

# Jarvis

Securities plc

Interim Financial Statements 30 June 2011

# Jarvis Securities plc – Interim Report for the six months to 30 June 2011

## Corporate information

<b>DIRECTORS:</b>	A J Grant – Chairman and Chief Executive Officer N J Crabb – Business Development and Client Services Director G McAusland – Non Executive Director	
<b>SECRETARY:</b>	J C Head	
<b>REGISTERED OFFICE:</b>	78 Mount Ephraim Royal Tunbridge Wells TN4 8BS	
<b>REGISTERED NUMBER:</b>	5107012	
<b>AUDITORS:</b>	Crowe Clark Whitehill LLP 10 Palace Avenue Maidstone ME15 6NF	
<b>REGISTRAR:</b>	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA	
<b>BANKERS:</b>	NatWest Bank 89 Mount Pleasant Road Tunbridge Wells Kent TN1 1QJ	
<b>SOLICITORS:</b>	Thomson Snell & Passmore 3 Lonsdale Gardens Royal Tunbridge Wells TN1 1NX	K&L Gates LLP 110 Cannon Street London EC4N 6AR
<b>NOMINATED ADVISER AND BROKER:</b>	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR	
<b>WEBSITES:</b>	<a href="http://www.jarvissecurities.co.uk">www.jarvissecurities.co.uk</a> <a href="http://www.x-o.co.uk">www.x-o.co.uk</a> <a href="http://www.sharedealactive.co.uk">www.sharedealactive.co.uk</a> <a href="http://www.jarviscfds.co.uk">www.jarviscfds.co.uk</a> <a href="http://www.jarvisinvest.co.uk">www.jarvisinvest.co.uk</a> <a href="http://www.expressmarkets.co.uk">www.expressmarkets.co.uk</a> <a href="http://www.expresssharedealing.co.uk">www.expresssharedealing.co.uk</a> <a href="http://www.jarvisim.co.uk">www.jarvisim.co.uk</a>	
<b>TRADING ADDRESS:</b>	78 Mount Ephraim Royal Tunbridge Wells TN4 8BS	

# Jarvis Securities plc – Interim Report for the six months to 30 June 2011

## Highlights

- £389,763 (15.3%) increase in revenue versus six months to 30 June 2010
- £221,208 (26.2%) increase in profit before tax versus six months to 30 June 2010
- Cash under administration has increased £9,658,925 (15.9%) versus 30 June 2010
- Client numbers have increased 9.3% versus 30 June 2010

## Chairman's statement

In spite of the ongoing turmoil within the financial markets and the negative economic sentiment widely reported in the media I am pleased to report another strong set of financial results for Jarvis Securities plc.

Revenue and profitability have increased versus the first six months of 2010 and we are well positioned to post strong results for the remainder of the financial year.

We remain focused on the growth of our core retail and commercial businesses. We are also in advanced stages of negotiation which should lead to an investment being made and a new commercial relationship that will both compliment our current business and deliver a new revenue source over the coming years.

We remain committed to our stated dividend policy of paying 2/3rd of post tax profits, and have recently noted a significant upturn in enquiries from potential institutional investors.

I would like to thank every member of the Jarvis team for their continued commitment.

A handwritten signature in black ink, appearing to read 'Andrew J Grant', is written over a diagonal line that extends from the bottom left towards the top right.

**Andrew J Grant**  
Chairman

## Key performance indicators (KPI)

The key performance indicators (KPIs) are designed to give stakeholders in the business a more rounded view of the Group's performance. Further details on the KPIs and their measurement can be found in the last Annual Report. A selection of KPIs and the Group's results to the interim period for these are detailed below. These results have been annualised from the position at 30 June 2011 where measurement over a year is required.

KPI:	30/6/11	30/6/10	Target
Profit before tax margin	<b>36%</b>	33%	20%
Revenue per employee ( <i>annualised</i> )	<b>£150,233</b>	£150,878	to increase
Growth in client numbers ( <i>annualised</i> )	<b>9.3%</b>	49.2%	10%
Cash under administration	<b>70,296,686</b>	60,637,761	to increase

Company No.: 5107012

## Consolidated income statement for the period ended 30 June 2011

	Notes	Six months ended	
		30/6/11	30/6/10
		£	£
<b>Continuing operations</b>			
Revenue		<b>2,929,537</b>	2,539,774
Administrative expenses		<b>(1,862,309)</b>	(1,693,328)
Finance costs		<b>(1,840)</b>	(2,266)
Profit before income tax		<b>1,065,388</b>	844,180
Income tax charge	4	<b>(314,280)</b>	(257,740)
Profit for the period		<b>751,108</b>	586,440
Attributable to equity holders of the parent		<b>751,108</b>	586,440
<b>Earnings per share</b>	5	P	p
Basic		<b>7.13</b>	5.58
Diluted		<b>7.01</b>	5.21

# Jarvis Securities plc – Interim Report for the six months to 30 June 2011

## Consolidated statement of financial position at 30 June 2011

	Notes	30/6/11	31/12/10	As restated 30/6/10
		£	£	£
<b>Assets</b>				
<i>Non-current assets</i>				
Property, plant and equipment		215,891	112,008	196,361
Intangible assets		172,147	273,626	293,876
Goodwill		342,872	342,872	342,872
Available-for-sale investments		79,723	110,587	100,450
		<b>810,633</b>	<b>839,093</b>	<b>933,559</b>
<i>Current assets</i>				
Trade and other receivables		2,394,033	4,578,301	7,775,632
Investments held for trading		19,070	19,208	18,825
Cash and cash equivalents		1,550,516	502,099	229,636
		<b>3,963,619</b>	<b>5,099,608</b>	<b>8,024,093</b>
<b>Total assets</b>		<b>4,774,252</b>	<b>5,938,701</b>	<b>8,957,652</b>
<b>Equity and liabilities</b>				
<i>Capital and reserves</i>				
Share capital	7	105,720	105,710	105,655
Share premium		838,614	837,799	833,317
Merger reserve		9,900	9,900	9,900
Capital redemption reserve		9,845	9,845	9,845
Fair value reserve		(8,936)	21,928	29,901
Share option reserve		88,143	79,264	85,310
Retained earnings		715,563	507,531	494,636
Own shares held in treasury		-	(83,319)	(83,319)
Total equity		<b>1,758,849</b>	<b>1,488,658</b>	<b>1,485,245</b>
<i>Non-current liabilities</i>				
Deferred income tax		13,880	13,880	1,599
<i>Current liabilities</i>				
Trade and other payables		2,617,360	4,141,280	7,195,799
Income tax	4	384,163	294,883	275,009
		<b>3,001,523</b>	<b>4,436,163</b>	<b>7,470,808</b>
<b>Total equity and liabilities</b>		<b>4,774,252</b>	<b>5,938,701</b>	<b>8,957,652</b>

## Consolidated statement of comprehensive income

	Six months ended	
	30/6/11	30/6/10
	£	£
Purchase of own shares	-	-
Deferred tax (charge) / asset on share options	-	-
<i>Net income recognised directly in equity</i>	-	-
Profit for the period	<b>751,108</b>	<b>586,440</b>
Total comprehensive income for the period	<b>751,108</b>	<b>586,440</b>
Attributable to equity holders of the parent	<b>751,108</b>	<b>586,440</b>

## Consolidated statement of changes in equity for the period

	Share capital	Share premium	Merger reserve	Capital redemption reserve	Fair value reserve	Share option reserve	Retained earnings	Own shares held	Attributable to equity holders of the company
	£	£	£	£	£	£	£	£	£
<b>Balance at 31/12/09</b>	105,000	779,934	9,900	9,845	85,902	74,394	328,206	(83,319)	1,309,862
Issue of shares	655	53,383	-	-	-	-	-	-	54,038
Expense of employee options	-	-	-	-	-	10,916	-	-	10,916
Profit for the period	-	-	-	-	-	-	586,440	-	586,440
Dividends	-	-	-	-	-	-	(420,010)	-	(420,010)
Investment revaluation	-	-	-	-	(56,001)	-	-	-	(56,001)
<b>Balance at 30/6/10</b>	105,655	833,317	9,900	9,845	29,901	85,310	494,636	(83,319)	1,485,245
Issue of shares	55	4,482	-	-	-	-	-	-	4,537
Deferred tax charge to equity	-	-	-	-	(8,110)	-	-	-	(8,110)
Expense of employee options	-	-	-	-	-	(6,046)	-	-	(6,046)
Profit for the period	-	-	-	-	-	-	539,504	-	539,504
Dividends	-	-	-	-	-	-	(526,609)	-	(526,609)
Investment revaluation	-	-	-	-	137	-	-	-	137
<b>Balance at 31/12/10</b>	105,710	837,799	9,900	9,845	21,928	79,264	507,531	(83,319)	1,488,658
Issue of shares	10	815	-	-	-	-	-	-	825
Expense of employee options	-	-	-	-	-	8,879	-	-	8,879
Profit for the period	-	-	-	-	-	-	751,108	-	751,108
Dividends	-	-	-	-	-	-	(526,875)	-	(526,875)
Investment revaluation	-	-	-	-	(30,864)	-	-	-	(30,864)
Sale of treasury shares	-	-	-	-	-	-	(16,201)	83,319	67,118
<b>Balance at 30/6/11</b>	105,720	838,614	9,900	9,845	(8,936)	88,143	715,563	-	1,758,849

Consolidated statement of cashflows for the period ended 30 June 2011

	Six months ended	
	30/6/11	As restated 30/6/10
	£	£
<b>Cash flow from operating activities</b>		
Profit before tax	1,065,388	844,180
Finance cost	1,840	2,266
Depreciation charges	33,330	69,692
Amortisation charges	18,164	22,408
Impairment charges	83,314	124,847
Share options	8,879	10,916
Loss/(Profit) on disposal of fixed assets	25,926	5,014
	<b>1,236,841</b>	<b>1,079,323</b>
(Increase)/Decrease in receivables	2,184,268	(6,046,429)
Increase/(Decrease) in payables	(1,523,920)	3,415,707
(Increase)/Decrease in investments held for trading	138	7,897
<b>Cash generated from operations</b>	<b>1,897,327</b>	<b>(1,543,502)</b>
Interest paid	(1,840)	(2,266)
Income tax (paid)/received	(225,000)	(401,040)
<b>Net cash from operating activities</b>	<b>1,670,487</b>	<b>(1,946,808)</b>
<b>Cash flows from investing activities</b>		
Sale of intangible fixed assets	-	(1,650)
Receipt from sale of TFAs	-	5,000
Purchase of tangible fixed assets	(163,138)	(8,962)
Sale of investments	-	(4,849)
	<b>(163,138)</b>	<b>(10,461)</b>
<b>Cash flows from financing activities</b>		
Issue of ordinary share capital	825	54,038
Sale of treasury shares	67,118	-
Dividends to equity shareholders	(526,875)	(420,010)
<b>Net cash used in financing activities</b>	<b>(458,932)</b>	<b>(365,972)</b>
Net (decrease)/increase in cash & cash equivalents	1,048,417	(2,323,241)
Cash and cash equivalents at 1 January	502,099	2,552,877
Cash and cash equivalents at 30 June	1,550,516	229,636

## Notes forming part of the interim financial statements

### 1. Basis of preparation

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. These interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (July 2011).

These consolidated interim financial statements have been prepared in accordance with the accounting policies set out below, which have been consistently applied to all the periods 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 interim 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 9 Financial Instruments
- Amendments to IFRS 7 Financial Instruments Disclosures
- IFRS 1 Amendments Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- IAS 12 Amendments to Deferred tax: Recovery of Underlying Assets
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures

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

The preparation of these interim financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where the assumptions and estimates are significant to the consolidated interim financial statements are disclosed in Note 9.

The financial information contained in this report, which has not been audited, does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. The auditors' report for the 2010 accounts was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

### 2. 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

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases. The group financial statements consolidate the financial statements of Jarvis Securities plc, Jarvis Investment Management Limited, JIM Nominees Limited, Galleon Nominees Limited and Dudley Road Nominees Limited made up to 30 June 2011.

The Group uses the purchase method of accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only. No profit and loss account is presented for Jarvis Securities plc as provided by S408 of the Companies Act 2006.



# Jarvis Securities plc – Interim Report for the six months to 30 June 2011

## (c) 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:

Leasehold improvements	-	33% on cost
Motor vehicles	-	15% on cost
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.

## (d) Intangible assets

Intangible assets are carried at cost less accumulated amortisation. If acquired as part of a business combination the initial cost of the intangible asset is the fair value at the acquisition date. Amortisation is charged to administrative expenses within the income statement and provided on cost in equal annual instalments over the lives of the assets at the following rates:

Databases	-	4% on cost
Customer relationships	-	7% on cost
Software developments	-	33% on cost
Website	-	33% on cost

Impairment reviews of intangible assets 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.

## (e) Goodwill

Goodwill represents the excess of the fair value of the consideration given over the aggregate fair values of the net identifiable assets of the acquired trade and assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any negative goodwill arising is credited to the income statement in full immediately.

## (f) 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 Group and it is probable that the temporary differences will not reverse in the foreseeable future.

## (g) 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 Group as a single segment.

## (h) Pensions

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

## (i) 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 receivables and payables.

## (j) 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.

## (k) 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.

# Jarvis Securities plc – Interim Report for the six months to 30 June 2011

## **(l) Investments**

The Group classifies its investments in the following categories: investments held to maturity, investments held for trading and available-for-sale investments. 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 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.

### **Available-for-sale investments**

Available-for-sale investments are stated at fair value. They are included in non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value. Investments are derecognised when the rights to receive cash flows from the investments have expired or been transferred and the Group has transferred substantially all the risks and rewards of ownership. Realised and unrealised gains and losses arising from changes in fair value of investments held for trading are included in the income statement in the period in which they arise. Unrealised gains and losses arising in changes in the fair value of available-for-sale investments are recognised in equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair value of quoted investments is based on current bid prices. If the market for an investment is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, or discounted cash flow analysis refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that an investment is impaired. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value below its cost is considered in determining whether the security is impaired.

### **Investments in subsidiaries**

Investments in subsidiaries are stated at cost less provision for any impairment in value.

## **(m) Foreign exchange**

The group offers settlement of trades in sterling, US dollars, euros, Canadian dollars, Australian dollars, South African rand and Swiss francs. The group 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 group has no foreign exchange risk.

## **(n) Share capital**

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of income tax. Where the company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income tax), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

## **(o) 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.

## **(p) 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.

## **(q) 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 interim dividends are notified to shareholders and final dividends are approved by the company's shareholders.

## **(r) Share based payments**

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

The Group 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 Group'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.

# Jarvis Securities plc – Interim Report for the six months to 30 June 2011

## (s) 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.

## 3. Segmental information

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

## 4. Income tax charge

Interim period income tax is accrued based on an estimated average annual effective income tax rate of 27%.

## 5. Earnings per share

	Six months ended 30/6/11			Six months ended 30/6/10		
	Earnings	Weighted average no. of shares	Per share amount	Earnings	Weighted average no. of shares	Per share amount
	£	£	p	£	£	p
Earnings attributable to ordinary shareholders	751,108	10,536,086	7.13	586,440	10,506,681	5.58
Dilutive effect of options		182,067			754,500	
Diluted earnings per share	751,108	10,718,153	7.01	586,440	11,261,181	5.21

The weighted holding of treasury shares during the period has been deducted from the number of shares in issue for the purpose of calculating the weighted average number of shares at the period end.

## 6. Dividends

During the interim period dividends totalling 5p per ordinary share were declared and paid.

## 7. Share capital

During the interim period 1,000 new Ordinary 1p shares in the company were issued to satisfy the exercise of options by employees of the Group. The company also sold its holding of 38,000 shares held in treasury.

## 8. Interim measurement

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

## 9. Critical accounting estimates and judgements

The Group makes 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year relate to goodwill, intangible assets and the expense of employee options.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (e). These calculations require the use of estimates.

The Group considers at least annually whether there are indications that the carrying values of intangible assets may not be recoverable, or that the recoverable amounts may be less than the asset's carrying value, in which case an impairment review is performed. These calculations require the use of estimates.

Employee options are expensed equally in each year from issue to the date of first exercise. The total cost is calculated on issue based on the Black Scholes method with a volatility rate of 30% and a risk free interest rate of 3.75%. It is assumed that all current employees with options will still qualify for the options at the exercise date.

## Jarvis Securities plc – Interim Report for the six months to 30 June 2011

### 10. Related party transactions

On 26 September 2007 the company entered into a lease with Sion Holdings Limited, a company controlled by A J Grant by virtue of his majority shareholding, for the rental of 78 Mount Ephraim, a self-contained office building. The lease has an annual rental of £63,500, being the market rate on an arm's length basis, and expires on 26 September 2017. During the period the company paid Sion Holdings Limited rent of £31,750 under the terms of the lease of 78 Mount Ephraim. Further the company paid Sion Holdings Limited a premium of £175,000 on the assignment of the new lease of 78 Mount Ephraim. The premium related to the VAT position of the lease. As a financial services business, the group cannot reclaim VAT in full. Sion Holdings Limited opted not to tax on the lease in order to save the group the costs of the irrecoverable VAT and in return the company compensated Sion Holdings Limited for the effect of this decision over the lease term.

Jarvis Investment Management Limited paid a performance related management charge to Jarvis Securities plc of £120,000 during the period. Jarvis Securities plc owed Jarvis Investment Management Limited £242,195 at the period end.

As at 30<sup>th</sup> June 2011 N J Crabb, a Director of Jarvis Securities plc, had an outstanding loan due to the company of £19,913.

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 period Jarvis Investment Management Limited earned commission and fees of £64,863 for the provision of outsourcing, execution, trade capture, settlement and related services. As at 30 June 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 2.79% of the total shareholding) in Alexander David Securities Group plc.

As at 30 June 2011 Sion Securities, the company's immediate and ultimate parent undertaking, had £6,000 deposited with Jarvis Investment Management Limited. Sion Holdings Limited, a company controlled by A J Grant by virtue of his majority shareholding, had £51,012 deposited with Jarvis Investment Management Limited at 30 June 2011.

### 11. Capital commitments

At 30 June the company had no material capital commitments.

### 12. Event after the statement of financial position date

The Board propose the payment of a third interim dividend for the year to 31 December 2011 of 2.5p per Ordinary share to holders on the register at 10<sup>th</sup> August 2011 and payable on 14<sup>th</sup> September 2011.

### 13. Intangible assets impairment review

During the interim period an impairment review was undertaken resulting in an impairment charge to the income statement of £83,315.

## Jarvis Securities plc – Interim Report for the six months to 30 June 2011

### 14. Prior year adjustment

As first disclosed in the 2010 Annual Report, adjustments have been made to the trade receivables, payables and cash balances from the prior year. These adjustments reflect a more appropriate view of the company's settlement ledger activities. Within the non client settlement ledger there are a series of payable and receivable accounts such as Model B security deposits, stamp duty payable and commission and income due to our Model B clients that arise as a result of the settlement process. These are now fully reflected in trade payables and trade receivables.

The Crest Balances that were previously disclosed on the balance sheet have been netted against each other as from both Jarvis Investment Management and the counterparties perspective it is the net position that is either owed or owing at any given time. The direction of this position is dependent on the relative volume of purchase and sales that Jarvis clients are undertaking at the date of the statement of financial position.

As the settlement ledger is being reflected in the company's statement of financial position cash balances that belonged to the company but were previously left off the balance sheet are now reflected in the statement of financial position. These balances represent commission earned that have not been transferred to our corporate account, Model B security deposits, and other payables. In addition, accrued interest on treasury deposits that is deemed to be instantly convertible to cash is now recognised in cash or cash equivalents as opposed to trade and other receivables.

These adjustments have no impact on profitability, earning per share or any of the components of equity.

#### Restated cash and cash equivalents at 30 June 2010

	<b>As previously stated 30/6/10</b>	<b>Adjustments</b>	<b>As restated 30/6/10</b>
	£	£	£
Cash and cash equivalents	14,880,035	(14,650,399)	229,636
	<u>14,880,035</u>		<u>229,636</u>

#### Restated trade and other receivables at 30 June 2010

*Amounts falling due within 1 year:*

	<b>As previously stated 30/6/10</b>	<b>Adjustments</b>	<b>As restated 30/6/10</b>
	£	£	£
Trade and other receivables	10,609,465	(2,833,833)	7,775,632
	<u>10,609,465</u>		<u>7,775,632</u>

#### Restated trade and other payables at 30 June 2010

*Amounts falling due within 1 year:*

	<b>As previously stated 30/6/10</b>	<b>Adjustments</b>	<b>As restated 30/6/10</b>
	£	£	£
Trade and other payables	24,680,031	(17,484,232)	7,195,799
	<u>24,680,031</u>		<u>7,195,799</u>



**INDEPENDENT REVIEW REPORT TO  
JARVIS SECURITIES PLC**

**Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the consolidated income statement, consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cashflows and the related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company, as a body, in accordance with our instructions. Our review has been undertaken so that we might state to the company those matters we are required to state to them in a review 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, for our work, for this report, or for the conclusions we have formed.

**Directors' Responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

**Our Responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Crowe Clark Whitehill LLP  
Statutory Auditor

10 Palace Avenue  
Maidstone  
Kent  
ME15 6NF

25th July 2011