

Company No **1844601**

JARVIS INVESTMENT MANAGEMENT LIMITED

FINANCIAL STATEMENTS
For the year ended 31 December 2011

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JARVIS INVESTMENT MANAGEMENT LIMITED

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JARVIS INVESTMENT MANAGEMENT LIMITED

COMPANY INFORMATION

DIRECTORS:	A J Grant N J Crabb	
REGISTERED OFFICE:	78 Mount Ephraim Royal Tunbridge Wells TN4 8BS	
REGISTERED NUMBER	1844601	
AUDITORS	Crowe Clark Whitehill LLP 10 Palace Avenue Maidstone ME15 6NF	
BANKERS	NatWest 89 Mount Pleasant Road Tunbridge Wells Kent TN1 1QJ	
SOLICITORS	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells TN1 1NX	K&L Gates 110 Cannon Street London EC2R 8DN
WEBSITES.	www.jarvisinvest.co.uk	
TRADING ADDRESS:	78 Mount Ephraim Royal Tunbridge Wells TN4 8BS	

JARVIS INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT

The directors submit their report and audited financial statements for the year ended 31 December 2011

Statement of 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law.

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 judgments and accounting 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 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 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.

Provision of information to auditors

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Principal activities

The principal activities of the company are

Stockbroker (Member of The London Stock Exchange and PLUS markets)
HM Revenue and Customs approved ISA manager
Outsourced investment administration and Model B settlement services provider

Business review

The company's revenue has increased by 5% to £5,640,112. Profit before income tax has decreased by 2% to £1,905,978. The total equity of the company is at £1,012,498 up from £477,644 a year earlier.

The company

Jarvis Investment Management Ltd is a Member of The London Stock Exchange (LSE) and PLUS markets and is authorised and regulated by the Financial Services Authority (FSA). This status is essential for the trading activities of the company and therefore compliance with the Rules of both the LSE and FSA is of paramount importance. The company provides retail execution-only stockbroking, ISA and SIPP investment wrappers, savings schemes and financial administration and settlement services in all these areas to other stockbrokers and investment firms as well as individuals.

The market

There are many stockbroking firms within the UK and a number of outsourced financial administration service providers. Jarvis Investment Management is in a highly competitive and price-sensitive market for retail execution-only clients. The market for third party administration services is also competitive but with a greater bias towards service than cost. The company has again expanded in both these areas during the year under review and expects to continue doing so in 2012. Trade volumes clearly have a significant impact on the fortunes of stockbroking businesses but with a wider spread of activities and a different charging model to our competitors we believe that our income is less volatile and of a higher quality than other pure execution-only brokers.

JARVIS INVESTMENT MANAGEMENT LIMITED

Capitalisation and financing

Jarvis Investment Management Ltd has 25,000,000 Ordinary 1p shares in issue. The business is cash generative and therefore requires no further debt or other external financing.

Environmental and social responsibility

Jarvis is committed to reducing waste because of the environmental and cost implications. We do not see environmental concerns as negative to our business progress but complimentary. To this end we have increased our initiatives relating to electronic communication and payment during the year to further reduce paper usage and the carbon effects of transporting documentation. Jarvis has been storing its client documentation electronically for more than seven years now and this significantly reduces wasted space and the resultant costs of rent, light and heat as well as the environmental impact of physical storage. This further supports our business continuity objectives. Jarvis has supported a number of charities during the year and we are committed to continuing to do so and to develop new ways to cut our waste and impact upon the environment.

Donations made to

- Teens Unite Fighting Cancer (£200)
- Ewing's Sarcoma Research Trust (£100)
- Macmillan Cancer Research (£100)
- Hospice in the Weald (£100)

Key Performance Indicators (KPI)

Detailed KPI's are presented in the accounts of the immediate parent company Jarvis Securities plc. Summary KPI's of Jarvis Investment Management Limited are

Turnover growth 4.8% (2010 20.2%)

Operating profit margin 33.8% (2010 36.2%)

Revenue per employee £161,146 (2010 £153,730)

Future developments

The main focus of Jarvis Investment Management Ltd at this time is on organic growth through actively promoting its retail and third party stockbroking and administration services.

Threats and risks

The main risks to the company that are considered and monitored by the Board are as follows

- Changes in the regulatory environment resulting in additional costs or significant system or product amendments
- The interest rate environment has a significant effect on the earnings of the company. This has been unfavourable for much of 2011 with deposit rates at low levels
- Market volumes directly affect bargain numbers transacted and hence commission income for the company. Volumes are currently volatile month on month and are driven largely by investors risk appetite
- Loss of key personnel is a threat to any skills-based business
- Any takeover of The London Stock Exchange could result in major unanticipated changes for Jarvis and its commercial clients

The Board have taken steps to mitigate these risks through the business model being executed, the business strategy of the business, and the internal policies and procedures the business enforces.

Results and dividends

The profit for the year after income tax amounted to £1,399,912 (2010 £1,400,133). Ordinary dividends of £870,000 (2010 £1,270,000) were paid during the year. The balance on the income statement has been carried forward.

Payment of creditors

The company attempts to establish continuing relationships with its suppliers by agreeing mutually acceptable arrangements on an individual basis. Accordingly, the directors consider that the adoption of any external standard or code would prejudice the flexibility that individual arrangements can achieve for the benefit of both parties.

JARVIS INVESTMENT MANAGEMENT LIMITED

Going concern basis

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 2 to 4. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described within these financial statements. In addition, notes 20 and 21 to the financial statements include the company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

The company has considerable financial resources together with long term contracts with all its customers and significant suppliers as well as a diversified income stream. The company does not have any current borrowing or any anticipated borrowing requirements. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial Instruments and risk

Details of our financial risk mitigation policy are included in notes 20 and 21.

Directors

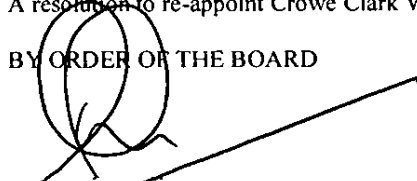
The directors who served in the year were as follows -

A J Grant
N J Crabb

Auditors

A resolution to re-appoint Crowe Clark Whitehill LLP as auditors to the company will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



Andrew J Grant – Managing Director
Date 21st February 2012

JARVIS INVESTMENT MANAGEMENT LIMITED

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

We have audited the financial statements of Jarvis Investment Management Limited for the year ended 31 December 2011 which comprise the income statement, statement of financial position, statement of comprehensive income, statement of changes in equity, company statement of cashflows and related notes 1 to 24

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 Statement of Directors' Responsibilities, 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 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

We read all the information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

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 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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 require for our audit.



Kerth Newman
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
Maidstone
21 February 2012

JARVIS INVESTMENT MANAGEMENT LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

		Year to 31/12/11	Year to 31/12/10
	<i>Notes</i>		
		£	£
Continuing operations:			
Revenue	3	5,640,112	5,380,539
Administrative expenses		(3,730,130)	(3,431,100)
Finance costs	5	(4,004)	(2,297)
Profit before income tax	6	1,905,978	1,947,142
Income tax charge	8	(506,066)	(547,009)
Profit for the period	15	1,399,912	1,400,133
Attributable to equity holders		1,399,912	1,400,133

The notes on pages 10 to 19 form part of these financial statements

JARVIS INVESTMENT MANAGEMENT LIMITED

Company No 1844601

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2011

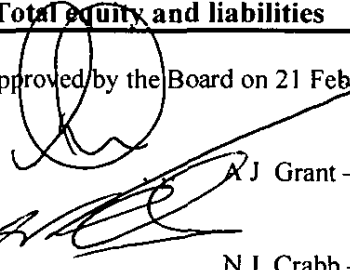
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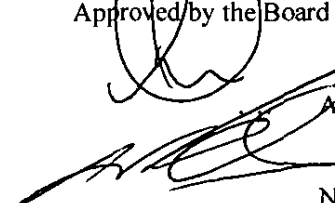
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Notes

		£	£
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	9	-	2,424
Investments in subsidiaries	10	5	5
Investments held to maturity	13	194,885	-
Deferred income tax	8	-	8,091
		194,890	10,520
<i>Current assets</i>			
Trade and other receivables	11	3,274,007	4,406,834
Investments held for trading	12	19,975	19,208
Cash and cash equivalents	14	2,109,101	497,060
		5,403,083	4,923,102
Total assets		5,597,973	4,933,622
Equity and liabilities			
<i>Capital and reserves</i>	16		
Share capital	15	250,000	250,000
Share premium	16	9,900	9,900
Other Reserves	16	26,379	21,437
Retained earnings	16	726,219	196,307
Total equity		1,012,498	477,644
<i>Current liabilities</i>			
Trade and other payables	17	4,303,484	4,170,971
Income tax	8	281,991	285,007
Total liabilities		4,585,475	4,455,978
Total equity and liabilities		5,597,973	4,933,622

Approved by the Board on 21 February 2012 and signed on its behalf by

 A J Grant – Director

 N J Crabb – Director

The notes on pages 10 to 19 form part of these financial statements

JARVIS INVESTMENT MANAGEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR

	Year to 31/12/11	Year to 31/12/10
	£	£
Profit for the period	1,399,912	1,400,113
Total recognised income and expense for the period	1,399,912	1,400,113
Attributable to equity holders	1,399,912	1,237,334

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR

	Share capital	Share premium	Other Reserves	Retained earnings	Attributable to equity holders
	£	£	£	£	£
Balance at 1/1/10	250,000	9,900	16,388	66,174	342,462
Capital contribution from parent	-	-	5,049	-	5,049
Profit for the period	-	-	-	1,400,133	1,400,133
Dividends	-	-	-	(1,270,000)	(1,270,000)
Balance at 31/12/10	250,000	9,900	21,437	196,307	477,644
Capital contribution from parent	-	-	4,942	-	4,942
Profit for the period	-	-	-	1,399,912	1,399,912
Dividends	-	-	-	(870,000)	(870,000)
Balance at 31/12/11	250,000	9,900	26,379	726,219	1,012,498

The notes on pages 10 to 19 form part of these financial statements

JARVIS INVESTMENT MANAGEMENT LIMITED

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	Year to 31/12/11	Year to 31/12/10
	£	£
Cash flows from operating activities		
Profit before income tax	1,905,978	1,947,142
Depreciation and amortisation	5,182	269
Cost of share options	4,942	5,049
Loss on disposal of investments	-	1
Finance costs	4,004	2,297
	1,920,106	1,954,758
Decrease/(Increase) in trade and other receivables	1,120,230	(2,896,237)
Decrease/(Increase) in investments held for trading	(767)	24,126
(Decrease) in trade payables	132,513	761,767
Cash generated from operations	3,172,082	(172,198)
Interest paid	(4,004)	(2,297)
Income tax paid	(488,394)	(601,041)
Net cash from operating activities	2,679,684	(775,536)
Cash flows from investing activities		
Purchase of investment held to maturity	(200,067)	-
(Purchase)/Sale of property, plant and equipment	2,424	(2,693)
	(197,643)	(2,693)
Cash flows from financing activities		
Issue of ordinary shares	-	-
Dividends paid	(870,000)	(1,270,000)
Net cash used in financing activities	(870,000)	(1,270,000)
Net (decrease)/increase in cash and cash equivalents	1,612,041	(2,048,229)
Cash and cash equivalents at the start of the year	497,060	2,545,289
Cash and cash equivalents at the end of the year	2,109,101	497,060

The notes on pages 10 to 19 form part of these financial statements

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1 Basis of preparation

The company has adopted the requirements of International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

These financial statements have been prepared in accordance with the accounting policies set out below, which have been consistently applied to all the years presented. These accounting policies comply with applicable IFRS standards and IFRIC interpretations issued and effective at the time of preparing these statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IAS 12 Amendments to Deferred tax: Recovery of Underlying Assets
- IAS 1 Amendment – Presentation of items of other comprehensive income
- IAS 19 Amendment – Employee Benefits
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IFRS 9 Financial Instruments

Adoption of these Standards and Interpretations is not expected to have a material impact on the financial statements of the Company.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 2 to 4. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described within these financial statements. In addition, notes 20 and 21 to the financial statements include the company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

The company has considerable financial resources together with long term contracts with all its customers and significant suppliers as well as a diversified income stream. The company does not have any current borrowing or any anticipated borrowing requirements. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Summary of significant accounting policies

(a) Revenue

Revenue represents net sales of services, commissions and interest excluding value added tax. Management fees charged in arrears are accrued pro-rata for the expired period of each charging interval. Interest is accrued on cash deposits pro-rata for the expired period of the deposit. Commission income is recognised as earned.

(b) Basis of consolidation

The company is exempt from the requirements to prepare group financial statements by virtue of Sections 400 and 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

(c) Deferred income tax

Deferred income tax is provided in full, using the liability method, on differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting or taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the timing difference is controlled by the company and it's probable that the temporary differences will not reverse in the foreseeable future.

(d) Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The directors regard the operations of the company as a single segment.

(e) Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged to the income statement.

(f) Trading balances

Trading balances incurred in the course of executing client transactions are measured at initial recognition at fair value. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as trade debtors and creditors. The net balance is disclosed where there is a legal right of set off.

(g) Operating leases and finance leases

Costs in respect of operating leases are charged on a straight line basis over the lease term in arriving at the profit before income tax. Where the company has entered into finance leases, the obligations to the lessor are shown as part of borrowings and the rights in the corresponding assets are treated in the same way as owned fixed assets. Leases are regarded as finance leases where their terms transfer to the lessee substantially all the benefits and burdens of ownership other than right to legal title.

(h) Investments

The company classifies its investments in the following categories: investments in subsidiaries and investments held for trading. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any permanent diminution in value. Assets in this category are classified as non-current.

Investments held for trading

Investments held for trading are stated at fair value. An investment is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current.

Investments held to maturity

Investments held to maturity are stated at cost. Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Assets in this category are classified as non-current.

(i) Foreign Exchange

The company offers settlement of trades in sterling, US dollars, euros, Canadian dollars, Australian dollars, South African rand, Norwegian Krone and Swiss francs. The company does not hold any assets or liabilities other than in sterling and converts client currency on matching terms to settlement of trades realising any currency gain or loss immediately in the income statement. Consequently the company has no foreign exchange risk.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

(k) Current income tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from fiscal authorities relating to the current or prior reporting periods, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

(l) Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's directors.

(m) Share based payments

The Company applies the requirements of IFRS 2 *Share-based Payment* and IFRIC 11.

The Company's parent company issues equity-settled share-based payments to certain employees and other personnel. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effects of non market-based vesting conditions.

Fair value is measured by use of a Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(n) Property, plant and equipment

All property, plant and equipment is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on cost in equal annual instalments over the lives of the assets at the following rates:

Office equipment - 20% on cost

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. Impairment reviews of property, plant and equipment are undertaken if there are indications that the carrying values may not be recoverable or that the recoverable amounts may be less than the asset's carrying value.

3. Revenue

The revenue of the company during the year was made in the United Kingdom and the revenue of the company for the year derives from the same class of business as noted in the Directors' Report.

	2011	2010
	£	£
Interest received	2,017,201	1,612,522
Fees, commissions, foreign exchange gains and other revenue	3,622,911	3,768,017
	<u>5,640,112</u>	<u>5,380,539</u>

4 Segmental information

All of the reported revenue and operational results for the period derive from the company's continuing financial services operations.

5. Finance costs

	2011	2010
	£	£
Interest on bank loans, overdrafts and income tax	4,004	2,297
	<u>4,004</u>	<u>2,297</u>

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

6. Profit before income tax	2011	2010
Profit before income tax is stated after charging	£	£
Directors' emoluments	382,560	546,667
Operating lease rentals – hire of machinery	10,566	10,566
Finance costs	4,004	2,297
Directors' emoluments		
Fees	303,780	366,875
Pension contributions	71,293	18,152
Compensation for loss of office	-	120,750
Benefits in kind	7,487	40,890
	382,560	546,667
Details of the highest paid director are as follows		
Aggregate emoluments	204,600	210,000
Company contributions to personal pension scheme	62,793	14,272
Benefits in kind	7,028	10,369
	274,421	234,641

During the year benefits accrued for two directors (2010 two directors) under a money purchase pension scheme

Staff costs

The average number of persons employed by the company, including directors, during the year was as follows

	2011	2010
Management and administration	35	35
	£	£
The aggregate payroll costs of these persons were as follows		
Wages, salaries & social security	1,258,427	1,417,629
Pension contributions	77,793	18,152
Cost of share options	4,942	5,049
	1,341,162	1,440,830

Key personnel

The directors are considered to be the key management personnel of the company

7 Auditor's remuneration

During the year the company obtained the following services from the company's auditors as detailed below

	2011	2010
<i>Fees payable to the company's auditors for</i>	£	£
The audit of the company's annual financial statements	13,375	13,070
Other services relating to taxation	2,380	2,320
	15,755	15,390

The audit fees of the company are met by Jarvis Securities plc, the company's immediate parent undertaking

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

8 Income and deferred tax charges

Analysis of tax charge

Based on the adjusted results for the year

UK corporation tax

Adjustments in respect of prior years

Total current income tax

Deferred tax

Origination and reversal of temporary differences

Adjustment in respect of prior years

Adjustment in respect of change in deferred tax rate

Income tax on profit

Provision for deferred tax

Accelerated capital allowances

Short term timing differences

Movement in provision

Provision at the start of the year

Deferred tax charged in the income statement for the year

Provision at the end of the year

	2011	2010
	£	£
UK corporation tax	507,045	547,224
Adjustments in respect of prior years	(9,070)	-
Total current income tax	497,975	547,224
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(654)	(515)
Adjustment in respect of prior years	8,745	-
Adjustment in respect of change in deferred tax rate	-	300
Income tax on profit	506,066	547,009
Provision for deferred tax		
Accelerated capital allowances	-	654
Short term timing differences	-	(8,745)
<i>Movement in provision</i>		
Provision at the start of the year	(8,091)	(7,876)
Deferred tax charged in the income statement for the year	8,091	(215)
Provision at the end of the year	-	(8,091)

The income tax assessed for the year is greater than the standard rate of corporation tax in the UK (26.5%). The differences are explained below

Profit before income tax

Profit before income tax multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 – 28%)

Effects of

Adjustments in respect of change in deferred tax rate

Expenses not deductible for tax purposes

Adjustments to tax charge in respect of previous years

Current income tax charge for the year

	1,905,978	1,947,142
Profit before income tax multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 – 28%)	505,085	545,200
<i>Effects of</i>		
Adjustments in respect of change in deferred tax rate	(12)	300
Expenses not deductible for tax purposes	1,317	1,509
Adjustments to tax charge in respect of previous years	(324)	-
Current income tax charge for the year	506,066	547,009

9. Property, plant & equipment

Cost.

At 31 December 2010

Disposals

At 31 December 2011

Depreciation

At 31 December 2010

Disposals

At 31 December 2011

Net Book Value:

At 31 December 2011

At 31 December 2010

	Office Equipment	Total
	£	£
At 31 December 2010	2,693	2,693
Disposals	(2,693)	(2,693)
At 31 December 2011	-	-
At 31 December 2010	269	269
Disposals	(269)	(269)
At 31 December 2011	-	-
At 31 December 2011	-	-
At 31 December 2010	2,424	2,424

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

10. Investments in subsidiaries	<u>2011</u>	<u>2010</u>
	£	£
At 1 January	5	6
Disposals	-	(1)
As at 31 December	<u>5</u>	<u>5</u>

Investments in subsidiaries are unlisted investments held in the following companies registered in the United Kingdom

	<u>Shareholding</u>		<u>Holding</u>	<u>Business</u>
JIM Nominees Limited	100%	1	£1 Ordinary share	Dormant (nominee co)
Dudley Road Nominees Limited	100%	2	£1 Ordinary shares	Dormant (nominee co)
Galleon Nominees Limited	100%	2	£1 Ordinary shares	Dormant (nominee co)

11. Trade and other receivables

Amounts falling due within one year

	<u>2011</u>	<u>2010</u>
	£	£
Trade receivables	2,715,627	3,729,157
Amount owed by group undertaking	192,213	-
Other receivables	31,526	479,969
Prepayments and accrued income	334,641	197,708
	<u>3,274,007</u>	<u>4,406,834</u>

12. Investments held for trading

Listed Investments:

Valuation

	<u>2011</u>	<u>2010</u>
	£	£
At 1 January	19,208	26,722
Additions	234,718	208,513
Disposals	(233,951)	(216,027)
As at 31 December	<u>19,975</u>	<u>19,208</u>

Listed investments are stated at their market value at 31 December 2010

13. Investments held to maturity

Cost:

	<u>2011</u>	<u>2010</u>
	£	£
At 1 January	-	-
Additions	200,067	-
As at 31 December	<u>200,067</u>	<u>-</u>

Amortisation:

	<u>2011</u>	<u>2010</u>
	£	£
At 1 January	-	-
Charge for the year	5,182	-
As at 31 December	<u>5,182</u>	<u>-</u>

Net Book Value:

	<u>2011</u>	<u>2010</u>
	£	£
At 1 January	-	-
As at 31 December	<u>194,885</u>	<u>-</u>

The investment held to maturity is an 8% coupon UK Government Gilt maturing in 2015.

14 Cash and cash equivalents

	<u>2011</u>	<u>2010</u>
	£	£
Balance at bank and in hand	2,109,101	497,060
	<u>2,109,101</u>	<u>497,060</u>

JARVIS INVESTMENT MANAGEMENT LIMITED

15. Share capital

	2011	2010
	£	£
Allotted, issued and fully paid*		
25,000,000 (2009 25,000,000) Ordinary shares of 1p each	250,000	250,000

16. Capital and reserves

	Share capital	Share premium	Other Reserves	Retained earnings	Total equity
	£	£	£	£	£
Balance at 1/1/10	250,000	9,900	16,388	66,174	342,462
Capital contribution from parent	-	-	5,049	-	5,049
Profit for the financial year	-	-	-	1,400,133	1,400,133
Dividends	-	-	-	(1,270,000)	(1,270,000)
Balance at 31/12/10	250,000	9,900	21,437	196,307	477,644
Capital contribution from parent	-	-	4,942	-	4,942
Profit for the financial year	-	-	-	1,399,912	1,399,912
Dividends	-	-	-	(870,000)	(870,000)
Balance at 31/12/11	250,000	9,900	26,379	726,219	1,012,498

The capital contribution from parent occurs as IFRS 11 requires that options acquired in the parent company of an entity are recognised as a capital contribution from that entity

17 Trade and other payables

Amounts falling due within one year

	2011	2010
	£	£
Trade payables	4,068,805	4,014,696
Amount owed to group undertaking	-	77,968
Other taxes and social security	30,492	11,071
Other payables and provisions	36,529	33,746
Accruals	167,658	33,490
Trade and other payables	4,303,484	4,170,971
Income tax	281,991	285,007
Total liabilities	4,585,475	4,455,978

18. Dividends

	2011	2010
	£	£
Interim dividends paid on Ordinary 1p shares	870,000	1,270,000
Dividend per Ordinary 1p share	3.48p	5.08p

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

19. Operating lease commitments

At 31 December 2011 the company was committed to making the following payments in respect of operating leases which expire

	Equipment 2011	2010
	£	£
Between one and five years	19,268	29,868

On 24 October 2007, Jarvis Investment Management plc entered into a lease agreement with Neopost Finance for the rental of various items of post management equipment. The equipment is required to support the increasing volume of post received and sent by the company as a result of the growth of the business. The lease has a term of 6 years.

20. Financial instruments

The company's principal financial instruments comprise cash, short term borrowings and various items such as trade receivables, trade payables etc that arise directly from operations. The main purpose of these financial instruments is the funding of the company's trading activities.

The main financial asset of the company is cash and cash equivalents, which is denominated in sterling and which is detailed in note 14. The company operates a low risk investment policy and surplus funds are placed on deposit with at least A rated banks or equivalent at floating interest rates.

The company also holds investments in equities and UK Treasury gilts.

Short-term receivables and payables are excluded from these disclosures.

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

21. Financial risk management objectives and policies

The directors consider that their main risk management objective is to monitor and mitigate the key risks to the company, which are considered to be principally credit risk, compliance risk, liquidity risk and operational risk. Several high-level procedures are already in place to enable all risks to be better controlled. These include detailed profit forecasts, monthly management accounts and comparisons against forecast, regular meetings of the full Board of Directors, and more regular senior management meetings.

The company's main credit risk is exposure to the trading accounts of clients. This credit risk is controlled via the use of credit algorithms within the computer systems of the company. These credit limits prevent the processing of trades in excess of the available maximum permitted margin at 50% of the current portfolio value of a client.

A further credit risk exists in respect of trade receivables. The company's policy is to monitor trade and other receivables and avoid significant concentrations of credit risk. Aged receivables reports are reviewed regularly and significant items brought to the attention of senior management.

The compliance risk of the company is controlled through the use of robust policies, procedures, the segregation of tasks, internal reviews and systems controls. These processes are based upon the Rules and guidance notes of the Financial Services Authority and the London Stock Exchange and are overseen by the compliance officer together with the management team. In addition, regular compliance performance information is prepared, reviewed and distributed to management.

The company aims to fund its expansion plans mainly from existing cash balances without making use of bank loans or overdraft facilities. Financial risk is therefore mitigated by the maintenance of positive cash balances and by the regular review of the banks used by the company. Other risks, including operational, reputational and legal risks are under constant review at senior management level by the executive directors and senior managers at their regular meetings, and by the full board at their regular meetings.

The company derives a significant proportion of its revenue from interest earned on client cash deposits and does not have any borrowings. Hence, the directors do not consider the company to be materially exposed to interest rate risk in terms of the usual consideration of financing costs, but do note that there is a risk to earnings. Given the current Bank of England base rate is at its lowest level since its foundation in 1694, and the business has remained profitable, this risk is not considered material in terms of a threat to the long term prospects of the company.

The capital structure of the company consists of issued share capital, reserves and retained earnings. The company has an Internal Capital Adequacy Assessment Process ("ICAAP"), as required by the Financial Services Authority ("FSA") for establishing the amount of regulatory capital to be held by the company. The ICAAP gives consideration to both current and projected financial and capital positions. The ICAAP is updated throughout the year to take account of any significant changes to business plans and any unexpected issues that may occur. The ICAAP is discussed and approved at a board meeting at least annually. Capital adequacy is monitored daily by management. The Group uses the simplified approach to Credit Risk and the standardised approach for Operational Risk to calculate Pillar 1 requirements. The Group observed the FSA's regulatory requirements throughout the period. Information disclosure under Pillar 3 of the Capital Requirements Directive is available from the company's websites.

The directors do not consider that the company is materially exposed to foreign exchange risk as the company does not run open currency positions beyond the end of each working day.

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

22. Critical accounting estimates and judgements

The company may be required to make estimates and assumptions concerning the future. These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. No critical accounting estimates and judgements have been required for the production of these financial statements.

23. Immediate and ultimate parent undertaking

The company's immediate parent undertaking is Jarvis Securities plc and its ultimate parent undertaking is Sion Securities Limited. Both companies are registered in England and Wales. The largest set of accounts that Jarvis Investment Management Ltd is consolidated into is that of Sion Securities Limited. Sion Securities Limited is controlled by Mr A J Grant by virtue of his majority shareholding. Consolidated financial statements are available from Sion Securities Limited at its registered office address of Oxford House, 15-17 Mount Ephraim Road, Royal Tunbridge Wells, Kent, TN1 1EN.

24. Related party transactions

The company paid a performance and management fee of £433,000 (2010 £240,000) to Jarvis Securities plc during the year. Jarvis Securities plc owed Jarvis Investment Management Limited £192,213 (2010 Jarvis Investment Management Limited owed Jarvis Securities £77,969) at year end.

Alexander David Securities Group plc is a related party by virtue of the fact that Mr A J Grant serves as a Non-Executive Director. During the year Jarvis Investment Management Limited earned commission and fees of £105,084 (2010 £107,089) for the provision of outsourcing, execution, trade capture, settlement and related services. As at 31 December 2011 Jarvis Investment Management Limited's immediate parent undertaking, Jarvis Securities plc, also owned £44,500 of preference shares and 17,636,460 ordinary 1p shares (representing 2.38% of the total shareholding) in Alexander David Securities Group plc.

As at 31 December 2011 Sion Securities, the company's immediate and ultimate parent undertaking, had £328,750 (2010 £189,000) of cash deposited with Jarvis Investment Management Limited. Sion Holdings Limited, a company controlled by A J Grant by virtue of his majority shareholding, had no deposits (2010 £54,500) with Jarvis Investment Management Limited at 31 December 2011. Sion Properties Limited, a company controlled by A J Grant by virtue of his majority shareholding, had £70,300 (2010 nil) deposited with Jarvis Investment Management Limited.