RNS Number : 6098Z
Jarvis Securities plc
08 August 2024

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Jarvis Securities

("Jarvis", the "Company" or the "Group")

Interim Results for the Six Months Ended 30 June 2024

Chairman's statement

- £877,151 (12.0%) decrease in revenue versus six months to 30 June 2023
- £1,100.983 (28.9%) decrease in profit before tax versus six months to 30 June 2023
- Cash under administration has decreased 15.5% versus 30 June 2023
- EPS decreased to 4.55p (2023: 6.52p)

As announced on 27 June 2024, Jarvis continues to work through the skilled person recommendations and is creating an additional remediation plan to address the points arising from the report. Phase 2, which requires the Skilled Person to review the remediation work undertaken by JIML on the matters raised in any of the three s.166 reports, has now commenced and is expected to be completed by Q4 2024. As part of this work the Skilled Person will also be required to provide a Reasonable Assurance Opinion to the FCA (confirming the Skilled Person is confident as to the completeness of the remediation) along with any final recommendations.

The voluntary agreed restrictions (the "VREQ") on JIML, as announced on 16th September 2022, remain in place. JIML will continue to work with the Skilled Person and the FCA with the aim of having these restrictions lifted on its impacted Model B clients as soon as possible.

The ramifications of the S166 review and costs of remediation, combined with market transaction volumes that continue to remain subdued, are reflected in the financial performance for the period. Fortunately, interest rates have remained relatively constant during the past six months, which has been beneficial for Jarvis enabling it to meet these costs and continue to produce overall profit.

Current Trading

Due to subdued trading volumes; the increasing costs of the Skilled Person review; the costs of the associated remediation work and the ongoing impact of the VREQ on the Company's Model B clients, the directors anticipate that the trading for the full year ending 31 December 2024 will be significantly below market expectations.

Outlook

Although the regulatory review is ongoing, as a firm we are currently committed to working through it and emerging in a more robust state and ready to focus on the future of the firm and its plans for growth.

As always, I would like to thank our staff for their relentless hard work and support over what continues to be a difficult period for the firm.

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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 2024 where measurement over a year is required.

KPI:	**30/6/24**	30/6/23	Target
Profit before tax margin	**42%**	52%	20%
Revenue per employee (*annualised)*	**£238,821**	£261,618	to increase

Company No.: 5107012

Consolidated income statement for the period ended 30 June 2024

	Notes	**Six months ended 30/6/24 (unaudited)**	Six months ended 30/6/23 (unaudited)
		£	£
Continuing operations			
Revenue		**6,448,156**	7,325,307
Administrative expenses		**(3,345,214)**	(3,261,721)
Exceptional administrative expenses		**(382,399)**	(240,289)
Lease finance costs		**(7,211)**	(8,982)
Profit before income tax		**2,713,332**	3,814,315
Income tax charge	4	**(680,078)**	(896,364)
Profit for the period		**2,033,254**	2,917,951
Attributable to equity holders of the parent		**2,033,254**	2,917,951
Earnings per share	5	**P**	P
Basic		**4.55**	6.52

Consolidated statement of financial position at 30 June 2024

	Notes	**30/6/24 (unaudited)**	31/12/23 (audited)	30/6/23 (unaudited)
		£	£	£
Assets				
Non-current assets				
Property, plant and equipment		461,087	505,184	551,519
Intangible assets		32,652	45,331	58,118
Goodwill		342,872	342,872	342,872
		836,612	893,387	952,509
Current assets				
Trade and other receivables		2,803,881	2,011,608	2,529,667
Investments held for trading		18,371	11,966	9,638
[illegible]		[illegible]	[illegible]	[illegible]

Cash and cash equivalents		5,928,453	5,514,075	5,705,734
		8,750,706	7,537,649	8,245,039
Total assets		9,587,318	8,431,036	9,197,548
Equity and liabilities				
Capital and reserves				
Share capital	7	111,828	111,828	111,828
Merger reserve		9,900	9,900	9,900
Capital redemption reserve		9,845	9,845	9,845
Retained earnings		5,492,491	4,912,384	4,855,550
Total equity		5,624,064	5,043,957	4,987,123
Non-current liabilities				
Deferred income tax		54,266	54,266	60,044
Lease liabilities		185,114	223,515	260,972
		239,380	277,781	321,016
Current liabilities				
Trade and other payables		2,964,669	2,541,690	2,922,355
Lease liabilities		75,859	73,997	72,182
Income tax	4	683,347	493,611	894,872
		3,723,874	3,109,298	3,889,409
Total liabilities		3,963,254	3,387,079	4,210,425
Total equity and liabilities		9,587,318	8,431,036	9,197,548

Consolidated statement of comprehensive income

	Six months ended 30/6/24 (unaudited)	**Six months ended 30/6/23 (unaudited)**
Profit for the period	**2,033,254**	2,917,951
Total comprehensive income for the period	**2,033,254**	2,917,951
Attributable to equity holders of the parent	**2,033,254**	2,917,951

Consolidated statement of changes in equity for the period

Unaudited for the 6 months ended 30 June 2024

	Share capital	Share premium	Merger reserve	Capital redemption reserve	Retained earnings	Own shares held in treasury	Attributable to equity holders of the company
	£	£	£	£	£	£	£
Balance at 31/12/22	111,828	-	9,900	9,845	4,845,114	-	4,976,687
Profit for the period	-	-	-	-	2,917,951	-	2,917,951
Dividends	-	-	-	-	(2,907,515)	-	(2,907,515)
Balance at 30/6/23	111,828	-	9,900	9,845	4,855,550	-	4,987,123
Profit for the period	-	-	-	-	1,063,282	-	1,063,282
Dividends	-	-	-	-	(1,006,447)	-	(1,006,447)
Balance at 31/12/23	111,828	-	9,900	9,845	4,912,385	-	5,043,958
Profit for the period	-	-	-	-	2,033,254	-	2,033,254
Dividends	-	-	-	-	(1,453,148)	-	(1,453,148)
Balance at 30/6/24	111,828	-	9,900	9,845	5,492,491	-	5,624,064

Consolidated statement of cashflows for the period ended 30 June 2024

	Six months ended	Six months ended

	30/6/24 (unaudited)	30/6/23 (unaudited)
	£	£
Cash flow from operating activities		
Profit before tax	**2,713,332**	3,814,315
Finance Cost	**7,211**	8,982
Depreciation charges	**44,096**	46,525
Amortisation charges	**12,679**	12,774
	2,777,318	3,882,596
(Increase)/ decrease in receivables	**(792,273)**	859,259
(Decrease) / increase in payables	**430,190**	192,008
(Increase) / decrease in investments held for trading	**(6,405)**	(869)
Cash generated from operations	**2,408,830**	4,932,994
Income tax (paid)	**(490,343)**	(545,000)
Net cash from operating activities	**1,918,487**	4,387,994
Cash flows from investing activities		
Purchase of intangible fixed assets	**-**	(750)
Net cash used in investing activities	**-**	(750)
Cash flows from financing activities		
Repayment of lease liability	**(43,750)**	(43,750)
Dividends to equity shareholders	**(1,453,148)**	(2,907,515)
Interest paid	**(7,211)**	(8,982)
Net cash used in financing activities	**(1,504,109)**	(2,960,247)
Net increase / (decrease) in cash & cash equivalents	**414,378**	1,426,997
Cash and cash equivalents at 1 January	**5,514,075**	4,278,737
Cash and cash equivalents at 30 June	**5,928,453**	5,705,734
Of which:		
Balance at bank and in hand	**5,493,875**	5,912,069
Cash held for settlement of market transactions	**434,578**	(206,335)

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 UK Adopted International Accounting Standards.

The preparation of these interim financial statements in accordance with UK Adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Group'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 2023 accounts was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these interim financial statements.

2. Accounting policies

2. Accounting policies

(a) IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 requires that the recognition of revenue is linked to the fulfilment of identified performance obligations that are enshrined in the customer contract.

Commission - the group charges commission on a transaction basis. Commission rates are fixed according to account type. When a client instructs us to act as an agent on their behalf (for the purchase or sale of securities) our commission is recognised as income on a point in time basis when the instruction is executed in the market. Our commission is deducted from the cash given to us by the client in order to settle the transaction on the client's behalf or from the proceeds of the sale in instance where a client sells securities.

Management fees - these are charged quarterly or bi-annually depending on account type. Fees are either fixed or are a percentage of the assets under administration. Management fees income is recognised over time as they are charged using a day count and most recent asset level basis as appropriate.

Interest income - this is accrued on a day count basis up until deposits mature and the interest income is received. The deposits pay a fixed rate of interest. In accordance with FCA requirements, deposits are only placed with banks that meet our risk management parameters. Interest income is recognised over time as the deposits accrue interest on a daily basis.

(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 2024.

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. 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.

(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, or over the lease period if less than 3 years
Office equipment	-	20% on cost
Land & Buildings	-	Buildings are depreciated at 2% on cost. Land is not depreciated.
Right of use asset	-	Straight line basis over the lease period

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	-	20% 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 temporary 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) Investments

Investments held for trading

Under IFRS investments held for trading are recognised as financial assets measured at fair value through profit and loss.

Investments in subsidiaries

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

(j) 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.

(k) Cash and cash equivalents

Cash and cash equivalents comprise:

Balance at bank and in hand - cash in 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.

changes in value.

Cash held for settlement of market transactions - this balance is cash generated through settlement activity, and can either be a surplus or a deficit. A surplus arises when settlement liabilities exceed settlement receivables. This surplus is temporary and is accounted for separately from the balance at bank and in hand as it is short term and will be required to meet settlement liabilities as they fall due. A deficit arises when settlement receivables exceed settlement liabilities. In this instance Jarvis will place its own funds in the client account to ensure CASS obligations are met. This deficit is also temporary and will reverse once settlement receivables are settled.

(l) 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.

(m) 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.

(n) IFRS 9 'Financial Instruments'

The group currently calculates a "bad debt" provision on customer balances based on 25% of overdrawn client accounts which are one month past due date and are not specifically provided for. Under IFRS 9 this assessment is required to be calculated based on a forward - looking expected credit loss ('ECL') model, for which a simplified approach has been applied. This method uses historic customer data, alongside future economic conditions to calculate expected loss on receivables.

(o) IFRS 16 'Leases'

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implied in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group has applied judgement to determine the lease term for contracts with options to renew or exit early.

The carrying amount of right-of-use assets recognised was £384,985 at the lease start date of 27 September 2022. A finance charge of 5% APR is used to calculate the finance cost of the lease.

3. Group Revenue and Segmental information

The revenue of the group during the period was wholly in the United Kingdom.

	6m ended 30 June 2024	6m ended 30 June 2023
	£	£
Gross interest earned from treasury deposits, cash at bank and overdrawn client accounts	**4,294,320**	4,000,773
Commissions	**1,168,559**	1,574,869
Fees	**985,277**	1,749,665
	6,448,156	7,325,307

All of the reported revenue and operational results for the period derive from the group's external customers and continuing financial services operations. All non-current assets are held within the United Kingdom. The group is not reliant on any one customer and no customer accounts for more than 10% of the group's external revenues.

As noted in 2 (g) the directors regard the operations of the group as a single reporting segment on the basis there is only a single organisational unit that is reported to key management personnel for the purpose of performance assessment and future resource allocation.

4. Income tax charge

Interim period income tax is accrued based on an estimated average annual effective income tax rate of 25% (2023: 23.5%).

5. Earnings per share

	Six months ended 30/6/24			Six months ended 30/6/23		
	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	**2,033,254**	**44,731,000**	**4.55**	2,917,951	44,731,000	6.52

6. Dividends

During the interim period dividends totalling 3.25p (2023: 6.5p) per ordinary share were declared and paid.

7. Share capital

The company has one class of ordinary shares of £0.0025 each. During the period and as at the period end no shares are 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.

Going concern

The financial position of the group, its cash flows, liquidity position and borrowing facilities are described within these interim financial statements.

The group has sufficient financial resources, long term contracts with all its significant suppliers and a diversified income stream. The group does not have any current borrowing or any anticipated borrowing requirements. As a consequence, the directors believe that the group is well placed to manage its business risks successfully.

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

10. Financial Instruments

The group's principal financial instruments comprise cash 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. Cash and cash equivalents and trade and other receivables are categorised as held at amortised cost, and trade and other payables are classified as held at amortised cost. Other than investments held for trading all financial assets and liabilities are held at amortised cost and their carrying value approximates to their fair value.

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

The group also holds investments in equities, treasury shares and property.

11. Immediate and ultimate parent undertaking

There is no immediate or ultimate controlling party.

12. Related party transactions

The Group has a lease with Sion Properties 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 is included in the right of use assets and has an annual rental of £87,500, being the market rate on an arm's length basis, and expires on 26 September 2027. The lease was assigned by Jarvis Securities Plc to Jarvis Investment Management Limited on 23 May 2024, to better reflect the associated costs.

13. Capital commitments

At 30 June 2024 the company had no material capital commitments.

14. Exceptional administrative costs

Exceptional administrative costs represent external third party professional advice and consultancy relating to the ongoing remediation and skilled persons work within the firm's subsidiary Jarvis Investment Management Limited.

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