuters

12m High: 14.75p

12m Low: 2.83p

Market Cap: £3.3m

Shares in Issue: 101.5m undiluted
128m fully diluted

NAV/Share: 2p

Gearing: Nil – net cash

Interest Cover: N/A

EPIC Code: IAF

Sector: General Financial

Market: London AIM

Nomad: Dowgate Capital Advisers

PR: Bishopsgate Communications

Website: www.iafgroup.com

Description: IAF is a stockbroking, corporate finance and wealth management business. It is a new business, in its start-up phase.

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Stockbroking and corporate finance specialist IAF Group has declared a loss for the year, but has produced a 25% increase in core business turnover. While these results are below our expectations, nobody will be surprised by them, and most other quoted stockbrokers are in a similar position. We are pleased by the strong start to the new, current year.

Key points are:

- There was a deterioration in both total turnover and gross profit in H2 compared to H1. Control of admin costs, however, resulted in a slight improvement at the pre-tax level in H2 compared to H1.
- Broking revenue grew during H2. Good progress was made on the new US trading desk. Forward movement in private client broking/wealth management has so far been slower, and the nature of IAF is clearly changing. 73% of revenue was from broking rather than corporate finance.
- Almost all corporate finance revenue was earned in H1, very little in H2. Again, this is entirely consistent with market conditions. Corporate finance revenue is high margin and this explains the lower H2 Gross Margin – 35% vs 53% in H2.
- The company had £0.9m net cash at the year-end and is 'confident that current resources are sufficient to meet requirements'.
- Alex Borrelli, ex Shore Capital, has been recruited as the new Head of Corporate Finance following Graham Ashley's impending retirement. Borrelli has a first rate reputation and should be a good addition to the management team.
- IAF has recruited a heavy weight Chairman for its broking subsidiary – Menno de Jager who was for 31 years with ABN and who was previously a Vice Chairman there and CEO of ABN Amro Rothchild. He and Alex Borrelli should spearhead a new push in corporate finance.

The new financial year has started well, with higher levels of broking business. One of IAF's past problems, a shortage of staff, has been resolved, and there are now 17 fee earners in the business. Since year end an institutional banking desk has opened and is producing encouraging results. 2008/9 should be the final year of red ink.

Y/E	Group Sales	Declared Profit	Adjusted Profit	Adjusted EPS	P/E ratio	Divi	Yield
June	£m	£m	£m	p.		p.	%
2007A	1.19	(1.94)	(1.94)	(3.32)	-	-	-
2008A	1.48	(2.20)	(2.20)	(3.22)	-	-	-
2009E	2.25	(0.75)	(0.75)	(0.6)	-	-	-
2010E	No	Forecast					

Management	Major Shareholders
<p>Chairman and Chief Executive: David Massie</p> <p>Deputy Chairman: Menno de Jager</p> <p>Non-Executive Director: Robin Davies</p>	<p>CF Group Holdings 29.8%</p> <p>David Massie 28.4%</p> <p>Robin Davies 10.8%</p>
Key Dates	Key Milestones
<p>Ex Dividend: n.a.</p> <p>Dividend Payment: n.a.</p> <p>Annual Meeting: October 2008</p> <p>2008/9 Interim Results: March 2009</p>	<p>2005: Refinancing of 'shell' company prior to creation of new stockbroking/wealth management business</p> <p>2006: Authorised by the FSA</p> <p>2007: Sale of residual aviation business</p>

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