

1844601.

JARVIS INVESTMENT MANAGEMENT LIMITED

FINANCIAL STATEMENTS
for the year ended 31 December 1996



DEEKS · EVANS

CHARTERED ACCOUNTANTS

JARVIS INVESTMENT MANAGEMENT LIMITED

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JARVIS INVESTMENT MANAGEMENT LIMITED

COMPANY INFORMATION

DIRECTORS:	A J Grant L G Grant M A Studholme
SECRETARY:	J Grant
REGISTERED OFFICE:	Jarvis House Dudley Road Tunbridge Wells Kent TN11 1LE
REGISTERED NUMBER:	1844601
AUDITORS:	Deeks Evans Registered Auditors Chartered Accountants 3 Boyne Park Tunbridge Wells Kent TN4 8EN

JARVIS INVESTMENT MANAGEMENT LIMITED

REPORT OF THE DIRECTORS

The directors present their report with the financial statements of the company for the year ended 31 December 1996.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of operating as an Inland Revenue approved Personal Equity Plan Manager and providing share dealing services.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS AND TRANSFERS TO RESERVES

An interim dividend of 40 pence per share was paid on 20 December 1996. The directors recommend that no final dividend be paid. The total distribution of dividends for the year ended 31 December 1996 will be £4,000. The retained profit transferred to reserves will be £5,461.

FIXED ASSETS

The company spent £5,359 on additions to tangible fixed assets during the year as shown on note 10 to the financial statements.

DIRECTORS

The directors of the company in office during the year were as follows :-

A J Grant
L G Grant
M A Studholme

The beneficial interest of the directors holding office on 31 December 1996 in the issued share capital of the company were as follows :-

<u>Name</u>	<u>Class of Capital</u>	<u>31.12.96</u>	<u>1.1.96</u>
A J Grant	Ordinary £1	5,000	-
L G Grant	Ordinary £1	5,000	-

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

REPORT OF THE DIRECTORS

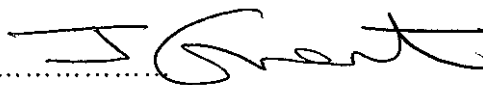
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

AUDITORS

The auditors, Deeks Evans, will be proposed for re-appointment in accordance with Section 385 of The Companies Act 1985.

ON BEHALF OF THE BOARD :

Secretary J Grant



Dated : 21st April 1997

JARVIS INVESTMENT MANAGEMENT LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF JARVIS INVESTMENT MANAGEMENT LIMITED

We have audited the financial statements on pages 7 to 19 which have been prepared under the historical cost convention and the accounting policies set out on page 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on pages 2 and 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

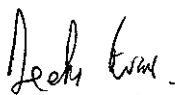
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards 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.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DEEKS EVANS
Registered Auditors
Chartered Accountants
3 Boyne Park
Tunbridge Wells
Kent
TN4 8EN

Dated: 21st April 1997

JARVIS INVESTMENT MANAGEMENT LIMITED

AUDITORS' REPORT TO THE PERSONAL INVESTMENT AUTHORITY IN RESPECT OF JARVIS INVESTMENT MANAGEMENT LIMITED

We report on the annual financial statements of Jarvis Investment Management Limited and on the further matters set out below. Our report is provided to the PIA in its capacity as a regulator under the Financial Services Act 1986.

We have audited the financial statements in accordance with Auditing Standards and have carried out such other procedures as we considered necessary for the purposes of this report having regard to the Practice Note "Investment Businesses". We have obtained all the information and explanations which we consider necessary.

FINANCIAL STATEMENTS

In our opinion :

- (a) the annual financial statements give a true and fair view of the company's state of affairs at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with PIA's Rules ;
- (b) the Balance Sheet and Profit and Loss Account are in agreement with the company's accounting records and returns.
- (c) the reconciliation of the annual financial statements to the quarterly financial statements submitted by the company has been properly prepared.

FINANCIAL RESOURCES

In our opinion :

- (a) the statement of financial resources on pages 12 to 14 has been prepared in accordance with PIA's Rules to show the actual financial resources and the financial resources requirements as at 31 December 1996 ;
- (b) the company had as at 31 December 1996 financial resources of at least the minimum required at that date to comply with its financial resources requirement.

ACCOUNTING RECORDS

In our opinion the company has, throughout the year, kept proper accounting records in accordance with the PIA's Rules.

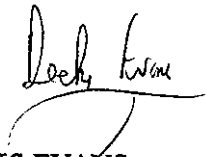
JARVIS INVESTMENT MANAGEMENT LIMITED

**AUDITORS' REPORT TO THE PERSONAL INVESTMENT AUTHORITY
IN RESPECT OF JARVIS INVESTMENT MANAGEMENT LIMITED**

CLIENT ASSETS

In our opinion :

- (a) the company maintained throughout the year systems adequate to enable it to comply with the rules and regulations relating to client money and other client assets;
- (b) reconciliations of client money and other assets have been carried out as required by the rules and in respect of the reconciliations as at 31 December 1996 there were no outstanding unexplained differences which require adjustment ; and
- (c) the company was in compliance with the Client Money Regulations at 30 June 1996 and 31 October 1996.



DEEKS EVANS
Registered Auditor
Chartered Accountants
3 Boyne Park
Tunbridge Wells
Kent
TN4 8EN

Dated : 21st April 1997

JARVIS INVESTMENT MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1996

		1996		1995	
	Notes	£	£	£	£
REVENUE					
Commissions on transactions in collective investment schemes		3,168		1,121	
Commissions on transactions in life policies	2	419		2,137	
Commissions on securities transactions		21,702		10,034	
Interest		10,321		5,262	
Other income	3	<u>86,839</u>		<u>97,897</u>	
TOTAL REVENUE			122,449		116,451
EXPENDITURE					
Commissions		956		181	
Salaries and other employment costs		22,051		33,908	
Directors' emoluments		29,950		5,567	
Professional services		125		350	
Audit fee		1,500		1,750	
Regulatory fees and expenses		7,199		3,521	
Other expenditure	4	49,004		78,029	
(Profit)/Loss on disposal of investments		(720)		11	
(Profit) on disposal of intangible assets		<u>-</u>		<u>(4,200)</u>	
TOTAL EXPENDITURE			<u>110,065</u>		<u>119,117</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION					
			12,384		(2,666)
Tax on Profit on Ordinary Activities	8		<u>2,923</u>		<u>(1,678)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION					
			9,461		(988)
Dividends	9		<u>4,000</u>		<u>-</u>
			5,461		(988)
Retained Profit brought forward			<u>16,638</u>		<u>17,626</u>
RETAINED PROFIT CARRIED FORWARD			<u>22,099</u>		<u>16,638</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

JARVIS INVESTMENT MANAGEMENT LIMITED

BALANCE SHEET As at 31 December 1996

		1996		1995	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible Assets	10		8,701		5,817
CURRENT ASSETS:					
Debtors	11	23,095		21,914	
Cash at Bank		<u>17,707</u>		<u>15,978</u>	
		40,802		37,892	
CREDITORS: Amounts falling due within one year	12	<u>17,404</u>		<u>17,071</u>	
NET CURRENT ASSETS:			<u>23,398</u>		<u>20,821</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>32,099</u>		<u>26,638</u>
CAPITAL RESERVES:					
Called Up Share Capital	13		10,000		10,000
Profit & Loss Account			<u>22,099</u>		<u>16,638</u>
Shareholders' Funds	15		<u>32,099</u>		<u>26,638</u>

ON BEHALF OF THE BOARD

..... A J Grant
Director

..... L G Grant
Director

Approved by the Board on 21st April 1997

The notes form part of these financial statements

JARVIS INVESTMENT MANAGEMENT LIMITED

CASH FLOW STATEMENT
for the year ended 31 December 1996

	1996		1995	
	£	£	£	£
Net Cash Inflow/(Outflow) from Operating Activities		4,160		(31,084)
Returns on Investments and Servicing of Finance				
Interest Received	10,321		5,262	
Dividends Paid	(4,000)		-	
Net Cash Inflow from Returns on Investments and Servicing of Finance		6,321		5,262
Taxation				
Corporation Tax Received/(Paid)	<u>1,718</u>		<u>(4,280)</u>	
Tax Paid		1,718		(4,280)
Investing Activities				
Purchase of Tangible Fixed Assets	(5,359)		(3,245)	
Receipts from sale of Intangible Fixed Assets	<u>-</u>		<u>10,200</u>	
Net Cash (Outflow)/Inflow from Investing Activities		(5,359)		<u>6,955</u>
Net Cash Inflow/(Outflow) before Financing		6,840		(23,147)
Financing				
Movement in Directors Account	(5,111)		<u>5,111</u>	
Net Cash (Outflow)/Inflow from Financing		(5,111)		<u>5,111</u>
Increase/(Decrease) in Cash and Cash Equivalents		<u>1,729</u>		<u>(18,036)</u>

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 December 1996

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	<u>1996</u>	<u>1995</u>
	£	£
Operating Profit/(Loss)	2,063	(7,928)
Depreciation charges	2,475	2,045
(Increase) in debtors	(2,904)	(13,729)
Increase/(Decrease) in creditors	2,526	(7,272)
(Profit) on sale of intangible fixed asset	<u>-</u>	<u>(4,200)</u>
Net Cash Inflow/(Outflow) from Operating Activities	<u>4,160</u>	<u>(31,084)</u>

2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

Year ended 31 December 1996	£
Balance at 1 January 1996	15,978
Net cash inflow	<u>1,729</u>
 Balance at 31 December 1996	 <u>17,707</u>
 Year ended 31 December 1995	 £
Balance at 1 January 1995	34,014
Net cash (outflow)	<u>(18,036)</u>
 Balance at 31 December 1995	 <u>15,978</u>

3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

Year ended 31 December 1996	31.12.96	01.01.96	Change
	£	£	£
Cash at bank and in hand	<u>17,707</u>	<u>15,978</u>	<u>1,729</u>

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 December 1996

Year ended 31 December 1995

	31.12.95	01.01.95	Change in year
	£	£	£
Cash at bank and in hand	<u>15,978</u>	<u>34,014</u>	<u>(18,036)</u>

**4. ANALYSIS OF CHANGES IN FINANCING
DURING THE YEAR**

Year ended 31 December 1996

	Directors' Current Account £
Balance at 1 January 1996	5,111
Decrease in year	<u>(5,111)</u>
Balance at 31 December 1996	<u>-</u>

Year ended 31 December 1995

	Directors' Current Account £
Balance at 1 January 1995	-
Increase in year	<u>5,111</u>
Balance at 31 December 1995	<u>5,111</u>

JARVIS INVESTMENT MANAGEMENT LIMITED

STATEMENT OF OWN FUNDS

FINANCIAL RESOURCES - TEST 1

	Admissable Amount £
Paid up share capital	10,000
Audited reserves	<u>22,099</u>
Initial Capital	<u>32,099</u>
 Own Funds	 <u>32,099</u>
 Own funds requirements	 <u>32,099</u>
Own funds surplus/(deficit)	<u>-</u>

CALCULATION OF FINANCIAL RESOURCES - TEST 1A

NET CURRENT ASSETS TEST

Net current assets	23,398
Adjustments	<u>-</u>
Adjusted net current assets	23,398
Less : Requirement	<u>1</u>
Surplus	<u>23,397</u>

CALCULATION OF FINANCIAL RESOURCES - TEST 2

EXPENDITURE BASED REQUIREMENT

	Balance Sheet £	Admissable Amount £
ASSETS		
FIXED ASSETS		
Tangible Assets	8,701	-
CURRENT ASSETS		
Debtors		
- trade debtors	16,668	15,656
- prepayments	6,427	6,427
Cash at bank and in hand	<u>17,707</u>	<u>17,707</u>
TOTAL ASSETS	<u>49,503</u>	c/f 39,790
CURRENT LIABILITIES		
Creditors: Amounts falling due within one year.		
Taxation	2,918	(2,918)
Other current liabilities	<u>14,486</u>	(14,486)
	<u>17,404</u>	_____
TOTAL ASSETS LESS TOTAL LIABILITIES		<u>22,386</u>
FINANCIAL RESOURCES		<u>22,386</u>

CALCULATION OF FINANCIAL RESOURCES - TEST 2
EXPENDITURE BASED REQUIREMENT (MODIFIED TEST)

	£	£	£
FINANCIAL RESOURCES			22,386
Less: Financial resources requirement			
Total expenditure		110,065	
Less: Directors' shares in profits	26,450		
Other appropriations of profits			
Depreciation	2,475		
Profit on disposal	(720)		
Commissions	<u>956</u>		
		<u>29,161</u>	
		<u>80,904 (A)</u>	
Relevant annual expenditure requirement is the highest of the following :			
(A) multiplied by 4/52		6,223	
or			
(A) multiplied by 13/52 then the total of any special adjustments deducted		20,226	
or			
An amount equal to £400 multiplied by the number of investment staff		<u>1,200</u>	
			<u>20,226</u>
FINANCIAL RESOURCES SURPLUS			<u>2,160</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

1. ACCOUNTING POLICIES

Accounting Convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net sales of services, excluding value added tax.

Tangible Fixed Assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Office equipment - 20% on cost

Deferred Taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

2. COMMISSIONS ON TRANSACTIONS IN LIFE POLICY

	1996	1995
	£	£
Commissions on indemnity terms	-	1,522
Renewal commissions	32	1,496
Other	<u>387</u>	<u>(881)</u>
	<u>419</u>	<u>2,137</u>

3. OTHER INCOME

	1996	1995
	£	£
Non-discretionary PEP management fees	86,564	97,382
Other professional fees	<u>275</u>	<u>515</u>
	<u>86,839</u>	<u>97,897</u>

4. EXPENDITURE

	1996	1995
	£	£
Subscriptions	107	1,020
Telephone	1,832	708
Management charges	11,750	55,221
Printing, postage and stationery	8,159	3,796
Advertising and promotions	5,223	3,068
Sundries	908	820
Depreciation	2,475	2,045
Rent and rates	5,287	4,368
Office expenses	1,815	1,184
Insurance	3,186	2,194
Bank charges	754	336
Computer services	<u>7,508</u>	<u>3,269</u>
	<u>49,004</u>	<u>78,029</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

5. DIRECTORS' EMOLUMENTS

	1996	1995
	£	£
Fees	16,450	5,567
Other emoluments	<u>13,500</u>	<u>-</u>
	<u>29,950</u>	<u>5,567</u>

Directors' emoluments, excluding pension contributions, fell within the following ranges:

	1996	1995
£nil - £ 5,000	1	3
£10,001 - £15,000	1	-
£15,001 - £20,000	1	-

The emoluments of the Chairman were £14,100

The emoluments of the highest paid director were £15,250

6. STAFF COSTS

	1996	1995
	£	£
Wages and salaries	49,682	37,361
Social Security costs	<u>2,319</u>	<u>2,114</u>
	<u>52,001</u>	<u>39,475</u>

The average weekly number of employees during the year was as follows:

	1996	1995
Administration	<u>4</u>	<u>6</u>

7. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging:

	1996	1995
	£	£
Depreciation - owned assets	2,475	2,045
Auditors' remuneration	<u>1,500</u>	<u>1,750</u>

8. TAXATION

The tax charge/(credit) on the profit/(loss) on ordinary activities for the year was as follows:

	1996	1995
	£	£
Based on the adjusted results of the year:		
UK Corporation Tax	<u>2,923</u>	<u>(1,678)</u>

UK Corporation Tax has been charged at 24% (1995 - 25%).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

9. DIVIDENDS

	1996	1995
	£	£
Equity shares Paid	<u>4,000</u>	<u>-</u>

10. TANGIBLE FIXED ASSETS

	Office Equipment £
COST:	
As at 1 January 1996	10,224
Additions	<u>5,359</u>
As at 31 December 1996	<u>15,583</u>
DEPRECIATION	
As at 1 January 1996	4,407
Charge for year	<u>2,475</u>
As at 31 December 1996	<u>6,882</u>
NET BOOK VALUE:	
As at 31 December 1996	<u>8,701</u>
As at 31 December 1995	<u>5,817</u>

11. DEBTORS: Amounts falling due within
one year

	1996	1995
	£	£
Trade debtors	16,668	3,769
Other debtors	310	1,500
Amounts due from Holding Company	-	11,750
Prepayments	6,117	3,172
Taxation	<u>-</u>	<u>1,723</u>
	<u>23,095</u>	<u>21,914</u>

12. CREDITORS: Amounts falling due within
one year

	1996	1995
	£	£
Directors current accounts	-	5,111
Other creditors	4,242	4,400
Other taxes and Social Security	6,602	5,810
Taxation	2,918	-
Accrued expenses	<u>3,642</u>	<u>1,750</u>
	<u>17,404</u>	<u>17,071</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

13. CALLED UP SHARE CAPITAL

Authorised:				
Number	Class	Nominal Value	1996	1995
		£1	£	£
100,000	Ordinary		<u>100,000</u>	<u>100,000</u>
Allotted, issued and fully paid:				
Number	Class	Nominal Value	1996	1995
		£1	£	£
10,000	Ordinary		<u>10,000</u>	<u>10,000</u>

14. CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996	1995
	£	£
Profit/(Loss) for the financial year	9,461	(988)
Dividends	<u>4,000</u>	<u>-</u>
NET ADDITION/(REDUCTION) TO SHAREHOLDERS' FUNDS	5,461	(988)
Opening shareholders' funds	<u>26,638</u>	<u>27,626</u>
CLOSING SHAREHOLDERS' FUNDS	<u>32,099</u>	<u>26,638</u>
Equity interests	32,099	26,638

16. CLIENTS' ACCOUNTS

	1996	1995
	£	£
Clients' account balances	<u>1,368,115</u>	<u>581,589</u>
Clients' accounts	1,368,115	581,589
Clients' trust bank account	<u>(1,368,115)</u>	<u>(581,589)</u>
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

17. RELATED PARTY TRANSACTIONS

The company is controlled by the directors, A J Grant and L G Grant, and their wives.

The material related party transactions incurred by the company are as follows:-

A J Grant and L G Grant are the only partners in Grant Greening, an accountancy firm. Fees and expenses totalling £25,313 were charged by Grant Greening during the year. These items were incurred in the normal course of business and were charged at the normal market price.

A J Grant and L G Grant are directors and part owners of Sion Properties plc, a property investing and management company. Jarvis Investment Management Limited moved premises in June 1996 and rented a property from Sion Properties plc. The net monthly rental is £310, and £2,170 for the period.

A J Grant and L G Grant are directors of Hazelburn Limited. They and their wives owned the company which was the holding company for Jarvis Investment Management Limited up until 23 December 1996 when Hazelburn Limited transferred its interest in Jarvis Investment Management Limited back to A J Grant and L G Grant and their wives. Management fees of £11,750 were charged by Hazelburn Limited during the year.