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Company No **1844601**

JARVIS INVESTMENT MANAGEMENT LIMITED

(Formerly JARVIS INVESTMENT MANAGEMENT PLC)

FINANCIAL STATEMENTS
For the year ended 31 December 2009

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JARVIS INVESTMENT MANAGEMENT LIMITED

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JARVIS INVESTMENT MANAGEMENT LIMITED

COMPANY INFORMATION

DIRECTORS.	A J Grant M J Edmett N J Crabb	
SECRETARY.	M J Edmett	
REGISTERED OFFICE.	78 Mount Ephraim Royal Tunbridge Wells TN4 8BS	
REGISTERED NUMBER.	1844601	
AUDITORS	Horwath Clark Whitehill LLP 10 Palace Avenue Maidstone ME15 6NF	
BANKERS	HSBC Bank plc 105 Mount Pleasant Royal Tunbridge Wells TN1 1QP	Anglo Irish Bank Corporation plc 10 Old Jewry London EC2R 8DN
SOLICITORS	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells TN1 1NX	K&L Gates 110 Cannon Street London EC2R 8DN
WEBSITES	www.jarvisim.co.uk www.sharedealactive.co.uk www.jarvispreadbetting.co.uk www.jarviscfd.co.uk www.x-o.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 2009

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 fallen by 4.6% to £4,475,732. Profit before income tax has risen to 100.7% of the 31 December 2008 level. The total equity of the company is at £342,462 from £1,349,944 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. Jarvis has again expanded in both these areas during the year under review and expects to continue doing so in 2010. 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

- Aspire – Spinal Injury Charity (£44)
- Alzheimer's Society (£250)
- New Victoria Medical Foundation (£250)

Key Performance Indicators (KPI)

The primary goal of the Board is efficiency. We believe this to be at the heart of a successful business. Efficiency means a constructive and satisfying work environment for employees, a positive experience for clients, reduced environmental impact, reliability for those organisations that trust Jarvis to support them and a robust financial performance. The following measurements, or KPIs, are important in monitoring and directing the development of the Company.

Operating profit margin

This is profit before income tax and irregular costs as a percentage of revenue. This is a good indicator of efficiency, as a high margin tends to suggest that work is completed quickly and accurately resulting in a high rate of return for the company. The Board aims to have significantly higher than average margins and to keep these above 20%. Costs related to bad debts are excluded from profit before income tax to give the operating profit.

2009	39.6%
2008	45.1%

ROCE

The return on capital employed is the profit before income tax as a proportion of the fixed capital used in the business, such as assets. A high rate of return, ROCE, indicates the efficient use of the resources of your company. Given the low capital nature of our business model we would expect a relatively high ROCE figure. The Board aims to maintain a ROCE figure of double the one-year Treasury rate, giving a current target of 1.00%.

2009	503.1%
2008	126.8%

Revenue per employee

This is revenue per staff member and an increasing rate of revenue per employee represents increasing efficiency. Given that the company's staff is not only its largest single cost but also its most important resource this measure is fundamental in monitoring performance. The Board's aim is to grow revenue per employee at a faster rate than payroll costs, excluding any non-recurring items, in order to improve returns to shareholders and increase efficiency each year.

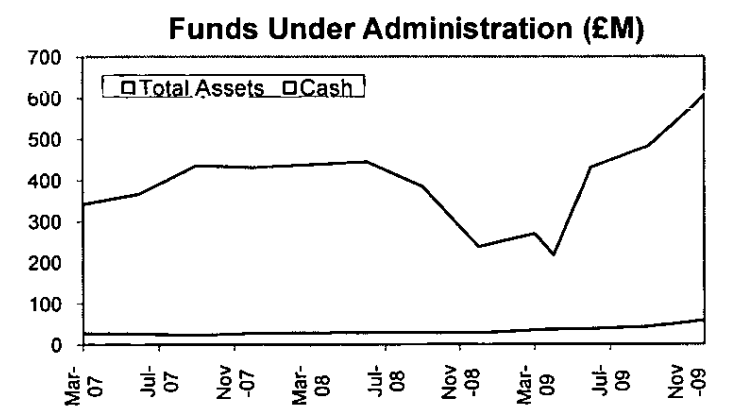
2009	154,336
2008	180,418
Revenue decrease rate	14.5%
Payroll cost increase	15.8%

This result has been negatively impacted by an increase in staff to manage growth of the business. The significant increase in trade volumes and account numbers expands work in areas of lower margin compared to the fall of nearly £600,000 in interest income which has no marginal employment cost to the Company.

JARVIS INVESTMENT MANAGEMENT LIMITED

Funds under administration

A growth in stock and cash held for clients by Jarvis indicates growth of the firm. Whilst this can be due to external factors such as market values which are beyond the control of the Board, this is a useful indicator of the general direction of the company. Interest on cash held for clients is a significant proportion of the company's income and hence this provides a good guide to anticipated earnings in combination with current interest rates. The Board aims to grow both cash and stock under administration explicitly each year.



Client numbers

Increasing client numbers is essential in increasing the size of the business in the future. Increasing revenue per client is also desirable to accelerate the growth of the business and hence these two measures are considered together. The Board aims to increase client numbers by at least 10% per year and maintain positive revenue growth per client. In combination this will drive revenue growth for the company into the future.

Rate of Increase (Number)	28.5%
Rate of Decrease (Revenue)	31.9%

Complaints ratio

Providing a good service to clients is essential for a strong business. The number of formal complaints made per 1,000 accounts is an indicator of how good the service provided is. It is essential to keep this figure low to maintain clients and attract new ones. The Board aims to keep the number of formal complaints per 1,000 accounts below 2.

2009	0.87
2008	0.50

Calls answered in three rings

Unlike many firms in financial services we still believe in personal attention. Jarvis aim to answer 90% of all telephone calls within three rings. We believe that this differentiates us from competitors and makes our firm more attractive to clients.

% of calls answered in three rings in 2009	91.1%
% of calls answered in three rings in 2008	90.5%
Total phone calls taken 2009	167,900
Total phone calls taken 2008	128,599
Increase in call volumes	30.56%

Performance has improved over 2008 and this target has been met during the current year.

Sickness days

Our staff are our most important resource and they control the success or otherwise of Jarvis. We aim to provide a happy and positive work environment. This is difficult to measure in strictly numerical terms but an accepted indication of morale is the proportion of working days lost to illness. This is calculated by dividing the number of whole working days lost per year for all employees by the maximum potential number of working days available (assumes average number of employees multiplied by 260 days per employee). The Board's aim is to attain a loss of less than 1% per year.

2009	1.66%
2008	1.88%

These results remain behind target.

Future developments

Jarvis Investment Management Ltd continues to seek further acquisition targets but the main focus at this time is on organic growth. Jarvis will continue to actively promote its retail and third party stockbroking and administration services.

JARVIS INVESTMENT MANAGEMENT LIMITED

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 2009 with deposit rates at extraordinarily low levels and expected to remain so for most of 2010
- Market volumes directly affect bargain numbers transacted and hence commission income for the company. The current indications are unclear with volumes remaining high despite the current global financial situation
- 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
- Savings legislation may change impacting negatively on product revenue. It is currently unclear whether any significant changes that would impact Jarvis may result from the anticipated change in government at the General Election

Results and dividends

The profit for the year after income tax amounted to £1,237,334 (2008 £1,228,840). Ordinary dividends of £2,400,000 (2008 £594,440) 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. The average payment period at the year-end was 87 days (2008 64 days).

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 5. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described within these financial statements. In addition, notes 18 and 19 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 18 and 19.

Re-registration as a private company

The company was re-registered as a private company on 4 December 2009. The company registration number is 1844601.

Directors

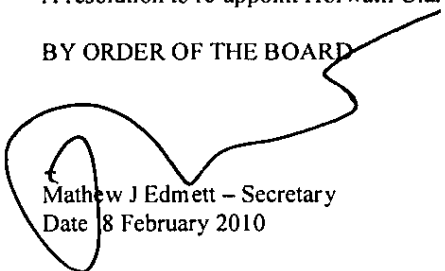
The directors who served in the year were as follows -

A J Grant
M J Edmett
N J Crabb

Auditors

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

BY ORDER OF THE BOARD



Mathew J Edmett – Secretary
Date 18 February 2010

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 2009 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 23.

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.

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.

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 2009 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.

Ian Weekes
Senior Statutory Auditor
For and on behalf of
Horwath Clark Whitehill LLP
Statutory Auditor
Maidstone
9 February 2010

JARVIS INVESTMENT MANAGEMENT LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

		Year to 31/12/09	Year to 31/12/08
	<i>Notes</i>	£	£
Continuing operations:			
Revenue	3	4,475,732	4,690,872
Administrative expenses		(2,740,787)	(2,940,429)
Finance costs	5	(12,064)	(39,221)
Profit before income tax	6	1,722,881	1,711,222
Income tax charge	8	(485,547)	(482,382)
Profit for the period	14	1,237,334	1,228,840
Attributable to equity holders		1,237,334	1,228,840

The notes on pages 11 to 18 form part of these financial statements

JARVIS INVESTMENT MANAGEMENT LIMITED

Company No 1844601

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2009

31/12/09

31/12/08

Notes

		£	£
Assets			
<i>Non-current assets</i>			
Investments in subsidiaries	9	6	6
Deferred income tax	8	7,876	-
		7,882	6
<i>Current assets</i>			
Trade and other receivables	10	9,363,304	4,862,058
Investments held for trading	11	26,722	50,848
Cash and cash equivalents	12	8,515,027	4,697,714
		17,905,053	9,610,620
Total assets		17,912,935	9,610,626
Equity and liabilities			
<i>Capital and reserves</i>	14		
Share capital	13	250,000	100,300
Share premium	14	9,900	9,900
Other Reserves	14	16,388	10,904
Retained earnings	14	66,174	1,228,840
Total equity		342,462	1,349,944
<i>Current liabilities</i>			
Trade and other payables	15	17,169,433	7,773,073
Income tax	8	401,040	487,609
Total liabilities		17,570,473	8,260,682
Total equity and liabilities		17,912,935	9,610,626

Approved by the Board on 8 February 2010 and signed on its behalf by

A J Grant – Director

M J Edmett – Director

The notes on pages 11 to 18 form part of these financial statements

JARVIS INVESTMENT MANAGEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR

	Year to 31/12/09	Year to 31/12/08
	£	£
Net income recognised directly in equity	-	-
Profit for the period	1,237,334	1,228,840
Total recognised income and expense for the period	1,237,334	1,228,840
Attributable to equity holders	1,237,334	1,228,840

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR

	Share capital	Share premium	Other Reserves	Retained earnings	Attributable to equity holders
	£	£	£	£	£
Balance at 1/1/08	100,300	9,900	5,422	594,440	710,062
Capital contribution from parent	-	-	5,482	-	5,482
Profit for the period	-	-	-	1,228,840	1,228,840
Dividends	-	-	-	(594,440)	(594,440)
Balance at 31/12/08	100,300	9,900	10,904	1,228,840	1,349,944
Capital contribution from parent	-	-	5,484	-	5,484
Issue of share capital	149,700	-	-	-	149,700
Profit for the period	-	-	-	1,237,334	1,237,334
Dividends	-	-	-	(2,400,000)	(2,400,000)
Balance at 31/12/09	250,000	9,900	16,388	66,174	342,462

JARVIS INVESTMENT MANAGEMENT LIMITED

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

Year to
31/12/09

Year to
31/12/08

	£	£
Cash flows from operating activities		
Profit before income tax	1,722,881	1,711,222
Cost of share options	5,484	5,482
Finance costs	12,064	39,221
	1,740,429	1,755,925
Decrease/(Increase) in trade and other receivables	1,438,176	(1,002,229)
Decrease/(Increase) in investments held for trading	24,126	(29,249)
(Decrease) in trade payables	(136,287)	(96,834)
Cash generated from operations	3,066,444	627,613
Interest paid	(12,064)	(39,221)
Income tax paid	(579,993)	(594,792)
Net cash from operating activities	2,474,387	(6,400)
Cash flows from financing activities		
Issue of ordinary shares	149,700	-
Dividends paid	(2,400,000)	(594,440)
Net cash used in financing activities	(2,250,300)	(594,440)
Net (decrease)/increase in cash and cash equivalents	224,087	(600,840)
Cash and cash equivalents at the start of the year	275,631	876,471
Cash and cash equivalents at the end of the year	499,718	275,631

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):

- IFRS 1 – First-time Adoption of International Financial Reporting Standards (Revised)
- IFRS 3 – Business Combinations (Revised 2008)
- IFRS 9 – Financial Instruments
- IAS 24 – Related party disclosures (Revised 2009)
- IAS 27 – Consolidated and Separate Financial Statements (Revised 2008)
- IAS 39 – Financial Instruments: Recognition and Measurement (Amendment) – Eligible Hedged Items
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IFRS 1: Additional Exemptions for First-time Adopters
- Amendments to IFRS 2: Group Cash-settled Share-based Payment Transactions
- Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendment to IAS 32: Classification of Rights Issues
- Amendment to IFRIC 14: Prepayments of a minimum funding requirement

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

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.

(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.

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

(f) Stockbroking balances

The gross assets and liabilities of the company relating to stockbroking transactions on behalf of clients are included in trade receivables, trade payables and cash and cash equivalents

(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) Finance lease interest

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(i) 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.

(j) 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.

(k) Statement of Cashflows

Cash movements relating to stockbroking balances derived from client trading are excluded from the statement of cashflows on the basis that these amounts do not form part of the cashflow position of the group. DVP cash is client funds held in trust for delivery versus payment transactions in order to pay market counterparties for the purchase of equities and other instruments settled via CRES I, the electronic mechanism for the simultaneous and irrevocable transfer of cash and securities operated by CRESTCo Limited. Hence such cash and cash equivalents are not readily available of use by the company as they relate to client transactions.

(l) 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.

(m) 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.

(n) Dividend distribution

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

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

(o) Share based payments

The Company has applied the requirements of IFRS 2 *Share-based Payment*. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005. The Company has also adopted IFRIC 11 from 1 January 2008.

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.

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.

	2009	2008
	£	£
Interest received	1,493,608	2,091,043
Fees, commissions, foreign exchange gains and other revenue	2,982,124	2,599,829
	<u>4,475,732</u>	<u>4,690,872</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

	2009	2008
	£	£
Interest on bank loans, overdrafts and income tax	12,064	39,221
	<u>12,064</u>	<u>39,221</u>

6 Profit before income tax

Profit before income tax is stated after charging

	2009	2008
	£	£
Directors' emoluments	434,733	358,529
Operating lease rentals – hire of machinery	10,566	10,566
Finance costs	<u>12,064</u>	<u>39,221</u>

Directors' emoluments

Fees	373,719	340,215
Pension contributions	24,484	18,314
Benefits in kind	<u>36,530</u>	<u>-</u>
	<u>434,733</u>	<u>358,529</u>

Details of the highest paid director are as follows.

Aggregate emoluments	195,493	195,976
Company contributions to personal pension scheme	<u>18,664</u>	<u>13,464</u>
	<u>214,157</u>	<u>209,440</u>

Benefits are accruing for two directors (2008 two directors) under a money purchase pension scheme.

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

Staff costs

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

	Number	Number
Management and administration	29	26
The aggregate payroll costs of these persons were as follows	£	£
Wages and salaries	1,033,197	890,189
Pension contributions	24,484	18,314
Social security	108,906	97,921
Cost of share options	5,484	5,482
	<u>1,172,071</u>	<u>1,011,906</u>

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

	2009	2008
<i>Fees payable to the company's auditors for</i>	£	£
The audit of the company's annual financial statements	10,400	8,000
Other services relating to taxation	1,600	1,225
	<u>12,000</u>	<u>9,225</u>

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

8 Income and deferred tax charges

Analysis of tax charge

Based on the adjusted results for the year

	2009	2008
	£	£
UK corporation tax	491,818	487,649
Adjustments in respect of prior years	1,605	(5,267)
Total current income tax	<u>493,423</u>	<u>482,382</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(7,876)	-
Income tax on profit	<u>485,547</u>	<u>482,382</u>
Provision for deferred tax		
Short term timing differences	<u>(7,876)</u>	<u>-</u>
<i>Movement in provision</i>		
Provision at the start of the year	-	-
Deferred tax charged in the income statement for the year	(7,876)	-
Provision at the end of the year	<u>(7,876)</u>	<u>-</u>

The income tax assessed for the year is greater than the standard rate of corporation tax in the UK (28%) The differences are explained below

Profit before income tax	<u>1,722,881</u>	<u>1,711,222</u>
Profit before income tax multiplied by the standard rate of corporation tax in the UK of 28% (2008 – 28.5%)	482,407	487,698
<i>Effects of</i>		
Other	-	(49)
Expenses not deductible for tax purposes	1,535	-
Adjustments to tax charge in respect of previous years	1,605	(5,267)
Current income tax charge for the year	<u>485,547</u>	<u>482,382</u>

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

9 Investments in subsidiaries

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)
Sharegain Limited	100%	1	£1 Ordinary share	Dormant

10 Trade and other receivables

Amounts falling due within one year

	2009	2008
	£	£
Trade receivables	8,784,835	2,836,736
Amount owed by group undertaking	-	1,222,879
Other receivables	57,766	143,752
Prepayments and accrued income	520,703	658,691
	<u>9,363,304</u>	<u>4,862,058</u>

Trade receivables include £8,772,031 (2008 £2,832,609) in respect of delivery versus payment transactions for the settlement of client bargains

11. Investments held for trading

Listed Investments

Valuation

	2009	2008
	£	£
At 1 January 2009	50,848	21,599
Additions	522,106	655,949
Disposals	(546,232)	(626,700)
As at 31 December 2009	<u>26,722</u>	<u>50,848</u>

Listed investments are stated at their market value at 31 December 2009

12 Cash and cash equivalents

	2009	2008
	£	£
Balance at bank and in hand - company	499,718	275,631
Balance at bank and in hand – client balances	8,015,309	4,422,083
	<u>8,515,027</u>	<u>4,697,714</u>

Cash at bank includes £8,015,309 (2008 £4,422,083) received in the course of settlement of bargains. This amount is held by the company in trust on behalf of clients and is only available to complete the settlement of outstanding bargains

13 Share capital

	2009	2008
	£	£
Authorised		
25,000,000 (2008 12,000,000) Ordinary shares of 1p each	<u>250,000</u>	<u>120,000</u>
Allotted, issued and fully paid.		
25,000,000 (2008 10,030,000) Ordinary shares of 1p each	<u>250,000</u>	<u>100,300</u>

A further 14,970,000 Ordinary shares were issued at par for cash to Jarvis Securities plc, the parent undertaking, during the year

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

14. Capital and reserves

	Share capital	Share premium	Other Reserves	Retained earnings	Total equity
	£	£	£	£	£
Balance at 1/1/08	100,300	9,900	5,422	594,440	710,062
Capital contribution from parent	-	-	5,482	-	5,482
Profit for the financial year	-	-	-	1,228,840	1,228,840
Dividends	-	-	-	(594,440)	(594,440)
Balance at 31/12/08	100,300	9,900	10,904	1,228,840	1,349,944
Capital contribution from parent	-	-	5,484	-	5,484
Issue of share capital	149,700	-	-	-	149,700
Profit for the financial year	-	-	-	1,730,498	1,730,498
Dividends	-	-	-	(2,400,000)	(2,400,000)
Balance at 31/12/09	250,000	9,900	16,388	559,338	835,626

15 Trade and other payables

Amounts falling due within one year

	2009	2008
	£	£
Trade payables	17,061,607	7,432,563
Amount owed to group undertaking	-	156,900
Other taxes and social security	67,696	60,677
Other payables and provisions	28,130	122,933
Accruals	12,000	-
Trade and other payables	17,169,433	7,773,073
Income tax	(100,000)	487,609
Total liabilities	17,069,433	8,260,682

Trade payables include £16,787,340 (2008 £7,254,693) in respect of delivery versus payment transactions for the settlement of client bargains

16 Dividends

	2009	2008
	£	£
Interim dividends paid on Ordinary 1p shares	2,400,000	594,440
Dividend per Ordinary 1p share	9 60p	5 93p

17 Operating lease commitments

At 31 December 2009 the company was committed to making the following payments in respect of operating leases which expire

	Equipment	
	2009	2008
	£	£
Between one and five years	40,468	51,069

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 group as a result of the growth of the business. The lease has a term of 6 years.

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

18 Financial instruments

The company's principal financial instruments comprise cash, short terms 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 12. 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.

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

19 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 by business segment, 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. However, interest earnings have been nearly £600,000 lower than the prior year. To put this into a wider financial context, adjusting for the current level of cash balances held, this equates to a reduction in revenue of approximately £2.8M on comparative earn rates to 2008, and £4.2M versus the average base rate since 1975*.

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.

* Source: Bank of England website

JARVIS INVESTMENT MANAGEMENT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

20. 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.

21. 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.

22. Related party transactions

The company paid a performance and management fee of £180,000 (2008 £475,000) to Jarvis Securities plc during the year. Jarvis Securities plc owed the company nil (2008 £1,205,560) at the year end.

23. IFRIC 11

Following the introduction of IFRIC 11 the options cost to the parent company relating to employees of Jarvis Investment Management Ltd has been charged to the income statement of the current year and the comparative year.