

JARVIS SECURITIES PLC

FINANCIAL STATEMENTS

For the interim 6 months to 30 June 2022

Corporate information

DIRECTORS:	A J Grant – Chairman and Chief Executive Officer J C Head – Finance Director S M Middleton – Non-Executive Director
SECRETARY:	J C Head
REGISTERED OFFICE:	78 Mount Ephraim Royal Tunbridge Wells TN4 8BS
REGISTERED NUMBER:	5107012
AUDITOR:	Crowe U.K. LLP 4 Mount Ephraim Road Tunbridge Wells TN1 1EE
CASS AUDITOR:	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
REGISTRAR:	Share Registrars Ltd 17 West Street Farnham Surrey GU9 7DR
PRINCIPAL BANKER:	NatWest Bank 89 Mount Pleasant Road Tunbridge Wells Kent TN1 1QJ
SOLICITOR:	Cripps LLP 22 Mount Ephraim Royal Tunbridge Wells TN4 8AS

**NOMINATED ADVISER
AND BROKER:**

WH Ireland Limited
24 Martin Lane
London
EC4R 0DR

WEBSITES:

www.jarvissecurities.co.uk
www.x-o.co.uk
www.sharedealactive.co.uk
www.sellmysharecertificates.co.uk
www.jarvisinvest.co.uk
www.jarvisim.co.uk

TRADING ADDRESS:

78 Mount Ephraim
Royal Tunbridge Wells
TN4 8BS

Chairman's statement

- £1,864,061 (22.9%) decrease in revenue versus six months to 30 June 2021
- £1,492,774 (32.5%) decrease in profit before tax versus six months to 30 June 2021
- Cash under administration has increased 1.8% versus 30 June 2021
- EPS decreased to 5.62p (2021: 8.45p)

During the period under review share trading volumes and the IPO market have decreased significantly compared to last year which had record levels being recorded, resulting in lower commission and fee income. The period began with inflationary pressures spooking the market, then the geopolitical uncertainty caused by the ongoing invasion of Ukraine by Russia dashed any hopes of a speedy market recovery. This has affected all the stock broking industry, and the wider economy as a whole where most segments are experiencing a general slowdown. Market sentiment, which drives volumes, is beyond our control so we will inevitably experience periods of lower activity but we remain well placed to respond to the upturn when it presents itself.

Increases in the costs charged to us by suppliers have created further uplift in expenses, particularly in compliance where the regulatory standards required of financial service companies are becoming more complex. The silver lining for Jarvis is that the base rate increases by the Bank of England in its attempt to temper the inflation rate have been swifter than forecast and we are now seeing the increasing benefit of this in our treasury interest income. Maturing deposits are all being replaced at higher rates and the impact of this should be more apparent in the second half of the year.

As always, I would like to thank all staff for their continued hard work.

A handwritten signature in black ink, appearing to read 'Andrew J Grant', written over a horizontal line.

Andrew J Grant

Chairman

Key performance indicators (KPI)

The key performance indicators (KPIs) are designed to give stakeholders in the business a more rounded view of the Group's performance. Further details on the KPIs and their measurement can be found in the last Annual Report. A selection of KPIs and the Group's results to the interim period for these are detailed below. These results have been annualised from the position at 30 June 2022 where measurement over a year is required.

KPI:	30/6/22	30/6/21	Target
Profit before tax margin	50%	57%	20%
Revenue per employee (<i>annualised</i>)	£201,946	£257,917	to increase

Company No.: 5107012

Consolidated income statement for the period ended 30 June 2022

		Six months ended	Six months ended
	Notes	30/6/22	30/6/21
		(unaudited)	(unaudited)
		£	£
Continuing operations			
Revenue		6,260,330	8,124,391
Administrative expenses		(3,153,669)	(3,523,626)
Lease Finance Costs		(809)	(2,074)
Profit before income tax		3,105,852	4,598,691
Income tax charge	4	(590,112)	(873,751)
Profit for the period		2,515,740	3,724,940
Attributable to equity holders of the parent			
		2,515,740	3,724,940
Earnings per share			
	5	P	P
Basic		5.62	8.45

Consolidated statement of financial position at 30 June 2022

<i>Notes</i>	30/6/22	31/12/21	30/6/21
	(unaudited)	(audited)	(unaudited)
	£	£	£
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	260,864	295,767	342,483
Intangible assets	70,790	93,606	104,171
Goodwill	342,872	342,872	342,872
	674,526	732,245	789,526
<i>Current assets</i>			
Trade and other receivables	4,074,211	6,361,707	7,226,862
Investments held for trading	1,354	1,958	6,199
Cash and cash equivalents	4,171,438	3,780,594	7,082,060
	8,247,003	10,144,259	14,315,121
Total assets	8,921,529	10,876,504	15,104,647
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital	7 111,828	111,828	111,828
Share premium	-	-	3,068,012
Merger reserve	9,900	9,900	9,900
Capital redemption reserve	9,845	9,845	9,845
Retained earnings	4,846,336	5,014,456	6,423,170
Total equity	4,977,909	5,146,029	9,622,755
<i>Non-current liabilities</i>			
Deferred income tax	61,928	61,928	45,617
Lease liabilities	-	-	21,073
	61,928	61,928	66,690
<i>Current liabilities</i>			
Trade and other payables	3,268,547	4,900,444	4,453,775
Lease liabilities	21,712	64,653	85,884
Income tax	4 591,433	703,450	875,543
	3,881,692	5,668,547	5,415,202
Total liabilities	3,943,620	5,730,475	5,481,892
Total equity and liabilities	8,921,529	10,876,504	15,104,647

Consolidated statement of comprehensive income

	Six months ended 30/6/21 (unaudited)	Six months ended 30/6/20 (unaudited)
Profit for the period	2,515,740	3,724,940
Total comprehensive income for the period	2,515,740	3,724,940
Attributable to equity holders of the parent	2,515,740	3,724,940

Consolidated statement of changes in equity for the period

Unaudited for the 6 months ended 30 June 2022

	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 31/12/20	111,828	1,655,640	9,900	9,845	5,672,848	(886,113)	6,573,948
Sale of own shares held in treasury	-	1,412,372	-	-	(95,834)	886,113	2,202,651
Profit for the period	-	-	-	-	3,724,940	-	3,724,940
Dividends	-	-	-	-	(2,878,784)	-	(2,878,784)
Balance at 30/6/21	111,828	3,068,012	9,900	9,845	6,423,170	-	9,622,755
Cancellation of share premium	-	(3,068,012)	-	-	3,068,012	-	-
Profit for the period	-	-	-	-	2,455,911	-	2,455,911
Dividends	-	-	-	-	(6,932,637)	-	(6,932,637)
Balance at 31/12/21	111,828	-	9,900	9,845	5,014,456	-	5,146,029
Profit for the period	-	-	-	-	2,515,740	-	2,515,740
Dividends	-	-	-	-	(2,683,860)	-	(2,683,860)
Balance at 30/6/22	111,828	-	9,900	9,845	4,846,336	-	4,977,909

Consolidated statement of cashflows for the period ended 30 June 2022

	Six months ended 30/6/22 (unaudited) £	Six months ended 30/6/21 (unaudited) £
Cash flow from operating activities		
Profit before tax	3,105,852	4,598,691
Finance Cost	809	2,074
Depreciation charges	47,486	47,715
Amortisation charges	23,464	17,524
	3,177,611	4,666,004
(Increase)/ decrease in receivables	2,287,496	(303,706)
(Decrease) / increase in payables	(1,631,087)	279,819
(Increase) / decrease in investments held for trading	604	(2,016)
Cash generated from operations	3,834,624	4,640,101
Interest paid	(809)	(2,074)
Income tax (paid)	(702,129)	(601,002)
Net cash from operating activities	3,131,686	4,037,025
Cash flows from investing activities		
Purchase of tangible assets	(12,584)	(10,385)
Purchase of intangible fixed assets	(648)	(19,677)
	(13,232)	(30,062)
Cash flows from financing activities		
Repayment of finance leases	(43,750)	(43,750)
Proceeds from sale of shares held in treasury	-	2,202,651
Dividends to equity shareholders	(2,683,860)	(2,878,784)
Net cash used in financing activities	(2,727,610)	(719,883)
Net increase / (decrease) in cash & cash equivalents	390,844	3,287,080
Cash and cash equivalents at 1 January	3,780,594	3,794,980
Cash and cash equivalents at 30 June	4,171,438	7,082,060
Of which:		
Balance at bank and in hand	5,421,630	9,531,993
Cash held for settlement of market transactions	(1,250,192)	(2,449,933)

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 2021 accounts was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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 have been approved by our compliance department. 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 2022.

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
Motor vehicles	-	15% on cost
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 timing difference is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

(g) Segmental reporting

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

(h) Pensions

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

(i) Trading balances

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

(j) Investments

Investments held for trading

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

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

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

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

Investments in subsidiaries

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

(k) Foreign exchange

The group offers settlement of trades in sterling as well as various foreign currencies. The group does not hold any assets or liabilities other than in sterling and converts client currency on matching terms to settlement of trades realising any currency gain or loss immediately in the income statement. Consequently the group has no foreign exchange risk.

(l) 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.

(m) Cash and cash equivalents

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

(n) 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.

(o) Dividend distribution

Dividend distributions to the Company's shareholders are recognised when payment has been made to shareholders.

(p) Expected credit loss

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.

(q) Right of use of assets

The right-of-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain premeasurements of the lease liability.

The lease liability is initially 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.

3. Segmental information

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

4. Income tax charge

Interim period income tax is accrued based on an estimated average annual effective income tax rate of 19%.

5. Earnings per share

	Six months ended 30/6/22			Six months ended 30/6/21		
	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	2,515,740	44,731,000	5.62	3,724,940	44,104,076	8.45

6. Dividends

During the interim period dividends totalling 6p (2021: 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year relate to goodwill, intangible assets and the expense of employee options.

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

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

10. Related party transactions

The company 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. There is an option to terminate the lease on 26 September 2022 and therefore this is the discounted period.

11. Capital commitments

At 30 June 2022 the company had no material capital commitments.

12. Assets impairment review

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