

Company No. **5107012**

# **JARVIS SECURITIES PLC**

**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2007**

---

# JARVIS SECURITIES PLC

---

## INDEX TO THE FINANCIAL STATEMENTS For the year ended 31 December 2007

	Page
Company information	1
Highlights	2
Chairman's statement	3
Report of the directors	4
Report of the independent auditors	10
Consolidated income statement	11
Consolidated balance sheet	12
Company balance sheet	13
Consolidated statement of recognised income and expense	14
Consolidated statement of changes in equity	14
Consolidated and company cash flow statements	15
Notes forming part of the financial statements	16
Notice of meeting	27
Form of proxy	29

---

# JARVIS SECURITIES PLC

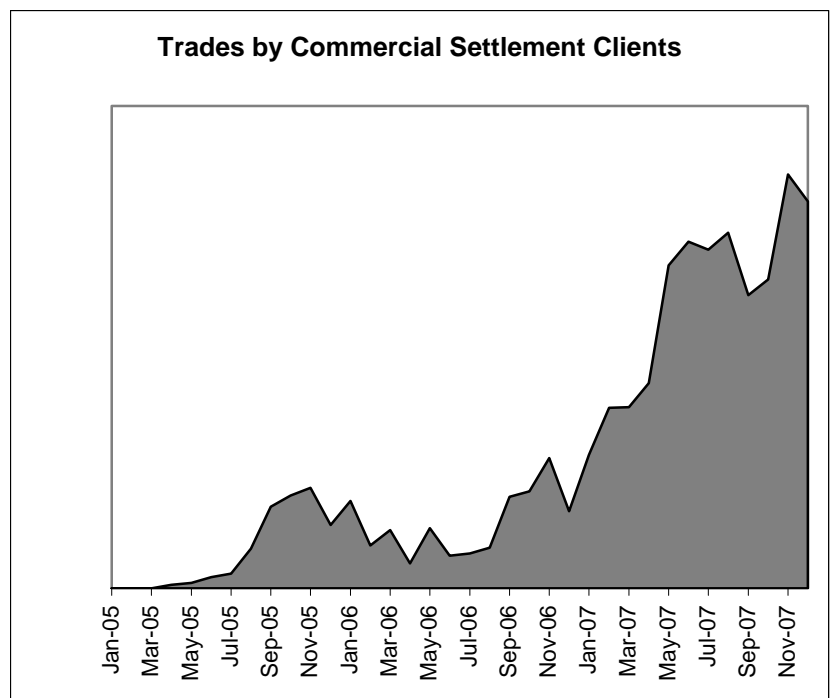
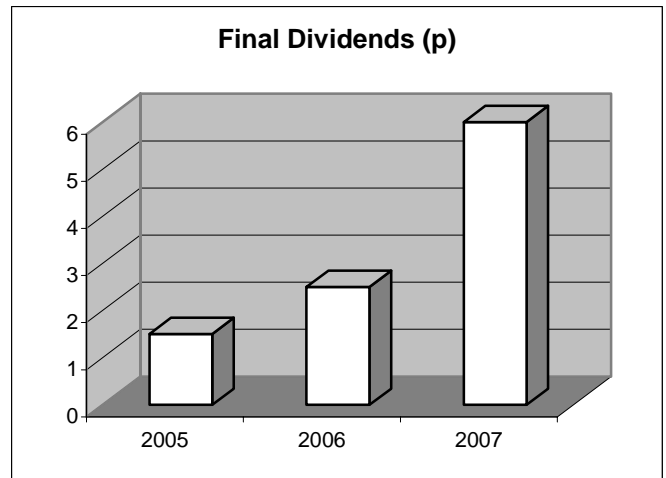
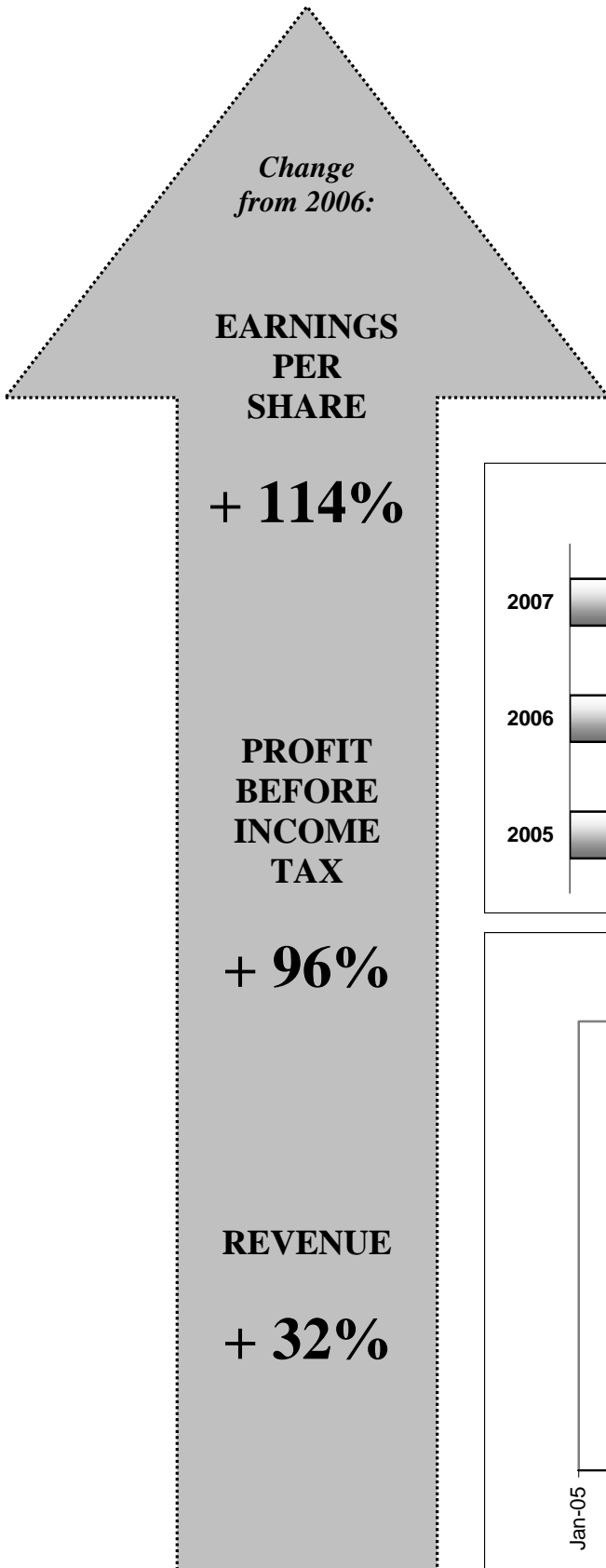
---

## COMPANY INFORMATION

<b>DIRECTORS:</b>	A J Grant M J Edmett J S Mackay	
<b>SECRETARY:</b>	M J Edmett	
<b>REGISTERED OFFICE:</b>	Oxford House 15/17 Mount Ephraim Road Tunbridge Wells Kent TN1 1EN	
<b>REGISTERED NUMBER:</b>	5107012	
<b>AUDITORS:</b>	Horwath Clark Whitehill LLP 10 Palace Avenue Maidstone Kent ME15 6NF	
<b>REGISTRAR:</b>	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA	
<b>BANKERS:</b>	HSBC Bank plc 105 Mount Pleasant Tunbridge Wells Kent TN1 1QP	Anglo Irish Bank Corporation plc 10 Old Jewry London EC2R 8DN
<b>SOLICITORS:</b>	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells TN1 1NX	
<b>NOMINATED ADVISER:</b>	Daniel Stewart & Company 36 Old Jewry London EC2R 8DD	
<b>WEBSITES:</b>	<a href="http://www.jarvisim.co.uk">www.jarvisim.co.uk</a> <a href="http://www.sharedealactive.co.uk">www.sharedealactive.co.uk</a> <a href="http://www.jarvissecurities.co.uk">www.jarvissecurities.co.uk</a> <a href="http://www.sharegain.co.uk">www.sharegain.co.uk</a> <a href="http://www.jarviscfds.co.uk">www.jarviscfds.co.uk</a>	
<b>TRADING ADDRESS:</b>	Oxford House 15/17 Mount Ephraim Road Tunbridge Wells TN1 1EN	

# JARVIS SECURITIES PLC

## HIGHLIGHTS



---

# JARVIS SECURITIES PLC

---

## CHAIRMAN'S STATEMENT

A review of the financial highlights and main statements will clearly demonstrate that it has been another fantastic year for the group. We have been very successful at increasing our client numbers, trade volumes, assets under management, profits and proposed final dividend. No less important, we have maintained or improved the situation with our non-financial key performance indicators as well.

2007 has certainly been a significant milestone in the growth of the business as in addition to the improvements in our retail business we have experienced significant uptake in our outsourced services offering too. Approximately 25% of our revenue now comes from commercial clients and this is an important improvement in the quality and sustainability of our income for the future. Indeed, we view Jarvis as an administration and outsourcing operation rather than an execution-only brokerage. This differentiation of our model and continued concentration on efficiency should reward us with a higher rating than ordinary brokerage firms due to the robust and resilient earnings from our services. I remain disappointed that this message has not been fully understood by the market in rating our shares and we shall continue to promote the special advantages of Jarvis during 2008.

It is easy to become blasé about the scale of achievement when referring to our recent history. It is timely to reflect on the fact that we have an internal aim of 20% growth in profits each year. This is a very demanding goal in itself. However, we were forecast to generate profit before income tax of £1.4M at the start of the year and this broker forecast has been upgraded several times. Despite a very challenging final forecast of £2.2M it is extremely pleasing to note that we have been able to exceed even this level. Whilst I remain confident in Jarvis and its performance for the future, we need to keep in mind what a realistic aim for growth should be. Conditions have deteriorated in the market recently and the interest rate environment may also be turning lower. Having made that caveat though, our pipeline of enquiries is good and there remain a number of new commercial clients in the process of going live. In addition, the number of trades and accounts of our current commercial clients also continue to rise and volatility is still beneficial to our core business as we are not responsible for managing the performance of client portfolios. Whilst 2008 will no doubt have its challenges, we expect to improve performance again in the coming year at this stage. I shall, of course, keep members updated on our progress during the next 12 months just as we have during the last 12 months.

Jarvis will shortly be moving offices to newly renovated, larger and self-contained premises. We have only been in our current premises for five years and when we moved we anticipated that they would have sufficient room for growth for many years. We have gone on to expand faster than expected and this presented us with a problem, albeit for positive reasons. It is imperative that we are positioned for further demand for our services and for assisting our increasing and growing existing client base. We have therefore taken the decision to move into larger premises that have capacity for a significant increase in the number of staff that we now have. This will leave us very well placed to cope with the potential demand. We have also been able to make a number of specific improvements during the refit that should help improve the efficiency of the operation even further. This will be an exciting development for Jarvis.

I would like to thank the entire team for the outstanding efforts made all round. It is just as pleasing to note the improvements in complaint ratios or call handling for me, as it is the jump in revenue and profits. These are the situations that our individuals endeavour to improve upon every day. We strive for efficiency and we have a committed and professional team that are driving Jarvis forward. I am sure that all our members would like to join me in advancing praise once again for the truly magnificent achievements of the group over the past year.



**Andrew J. Grant**  
Chairman

---

# JARVIS SECURITIES PLC

---

## DIRECTORS' REPORT

The directors submit their report and audited financial statements for the year ended 31 December 2007.

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that year. In preparing the financial statements, the directors are required to:

- a) Select suitable accounting policies and then apply them consistently;
- b) Make judgements and estimates that are reasonable and prudent;
- c) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business;
- d) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the group 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 (s. 234ZA(2)).

### Principal activities

The principal activities of the group members consolidated within these accounts are:

Jarvis Securities plc	Group holding company
Jarvis Investment Management plc	Stockbroker (Member of The London Stock Exchange and PLUS markets) HM Revenue and Customs approved PEP and ISA managers Outsourced investment administration and Model B settlement services
Dudley Road Nominees Limited	Dormant nominee company
JIM Nominees Limited	Dormant nominee company
Galleon Nominees Limited	Dormant nominee company
Sharegain Limited	Dormant company

### Business review

Strong growth has resulted in the group's revenue rising by 32.2% to £4,519,116. Profit before income tax has also grown to 196.4% of the 31 December 2006 level, with basic earnings per share up by 113.6%. Group total equity is at £1,632,088 from £1,541,468 a year earlier, a rise of 5.9%.

### The Group

The principal trading subsidiary of the Group is Jarvis Investment Management plc. For regulatory reasons relating to administration and cost, Jarvis Securities plc is the AIM traded parent, holds the assets of the Group and is responsible for activities that fall outside the scope of regulated investment business. Jarvis Investment Management plc 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 Group and therefore compliance with the Rules of both the LSE and FSA is of paramount importance. The Group provides retail execution-only stockbroking; PEP, 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.

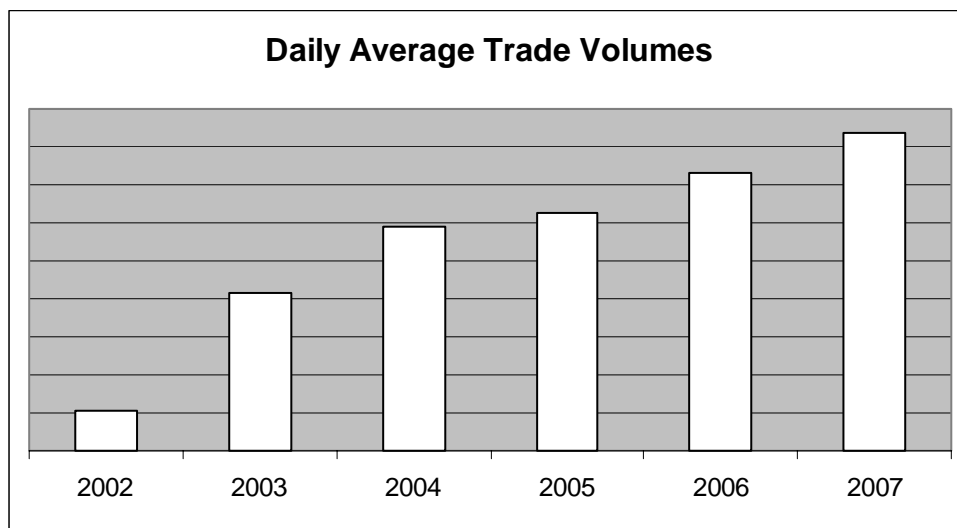
---

# JARVIS SECURITIES PLC

---

## 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 significantly in both these areas during the year under review and expects to continue doing so in 2008. 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.



## Capitalisation and financing

Jarvis Securities plc has 10,800,000 Ordinary 1p shares in issue. These shares are admitted to trading on AIM. The Company has been buying back its shares for cancellation during the year when the Board believed that the share price did not reflect the value of the business. The Company will continue to repurchase shares when its cash position allows. Whilst the business is highly cash generative, and therefore requires no further debt or other external financing, the Board wish to balance the use of cash between the stated dividend policy and any buy-back of shares. Approximately two-thirds of profit after tax is paid out as a dividend, with the other third being reinvested in the business or used for purchasing its own shares as appropriate. This results in the Group having no borrowing requirements and the ability to pay an attractive yield.

## 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 instigated a number of initiatives relating to electronic communication and payment in order to reduce paper usage and the carbon effects of transporting documentation. Jarvis has been storing its client documentation electronically for more than five 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:

- Comic Relief
- British Heart Foundation
- RSPCA

# JARVIS SECURITIES PLC

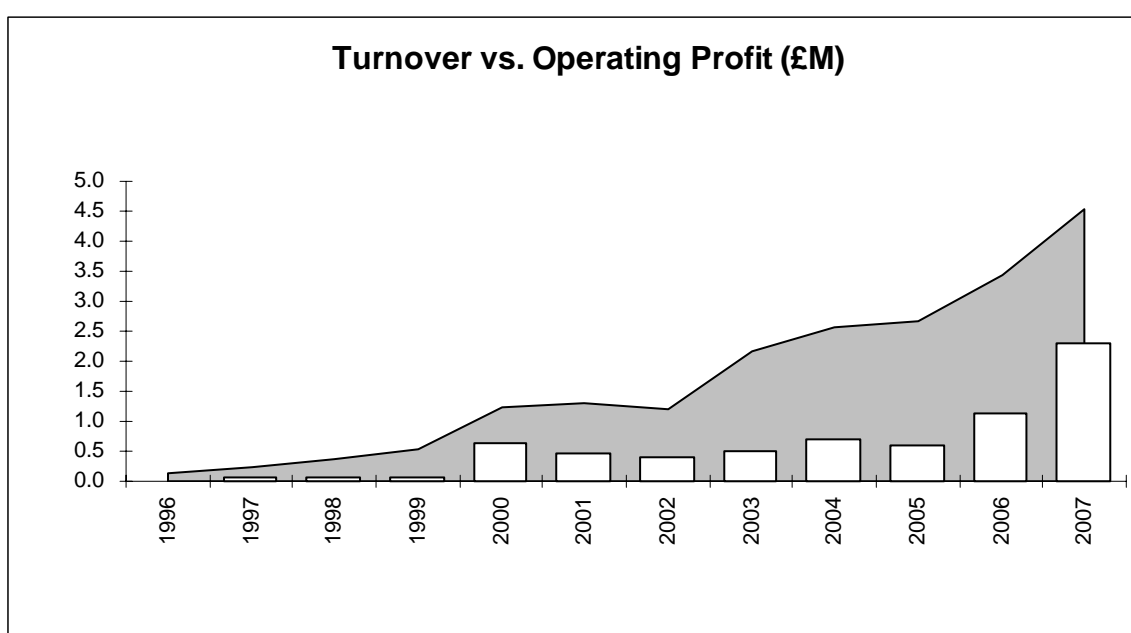
## Key Performance Indicators (KPI)

The primary goal of the Board is efficiency. We believe this to be at the heart of a successful business and we believe that efficiency is central to pleasing all the stakeholders in the Jarvis Securities plc Group. 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 for shareholders. 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 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 Group. The average margin for our competitors is 23.0% (source: ComPeer Q3 2007 Peer Group Report). The Board aims to have significantly higher than average margins and to keep these above 20%.

**2007:** 50.49%  
**2006:** 33.97%



### 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 Group. 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 11.06%.

**2007:** 139.8%  
**2006:** 75.4%

### Revenue per employee

This is revenue per staff member and an increasing rate of revenue per employee represents increasing efficiency. Given that the Group'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.

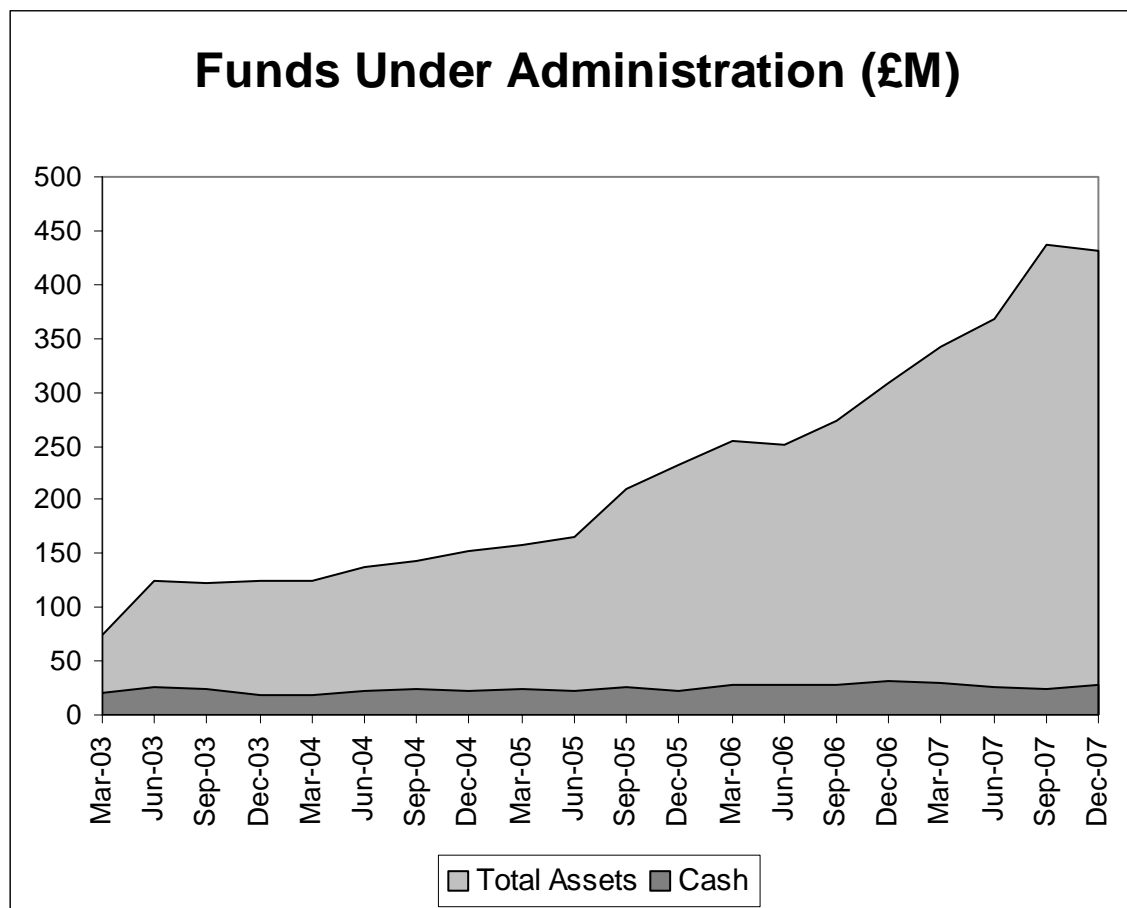
**2007:** 196,483  
**2006:** 155,439  
Revenue increase rate: 26.4% vs. payroll cost increase: 1.65%



# JARVIS SECURITIES PLC

## 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 Group'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 Group into the future.

Rate of Increase (Number): 28.0%  
Rate of Increase (Revenue): 3.27%

## 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. The average amongst our competitors is 5.60 (source: ComPeer annual peer group benchmarking report 2006). Jarvis again had one of the best ratios in the execution-only industry in the last ComPeer annual benchmarking report and we are very proud of this achievement.

2007: 0.50  
2006: 0.51

---

# JARVIS SECURITIES PLC

---

## Calls answered in three rings

Unlike many firms in financial services we still believe in personal attention. Jarvis do not use automated telephone menu systems and we 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:

<b>% of calls answered in three rings in 2007:</b>	<b>89.4%</b>
% of calls answered in three rings in 2006:	88.5%
<b>Total phone calls taken 2007:</b>	<b>129,235</b>
Total phone calls taken 2006:	121,469
Increase in call volumes:	6.39%

These results were adversely affected due to unexpectedly busy periods in the year. Performance has improved over 2006.

## 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.

<b>2007:</b>	<b>1.49%</b>
2006:	1.85%

These results are improved over the prior year but remain behind target.

## EPS and P/E ratio

The principal measures used by investors to compare and rate publicly traded companies are the earnings per share (EPS) and the relative multiple to these earnings of the current share price (the price earnings or P/E ratio). Therefore the Board must have regard to these measures in order to maximise returns to investors. EPS is a result of dividing profit after tax by the average number of shares in issue throughout the period. The P/E ratio is the share price divided by EPS.

The P/E ratio is largely a product of the market price of the shares in the Company and hence is largely beyond the control of the Board. Certain actions can be taken where this is perceived by your Board to be out of sync with comparable firms, such as the purchase of shares for cancellation as undertaken in the year. However this is mainly a result of public perception and is therefore difficult to change.

These measures are important to investors and hence need to be given high regard. The Board aims to grow EPS by at least 25% per year, which is an aggressive target for expanding Jarvis. The Board will continue its efforts to increase the P/E ratio to reflect its belief that Jarvis should have a premium rating to its competitors because of its growth rate, yield and differentiated business model.

<b>2007 EPS:</b>	<b>14.91p</b>
2006 EPS:	6.98p
Rate of change:	114%

<b>2007 P/E ratio:</b>	<b>10.8</b>
2006 P/E ratio:	14.0

## Threats and risks

The main risks to the Jarvis Securities plc group 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 group. This has recently been favourable with interest rates having increased overall in 2007 but following a cut in December 2007 the outlook for 2008 is less certain. Deposit rates have remained higher than the Bank of England base rate however due to the global "credit crunch".
- Market volumes directly affect bargain numbers transacted and hence commission income for the group. The current indications appear favourable but this can change rapidly and unexpectedly and is beyond the control of the firm.
- 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. The expected changes allowing the merging of PEPs and ISAs in April 2008 could result in a reduction in fee income in the short-term from these products.

---

# JARVIS SECURITIES PLC

---

## **Future developments**

Jarvis Securities plc continues to seek further acquisition targets that can be integrated into the operating subsidiary with resultant cost savings and cross-selling opportunities. Jarvis Investment Management plc will continue to actively promote its retail and third party stockbroking and administration services.

## **Results and dividends**

The consolidated profit for the year after income tax amounted to £1,647,767 (2006 £797,566). Ordinary dividends of £730,000 (2006 £458,768) were paid during the year. The balance on the income statement has been carried forward and a final dividend of 6.0p per Ordinary 1p share is proposed by the Board subject to approval at the annual general meeting.

## **Auditor Independence**

The directors have appointed an audit committee, one of whose roles is to ensure the independence of the group's auditors. The auditors are considered to be independent in accordance with the profession's ethical standards.

## **Audit Committee**

The audit committee comprises of, and is chaired by, Mr J S Mackay.

## **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 154 days (2006 91 days). This period has increased due to a dispute with a large supplier during the year.

## **Purchase of own shares**

During the year the company repurchased 480,000 of its own ordinary 1p shares for cancellation. These shares represented 4.23% of the issued share capital and had a total nominal value of £4,800.00. They were purchased for a consideration of £1,125,013 in order to improve the earnings per share of the company. This is in addition to 70,000 shares purchased in the previous year with a nominal value of £700 and cancelled during the year. In addition, 1,000 shares purchased during the year were held in treasury at the year end.

## **Directors**

The directors who served in the year were as follows:-

A J Grant  
M J Edmett  
J S Mackay

## **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

.....  
Mathew J Edmett – Secretary

Date: 25 January 2008

---

# JARVIS SECURITIES PLC

---



## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JARVIS SECURITIES PLC

We have audited the group and parent company financial statements of Jarvis Securities plc (the "financial statements") which comprise the consolidated income statement, consolidated balance sheet, company balance sheet, consolidated statement of recognised income and expense, consolidated statement of changes in equity, consolidated cashflow statement, company cashflow statement and related notes 1 to 27 of Jarvis Securities plc for the year ended 31 December 2007. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company and group have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Financial Highlights and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### UNQUALIFIED OPINION

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007; and
- the information provided in the Directors' Report is consistent with the financial statements.

**HORWATH CLARK WHITEHILL LLP**  
Chartered Accountants  
and Registered Auditors  
Maidstone  
25 January 2008

---

# JARVIS SECURITIES PLC

---

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	<i>Notes</i>	<b>Year to 31/12/07</b>	Year to 31/12/06
		<b>£</b>	<b>£</b>
<b>Continuing operations:</b>			
Revenue	3	<b>4,519,116</b>	3,419,658
Administrative expenses		<b>(2,210,693)</b>	(2,255,165)
Finance costs	5	<b>(26,946)</b>	(2,605)
Profit before income tax	6	<b>2,281,477</b>	1,161,888
Income tax charge	8	<b>(633,710)</b>	(364,322)
Profit for the period	17	<b>1,647,767</b>	797,566
Attributable to equity holders of the parent		<b>1,647,767</b>	797,566
<b>Earnings per share</b>	9	<b>p</b>	<b>p</b>
Basic		<b>14.91</b>	6.98
Diluted		<b>13.98</b>	6.60

The notes on pages 16 to 26 form part of these financial statements

# JARVIS SECURITIES PLC

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	<i>Notes</i>	31/12/07	31/12/06
		£	£
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	10	87,347	105,175
Intangible assets	11	38,485	60,793
Goodwill	11	342,872	342,872
Investments held to maturity	12	20,000	-
Deferred income tax	8	79,407	-
		<b>568,111</b>	508,840
<i>Current assets</i>			
Trade and other receivables	13	8,293,218	5,710,459
Investments held for trading	14	21,599	34,186
Cash and cash equivalents	15	8,962,187	6,561,264
		<b>17,277,004</b>	12,305,909
<b>Total assets</b>		<b>17,845,115</b>	12,814,749
<b>Equity and liabilities</b>			
<i>Capital and reserves</i>			
Share capital	16	108,000	113,500
Share premium	17	789,834	789,834
Capital redemption reserve	17	6,845	1,345
Other reserves	17	34,010	17,696
Retained earnings	17	695,329	688,886
Own shares held in treasury	17	(1,930)	(69,793)
Total equity	17	1,632,088	1,541,468
<i>Non-current liabilities</i>			
Deferred income tax	8	-	13,130
<i>Current liabilities</i>			
Trade and other payables	18	15,609,935	10,909,451
Income tax	18	603,092	350,700
Total liabilities	18	16,213,027	11,260,151
<b>Total equity and liabilities</b>		<b>17,845,115</b>	12,814,749

Approved by the Board on 25 January 2008 and signed on its behalf by:

Andrew J Grant  
 .....A.J. Grant – Director

Mathew J Edmett  
 .....M. J. Edmett – Director

The notes on pages 16 to 26 form part of these financial statements

# JARVIS SECURITIES PLC

## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2007

	<i>Notes</i>	31/12/07	31/12/06
		£	£
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	10	87,347	105,175
Intangible assets	11	38,485	60,793
Goodwill	11	342,872	342,872
Investments held to maturity	12	120,300	100,300
Deferred income tax	8	79,407	-
		<b>668,411</b>	609,140
<i>Current assets</i>			
Trade and other receivables	13	428,770	472,371
Cash and cash equivalents	15	4,115	2,905
		<b>432,885</b>	475,276
<b>Total assets</b>		<b>1,101,296</b>	1,084,416
<b>Equity and liabilities</b>			
<i>Capital and reserves</i>			
Share capital	17	108,000	113,500
Share premium	16	779,934	779,934
Capital redemption reserve	17	6,845	1,345
Other reserves	17	34,010	17,696
Retained earnings	17	95,468	156,694
Own shares held in treasury	17	(1,930)	(69,793)
Total equity	17	1,022,327	999,376
<i>Non-current liabilities</i>			
Deferred income tax	8	-	13,130
<i>Current liabilities</i>			
Trade and other payables	18	75,896	71,910
Income tax	18	3,073	-
Total liabilities	18	78,969	71,910
<b>Total equity and liabilities</b>		<b>1,101,296</b>	1,084,416

Approved by the Board on 25 January 2008 and signed on its behalf by:

Andrew J Grant  
 .....A.J. Grant – Director

Mathew J Edmett  
 .....M. J. Edmett – Director

The notes on pages 16 to 26 form part of these financial statements

# JARVIS SECURITIES PLC

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR

	<i>Notes</i>	<b>Year to 31/12/07</b>	Year to 31/12/06
		<b>£</b>	£
Purchase of own shares	17	<b>(1,125,013)</b>	(333,228)
Sale of shares from treasury	17	<b>252,247</b>	159,990
Deferred tax asset on share options	8	<b>29,305</b>	-
Net income recognised directly in equity		<b>(843,461)</b>	(173,238)
Profit for the period	17	<b>1,647,767</b>	797,566
<b>Total recognised income and expense for the period</b>		<b>804,306</b>	624,328
<b>Attributable to equity holders of the parent</b>		<b>804,306</b>	624,328

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR

	Share capital	Share premium	Capital redemption reserve	Other reserves	Retained earnings	Own shares held	Attributable to equity holders of the parent
	£	£	£	£	£	£	£
<b>Balance at 1/1/06</b>	114,845	789,834	-	8,848	472,412	(18,879)	1,367,060
Purchase of own shares	-	-	-	-	-	(333,228)	(333,228)
Sale of shares from treasury	-	-	-	-	-	159,990	159,990
<i>Net income recognised directly in equity</i>	-	-	-	-	-	(173,238)	(173,239)
Cancellation of own shares	(1,345)	-	1,345	-	(122,324)	122,324	-
Expense of employee options	-	-	-	8,848	-	-	8,848
Profit for the period	-	-	-	-	797,566	-	797,566
Dividends	-	-	-	-	(458,768)	-	(458,768)
<b>Balance at 31/12/06</b>	113,500	789,834	1,345	17,696	688,886	(69,793)	1,541,468
Purchase of own shares	-	-	-	-	-	(1,125,013)	(1,125,013)
Sale of shares from treasury	-	-	-	-	-	252,247	252,247
Deferred tax asset on share options	-	-	-	-	29,305	-	29,305
<i>Net income recognised directly in equity</i>	-	-	-	-	29,305	(872,766)	(843,461)
Cancellation of own shares	(5,500)	-	5,500	-	(940,629)	940,629	-
Expense of employee options	-	-	-	16,314	-	-	16,314
Profit for the period	-	-	-	-	1,647,767	-	1,647,767
Dividends	-	-	-	-	(730,000)	-	(730,000)
<b>Balance at 31/12/07</b>	108,000	789,834	6,845	34,010	695,329	(1,930)	1,632,088



# JARVIS SECURITIES PLC

## CASHFLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

	CONSOLIDATED		COMPANY	
	Year to 31/12/07	Year to 31/12/06	Year to 31/12/07	Year to 31/12/06
	£	£	£	£
<b>Cash flow from operating activities</b>				
Profit before income tax	2,281,477	1,161,888	1,519,939	744,104
Loss on disposal of property, plant and equipment	-	749	-	749
Depreciation and amortisation	64,376	80,385	64,376	80,385
Cost of share options	16,314	8,848	16,314	8,848
Finance costs	26,946	2,605	(983)	48
	<b>2,389,113</b>	1,254,475	<b>1,599,646</b>	834,134
Decrease/(increase) in trade and other receivables	18,201	(581,828)	22,601	(163,414)
Decrease/(increase) in investments held for trading	12,587	(1,009)	-	-
Increase in trade payables	107,693	50,356	3,986	8,841
<b>Cash generated from operations</b>	<b>2,527,594</b>	721,994	<b>1,626,233</b>	679,561
Interest paid	(26,946)	(2,605)	-	(48)
Interest received	-	-	983	-
Income tax (paid)/received	(444,550)	(201,932)	21,000	-
Net cash from operating activities	<b>2,056,098</b>	517,457	<b>1,648,216</b>	679,513
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(24,240)	(64,659)	(24,240)	(64,659)
Proceeds on disposal of property, plant and equipment	-	15,977	-	15,977
Purchase of other long term assets	(20,000)	-	(20,000)	-
	<b>(44,240)</b>	(48,682)	<b>(44,240)</b>	(48,682)
<b>Cash flows from financing activities</b>				
Proceeds from sale of treasury shares	252,247	159,990	252,247	159,990
Purchase of own shares	(1,125,013)	(333,228)	(1,125,013)	(333,228)
Dividends paid	(730,000)	(458,768)	(730,000)	(458,768)
Net cash used in financing activities	<b>(1,602,766)</b>	(632,006)	<b>(1,602,766)</b>	(632,006)
Net increase/(decrease) in cash and cash equivalents	<b>409,092</b>	(163,231)	<b>1,210</b>	(1,175)
Cash and cash equivalents at the start of the year	<b>471,499</b>	634,730	<b>2,905</b>	4,080
Cash and cash equivalents at the end of the year	<b>880,591</b>	471,499	<b>4,115</b>	2,905

---

# JARVIS SECURITIES PLC

---

## 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 1985 applicable to companies reporting under IFRS for the first time for the purpose of preparing financial statements for the year ended 31 December 2007. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, and financial assets and liabilities at fair value through profit or loss.

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.

The following IFRS standards, amendments and interpretations are effective for the company from 1 January 2008 and hence have not been adopted within these financial statements. The adoptions of these standards, amendments and interpretations is not expected to have a material impact on the company's profit for the year or equity:

IAS 1 Presentation of Financial Statements (revised September 2007)  
IAS 14 Segment Reporting (revised January 2008)  
IAS 23 Borrowing Costs (revised March 2007)  
IAS 27 Consolidated and Separate Financial Statements (January 2008)  
IFRS 2 Share Based Payment Vesting Conditions and Cancellations (revised January 2008)  
IFRS 3 Business Combinations (revised January 2008)  
IFRIC11 IFRS2 Group and Treasury Share Transactions  
IFRIC 12 Service Concession Arrangements  
IFRIC 13 Customer Loyalty Programmes  
IFRIC 14 IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction

Reconciliations and descriptions of the effect of the transition from UKGAAP to IFRS on the Group's equity and net income and cash flows are shown in Note 27. The implementation of IFRS has had no material impact on the cash flow statement of the Group.

The preparation of 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 financial statements, are disclosed in Note 22.

### 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 plc, Sharegain Limited, JIM Nominees Limited, Galleon Nominees Limited and Dudley Road Nominees Limited made up to 31 December 2007.

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 S230(3) of the Companies Act 1985.

---

# JARVIS SECURITIES PLC

---

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

### (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.

### (d) Intangible assets

Intangible assets are capitalised at their fair value on acquisition and carried at cost less accumulated amortisation. Amortisation is provided on cost in equal annual instalments over the lives of the assets at the following rates:

Databases	-	4% on cost
Software developments	-	33% on cost
Website	-	33% on cost

### (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.

### (f) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary 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) Stockbroking balances

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

### (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

---

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

### **(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 to maturity**

Investments held to maturity are stated at cost. An investment is classified in this category if acquired principally with the intention of holding indefinitely. Assets in this category are classified as non-current.

#### **Investment 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.

### **(m) Cashflow statement**

Cash movements relating to stockbroking balances derived from client trading are excluded from the cashflow statement 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 CREST, 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.

### **(n) Foreign Exchange**

The company offers settlement of trades in sterling, US dollars, euros, Canadian dollars, Australian dollars, South African rand 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.

### **(o) 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.

# JARVIS SECURITIES PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Group revenue

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

	2007	2006
	£	£
Interest received on stockbroking accounts net of interest paid to clients	1,895,453	1,508,974
Fees, commissions, foreign exchange gains and other revenue	2,623,663	1,910,684
	<u>4,519,116</u>	<u>3,419,658</u>

### 4. Segmental information

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

### 5. Finance costs

	2007	2006
	£	£
Interest on bank loans, overdrafts and income tax	26,946	2,605
Interest paid to clients on cash savings products	52,664	160,961
	<u>79,610</u>	<u>163,566</u>

Interest paid on cash savings products is included within administrative expenses as the holding of client monies and the earning and paying of interest upon these is a core part of the business activities of Jarvis Investment Management plc.

### 6. Profit before income tax

	2007	2006
	£	£
Profit before income tax is stated after charging:		
Directors' emoluments	348,331	378,330
Depreciation – owned assets	39,564	80,385
Amortisation	24,812	20,635
Operating lease rentals – hire of machinery	8,657	5,766
Operating lease rentals – land and buildings	35,750	26,371
Loss on disposal of fixed assets	-	749
Finance costs	62,185	163,566

### Directors' emoluments

Fees	325,475	361,050
Pension contributions	11,964	10,764
Cost of share options	10,892	6,516
	<u>348,331</u>	<u>378,330</u>

### Details of the highest paid director are as follows:

Aggregate emoluments	181,001	141,001
Company contributions to personal pension scheme	11,964	10,764
Cost of share options	6,206	3,430
	<u>199,171</u>	<u>155,195</u>

Benefits are accruing for one director (2006 one director) under a money purchase pension scheme.

### Staff Costs

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

	Number	Number
Management and administration	<u>23</u>	<u>22</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	773,134	766,071
Pension contributions	11,964	10,764
Social security	85,473	86,787
Cost of share options	16,314	8,848
	<u>886,885</u>	<u>872,470</u>

### Key personnel

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

# JARVIS SECURITIES PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

### 7. Auditors' remuneration

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

	2007	2006
	£	£
Fees payable to the company's auditors for the audit of the company's annual financial statements	8,700	8,525
<i>Fees payable to the company's auditors and its associates for other services:</i>		
The audit of the company's subsidiaries, pursuant to legislation	7,000	7,000
Total audit fees	15,700	15,525
Other services relating to taxation	3,225	3,000
All other services	12,235	13,150
	<u>31,160</u>	<u>31,675</u>

The audit costs of the subsidiaries were invoiced to and met by Jarvis Securities plc.

### 8. Income and deferred tax charges

	2007	2006
	£	£
Based on the adjusted results for the year:		
UK corporation tax	697,336	350,700
Adjustments in respect of prior years	(395)	492
Total current income tax	696,941	351,192
<i>Deferred income tax:</i>		
Origination and reversal of timing differences	(8,991)	13,130
Deferred tax on share options granted	(54,240)	-
Income tax on profit	<u>633,710</u>	<u>364,322</u>

The income tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit before income tax	2,281,477	1,161,888
Profit before income tax multiplied by the standard rate of corporation tax in the UK of 30% (2006 – 30%)	684,443	348,566
<i>Effects of:</i>		
Expenses not deductible for tax purposes	9,593	5,670
Income not taxable for tax purposes	-	(6,190)
Adjustments to tax charge in respect of previous years	(395)	492
Marginal relief	(1,594)	-
Cost of share options	4,894	2,654
Current income tax charge for the year	<u>696,941</u>	<u>351,192</u>

#### *Movement in provision:*

Provision at start of year	13,130	-
Deferred income tax charged in the income statement for the year	(63,232)	13,130
Deferred income tax charged to equity for the year	(29,305)	-
Provision at end of year	<u>(79,407)</u>	<u>13,130</u>
<i>Provision for deferred income tax:</i>		
Accelerated capital allowances	4,138	13,130
Share options granted	(83,545)	-
	<u>(79,407)</u>	<u>13,130</u>

# JARVIS SECURITIES PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

### 9. Earnings per share

	2007	2006
	£	£
Earnings for the purposes of basic and diluted earnings per share (profit (loss) for the period attributable to the equity holders of the parent)	<u>1,647,767</u>	<u>797,566</u>

Date	Event	Number	Days		
<b>Basic earnings per share:</b>					
1/1/06	Balance at 1/1/06	11,484,545	8		251,716
9/1/06	Cancellation of treasury shares	11,460,000	173		5,431,726
18/9/06	Cancellation of treasury shares	11,400,000	160		4,997,260
7/12/06	Cancellation of treasury shares	11,350,000	24		746,301
1/1/07	Balance at 1/1/07	11,350,000	7	217,671	
8/1/07	Cancellation of treasury shares	11,280,000	73	2,256,000	
21/3/07	Cancellation of treasury shares	11,200,000	37	1,135,342	
27/4/07	Cancellation of treasury shares	11,000,000	124	3,736,986	
29/8/07	Cancellation of treasury shares	10,900,000	123	3,673,150	
31/12/07	Cancellation of treasury shares	10,800,000	1	29,589	
				<u>11,048,738</u>	<u>11,427,003</u>
<b>Diluted earnings per share:</b>					
1/1/06	Balance at 1/1/06	12,134,545	8		265,962
9/1/06	Cancellation of treasury shares	12,110,000	173		5,739,808
18/9/06	Cancellation of treasury shares	12,050,000	160		5,282,192
7/12/06	Cancellation of treasury shares	12,000,000	24		789,041
1/1/07	Balance at 1/1/07	12,000,000	7	230,137	
8/1/07	Cancellation of treasury shares	11,930,000	73	2,386,000	
21/3/07	Cancellation of treasury shares	11,850,000	37	1,201,233	
27/4/07	Cancellation of treasury shares	11,650,000	124	3,957,808	
18/5/07	Grant of options	11,880,000	21	683,507	
29/8/07	Cancellation of treasury shares	11,780,000	102	3,291,945	
31/12/07	Cancellation of treasury shares	11,680,000	1	32,000	
				<u>11,782,630</u>	<u>12,077,003</u>

### 10. Property, plant and equipment

	Leasehold Improvements	Motor Vehicle	Office Equipment	Total
	£	£	£	£
<b>Cost:</b>				
At 1 January 2007	49,203	24,160	202,484	275,847
Additions	7,009	2,897	11,830	21,736
Disposals	-	-	-	-
At 31 December 2007	<u>56,212</u>	<u>27,057</u>	<u>214,314</u>	<u>297,583</u>
<b>Depreciation:</b>				
At 1 January 2007	31,050	3,926	135,696	170,672
Charge for the year	10,141	3,986	25,437	39,564
On Disposal	-	-	-	-
At 31 December 2007	<u>41,191</u>	<u>7,912</u>	<u>161,133</u>	<u>210,236</u>
<b>Net Book Value:</b>				
At 31 December 2007	<u>15,021</u>	<u>19,145</u>	<u>53,181</u>	<u>87,347</u>
At 31 December 2006	<u>18,153</u>	<u>20,234</u>	<u>66,788</u>	<u>105,175</u>

# JARVIS SECURITIES PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

### 11. Intangible assets and goodwill

	Goodwill	Databases	Software Development	Website	Total
	£	£	£	£	£
<b>Cost:</b>					
At 1 January 2007	342,872	25,000	91,017	70,185	529,074
Additions	-	-	2,504	-	2,504
Disposals	-	-	-	-	-
At 31 December 2007	342,872	25,000	93,521	70,185	531,578
<b>Amortisation:</b>					
At 1 January 2007	-	3,177	76,577	45,655	125,409
Charge for the year	-	1,250	12,802	10,760	24,812
On Disposal	-	-	-	-	-
At 31 December 2007	-	4,427	89,379	56,415	150,221
<b>Net Book Value:</b>					
At 31 December 2007	342,872	20,573	4,142	13,770	381,357
At 31 December 2006	342,872	21,823	14,440	24,530	403,665

### 12. Investments held to maturity

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
<b>Unlisted Investments:</b>				
<i>Cost:</i>				
At 1 January 2007	-	-	100,300	100,300
Additions	20,000	-	20,000	-
Disposals	-	-	-	-
As at 31 December 2007	20,000	-	120,300	100,300

Unlisted investments are interests held in the following companies registered in the United Kingdom:

	<i>Shareholding</i>	<i> Holding</i>	<i>Business</i>
Jarvis Investment Management plc	100% 10,030,000	1p Ordinary shares	Financial Administration
Alexander David Holdings Limited	1.3% 200	1p Ordinary shares	Stockbrokers

### 13. Trade and other receivables

	Group		Company	
<i>Amounts falling due within one year:</i>	2007	2006	2007	2006
	£	£	£	£
Trade receivables	6,988,801	4,355,025	56,750	36,263
Amounts owed by group undertakings	53,897	254,496	21,000	254,496
Other receivables	172,182	163,519	135,089	143,134
Income tax	-	-	-	21,000
Prepayments and accrued income	1,078,338	937,419	215,931	17,478
	8,293,218	5,710,459	428,770	472,371

Trade receivables include £6,914,936 (2006 £4,313,978) in respect of delivery versus payment transactions for the settlement of client bargains.

Amounts owed by group undertakings for the Group includes £53,897 for group tax relief due from Sion Holdings Limited and £21,000 for the Company relating to a payment for group tax relief due from Jarvis Investment Management plc. Other receivables include £ nil (2006 £181) due from Mr A J Grant, a director of the company.



# JARVIS SECURITIES PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

### 14. Investments held for trading

	Group		Company	
	2007	2006	2007	2006
<b>Listed Investments:</b>				
Valuation:				
At 1 January 2007	34,186	33,177	-	-
Additions	534,880	716,903	-	-
Disposals	(547,467)	(715,894)	-	-
As at 31 December 2007	<u>21,599</u>	<u>34,186</u>	<u>-</u>	<u>-</u>

Listed investments are stated at their market value at 31 December 2007.

### 15. Cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Balance at bank and in hand - company	880,591	471,499	4,115	2,905
Balance at bank and in hand – client balances	8,081,596	6,089,765	-	-
	<u>8,962,187</u>	<u>6,561,264</u>	<u>4,115</u>	<u>2,905</u>

Cash at bank includes £8,081,596 (2006 £6,089,765) 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.

### 16. Share capital

	2007	2006
	£	£
<b>Authorised:</b>		
16,000,000 Ordinary shares of 1p each	<u>160,000</u>	<u>160,000</u>
<b>Allotted, issued and fully paid:</b>		
10,800,000 (2006: 11,350,000) Ordinary shares of 1p each	<u>108,000</u>	<u>113,500</u>

During the year the company repurchased 480,000 of its own ordinary 1p shares for cancellation and also cancelled 70,000 shares purchased in the previous year. A further 1,000 shares purchased were held in Treasury at the year end.

A total of 600,000 options were granted to directors and employees on admission of the company to trading on AIM on 23 December 2004 and a further 50,000 to a director on 20 January 2006. These options were granted with an exercise price of 82.5p and are first exercisable on 23 December 2009 and with a last exercise date of 23 December 2014. In addition, 230,000 options were granted on 18 May 2007 to directors and employees with an exercise price of 175p and are first exercisable on 17 May 2012 and with a last exercise date of 17 May 2017.

The following options were granted to directors:

	at 82.5p	at 175p
A J Grant	<u>273,500</u>	<u>76,500</u>
M J Edmett	175,000	50,000
J S Mackay	50,000	-

# JARVIS SECURITIES PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

### 17. Capital and reserves – Group

	Share capital	Share premium	Capital redemption reserve	Other reserves	Retained earnings	Own shares held in treasury	Total equity
	£	£	£	£	£	£	£
At 1 January 2006	114,845	789,834	-	8,848	472,412	(18,879)	1,367,060
Profit for the financial year	-	-	-	-	797,566	-	797,566
Expense of employee options	-	-	-	8,848	-	-	8,848
Dividends	-	-	-	-	(458,768)	-	(458,768)
Purchase of own shares	-	-	-	-	-	(333,228)	(333,228)
Cancellation of own shares	(1,345)	-	1,345	-	(122,324)	122,324	-
Sale of shares from treasury	-	-	-	-	-	159,990	159,990
At 31 December 2006	113,500	789,834	1,345	17,696	688,886	(69,793)	1,541,468
Profit for the financial year	-	-	-	-	1,647,767	-	1,647,767
Expense of employee options	-	-	-	16,314	-	-	16,314
Deferred tax charged to equity	-	-	-	-	29,305	-	29,305
Dividends	-	-	-	-	(730,000)	-	(730,000)
Purchase of own shares	-	-	-	-	-	(1,125,013)	(1,125,013)
Cancellation of own shares	(5,500)	-	5,500	-	(940,629)	940,629	-
Sale of shares from treasury	-	-	-	-	-	252,247	252,247
At 31 December 2007	108,000	789,834	6,845	34,010	695,329	(1,930)	1,632,088

### Capital and reserves – company

	Share capital	Share premium	Capital redemption reserve	Other reserves	Retained earnings	Own shares held in treasury	Total equity
	£	£	£	£	£	£	£
At 1 January 2006	114,845	779,934	-	8,848	6,446	(18,879)	891,194
Profit for the financial year	-	-	-	-	731,340	-	731,340
Expense of employee options	-	-	-	8,848	-	-	8,848
Dividends	-	-	-	-	(458,768)	-	(458,768)
Purchase of own shares	-	-	-	-	-	(333,228)	(333,228)
Cancellation of own shares	(1,345)	-	1,345	-	(122,324)	122,324	-
Sale of shares from treasury	-	-	-	-	-	159,990	159,990
At 31 December 2006	113,500	779,934	1,345	17,696	156,694	(69,793)	999,376
Profit for the financial year	-	-	-	-	1,580,098	-	1,580,098
Expense of employee options	-	-	-	16,314	-	-	16,314
Deferred tax charged to equity	-	-	-	-	29,305	-	29,305
Dividends	-	-	-	-	(730,000)	-	(730,000)
Purchase of own shares	-	-	-	-	-	(1,125,013)	(1,125,013)
Cancellation of own shares	(5,500)	-	5,500	-	(940,629)	940,629	-
Sale of shares from treasury	-	-	-	-	-	252,247	252,247
At 31 December 2007	108,000	779,934	6,845	34,010	95,468	(1,930)	1,022,327

Other reserves relates to the provision for the estimated cost of employee share options. 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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

### 18. Trade and other payables

<i>Amounts falling due within one year:</i>	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade payables	15,449,512	10,646,884	57,196	18,323
Amounts owed to group companies	-	-	-	-
Other taxes and social security	78,512	56,295	-	-
Other payables and provisions	28,044	64,860	-	35,562
Accruals	53,867	141,412	18,700	18,025
<b>Trade and other payables</b>	<b>15,609,935</b>	<b>10,909,451</b>	<b>75,896</b>	<b>71,910</b>
Income tax	603,092	350,700	3,073	-
<b>Total liabilities</b>	<b>16,213,027</b>	<b>11,260,151</b>	<b>78,969</b>	<b>71,910</b>

Trade payables include £14,996,532 (2006 £10,403,742) in respect of delivery versus payment transactions for the settlement of client bargains.

### 19. Dividends

	2007	2006
	£	£
Interim dividends paid on Ordinary 1p shares	448,000	458,768
Final dividends paid on Ordinary 1p shares	282,000	-
	<b>730,000</b>	<b>458,768</b>
Dividend per Ordinary 1p share	<b>6.5p</b>	<b>4.0p</b>

### 20. Operating lease commitments

At 31 December 2007 the group was committed to making the following payments during the next year in respect of operating leases which expire:

	Equipment	Land & buildings
	£	£
After more than five years:	<b>10,566</b>	<b>63,500</b>

On 26 September 2007 the company entered into a lease with Sion Holdings Limited, its parent company, for the rental of Tudor House, a self-contained office building. The company also surrendered its existing lease with Sion Holdings Limited without penalty to enable it to relocate to Tudor House in early 2008 following refitting of the premises. The additional floor space is required by the company to support its planned expansion. 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.

In addition, 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.

### 21. Financial Instruments

The group'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 group's trading activities.

The only financial asset of the group is cash and cash equivalents which is denominated in sterling and which is detailed in note 15. The group operates a low risk investment policy and surplus funds are placed on deposit with at least A rated banks at floating interest rates.

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

# JARVIS SECURITIES PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

### 22. 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 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. 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.

### 23. Immediate and ultimate parent undertaking

The company's immediate and ultimate parent undertaking is Sion Holdings Limited, a company registered in England and Wales. The largest set of accounts that Jarvis Securities plc is consolidated into is that of Sion Holdings Limited. Sion Holdings Limited is controlled by Mr A J Grant by virtue of his majority shareholding.

### 24. Related party transactions

At the year end Sion Holdings Limited had an outstanding inter-company loan balance due to Jarvis Securities plc of £nil (2006 £254,496). Sion Holdings Limited owed Jarvis Securities plc £5,000 at the year end for invoiced services.

On 26 September 2007 the company entered into a lease with Sion Holdings Limited, its parent company, for the rental of Tudor House, 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 year the company made a management charge of £10,000 to Sion Holdings Ltd for office and administrative services and paid Sion Holdings Limited rent of £19,875 for Oxford House, £63,500 being a year's rent in advance for Tudor House and £15,875 rent deposit under the terms of the lease of Tudor House.

Further the company paid Sion Holdings Limited a premium of £175,000 on the assignment of the new lease of Tudor House. 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.

In addition, Sion Holdings Limited owed Jarvis Investment Management plc £53,897 at the year end for group relief on income tax resulting from the tax calculations made for the Group and Sion Holdings Limited, the ultimate parent undertaking, for the year ended 31 December 2007.

### 25. Event after the balance sheet date

The Board proposes the payment of a final dividend of 6.0p per Ordinary 1p share to holders on the register on 1 February 2008 for payment on the 7 March 2008 subject to approval at the annual general meeting of the company.

### 26. Capital commitments

The company was committed to making payments totalling £36,700 (2006 £ nil) after the year end for services contracted for at the 31 December 2007. These commitments related to refit costs for the Group's new offices.

### 27. Reconciliation of amounts reported under previous UK GAAP to IFRS

The Group adopted IFRS on 1 January 2007. A reconciliation of equity and profit reported under previous UK GAAP to that stated in the financial statements under IFRS is given below in accordance with the requirements of IFRS 1.

	2006
	£
Total equity reported under UK GAAP	1,520,833
IFRS adjustment – amortisation of goodwill	19,385
IFRS adjustment – amortisation of intangible assets	1,250
Total equity reported under IFRS	<u>1,541,468</u>
Total profit reported under UK GAAP	776,931
IFRS adjustment – amortisation of goodwill	19,385
IFRS adjustment – amortisation of intangible assets	1,250
Total profit reported under IFRS	<u>797,566</u>

---

# JARVIS SECURITIES PLC

---

## NOTICE AND ARRANGEMENTS FOR THE ANNUAL GENERAL MEETING OF JARVIS SECURITIES PLC

Notice is hereby given for the above meeting of the Company.

The meeting is to be held on **Friday 29 February 2008**. The Annual General Meeting will commence at **11:00 am**.

The Ordinary Resolutions to be considered are:

1. To approve the Directors' Report and Accounts for the year ended 31 December 2007.
2. To re-appoint Messrs. Horwath Clark Whitehill LLP as auditors.
3. To approve the Final Dividend for the year proposed by the Directors of 6.0p per Ordinary 1p share to holders on the register at 8 February 2008 and payable on 14 March 2008.

The Special Resolution to be considered is:

4. To renew the authority granted at the Extraordinary General Meeting of 28 September 2005 allowing the company to repurchase its own shares for Treasury or cancellation up to a maximum level of 10% of the Ordinary shares in issue at that date (being 11,484,545 Ordinary 1p shares).

The meeting is scheduled to be held at the Company's offices at:

Tudor House  
78 Mount Ephraim  
Tunbridge Wells  
Kent  
TN4 8BG

If you have any special requirements for access or facilities then please let us know in advance so that appropriate arrangements can be made. A location map and directions can be supplied upon request.

---

# JARVIS SECURITIES PLC

---

## NOTES

# JARVIS SECURITIES PLC

## Jarvis Securities plc FORM OF PROXY FOR USE AT THE ANNUAL GENERAL MEETING

I/We (block capitals, please).....

.....  
a member(s) of the above named Company hereby appoint the **chairman of the meeting**

.....  
as *my/our* proxy to vote for *me/us* on *my/our* behalf at the Annual General Meeting of the Company to be held on **Friday 29 February 2008 at 11.00 am** and at any adjournment thereof.

**Signature:** .....

**Dated:** .....

Please indicate with an 'X' in the spaces below how you wish your vote to be cast

		<b>For</b>	<b>Against</b>
Ordinary Resolution	To approve the Directors' Report and Accounts for the year ended 31 December 2007		
Ordinary Resolution	To re-appoint Messrs Horwath Clark Whitehill LLP as auditors		
Ordinary Resolution	To approve the proposed Final Dividend		
Special Resolution	To renew the authority for the Company to repurchase its own shares for Treasury or cancellation in accordance with the terms of the Authority granted on 28 September 2005.		

### NOTES

1. A Member may appoint a proxy of his/her own choice. If such an appointment is made, delete the words 'the Chairman of the meeting' and insert the name of the person appointed proxy in the space provided.
2. If this form is returned without any indication as to how the person appointed proxy shall vote, he/she will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.
3. To be valid, this form must be completed and deposited at the offices of the Company not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.

---

# JARVIS SECURITIES PLC

---

## Jarvis Securities plc

Oxford House  
15/17 Mount Ephraim Road  
Tunbridge Wells  
Kent  
TN1 1EN

Tel: 0870 224 1111  
Fax: 0870 224 1119

Email: [invest@jarvisim.co.uk](mailto:invest@jarvisim.co.uk)