AJBell
Holdings Limited

# Helping our customers to invest

## Annual Report and Financial Statements 2015


AJ Bell London Triathlon 2015

# Contents


**1995**

- Andy Bell and Nicholas Littlefair set up AJ Bell with £10,000 of personal loans

**1997**

- The first-ever AJ Bell SIPP is established

**2000**

- AJ Bell launches Sippdeal – the UK's first online SIPP for execution-only investors

**2002**

- AJ Bell launches Sippcentre – an award-winning, low-cost SIPP for financial advisers
- Growth and new staff necessitate a move to larger offices in Trafford House, Manchester

**2005**

- Midas Capital Partners is the first institutional investor to acquire shares in AJ Bell on behalf of its retail funds
- Our 100th employee joins the team

**2006**

- AJ Bell reaches the 20,000 customer mark and our 150th employee joins the team
- A-Day pensions reform changes are introduced

# 20 years of AJ Bell

It is now 20 years since AJ Bell was founded. In that time we have continually worked to refine and add to our services, creating investment platforms to suit a wide variety of customers' requirements. This process of evolution is ongoing, and the next generation of enhancements are already in the pipeline.

Here are some of the key milestones we passed on our journey to the present day:

**2007**

- Invesco Perpetual acquires shares in AJ Bell on behalf of its retail funds
- AJ Bell acquires Lawshare Limited, and rebrands it as AJ Bell Securities Limited
- Assets under administration break through £5 billion

**2009**

- The AJ Bell SIPP and SSAS come together to form AJ Bell Platinum
- Assets under administration break through £10 billion
- AJ Bell welcomes its 40,000th customer and 300th employee

**2011**

- An ISA and Dealing Account are added to Sippdeal and Sippcentre
- AJ Bell reaches the 60,000 customer mark
- Assets under administration break through £15 billion

**2012**

- AJ Bell launches a Junior ISA on the Sippdeal and Sippcentre platforms
- AJ Bell acquires MSM Media Limited and its trading subsidiary, MoneyAM Limited

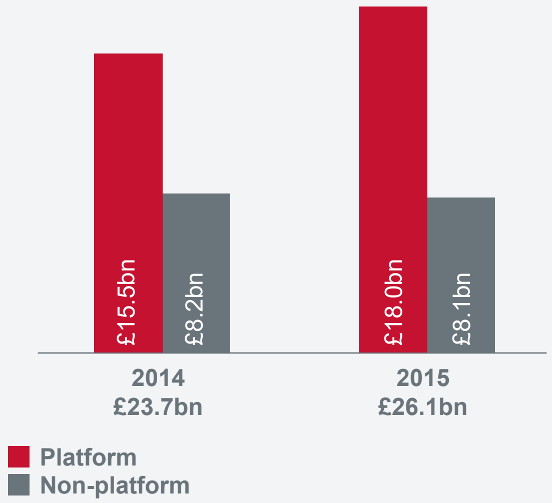
**2015**

- Assets under administration break through £26 billion
- AJ Bell reaches the 120,000 customer mark
- AJ Bell attracts £21 million Woodford investment
- AJ Bell Youinvest (formerly Sippdeal) launches its low-cost, easy-to-use guided investment service

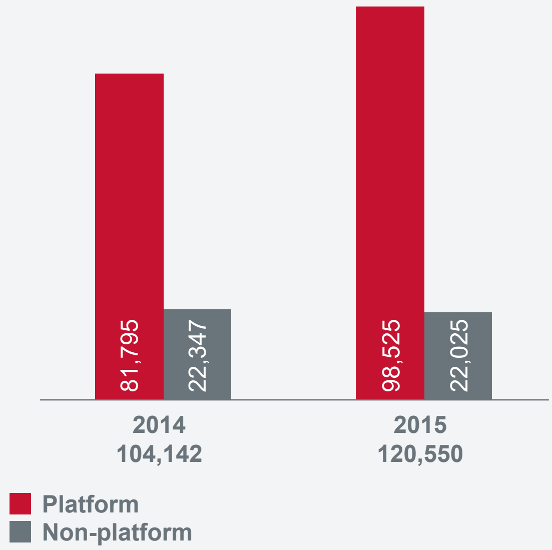
# Highlights

## Key performance indicators

### Assets under administration
**£26.1 bn**
↑ 10%

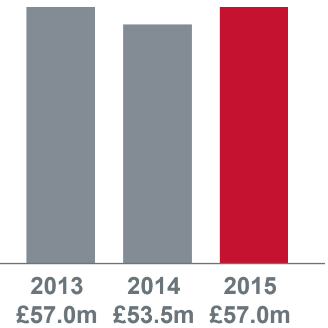



### Total number of retail customers
**120,550**
↑ 16%

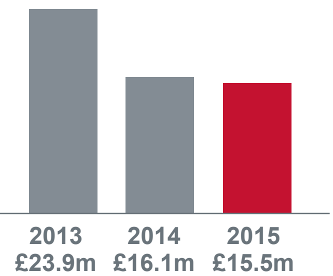



## Key financial information

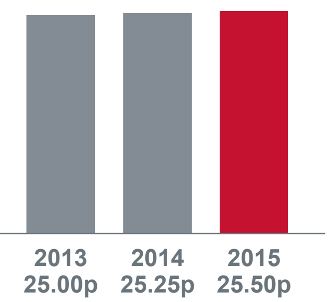
### Revenue
**£57.0m**
↑ 7%



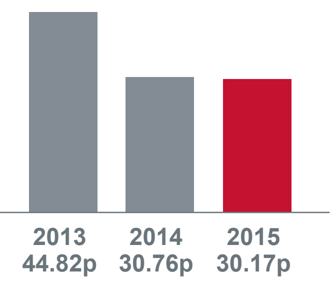

### Profit before tax
**£15.5m**
↓ 4%




### Total ordinary dividend
**25.50p**
↑ 1%




### Diluted earnings per share
**30.17p**
↓ 2%



# Joint statement from the Chairman and Chief Executive

Les Platts
Chairman

Andy Bell
Chief Executive Officer

In September 2015, we celebrated 20 years in business. This milestone presents an ideal opportunity for us to reflect on the significant growth and success of the business during that period and in particular the most recent financial year.

Since 1995, AJ Bell has grown from a small actuarial and pension administration company to one of the largest investment platforms in the UK. This has been achieved by continually striving for improvement and ensuring that our core principle of making investing easier for all our customers is at the heart of everything we do.

The strong foundations we built the early business upon have enabled us to grow steadily and develop into the wider investment platform market.

Since the business was established by Andy Bell and Nicholas Littlefair in a 149 square foot office, we have experienced exceptional growth in customers, AUA, revenue and profit. The year ended 30 September 2015 was another positive year for the business on this journey of growth, with our key performance measures growing at a healthy rate.

## Growth

Total retail customers increased by 16% to 120,550 at the year end, up from 104,142 in the previous year. AUA grew from £23.7bn to £26.1bn, a year-on-year increase of 10% which was largely due to new inflows. The strong overall growth in AUA compares favourably to the FTSE All-Share index which fell 6% in the year.

The platform propositions are the key driver of growth in the business with platform customers increasing by 21% during the period. More detailed information about the performance of the platform and non-platform propositions can be found on pages 14 & 15.

## Financial performance

Revenue increased by 7%, from £53.5m last year to £57.0m this year and was achieved despite a continued low interest rate environment which has again reduced the return on cash deposits. However, our revenues are well diversified ensuring the Group's financial performance is not reliant on one particular income stream. With the exception of trail commission from funds, which continues to decline as the migration to clean share classes draws to a close, all other revenue lines grew during the year.

Despite the increase in revenue, PBT fell 4% to £15.5m for the year ended 30 September 2015, compared to £16.1m in the prior year. This reduction in profitability was due to the year-on-year fall in interest income. Falling interest income has continued for a few years now and whilst the effect on revenue has been minimised due to our balanced revenue model, the impact on overall profitability persists. We also increased discretionary expenditure this year, with additional investment in our digital strategy and on marketing our platform products.

## Financial position

The Group's financial position remains very healthy. Net assets grew from £49.4m at 30 September 2014 to £52.2m at 30 September 2015, an increase of 6%. The business continues to be debt-free and corporate cash balances also increased strongly in the year, up 9% from £33.2m to £36.3m. This financial strength ensures we are well placed to continue investing in our business. It also gives our

# Joint statement from the Chairman and Chief Executive

stakeholders the confidence that we have sufficient capital to withstand any headwinds or to capitalise on any acquisition opportunities.

During the year, the Board was formally notified by the FCA that the Group would become subject to consolidated supervision. The Board had anticipated this requirement and has therefore been monitoring the capital position of the Group as if it were subject to consolidated requirements for a number of years. The Group holds a significant surplus of regulatory capital and details can be found under our Pillar III disclosures (see page 33 on the Directors' report for more information).

## Shareholder returns

Diluted earnings per share (DEPS) fell by 0.59p per share, from 30.76p per share last year to 30.17p per share in the current year. This fall in DEPS was proportionately lower than the fall in profit due to a reduction in the effective rate of UK Corporation Tax. Despite the reduction in DEPS, the Board has declared a final dividend of 16.00p per share, taking the total dividend for the year to 25.50p per share. This reflects the financial strength of the Group, the Board's commitment to a progressive dividend policy and its positive outlook for the long-term prospects of the business.

## Governance

There were no changes to the composition of the Board during the year. As expected, the additions of Simon Turner and John Tomlins to the Board in the previous year have brought valuable skills and experience to the table and they have complemented the existing skill sets of the other Board members extremely well throughout the year. The Board continues to provide strong support, encouragement and appropriate challenge to the executive team to ensure its strategy is developed, understood and ultimately delivered.

The Board has met ten times during the year and is supported by four sub-committees: Audit, Risk & Compliance, Remuneration and Nominations. The Audit and Risk & Compliance Committees both met four times, the Remuneration Committee three times and the Nominations Committee once. The Board and its committees achieved 100% attendance for all meetings.

Responsibility for the day-to-day management of the business remains with the EMB. The only change to the EMB during the year was the formal appointment of Bruce Robinson as a member. Bruce is our Group Legal Services Director and Company Secretary and he brings a vast wealth of experience to the executive team.

## Easiest platform to use

We continually strive to improve the service we provide to our customers and they remain at the heart of everything we do. Our aim is to become the easiest platform to use and technology will be pivotal in delivering this ambition. The first phase of our digital strategy project has been successfully completed during the year and this is already delivering significant improvements to our customer journey. Technology continues to be a key differentiator in the platform market and we will respond as customers change their behaviour.

An investment guidance service was recently launched for our AJ Bell Youinvest customers enabling them to invest in a range of extremely low-cost ready-made portfolios. It provides our customers with one of the lowest-cost options in the market for obtaining a balanced portfolio through a range of global funds, with the annual costs of the portfolio ranging from 20 – 22 bps charged on the value of the investment. Three different risk profiles are available to choose from but customers can also design their own portfolios using the service, which has been developed primarily for DIY investors who are looking for help with investing their money. This enhancement supplements the investment content we have been providing to our customers since the acquisition of AJ Bell Media in 2012 and the early feedback from users has been extremely positive.

## Market developments

Whilst the changes announced in the 2015 budget were relatively minor in comparison to the previous year, we have continued to allocate significant resources to ensuring that we comply with the latest rules and regulations.

The introduction of the pension freedoms legislation was the most significant change to the pensions industry for a number of years. We were one of the few companies who were ready for pension freedoms ahead of the 6 April 2015 implementation date and we believe that they were generally positive for the industry. Whilst it is still early days, only a very small number of customers have withdrawn their whole fund. These have typically been customers with smaller pension funds. We have not seen any noticeable change in the behaviour of customers with larger funds. The favourable changes to the taxation of pensions following death introduced at the same time as the pension freedoms have given many of our customers reason to leave money in their pension. These changes reduce the tax payable, and in many cases remove the tax burden altogether, following the death of the pension holder.

We continue to campaign on behalf of our customers and actively engage with policy makers. We have recently responded to the Government's pensions tax relief consultation and in our view, further wholesale changes to the pensions legislative framework will only serve to undermine pension savers' confidence.

# Joint statement from the Chairman and Chief Executive

On the regulatory front, there have been a number of consultation papers and policy statements issued by the FCA in recent years which have had, or will have, an impact on our business. The ban on platform rebates following the Retail Distribution Review (RDR) came into effect for new business from 6 April 2014. The two-year grace period for rebates on legacy business ends on 6 April 2016. After that date all platform rebates will be banned. We have been proactive on this front by converting the majority of our customers' legacy funds to their clean fund equivalent well ahead of this deadline date. The final actions required to comply with the rules will be completed ahead of 6 April 2016.

The rules detailed in the FCA's Policy Statement PS14/9: "Review of the Client Assets Regime for Investment Business" came fully into effect on 1 June 2015. This has significantly increased the demands on resources across our sector but has also resulted in increased levels of customer asset protection and accordingly the Group has focussed intensively to ensure the changes have been successfully embedded and implemented in accordance with the FCA's deadlines.

## Outlook

The outlook for the platform market remains positive, although the challenging economic environment and ever increasing regulatory pressures are likely to cause difficulty for smaller investment platforms. We believe that platforms will need scale and a strong capital base to succeed in the long term and this is likely to lead to further consolidation in the market following some of the corporate activity that has taken place in recent times. Loss-making platforms are looking to exit the market and we hope to capitalise on this as potential customers see the value in using sustainable, profitable platforms to help them invest.

There are further changes on the horizon including the introduction of a tapered annual allowance, a revamp of the taxation of dividends and increased ISA flexibility. All of these changes take effect on 6 April 2016 and we are confident that we will have amended our systems and processes ahead of the new tax year.

The low interest rate environment has persisted for a number of years, with the Bank of England base rate having been at a record low of 0.5% for over six years. We have maintained a strong, profitable business throughout that period and may now be experiencing the tail end of this headwind as LIBOR rates begin to recover and interest margins paid on cash deposits by our banking counterparties follow. We expect there to be a re-coupling of growth in profits and AUA when interest margins return to a more normalised position.

A key focus for the forthcoming year will be to develop investment solutions for both advisers and our customers. We will also continue with the development of our customer interfaces and back office systems to ensure that we progress with our objective of being the easiest investment platform to use. This will be supported by an increase in our brand awareness, marketing and PR activity as we aim to meet our ambitious growth targets.

## Conclusion

The last financial year was once again a very good one for the business. Customer numbers, AUA and revenue all grew strongly. The quality of our earnings continues to improve which bodes well for the future of our business. Our proven track record of providing a first class service, coupled with our strong financial position and profitable business model ensures that we have a strong offering for customers looking to choose an investment platform.

We have come a long way in 20 years and the key to our success has always been our people. Since the business was formed back in 1995, we have developed and nurtured a great team whose hard work and dedication has helped us get to where we are today. We would like to take this opportunity to thank all of our colleagues who have continued to contribute to our success not just this year but throughout our history.

**Les Platts**
**Chairman**

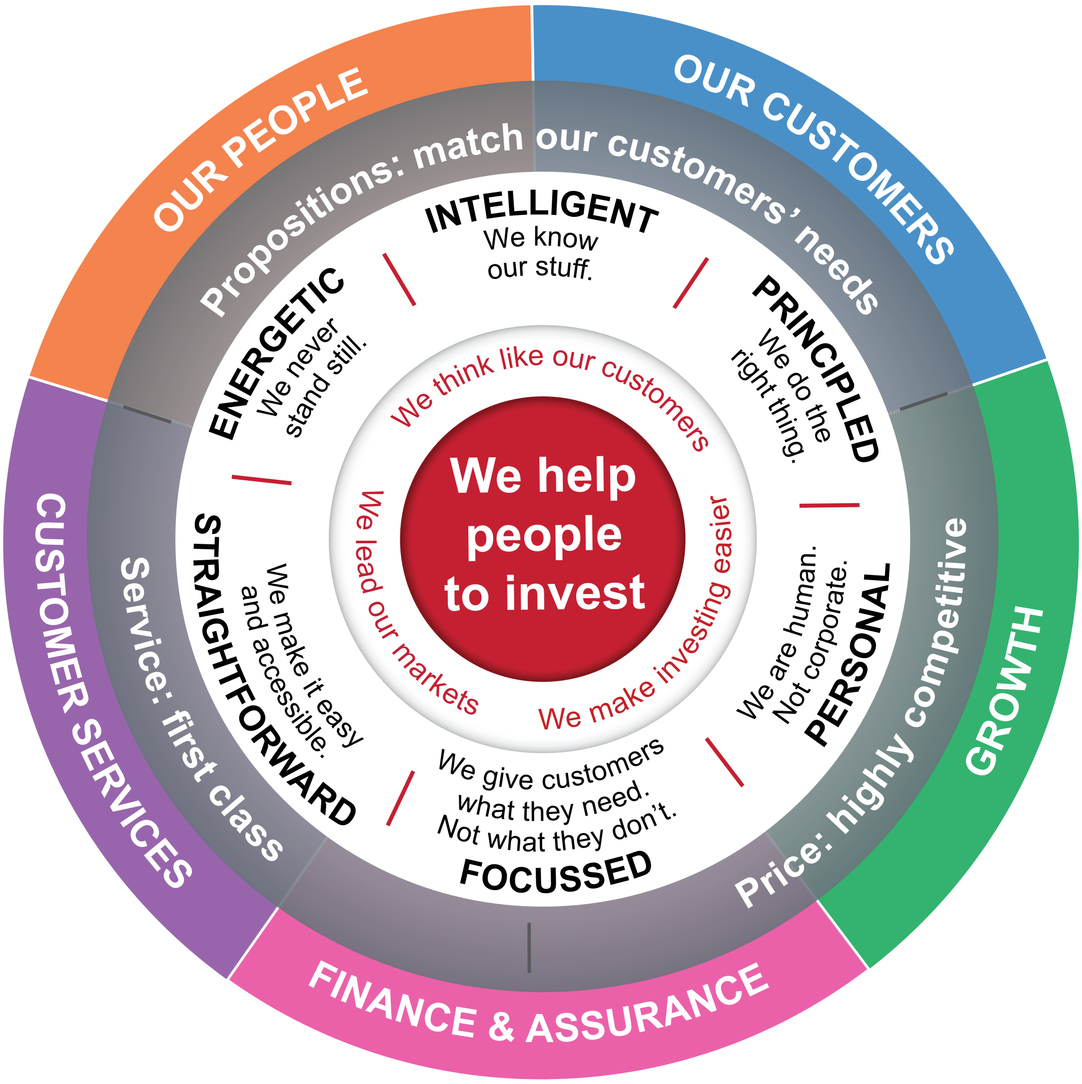
**Andy Bell**
**Chief Executive Officer**

# The AJ Bell Way

AJ Bell has never provided financial or personal investment advice. It operates exclusively on an execution-only basis – whether directed by the customer, their adviser or by its institutional customers. Our aim is to be a market-leading provider of investment products and administration services in the adviser and execution-only platform markets. This includes providing white labelling, dealing, custody and investment administration services for other financial services firms.

## We help people to invest

Our primary objective is to help people invest and we aim to do this by thinking like our customers, making investing easier and leading our markets. Informed by our guiding principles, the AJ Bell Way is a framework we have developed to ensure our strategy is driven by our passion to help people invest.



# The AJ Bell Way

## Guiding principles

Everyone who works at AJ Bell follows a set of guiding principles that define the company. These principles inform everything we do, and help to ensure we never stray from our objectives of thinking like our customers, making investing easier and leading our markets.

| Guiding principles | What this says about us | How this helps our customers |
|---|---|---|
| Intelligent | We are experienced, knowledgeable, thoughtful and aware. | ***Our customers*** can be confident that the products and services we offer are among the best available and that we can answer their questions accurately and with authority. |
| Principled | We don't sell, we help. We are open and honest. We care and speak up for our customers. | ***Our customers*** know that they can rely on us to help them and keep them informed, without constantly selling to them. They know, too, that we will always behave ethically and be vocal in defending their interests. |
| Personal | We treat people as people and put customers at the heart of our business. We talk, listen and take notice, respect other people and each other. | ***Our customers*** appreciate that we respect and understand them as individual human beings, that we are pleased to talk to them, listen to what they have to say and respond to them quickly and efficiently. |
| Focussed | We offer great service and value. We are specialists and good at what we do. We pay attention to detail and aim to get it right, first time. | ***Our customers*** recognise that we give them the tools they need, that the level of service we offer is tough to beat and that we are rarely beaten on price. We offer exceptional expertise together with outstanding value. |
| Straightforward | We are down-to-earth, speak plain English and simplify the complex. | ***Our customers*** understand that we are practical people, offering an effective and highly functional service, with no unnecessary complications or additions. We try to avoid jargon and we keep it simple. |
| Energetic | We have a can-do attitude. We turn ideas into reality. We are restless, enthusiastic and always looking for ways of doing things better. | ***Our customers*** realise that we are successful and ambitious. We aim to create a brighter future for our business by providing the products and services that will help them invest in a brighter future for themselves. |

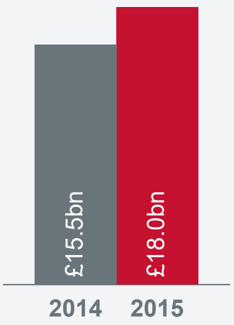
# Our products

## Platform business

Assets under administration grew at an impressive rate and were just over £18bn at 30 September 2015, increasing by £2.5bn, this representing 16% year-on-year growth. This increase was largely due to a record level of transfers totalling £2.6bn during the year, with contributions remaining broadly static at £0.9bn. This was offset by a fall in asset values during the year following the downturn in the Chinese economy coupled with a small amount of transfer-out activity.

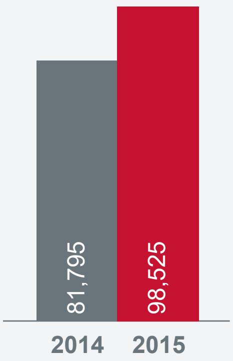
**Assets under administration**

**↑ 16.1%**




**Customers**

**↑ 20.5%**




AJBell Investcentre

AJBell Youinvest

### AJ Bell Investcentre

AJ Bell Investcentre is an online investment platform distributed by financial advisers, offering award-winning SIPPs, ISAs, and GIAs. It offers a market-leading range of investments combined with a highly competitive charging structure.

Advised platforms administer over £325bn of assets and the AJ Bell Investcentre platform is one of the largest and fastest-growing in this segment of the market with AUA of £13.5bn at 30 September 2015.

AJBell Securities

### IMAS

IMAS is a fully integrated investment custody administration solution that allows wealth managers to focus on delivering a high quality service without the distraction of administering the assets.

### AJ Bell Youinvest

AJ Bell Youinvest is a platform designed to provide an easy and cost-effective way for DIY investors to take control of their investments. This award-winning platform provides SIPPs, ISAs, Junior ISAs and Dealing Accounts. It has a guided investment facility, a wide range of different investment types and a comprehensive research centre.

Execution-only platforms administer over £144.7bn of assets. The AJ Bell Youinvest platform is one of the largest and fastest-growing in this segment of the market, doubling its customer base in just over two years. It had AUA of £3.3bn at 30 September 2015.

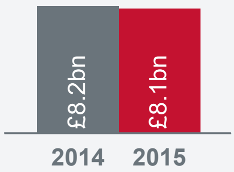
# Our products

## Non-platform business

The non-platform business remained stable with AUA of £8.1bn at 30 September 2015, this being £0.1bn lower than the prior year. This was particularly pleasing given the downturn in the stock markets during the year coupled with the transfer out of 1,500 customers following the closure of the Sippdealxtra book where Selftrade was used as an investment partner. However, almost all of these customers transferred to AJ Bell Youinvest with only a small number being lost to our competitors, minimising the overall loss of customers to the Group.

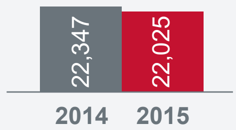
**Assets under administration**

↓ 1.2%




**Customers**

↓ 1.4%




### AJ Bell Platinum

AJ Bell Platinum is a bespoke service that provides expert technical support, backed by a dedicated team of administrators. Distributed by UK financial advisers but also available on a DIY basis, Platinum offers SIPPs and SSASs.

A project to migrate our Platinum SIPP customers onto our core pension administration system was started during the year. The migration will be completed gradually over the course of next year, with other non-platform products to follow.

### AJ Bell Media

An award-winning specialist financial publishing company that supports the platform business by providing high quality investment content via a variety of media channels. It also publishes a weekly investment magazine, hosts investment conferences and events and provides stock market data and independent news content to a wide range of corporate and retail customers.

### Institutional

AJ Bell's Institutional service provides dealing, settlement and custody services and research facilities to institutional investment businesses.

### Third party administration

AJ Bell's Third party administration provides white label SIPP administration services to a number of leading financial services companies.

# Easiest platform to use

Our aim is to become the easiest platform to use and we have made significant progress this year with a number of key initiatives and projects delivered.

## Digital strategy

The first phase of our digital strategy project was completed during the year with a number of developments now completed for AJ Bell Youinvest. The product administration, dealing, and investment content areas of our websites have all been integrated. This work has also enabled all future development of customer-facing screens, tools and services to be completed in-house.

Our mobile technology has also been enhanced with the introduction of an internally developed Android application and additional support provided for Apple Watch users. We are the first UK investment platform to offer Apple Watch support and we will continue to invest in new innovative technologies as part of our digital strategy to ensure we cater for our customers' ever changing needs.

The digital strategy focus will move towards AJ Bell Investcentre in the coming year as we look to leverage off the successful changes we have implemented for AJ Bell Youinvest. We are looking to deliver a number of enhancements for our advisers and their clients, including a new integrated funds and shares dealing service on both desktop and mobile devices.

> "We will continue to invest in new innovative technologies as part of our digital strategy to ensure we cater for our customers' ever changing needs."

# Easiest platform to use

## Guided investments

The AJ Bell Youinvest guided investment service was launched successfully during the last year, enabling customers to invest in a range of portfolios consisting of low-cost global tracker funds. This service has been developed to bridge the advice gap created by the RDR and is targeted primarily at the increasing number of DIY customers that welcome some help and guidance.

The guided investment service provides ready-made portfolios that cater for three different risk profiles; Cautious, Balanced and Adventurous. All three are designed with a medium-to-long-term planning horizon. Our simple portfolio builder tool also allows customers to create their own unique portfolios based on their risk appetite.


### Cautious portfolio

This portfolio aims to give a steady total return over time.


### Balanced portfolio

This portfolio aims for growth and income through taking some risk without extreme volatility.


### Adventurous portfolio

This portfolio aims for higher growth by accepting higher volatility.


### Build your own portfolio

This tool lets you create your own portfolio from our top tracker list.

## Investment management

The provision of an investment management service for our customers is a natural evolution from our current business model. It is planned to launch this service next year and it will create an additional income stream for the Group.

The provision of investment management services will help to lower the costs of investing for our customers whilst providing a focus on outcome-based investing with an "it does exactly what it says on the tin" approach. The service will complement the recently launched guided investment service for AJ Bell Youinvest customers and build on the current model portfolio functionality available for AJ Bell Investcentre advisers and their clients.

Alex Dymock joined us as Head of Investments earlier in the year to develop this new part of the business. He has a strong background in investment management, having worked at a number of large investment banks including Credit Suisse and Goldman Sachs and will be responsible for the delivery of the AJ Bell investment management solution.

## Off shore bonds capability

We endeavour to provide our customers with the choice and flexibility they need when investing and our regular customer research allows us to determine the priority of any future developments or enhancements. This research identified a strong demand for an offshore bonds service for AJ Bell Investcentre. A solution was found to meet this requirement and an offshore bonds service was successfully developed and launched earlier in the year. The service allows our AJ Bell Investcentre customers to invest in award-winning offshore products through Canada Life International Limited, whilst retaining all the features and functionality of the existing platform.

# First class service

We aim to provide a first class service by responding to our customers quickly and accurately, and by giving them the educational content they need to make informed investment decisions.

## Responsiveness

Challenging response targets are set for all of our communication channels to ensure we respond to our customers promptly. These response targets are not only met, but often exceeded and our excellent service in this area was recently highlighted in the October 2015 edition of the Platforum guide. This reported the average AJ Bell Youinvest telephone response time at 11 seconds compared to an average in the direct-to-consumer market of 51 seconds.

A web chat facility was also successfully introduced this year, opening another communication channel with our customers which has proven to be very popular. More resource will be deployed in this area to ensure we continue to evolve as our customers' behaviour changes.

In peak periods such as the lead-up to the pension freedoms launch and the tax year end, the level of telephone and written correspondence can increase by up to 200%. We always plan ahead for these periods and extend our opening hours to ensure that our customers can reach us when they need us.

> *"...74 minute turnaround from acknowledgment of receipt! Superb service! Thanks very much for all of your help..."*

> *"...How nice to have a company that replies quickly to e-mails! I wish they were all as efficient as you. Thanks once again for your excellent service..."*

## Accuracy

The last year has seen a significant number of legislative changes within our market and it is crucial during such periods that our customers can speak to the right person at the right time. Our functional operating structure ensures that our customers' queries can be directed to the appropriate team and answered by staff with the required technical expertise swiftly. All of our customer services staff undertake rigorous training when they join the business and the majority study for professional qualifications. Annual refresher courses are also undertaken by all staff and the QA team regularly listens to phone calls and reviews written correspondence to ensure that our high standards are maintained.

> *"...Thank you for all of your help. I have advised a few people who wish to use your services and I have told them of your excellent service and professional approach..."*

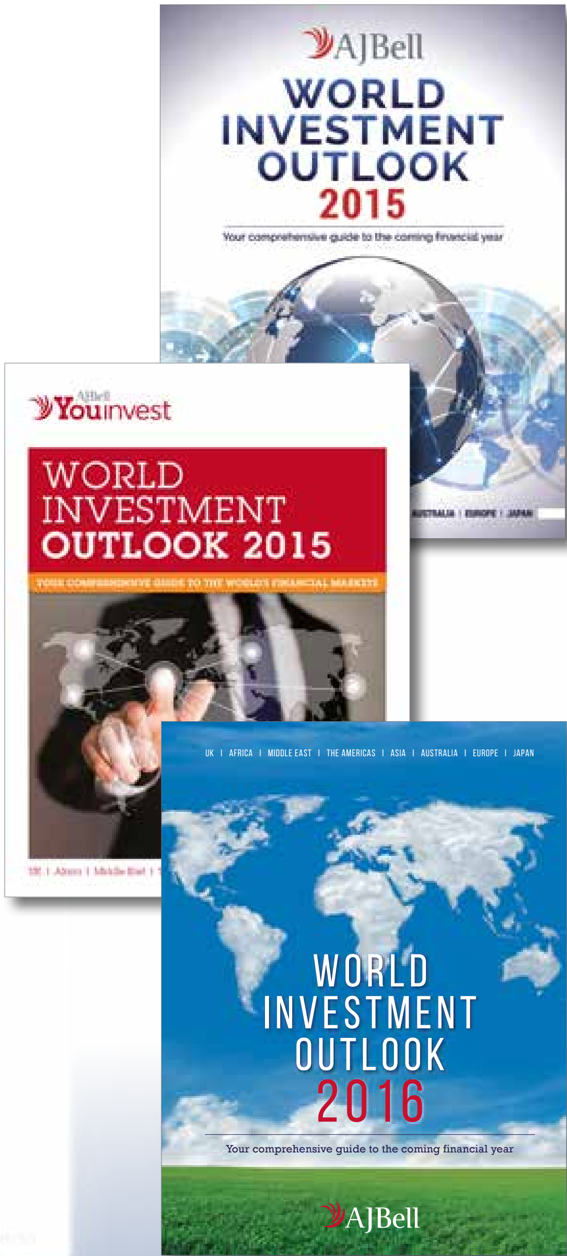
# First class service

## Investment content

The provision of quality investment content to our customers has been a key area of development in recent years, following the acquisition of AJ Bell Media in December 2012. We have continued to host investment conferences and seminars during the year on the latest popular investment topics. The 2016 World Investment Outlook will also be provided free of charge again to AJ Bell Youinvest customers and to advisers supporting AJ Bell Investcentre this year.

The 'Investival' event hosted annually by AJ Bell Investcentre continues to increase in popularity each year and this year it was held at the Royal Institute of British Architects. The event was again a big success with over 400 advisers from all over the UK attending on the day.

In the run-up to the introduction of the pension freedoms rules, we also held a number of technical seminars and sent out additional literature to help answer the key questions posed by the changes. The need for this type of technical guidance will continue to increase as we operate in a constantly evolving industry. With significant and sometimes complex changes being made each year, it is important that we continue to provide this support to our customers.




AJBell
MANCHESTER
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MANCHESTER 2015
BT Sport
MANCHESTER
AJBell
PSA

# Brand awareness

AJ Bell's ambition is to become one of the best-known names in its markets. In 2015 we sought to further this aim by increasing both our PR and sponsorship activities.

Charlie Musson was appointed as Head of PR during the year with the responsibility for the execution of our PR strategy. He has had an immediate impact by securing a number of high profile appearances on BBC TV and radio and Sky TV for our Investment Director, Russ Mould, who is becoming increasingly well known in the investment community as a trusted expert on the markets.

On the sponsorship side, we have targeted partnerships with sports that are popular among the users of our products and services. Many of the sporting events we sponsor are televised, enabling us to reach a national audience, thereby helping to raise the profile of the AJ Bell brand. Our sponsorship activities also align the brand with positive sporting values – dedication, commitment and a belief in striving for success – and our connection to these healthy activities helps to reinforce the point that people must invest in both their health and their wealth in order to enjoy long, prosperous lives.

## AJ Bell London Triathlon

> World's largest triathlon
> 13,000 triathletes
> 30,000 spectators

This year we put our name to the AJ Bell London Triathlon – the largest competition of its kind anywhere in the world. Held over two days in August, the event attracted more than 13,000 triathletes and 30,000 spectators who lined the streets of London to show their support. Many thousands more tuned in around the world to watch the action on Channel 4, Eurosport (UK) and Sky Sports. The AJ Bell London Triathlon also saw the first public appearance of Stocky Pigglesworth – our giant, inflatable, AJ Bell-branded piggybank.

## AJ Bell Stadium

The home of the Sale Sharks and Salford Red Devils was renamed the AJ Bell Stadium in 2013. This year, we arranged for our logo to be painted on the roof of the North Stand in order to capitalise on the AJ Bell Stadium's prominent location next to the M60 motorway. The AJ Bell branding will be seen by thousands of motorists each year and will help to anchor the stadium's name in the minds of the public.

## AJ Bell British Squash Grand Prix

> AJ Bell British Squash Grand Prix became the first squash tournament ever to be broadcast in ultra-clear 4K by BT Sport.

The AJ Bell British Squash Grand Prix is one of the UK's leading squash tournaments, and has become a firm favourite among players and fans alike. We took the decision to sponsor the event for a second time, and were pleased to be associated with another highly successful tournament. As an added bonus, the 2015 AJ Bell British Squash Grand Prix became the first squash tournament ever to be broadcast in ultra-clear 4K by BT Sport.

## Nick Matthew

Nick Matthew remains one of the most respected and exciting players in international squash. As well as enjoying another successful year on the court, he was also awarded an OBE for his services to the sport. We have been delighted to continue our association with this outstanding athlete and role model throughout the year.

# Our people

Our people strategy focusses on two key areas; staff engagement and talent management. This ensures that our staff are truly engaged within the business and have opportunities to develop and progress. This is a pre-requisite for the provision of a first class service to our customers.

## Staff engagement

We have fully embedded our Management Development Programme this year, following its launch last year and we are already beginning to realise some of the benefits. This has been complemented by our Opportunities to Progress Framework that has been established to provide staff with a clear career path and increased development opportunities.

One of the main ways we measure our staff engagement is through the annual Best Companies Survey, the largest employee survey of its kind in the UK. This year AJ Bell recorded its highest ever engagement score. This is a fantastic achievement and is testament to the focus of the management teams on staff engagement.

> "This year AJ Bell recorded its highest ever engagement score."

> "74 internal promotions were made in this year alone."

## Talent management

We recruit the best people with the right skills and behaviours for AJ Bell, ensuring they have a can-do attitude and the drive to succeed as our business grows and further opportunities arise. This is supported by our succession planning, in-house training and study support packages to ensure we nurture and develop our employees. We aim to give our employees the best possible chance of progressing their careers within AJ Bell and the success of our approach to talent management is evidenced by the 74 internal promotions that were made in this year alone.

# Principal risks and uncertainties



The Board is committed to a continual process of improvement and embedment of the risk management framework within the Group. This is to ensure that the business identifies both existing and emerging risks and develops appropriate mitigation strategies.

The directors believe that there are a number of potential risks to the Group that could hinder the successful implementation of their strategy. These risks may arise from internal and external events, acts and omissions. The directors are proactive in identifying, assessing and managing all risks facing the business.

The Internal Audit function carries out a rolling programme, reviewing key business areas throughout the Group. These reviews have been focussed on areas where the directors believe they require further assurance on controls and risk mitigation. This, along with the Risk and Compliance and Quality Assurance functions, comprises the ‘Assurance Framework’. The appropriateness and effectiveness of the Assurance Framework is assessed and documented within the Group’s Combined Assurance Model and reviewed by the Executive Management Assurance Committee and the Audit Committee.

The directors present below the principal risks and uncertainties facing the Group that could pose a threat to the delivery of their strategy.

## Industry risks

### Regulatory risk

The Group operates within an increasingly regulated environment such that new or revised legislation or regulation may have a materially adverse effect on it. It monitors all regulatory developments, including FCA-driven developments such as the new capital framework for SIPP operators and those driven by the European regulators such as MiFID II. This enables an assessment to be made of their impact on the Group’s businesses and for steps to be taken to mitigate any regulatory risks. Furthermore, it enables the Group to ensure it continues to operate in line with regulatory best practice.

In August 2014, the FCA published PS14/12 setting out the new capital framework for SIPP operators which will apply from September 2016. This will generally increase the amount of regulatory capital required to be held by SIPP operators. The Group has assessed the likely financial impact on its capital requirement at a regulated entity level, and does not expect it to be material. A substantial cash surplus is also held by the Group to provide additional regulatory capital to its regulated subsidiaries if the need arises.

The Group works to ensure FCA best practice and, in particular, Treating Customers Fairly principles are embedded across the business and followed consistently. The Group has considered the FCA’s 2015 Business Plan and the forward-looking areas of focus identified by the FCA, and these have been taken into account in our assessment of the Group’s material risks, the controls in place to mitigate these risks and our risk and compliance plans for 2016.

The Group contributes to the debate on regulatory issues affecting its markets. It does this, for example, through its membership of the Association of Member-directed Pension Schemes and the Wealth Management Association, as well as through direct responses to Government and FCA consultation.

### Taxation law change risk

Changes to tax legislation may reduce the attractiveness of tax-advantaged saving wrappers offered by the Group as a means of saving for retirement. The directors are not expecting any change in legislation over the coming year that would make the Group’s products significantly less attractive. With respect to pensions, the directors believe that the pension freedoms changes will, in general, have a positive impact on the pensions market and consumers’ willingness to save more for their retirement. The changes to the ISA rules, introduced in 2015 and the further changes announced for 2016, including the flexibility in subscription limits for tax years in which withdrawals have been made, also have the potential to increase the appeal of ISAs. Overall, the directors are optimistic about the prospects for continued growth in saving into tax-advantaged wrappers.

### Competitor and market risks

The Group operates in a highly competitive and dynamic industry which constantly aims to improve the services and products available to customers. This may impact the Group such that its products become either obsolete or uncompetitive when compared to other offerings in the marketplace. The Group regularly reviews its products against competitors, in relation to pricing, functionality and service, and actively seeks to make enhancements where necessary to maintain or improve its competitive position in line with the Group’s strategic objectives.

### Evolving technology risk

The reliance on evolving technology remains crucial to the Group’s effort to develop its services and enhance products. The risk exists that either the Group’s technology fails to operate correctly in some way or that the Group fails to take advantage of any emerging technologies.

# Principal risks and uncertainties

During the year a review of the Group's technology strategy was completed, which led to the Board agreeing a revised strategy covering the next 3-5 years, together with priorities for the next 12-18 months. The strategy takes into account the increasing risk posed by the activities of 'cyber' criminals and sets out the steps to be taken to ensure our controls continue to mitigate this ever evolving risk and to protect our customers' data.

The Group will continue to invest in its IT infrastructure, to ensure that it is capable of supporting the planned growth in the business and to protect customers' personal data.

"The strategy takes into account the increasing risk posed by the activities of 'cyber' criminals and sets out the steps to be taken to ensure our controls continue to mitigate this ever evolving risk and to protect our customers' data."

## Economic risk

In the event that the economy falls back into a prolonged recession, this may impact contribution levels and confidence generally in the savings and investment markets. The directors believe that the Group's overall income levels and in particular the balance between the different types of assets and transactions from which that income is derived, provide a robust defensive position against any economic downturn.

## Capital market fluctuations risk

Capital market fluctuations can have an effect on customer transactional activity and the value of assets under administration. The Group has a variety of transactional and recurring revenue streams, some of which are monetary amounts while others are ad valorem. This mix of revenue types helps to limit the Group's exposure to capital market fluctuations.

## Credit risk

There is a risk that unexpected losses may arise as a result of our institutional customers, market counterparties or banks used by the Group failing to meet their financial obligations. The Group carries out initial and ongoing due diligence on the market counterparties and banks that it uses and regularly monitors the level of exposure. The Group holds an amount of capital against the materialisation of this risk.

## **Operational risks**

## Financial control environment risk

This includes the risk of loss to the business, or its customers, and damage to the reputation of the Group, or one of its leading brands, because of either the actions of an unassociated third party or the misconduct of an employee. The financial control and fraud prevention policies and procedures within the Group have been reviewed and action taken to ensure any risk of fraudulent access to customer, or corporate, accounts is minimised. Thorough controls and checks are in place to ensure the appropriate calibre of individual is recruited into the Group and training is ongoing to ensure employees maintain technical competency in fulfilling their role within the Group along with an awareness of risks.

## Conduct risk

Conduct risk is the risk that detriment is caused to the Group's customers as a result of inappropriate execution of the Group's business activities. During the year the Group has continued to focus on enhancements to its risk management framework, in relation to the identification, monitoring and mitigation of risks of poor customer outcomes, and to its product management process to reduce the potential for customer detriment.

## Third party reliance risk

The Group undertakes its dealing, custody, settlement and administrative activities in-house and is therefore exposed to risk as a consequence of its reliance on third party software suppliers.

To mitigate the risk posed by third party software suppliers, the Group maintains a strong partnership relationship with the key suppliers and monitors their performance to ensure their continued commitment to service, financial stability and viability. Where possible, the Group has had, or will have, software code from these suppliers placed into escrow so that access can be gained to that code in the event of the supplier's failure.

# Principal risks and uncertainties

## Operational processing risk

There is a risk that the Group's operational processes are subject to error, causing both a reduction in earnings and damage to the Group's reputation. The Group focusses on increasing the effectiveness of all its operational procedures and aims to achieve straight-through processing wherever practical. Certain operational processes are still subject to manual intervention. The Group has expanded its business improvement function and a key focus of this team will be to improve and automate more of the processes and, by doing so, reduce the need for manual intervention and the potential for errors.

There is a risk that the volume of business activity in some areas significantly exceeds planned levels resulting in difficulties in maintaining the service standards expected by the Group's customers and advisers. The Group takes into account any regulatory or other events that are expected to lead to an increase in activity within its business planning processes and monitors activity and service levels on an ongoing basis for any indication of unexpected variations so that appropriate action can be taken.

The Group has incorporated a high level of operational resilience within its day-to-day operations. It has documented procedures with pre-set, specified management authorisation limits for all relevant operational processes. In addition to regular performance targets, the Group sets tolerance limits for operational errors which are monitored from Board level down to the relevant operational department.

## Project overload risk

There is a risk of failing to deliver on a major strategic project, or trying to complete too many projects too quickly, leading to a failure to deliver the anticipated benefits. The Group has an established programme portfolio management process, with members of the Executive Management Board meeting on a regular basis to review, approve and prioritise new project proposals, monitor progress of individual projects and re-prioritise projects, or approve additional resource, as necessary to ensure delivery of the Group's strategic objectives.

"In addition to regular performance targets, the Group sets tolerance limits for operational errors which are monitored from Board level down to the relevant operational department."

## Litigation risk

There is a risk of liability related to litigation from customers or third parties. The Group has robust systems and controls and maintains an appropriate level of professional indemnity insurance cover against these potential liabilities.

## Business continuity management risk

There is a risk of disruption to the Group's business in the event of a loss of access to any of the Group's properties or in the event of a catastrophic systems failure. The Group has agreements in place with specialist suppliers for geographically remote disaster recovery facilities for all of its operations, including separate offsite IT recovery facilities. There is a rolling programme of testing of all business continuity plans.

## Key people risks

The loss of key personnel within the Group, an increase in staff turnover or an inability to find appropriately qualified new or replacement employees, particularly in periods of sustained growth, may have a materially adverse impact on the Group's performance. The Group maintains a succession plan for key members of management across the whole business and has also sought to mitigate this risk by facilitating equity ownership for employees within the organisation through various share schemes and the development of a staff engagement strategy. The level of staff engagement has improved significantly over the last year, following the implementation of this strategy, as evidenced by the results from the Best Companies survey.

# Corporate social responsibility

## Fund raising

Our employees raise money for charitable causes every year, and 2015 was no exception. In the last 12 months our employees have run, rowed and ridden to raise cash for a number of good causes, including the Mark Pollock Trust, the AHOY Centre, the Hospice in the Weald and the National Eczema Society. As ever, the AJ Bell Trust also made significant donations throughout the year, to the benefit of charities as diverse as the Brain Research Trust, LCCC Foundation, The Prince's Trust, North Wales Search and Rescue Team and the Clatterbridge Cancer Charity.

> "In the last 12 months our employees have run, rowed and ridden to raise cash for a number of good causes..."

## Volunteering

We actively encourage our employees to get involved with volunteering work, and a number of good causes have benefited from their hard work this year. In May 2015, several members of staff worked to improve access and clear vegetation at the Leonard Cheshire Disability Centre in Sevenoaks, and in June 2015 another team helped young people at the Factory Youth Zone to write CVs and undertake mock interviews. We also helped out at Manchester Dog's Home, taking on everything from walking the dogs to clearing out kennels.

## AJ Bell Stadium - North Stand

This year the cancer charity Maggie's reached the end of its two-year agreement as the naming partner for the AJ Bell Stadium's North Stand. Following a public vote via social media, the naming rights for the next two years were awarded to a charity called 'Wooden Spoon', which uses the power of rugby to fund life-changing projects for disadvantaged and disabled children across the UK and Ireland. As ever, these naming rights were awarded free of charge in order to help the charity raise its profile and hopefully gain additional funds over the period of the deal.

## AJ Bell London Triathlon

With its stunning backdrop and unique atmosphere, the 2015 AJ Bell London Triathlon inspired countless people to improve their fitness and take part in this demanding but growing sport. This event also helped to raise over £1 million for good causes.

> "...the 2015 AJ Bell London Triathlon inspired countless people to improve their fitness and take part in this demanding but growing sport..."

By order of the Board

**Christopher Bruce Robinson (Company Secretary)**
**for and on behalf of AJ Bell Holdings Limited**
Trafford House, Chester Road, Manchester, M32 0RS
10 December 2015

## Fund raising

WE ARE MACMILLAN. CANCER SUPPORT

## Raising awareness

Cystic Fibrosis

## Sponsorship

## Donations

## Volunteering

THE FACTORY YOUTH ZONE

MANCHESTER DOGS' HOME

# Governance

# Board of Directors

**Les Platts**
Chairman

Les joined AJ Bell in September 2008 having retired as an Audit Partner and practice Senior Partner for the north-east with international professional services firm Deloitte. Over a period of 33 years with Deloitte, Les gained extensive UK and international experience across all industry sectors, including FTSE 100, FTSE 250, smaller listed PLCs, large private companies and private equity investments. He has advised at Board level on a wide range of financial, commercial and governance issues, and is also Vice Chairman of Leeds Building Society.

**Andy Bell**
Chief Executive Officer

Andy co-founded AJ Bell in 1995, having spent a number of years working within the financial services sector. Graduating from Nottingham University in 1987 with a first class degree in Mathematics, he qualified as a Fellow of the Institute of Actuaries in 1993 and has built AJ Bell into one of the largest providers of low-cost, online investment platforms and stockbroker services in the UK. Andy is the principal driving force behind the business, and his focus is increasingly on future strategy and growth opportunities.

**Michael Summersgill**
Chief Financial Officer

Michael joined AJ Bell in July 2007 and became Chief Financial Officer in June 2011. He is responsible for a range of operational and support functions in the business, overseeing Finance, HR, the Group’s stockbroking operation and key control functions within the SIPP administration business. Michael graduated from the University of Sheffield with a degree in Economics and began his career as an accountant in public practice, gaining experience with a broad portfolio of clients.

**John Tomlins**
Non-executive Director

John joined AJ Bell with a wealth of experience, having spent his entire full time career working in the IT and financial services sectors. Career highlights include pioneering work on new client investment solutions, and helping to develop a customer proposition that grew one start-up platform’s assets under administration from zero to £40 billion. John also co-founded the Institute of Customer Services, and is presently the Non-executive Chairman of a major technology and software supplier to investment platforms.

**Simon Turner**
Non-executive Director

Simon joins the Board with strong experience in the retail, consumer electronics and IT industries, thanks to his time as Group Managing Director at a leading UK electrical retailer, and his appointment to the boards of several large Internet businesses. No stranger to the financial services industry, he has also enjoyed an eight-year spell on the board at one of Britain’s biggest building societies, and currently sits on the board of a major bank.

# Executive Management Board

The EMB is the decision-making body that is responsible for the execution of the strategy agreed with the Board of Directors. It is charged with the day-to-day management of the Group, this within the confines of the matters reserved to the Board of Directors. The EMB meets regularly to review the performance of the Group and to agree corrective action where issues arise.

The EMB consists of the Chief Executive Officer, the Chief Financial Officer and the following members of senior management:

**Fergus Lyons**
Managing Director, AJ Bell Investcentre

Fergus joined AJ Bell in August 2000, having previously been employed at a major bank for over 20 years. Over the years Fergus has worked in virtually all areas of the business. In addition to his current role as Managing Director of AJ Bell Investcentre, Fergus has overall responsibility for Customer Services, Technology Services and our Platinum SIPP/SSAS products.

**Richard Taylor**
Chief Risk Officer

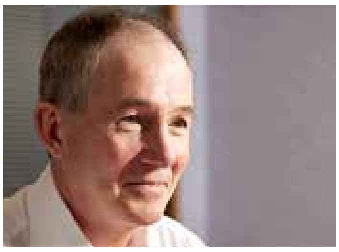
Richard joined AJ Bell in October 2005 with over 25 years' experience in the financial services industry. He is responsible for the risk, compliance, legal and technical resources functions within AJ Bell. Before joining AJ Bell, Richard held senior legal, marketing and strategy roles with a number of leading insurance companies. For many years he worked for a company specialising in the SSAS and SIPP market, leading its Legal, Pensions Technical and Compliance teams.

**Charles Galbraith**
Managing Director, AJ Bell Youinvest

Charles joined AJ Bell Securities in 2006 as Managing Director. He has worked in a number of stockbroking firms over the past 20 years, concentrating on both private and institutional clients. Previously he was Managing Director of Lloyds TSB Stockbrokers Limited, and was also responsible for Lloyds TSB's Stocks and Shares ISA business. Charles has overall responsibility for our institutional stockbroking business, our AJ Bell Youinvest platform and media business.

**Roger Stott**
Group Finance Director

Roger qualified as a Chartered Accountant in 1990 with KPMG, and has worked in retail stockbroking since 1999. He spent seven years as Finance Director at a well-known stockbroker, joining the company at start-up and seeing it through an MBO and sale. With AJ Bell since 2008, Roger is responsible for overseeing the Group's finance function, the commercial management of supplier relationships and our third party products.



**Christopher Bruce Robinson**
Group Legal Services Director and Company Secretary

Bruce joined AJ Bell in October 2012, having previously acted as one of the company's external legal advisers. Before joining AJ Bell, Bruce spent 20 years in private practice as a corporate and commercial lawyer, initially at Mace & Jones and then, following the 2011 merger, with Weightmans.

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# Directors' report

The directors present their annual report on the affairs of the Group, together with the consolidated financial statements and auditor's report, for the year ended 30 September 2015.

## Directors

The directors, who served throughout the year, are disclosed on page 30.

## Directors' interests

The directors who held office at 30 September 2015 had the following interests in the share capital of the Company:

| | Ordinary | | A non-voting | | B non-voting | | X non-voting | |
|---|---|---|---|---|---|---|---|---|
| | 30 Sept 2015 | 30 Sept 2014 | 30 Sept 2015 | 30 Sept 2014 | 30 Sept 2015 | 30 Sept 2014 | 30 Sept 2015 | 30 Sept 2014 |
| Les Platts | 50,305 | 50,305 | - | - | - | - | - | - |
| Andy Bell | 11,459,783 | 12,764,019 | 104,093 | 104,093 | 44,541 | - | - | - |
| Michael Summersgill | - | - | - | 60,176 | 13,281 | - | 66,330 | - |
| John Tomlins | 31,578 | 31,578 | - | - | - | - | - | - |
| Simon Turner | 20,000 | 20,000 | - | - | - | - | - | - |
| Total | 11,561,666 | 12,865,902 | 104,093 | 164,269 | 57,822 | - | 66,330 | - |

No director held Ordinary non-voting shares at 30 September 2015, 30 September 2014 or at any time during the period between these dates.

## Directors' share options

At 30 September 2015, the directors who held office held the following share options:

| Director | Number | Exercise price £ | Date of grant of option | Earliest date of exercise |
|---|---|---|---|---|
| M Summersgill | 10,000 | 1.90 | 1 Aug 09 | 1 Jul 16 |
| M Summersgill | 2,500 | 3.00 | 1 Oct 10 | 1 Jul 16 |
| M Summersgill | 1,000 | 3.50 | 19 Dec 11 | 1 Jul 16 |

There are no performance criteria attaching to any of the three tranches of share options.

No options were exercised by the directors during the year, or during the previous year.

## FCA Remuneration Code

The Group is subject to CRD IV requirements and therefore the FCA Remuneration Code.

We maintain remuneration policies and practices in accordance with the applicable principles of the Remuneration Code, which are overseen by the Remuneration Committee, comprised of the Non-executive Directors of the Board. Material decisions in relation to the remuneration of staff whose actions have a material impact on the risk profile of the firm and in relation to individuals in control functions are overseen by the Remuneration Committee. Our remuneration policies provide for variable remuneration to be linked to performance.

# Directors' report

## Key performance indicators

Key performance indicators in relation to the Group's activities, as reviewed continually by senior management, are presented on the highlights page, given at page 7.

## Dividends

The Company has declared a final dividend of 16.00p (2014: 15.75p) per share, to be paid on 11 December 2015. This, together with the interim dividend of 9.50p (2014: 9.50p) paid on 22 May 2015, makes a total dividend in respect of the financial year ended 30 September 2015 of 25.50p per share (2014: 25.25p).

## Capital management

The Group is subject to CRD IV requirements and therefore has a consolidated regulatory capital requirement. The capital comprises share capital, share premium and retained earnings. The directors ensure that the level of capital held in the Group:

- meets the regulatory capital requirements;
- provides a strong base for ongoing trading activities;
- is sufficient to support the Group's long-term strategy.

Under the requirements of Pillar III (Disclosure), the Group is required to disclose regulatory capital information, this can be found on the Group's website at www.ajbell.co.uk. The Pillar III disclosure will be available from 15 January 2016.

## Country by Country Reporting

AJ Bell Securities Limited is regulated under CRD IV and CRR. New regulation requires disclosure of certain financial information on a country by country basis. The following table demonstrates how we comply with the Country by Country Reporting requirements of CRD IV, by referencing to where in these financial statements the required information can be found. The Company has taken the exemption permitted under CRD IV to provide this information on a consolidated basis.

| Jurisdiction | Number of employees | Turnover | Profit (or loss) before tax | Cash tax paid on profit or loss (£'000) | Public subsidies received |
|---|---|---|---|---|---|
| UK | Note 6 | Income statement | Income statement | 3,501 | None received |

# Directors' report

## Financial risks

### Interest rate risk

As at the year end, the Group had no borrowings and therefore was not exposed to interest rate risk related to debt.

The Group's income levels are affected by prevailing interest rates. In a low interest rate environment, cash balances tend to decline and the revenue the Group earns on cash deposits reduces. The Group maintains good relationships with its banking partners and is able to access competitive rates due to the large value of deposits it places. This, along with the ability to control the interest rate on customer balances, enables the Group to mitigate this risk as far as it is practicable to do so.

### Liquidity risk

This is the risk that the Group may be unable to meet its liabilities as and when they fall due. These liabilities arise from the day-to-day activities of the Group and from its obligations to customers. The Group is a highly cash generative business and maintains sufficient cash balances and standby banking facilities to fund its ongoing trading requirements.

### Credit and bank default risk

The Group's credit risk extends to its principal financial assets. These are cash balances held with banks and trade and other receivables.

The directors continually monitor the strength of the banks used by the Group. The banks currently used by the Group are Bank of Scotland plc, HSBC Bank plc, The Royal Bank of Scotland plc, Santander UK plc, BNP Paribas Securities Services and Brown Brothers Harriman & Co. Bank of Scotland plc, the Group's principal banker, is a major UK high street bank and is 100% owned by Lloyds Banking Group in which the UK Government is a shareholder. All of the banks currently used by the Group have long-term credit ratings of at least A (Fitch), apart from The Royal Bank of Scotland plc which has a rating of BBB+ (Fitch), or A3 (Moody's). Where the services of other banks are used, the Group performs a rigorous due diligence prior to selection as well as subsequent monitoring on an ongoing basis. This ensures that the Group retains the ability to further mitigate the counterparty risk on its own behalf and that of its customers.

With regards to trade receivables, the Group has implemented procedures that require appropriate credit or alternative checks on potential customers before business is undertaken. This minimises credit risk in this area.

### Political contributions

There were no political contributions in the current year or prior year.

### Disabled employees

Applications for employment by disabled persons are considered bearing in mind the aptitude of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate facilities and training are arranged. It is the policy of the Group that the training, career development and promotion of disabled persons must, as far as possible, be identical to that of other employees.

# Directors' report

## Employee consultation

The Group places considerable value on the involvement of its employees. It has continued to keep them informed on matters affecting them as employees and arising from the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and internal publications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Employee share schemes have operated since June 2005. These schemes have promoted wider employee involvement in the Group.

The directors believe that the incentivisation of senior management and key employees by equity participation is an important factor in the continuing success of the Group. This policy aligns the interests of management with those of the wider shareholder base.

## Internal control

The Board has overall responsibility for the maintenance of the internal control system established by the Group and places considerable reliance on a strong control environment. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. Compliance with internal control procedures is monitored by the directors through the Risk and Compliance Committee and the Audit Committee, which are responsible for overseeing the Group's Risk Management, Compliance and Internal Audit functions.

## Going concern

The consolidated financial statements have been prepared on a going concern basis. After making enquiries, the directors believe that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The going concern basis of preparation is discussed in note 2.1 of the consolidated financial statements.

## Auditor

Each of the persons who are a director at the date of approval of this annual report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.
- Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

**Christopher Bruce Robinson (Company Secretary)**
**for and on behalf of AJ Bell Holdings Limited**
Trafford House, Chester Road, Manchester, M32 0RS
10 December 2015

# Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent auditor's report to the members of AJ Bell Holdings Limited

We have audited the financial statements of AJ Bell Holdings Limited for the year ended 30 September 2015 set out on pages 40 to 80. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Richard Gabbertas (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

10 December 2015

# Financial statements

# Consolidated income statement

For the year ended 30 September 2015

| | Notes | 2015<br>£'000 | 2014<br>£'000 |
|---|---|---|---|
| Revenue | 4 | 57,038 | 53,493 |
| Administrative expenses | | (41,651) | (37,579) |
| Operating profit | | **15,387** | **15,914** |
| Investment revenue | | 120 | 234 |
| Finance costs | 7 | (38) | (31) |
| Profit before tax | | **15,469** | **16,117** |
| Taxation | 8 | (3,140) | (3,594) |
| Profit for the financial year attributable to equity holders of the parent company | | **12,329** | **12,523** |
| Earnings per ordinary share: | | | |
| Basic (pence) | 10 | 30.23 | 30.87 |
| Diluted (pence) | 10 | 30.17 | 30.76 |

The notes and information on pages 44 to 73 form part of these consolidated financial statements. All income, profit and earnings are in respect of continuing operations.

There were no other components of recognised income or expense in either year and consequently no Statement of Other Comprehensive Income has been presented.

# Consolidated statement of financial position

As at 30 September 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets:** | | | |
| Goodwill | 11 | 1,957 | 1,957 |
| Other intangible assets | 12 | 6,796 | 8,281 |
| Property, plant and equipment | 13 | 1,204 | 1,249 |
| Deferred tax asset | 16 | 54 | - |
| | | **10,011** | **11,487** |
| **Current assets:** | | | |
| Trade and other receivables | 15 | 12,723 | 11,484 |
| Client and market receivables | 15 | 41,788 | 43,328 |
| Cash and cash equivalents | 15 | 36,318 | 33,222 |
| | | **90,829** | **88,034** |
| **Total assets** | | **100,840** | **99,521** |
| **Liabilities** | | | |
| **Current liabilities:** | | | |
| Trade and other payables | 18 | (7,370) | (5,479) |
| Client and market payables | 18 | (38,598) | (41,692) |
| Current tax liabilities | | (1,843) | (1,970) |
| Obligations under finance leases | 17 | (106) | (100) |
| Provisions | 19 | (53) | (68) |
| | | **(47,970)** | **(49,309)** |
| **Non-current liabilities:** | | | |
| Obligations under finance leases | 17 | (109) | (203) |
| Provisions | 19 | (398) | (398) |
| Other payables | 18 | (90) | (57) |
| Deferred tax liability | 16 | - | (168) |
| | | **(597)** | **(826)** |
| **Total liabilities** | | **(48,567)** | **(50,135)** |
| **Net assets** | | **52,273** | **49,386** |
| **Equity** | | | |
| Share capital | 20 | 40 | 40 |
| Share premium | | 1,913 | 1,085 |
| Retained earnings | | 50,320 | 48,261 |
| **Total equity attributable to equity holders of the parent company** | | **52,273** | **49,386** |

The notes and information on pages 44 to 73 form part of the consolidated financial statements.

The financial statements were approved by the Board of Directors on 10 December 2015 and were signed on its behalf by:

**Michael Summersgill (Director)**
**for and on behalf of AJ Bell Holdings Limited**
Trafford House, Chester Road, Manchester, M32 0RS

10 December 2015

# Consolidated statement of changes in equity

For the year ended 30 September 2015

| | Notes | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|
| Balance at 1 October 2013 | | 40 | 639 | 45,999 | 46,678 |
| **Total comprehensive income for the year:** | | | | | |
| Profit for the financial year | | - | - | 12,523 | 12,523 |
| **Transactions with owners, recorded directly in equity:** | | | | | |
| Issue of share capital | | - | 446 | - | 446 |
| Repurchase of own shares | | - | - | (99) | (99) |
| Dividends | 9 | - | - | (10,154) | (10,154) |
| Credit to equity in respect of share-based payments | 23 | - | - | 2 | 2 |
| Deferred tax effect of share-based payments | 8 | - | - | (16) | (16) |
| Tax relief on exercise of share options | 8 | - | - | 6 | 6 |
| Total transactions with owners | | **-** | **446** | **(10,261)** | **(9,815)** |
| **Balance at 30 September 2014** | | **40** | **1,085** | **48,261** | **49,386** |

The notes and information on pages 44 to 73 form part of the consolidated financial statements.

| | Notes | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Balance at 1 October 2014** | | 40 | 1,085 | 48,261 | 49,386 |
| **Total comprehensive income for the year:** | | | | | |
| Profit for the financial year | | - | - | 12,329 | 12,329 |
| **Transactions with owners, recorded directly in equity:** | | | | | |
| Issue of share capital | | - | 828 | - | 828 |
| Repurchase of own shares | | - | - | - | - |
| Dividends | 9 | - | - | (10,297) | (10,297) |
| Credit to equity in respect of share-based payments | 23 | - | - | 39 | 39 |
| Deferred tax effect of share-based payments | 8 | - | - | (19) | (19) |
| Tax relief on exercise of share options | 8 | - | - | 7 | 7 |
| Total transactions with owners | | **-** | **828** | **(10,270)** | **(9,442)** |
| **Balance at 30 September 2015** | | **40** | **1,913** | **50,320** | **52,273** |

The notes and information on pages 44 to 73 form part of the consolidated financial statements.

# Consolidated statement of cash flows

For the year ended 30 September 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **Net cash from operating activities** | 21 | 13,052 | 11,949 |
| **Investing activities** | | | |
| Purchase of other intangible assets | | (163) | (945) |
| Purchase of property, plant and equipment | | (343) | (650) |
| Interest received | | 120 | 234 |
| Net cash used in investing activities | | **(386)** | **(1,361)** |
| **Financing activities** | | | |
| Payment of obligations under finance leases | | (101) | (65) |
| Proceeds from issue of share capital | 20 | 176 | 441 |
| Proceeds from settlement of part-paid shares | 20 | 652 | 5 |
| Repurchase of own shares | | - | (99) |
| Dividends paid | 9 | (10,297) | (10,154) |
| Net cash used in financing activities | | **(9,570)** | **(9,872)** |
| **Net increase in cash and cash equivalents** | | 3,096 | 716 |
| Cash and cash equivalents at beginning of year | | 33,222 | 32,506 |
| **Total cash and cash equivalents at end of year** | | **36,318** | **33,222** |

The notes and information on pages 44 to 73 form part of the consolidated financial statements.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 1. General information

The Company is incorporated and registered in England and Wales. The address of the registered office is given on page 85. The nature of the Group's operations are set out in the Strategic report on pages 7 to 27 and the Directors' report on pages 32 to 35.

The consolidated financial statements for the Company and its subsidiaries were approved by the Board on 10 December 2015.

## 2. Significant accounting policies

### *Basis of accounting*

The consolidated financial statements are prepared on a going concern basis as noted on page 45 and are presented in sterling, rounded to the nearest thousand. They are prepared on the historical cost basis and the principal accounting policies applied in the preparation of these financial statements are set out on pages 44 to 51.

The consolidated financial statements of AJ Bell Holdings Limited have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU. The directors have elected to prepare the parent company's financial statements in accordance with UK GAAP and as permitted by Section 408 of the Companies Act 2006, no profit and loss account is presented for the Company; the notes and information for the Company are presented on pages 76 to 80.

### *Change in accounting policy*

At the date of issue of these financial statements there were a number of standards and interpretations which were relevant in issue but not yet effective for the Group. The directors do not believe that any of these will have a significant impact on the Group.

Accounting policies as shown below have been consistently applied throughout the current and prior financial year.

### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 September each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. They cease to be consolidated from the date that the Group no longer has control.

All intercompany transactions, balances, income and expenses are eliminated on consolidation.

A list of the significant investments in subsidiaries, including the name, country of incorporation, principal activities and proportion of ownership interest is given in note 4 to the Company's separate financial statements.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 2.1 Going concern

The Group's business activities, together with its financial position and the factors likely to affect its future development and performance are set out in the Strategic report on pages 7 to 27 and the Directors' report on pages 32 to 35. Within the Directors' report, the financial risks section on page 34 includes the Group's policies and processes for managing exposure to credit and liquidity risk. The Group's forecasts and objectives, taking into account a number of potential changes in trading performance show that the Group should be able to operate at adequate levels of both liquidity and capital for the foreseeable future. The directors have performed a number of stress tests on capital and liquidity and these provide assurance that the Group has sufficient capital to operate under stressed liquidity conditions.

Consequently, after making reasonable enquiries, the directors are satisfied that the Group has sufficient resources to continue in business for the foreseeable future and therefore have continued to adopt the going concern basis in preparing the financial statements.

## 2.2 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable tangible and intangible assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

## 2.3 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary, associate or jointly-controlled entity at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill that is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to one or more of the Group's CGUs expecting to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are reviewed annually or more frequently when there is an indication that the goodwill relating to that CGU may have been impaired. If the recoverable amount from the CGU is less than the carrying amount of the assets present on the consolidated statement of financial position forming that CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the assets forming that CGU and then to the assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

On disposal of a subsidiary, associate or jointly-controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 2.4 Revenue recognition

In recognising revenue, the directors follow the principles contained in IAS 18 ‘Revenue’ to determine appropriate revenue recognition policies. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group.

Revenue is measured at the fair value of the consideration received or receivable net of discounts, VAT and other sales-related taxes, for goods sold and services provided in the year.

Administration and custodian fees are recognised in the period in which the service is rendered using the percentage completion method. The extent to which a service is complete is determined by the different work activity profiles of the associated individual services.

Services rendered at the inception of a fixed-term contract are recognised over the life of that contract.

Asset-based commissions are accrued on a time basis by reference either to the principal and effective interest rate or the due date for payment.

Transaction-based commissions are recognised when receivable in accordance with the date of the underlying transaction.

Investment revenue comprises interest income receivable on the Group’s bank deposits. Interest income is recognised in the income statement as it accrues, using the effective interest rate method.

## 2.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rental payments under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

## 2.6 Finance costs

Finance costs comprise interest payable and finance charges on finance leases. Finance costs are recognised in the income statement using the effective interest rate method.

## 2.7 Retirement benefit costs

The Group makes payments into the personal pension schemes of certain employees as part of their overall remuneration package. Contributions are recognised in the income statement as they are payable.

The Group also contributes to employees’ stakeholder pension schemes. The assets of the scheme are held separately from those of the Group in independently administered funds. Any amount charged to the income statement represents the contribution payable to the scheme in respect of the period to which it relates.

Alternatively, the Group will pay contributions to an employee’s AJ Bell Youinvest SIPP, if they wish, instead of the stakeholder pension.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 2.8 Taxation

The tax expense represents the sum of the current tax payable and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

### *Current tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years, using tax rates enacted or substantively enacted at the reporting date.

### *Deferred tax*

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the future, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises (other than in a business combination) from:

- The initial recognition of goodwill; or
- investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future; or
- the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

## 2.9 VAT

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable in whole or in part from the taxation authority.

Where the sales tax is not recoverable in whole or in part from the taxation authority, it is expensed through the income statement, except in the case of a capital asset where the irrecoverable proportion is capitalised as part of the capital cost of that asset.

## 2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is provided, where material, on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful economic life as follows:

| | |
|---|---|
| Leasehold improvements | Over the life of the lease |
| Office equipment | 4 years |
| Computer equipment | 4 years |

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement immediately.

Where an asset is under construction at the end of a reporting period, the costs involved that meet the relevant recognition criteria are disclosed as a separate class of asset. As these assets are not available for use by the business they are not depreciated, instead they are reviewed for impairment.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 2.11 Intangible assets (excluding goodwill)

Intangible assets comprise computer software, customer contracts and non-contractual customer relationships, website development costs and the Group's key operating system (KOS). These are stated at cost or fair value less amortisation and any recognised impairment loss. Amortisation is provided, where material, on all intangible fixed assets excluding goodwill at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful economic life as follows:

| | |
|---|---|
| Computer software | 4 years |
| KOS | 10 years |
| KOS enhancements | Over the remaining life of the KOS |
| Customer contracts and non-contractual customer relationships | 5-10 years |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement immediately.

Where an asset is under construction at the end of a reporting period, the costs involved that meet the relevant recognition criteria are disclosed as a separate class of asset. As these assets are not available for use by the business they are not amortised, instead they are reviewed for impairment.

## 2.12 Internally-generated intangible assets

An internally-generated asset arising from work performed by the Group is recognised only if all the following conditions are met:

- An asset is created that can be identified (such as software);
- it is probable that the asset created will generate future economic benefits; and
- the development costs of the asset can be measured reliably.

Where such an asset is under construction at the end of a reporting period, the costs involved that meet the relevant recognition criteria are disclosed as a separate class of asset. As these assets are not available for use by the business they are not depreciated or amortised, instead they are reviewed for impairment. Typically, such projects consist of a mixture of tangible and intangible components and these are disclosed separately in the financial statements.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 2.13 Impairment of tangible and intangible assets (excluding goodwill)

At each reporting date of the consolidated statement of financial position the directors review the carrying amount of the Group's tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment. If such an indication exists then the recoverable amount of that particular asset is estimated.

An impairment test is performed for an individual asset unless it belongs to a CGU, in which case the present value of the net future cash flows generated by the CGU is tested. A CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or of groups of other assets. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

### *Recoverable amount*

The recoverable amount of a tangible or intangible asset is the higher of its fair value less costs to sell and its value-in-use. In assessing its value-in-use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU in which the asset sits is estimated to be lower than the carrying value, then the carrying amount is reduced to the recoverable amount. An impairment loss is recognised immediately in the income statement as an expense.

### *Reversals of impairment*

An impairment loss is reversed on tangible and intangible assets only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment reversal is recognised in the income statement immediately.

## 2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less. Where appropriate, bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position. For the purposes of the consolidated cash flow statement, cash and cash equivalents are defined as above, net of outstanding bank overdrafts if the Group has the right of set off.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 2.15 Financial instruments

Financial assets and liabilities are recognised in the consolidated statement of financial position when a member of the Group becomes a party to the contractual provisions of the instrument.

### *Financial assets*

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

All financial assets are classified as loans and receivables.

### *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at fair value, less any impairment. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as receivables. Client and market receivables are presented net where there is a legal right of offset and the ability and intention to settle on the net basis. Clients' settlement cash balances represent a right to receive cash from clients to settle an obligation incurred on their behalf. No interest income is recognised as all loans and receivables are short-term receivables and the recognition of interest would be immaterial.

### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each date of the consolidated statement of financial position. These assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets objective evidence of impairment could include:

- Default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as the observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial assets is reduced by the use of a provision. When a trade receivable is considered uncollectable, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against the provision. Changes in the carrying amount of the provision are recognised in the income statement.

### *Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets in which the investment is made after deducting all of its liabilities.

### *Financial liabilities*

All financial liabilities are classified as other financial liabilities.

Other financial liabilities, including any borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as payables. Client and market payables are presented net where there is a legal right of offset and the ability and intention to settle on the net basis.

### *Effective interest rate method*

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating the interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

## 2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the consideration required to settle that obligation at the date of the consolidated statement of financial position and are discounted to present value where the effect is material.

## 2.17 Share-based payments

The Group applies the requirements of IFRS 2 'Share-based Payment'. For the purposes of this financial information, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2006.

The Group issues equity-settled share-based payments to certain employees. These are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the directors' estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Where a grant of equity-settled share-based payments is not subject to vesting conditions, the fair value determined at the grant date is expensed immediately.

Fair value is measured by use of the Black-Scholes model. The expected life applied in the model has been adjusted based on the directors' best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. As the Company's shares are not listed on a recognised stock exchange and therefore no readily available market price exists for the shares, the share price has been estimated using a generally accepted business valuation method. Share price volatility has been estimated as the average of the volatility applying to a comparable group of listed companies.

## 2.18 Dividends

Dividend distributions to the Company's shareholders are recognised in the period in which the dividends are paid. Final dividends declared after the reporting period are not included as a liability in the financial statements but are disclosed in the notes to the financial statements.

## 2.19 Levies

The Group applies the guidance provided in IFRIC 21 to levies issued under the Financial Services Compensation Scheme. The interpretation clarifies when an entity recognises a liability for a levy imposed by government in accordance with legislation (other than taxes and fines or other penalties).

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions to determine the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on the Group's historical experience and other relevant factors. Actual results may differ from the estimates applied.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Critical judgements in applying the Group's accounting policies*

The following critical judgements have been made by the directors in applying the Group's accounting policies.

### *Impairment reviews of non-current assets*

At each reporting date, the Group's non-current assets are reviewed for impairment where there are indicators of impairment or a review is specifically required by IAS 36. As it is not possible to test the Group's assets for impairment on an individual basis, impairment reviews are carried out on a CGU basis. In order to determine an asset's recoverable amount, the directors review the expected future cash flows of the CGU to which the asset is allocated.

There are a number of estimations that the directors have used to forecast the expected future cash flows of the CGUs that have been reviewed. Key judgements in arriving at these estimations include:

- The revenue generated by the future demand for the Group's products and services;
- the anticipated future costs attributable to the supply of the Group's products and services; and
- the level of ongoing maintenance expenditure required on the Group's assets in order to generate the expected level of cash flows.

### *Capitalisation of internally-generated intangible assets*

The Group's accounting policy in relation to internally-generated intangible assets is given at section 2.12 in the notes to the consolidated financial statements.

Management judges whether incremental cash flows attributable to each project can be reliably measured. For projects where it is deemed probable that the asset will generate future economic benefits that can be measured, expenditure is capitalised. Examples of this are the delivery of a new product or service and the development of a new operating system. For projects that do not meet this expenditure criteria, such as the maintenance of an asset or new functionality for an existing product, the cost is expensed to the income statement as incurred.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 4. Revenue

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| An analysis of the consolidated revenue is as follows: | | |
| Investment administration services | 33,862 | 33,783 |
| Dealing and custody services | 19,586 | 16,348 |
| Media services | 3,590 | 3,362 |
| Total | **57,038** | **53,493** |

## 5. Profit for the financial year

| | Notes | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| Profit for the financial year has been arrived at after charging: | | | |
| Amortisation of intangible assets | 12 | 1,648 | 1,753 |
| Depreciation of tangible assets | 13 | 393 | 436 |
| Loss on disposal of intangible assets | | - | - |
| Loss on disposal of tangible assets | | 8 | 2 |
| Operating lease rentals: | | | |
| Other assets | 22 | 999 | 857 |
| Staff costs | 6 | 22,945 | 21,265 |
| Fees payable to the company's auditor for the audit of the company's annual accounts | | 11 | 19 |
| Fees payable to the company's auditor and its associates for other services: | | | |
| Audit of the accounts of subsidiaries | | 57 | 43 |
| Audit-related assurance services | | 54 | 38 |
| Other assurance services | | 4 | 13 |

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 6. Employee benefit costs and employee numbers

| | 2015 No. | 2014 No. |
|---|---|---|
| The average number of employees (including Executive Directors) in the continuing operations of the Group during the year ended 30 September 2015 were: | | |
| Administrative functions | **570** | **548** |

The aggregate employee costs for the continuing operations of the Group were as follows:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Short-term employee benefits | 19,941 | 18,563 |
| Social security costs | 2,112 | 2,093 |
| Retirement benefit costs | 819 | 530 |
| Termination benefits | 73 | 79 |
| Total | **22,945** | **21,265** |

### *Remuneration of key management personnel*

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Key management personnel are represented by the Board of Directors as shown on page 30 and the EMB as shown on page 31: | | |
| Short-term employee benefits | 2,303 | 1,675 |
| Retirement benefit costs | 62 | 22 |
| Share-based payments | - | 8 |
| Total | **2,365** | **1,705** |

### *Remuneration of directors*

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| The following costs relate to the Board of Directors as shown on page 30: | | |
| Short-term employee benefits | 1,085 | 785 |
| Retirement benefit costs | 1 | - |
| Total | **1,086** | **785** |

***Remuneration of highest paid director***

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Short-term employee benefits | 711 | 520 |
| Total | **711** | **520** |

## 7. Finance costs

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Obligations under finance leases | 24 | 26 |
| Other | 14 | 5 |
| Total | **38** | **31** |

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 8. Taxation

An analysis of the charge recognised in the consolidated income statement is presented below:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Current tax** | 3,494 | 3,669 |
| Adjustment to current tax in respect of prior period | (113) | (2) |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | (268) | (90) |
| Change in recognised deductible temporary differences | 22 | 23 |
| Reduction in tax rate | 5 | (6) |
| **Tax charge per the consolidated income statement** | **3,140** | **3,594** |

The main rate of corporation tax has been calculated at 20.5% (2014: 22%) and the deferred tax rate of 20% has been applied on the basis this was substantively enacted on 2 July 2013 and the corresponding deferred tax liabilities and assets are anticipated to unwind in full before 1 April 2017. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015 after the balance sheet date. This will reduce the company's future corporation tax charge and accordingly, reduce the deferred tax assets / liabilities at 30 September 2015 which has been calculated based on the rate of 20%.

In addition to the amount charged to the income statement, certain tax amounts have been charged/(credited) directly to equity as follows:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Deferred tax relating to share-based payments (see note 16) | 19 | 16 |
| Current tax relief on exercise of share options | (7) | (6) |
| | **12** | **10** |

The charge for the year can be reconciled to the profit per the income statement as follows:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Profit before tax | 15,469 | 16,117 |
| Profit before tax multiplied by a pro-rata rate of Corporation Tax in the UK of 20.5% (2014: 22%) | 3,171 | 3,546 |
| Effects of: | | |
| Expenses not deductible | 55 | 31 |
| Adjustments to current tax in respect of prior period | (91) | 21 |
| Change in recognised deductible temporary differences | 5 | (4) |
| Reduction in tax rate | - | - |
| **Total tax expense in consolidated income statement** | **3,140** | **3,594** |
| Effective tax rate | 20.3% | 22.3% |

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 9. Dividends

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Amounts recognised as distributions to equity holders during the year: | | |
| Final dividend for the year ended 30 September 2014 of 15.75p (2013: 15.50p) per share | 6,423 | 6,297 |
| Interim dividend for the year ended 30 September 2015 of 9.50p (2014: 9.50p) per share | 3,874 | 3,857 |
| **Ordinary dividends paid on equity shares** | **10,297** | **10,154** |
| Proposed final dividend for the year ended 30 September 2015 of 16.00p (2014: 15.75p) per share | 6,513 | 6,411 |

Dividends are payable on all classes of issued and fully or partially paid up ordinary shares, except B Non-voting shares as disclosed in note 20.

## 10. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary, non-voting ordinary and A and X non-voting ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of shares in all classes outstanding to assume exercise of all potentially dilutive share options.

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent company | 12,329 | 12,523 |

### *Number of Shares*

| | Number of shares 2015 | Number of shares 2014 |
|---|---|---|
| Weighted average number of ordinary shares (for the purpose of basic earnings per share) in issue during the year | 40,788,579 | 40,568,194 |
| Effect of potentially dilutive share options | 73,993 | 144,002 |
| **Weighted average number of ordinary shares for the purposes of fully diluted earnings per share** | **40,862,572** | **40,712,196** |

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 11. Goodwill

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Cost** | | |
| At 1 October 2014 | 2,069 | 2,069 |
| Additions | - | - |
| **At 30 September 2015** | **2,069** | **2,069** |
| **Accumulated impairment losses** | | |
| At 1 October 2014 | 112 | 112 |
| Charge for the financial year | - | - |
| **At 30 September 2015** | **112** | **112** |
| **Carrying value at 30 September 2015** | **1,957** | **1,957** |

The directors test goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

### *Goodwill arising on acquisition of AJ Bell Securities Limited*

Goodwill of £532,000 recognised in the statement of financial position arose on the acquisition of AJ Bell Securities Limited during the year ended 30 September 2008.

For the purposes of impairment testing, goodwill arising on the acquisition of AJ Bell Securities Limited is allocated to the dealing and custody CGU.

### *Goodwill arising on acquisition of AJ Bell Media Limited*

Goodwill of £1,537,000 recognised in the statement of financial position arose on the acquisition of AJ Bell Media Limited during the year ended 30 September 2013.

For the purposes of impairment testing, £380,000 of goodwill arising on the acquisition of AJ Bell Media Limited is allocated to the investment administration CGU, with the remaining £1,157,000 being allocated to the dealing and custody CGU.

### *Calculation of value-in-use of CGUs*

### *Dealing and custody CGU*

The recoverable amount of the assets contained within the dealing and custody CGU is determined by estimating its value-in-use; the discounted future cash flows attributable to the CGU are projected over the remaining two-year life of the customer list, which is the most prominent asset in the CGU, based on the most recent forecasts approved by the Board.

### *Investment administration CGU*

The recoverable amount of the assets contained within the investment administration CGU is determined by estimating its value-in-use; the discounted future cash flows attributable to the CGU are projected over the remaining six-year life of the key operating system, which was deemed to have a useful life of ten years when it was brought into use four years ago, and was deemed the most prominent asset in the CGU, based on the most recent forecasts approved by the Board.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

The directors have exercised the following key judgements in estimating the future cash flows:

### *Revenue*

A moderate rate of growth has been used to extrapolate cash flow projections beyond the most recent 3 year forecast approved by the Board for the investment administration and dealing and custody CGUs.

### *Administrative expenses*

Economies of scale are expected to be gained in the medium to long-term, although there are not expected to be any significant changes to the nature of administrative expenses.

### *Asset maintenance*

Modest ongoing maintenance expenditure is required on the assets in the CGUs in order to generate the expected level of cash flows.

### *Discount rate*

A pre-tax discount rate of 5% has been applied to the forecast cash flows in order to estimate the value-in-use of the CGUs.

Based on these key judgements, the estimated value-in-use of the CGUs comfortably supports the carrying values of the assets held within them.

In addition to the impairment review carried out as described above, the directors have performed sensitivity analysis on their calculations, with key assumptions being revised adversely to reflect the potential for future performance being below expected levels. Changes to revenue are the most sensitive as they would have the greatest impact on future cash flows but under the tests performed they continued to support the carrying value of the assets under the CGUs.

Following their review of both the dealing and custody CGU and investment administration CGU, the directors are satisfied that goodwill is not impaired.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 12. Other intangible assets

| | Computer software £'000 | Assets under construction £'000 | Customer contracts and non-contractual customer relationships £'000 | Key operating system £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 October 2013 | 6,123 | 1,571 | 2,135 | 6,449 | 16,278 |
| Additions | 190 | 754 | - | - | 944 |
| Transfer | 117 | (2,325) | - | 2,208 | - |
| **At 30 September 2014** | **6,430** | **-** | **2,135** | **8,657** | **17,222** |
| Additions | 163 | - | - | - | 163 |
| **At 30 September 2015** | **6,593** | **-** | **2,135** | **8,657** | **17,385** |
| **Amortisation** | | | | | |
| At 1 October 2013 | 5,324 | - | 966 | 898 | 7,188 |
| Charge for the financial year | 513 | - | 275 | 965 | 1,753 |
| **At 30 September 2014** | **5,837** | **-** | **1,241** | **1,863** | **8,941** |
| Charge for the financial year | 317 | - | 275 | 1,056 | 1,648 |
| **At 30 September 2015** | **6,154** | **-** | **1,516** | **2,919** | **10,589** |
| **Carrying value at 30 September 2014** | **593** | **-** | **894** | **6,794** | **8,281** |
| **Carrying value at 30 September 2015** | **439** | **-** | **619** | **5,738** | **6,796** |
| Average remaining amortisation period | 6 months | n/a | 2 years 3 months | 5 years 6 months | |

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 13. Property, plant and equipment

| | Leasehold improvements £'000 | Computer equipment £'000 | Office equipment £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 October 2013 | 548 | 1,986 | 988 | 3,522 |
| Additions | 128 | 382 | 361 | 871 |
| Disposals | - | (80) | (3) | (83) |
| **At 30 September 2014** | **676** | **2,288** | **1,346** | **4,310** |
| Additions | 1 | 296 | 59 | 356 |
| Disposals | - | (8) | - | (8) |
| **At 30 September 2015** | **677** | **2,576** | **1,405** | **4,658** |
| **Depreciation** | | | | |
| At 1 October 2013 | 476 | 1,470 | 760 | 2,706 |
| Charge for the financial year | 43 | 276 | 117 | 436 |
| Disposals | - | (78) | (3) | (81) |
| **At 30 September 2014** | **519** | **1,668** | **874** | **3,061** |
| Charge for the financial year | 17 | 208 | 168 | 393 |
| Disposals | - | - | - | - |
| **At 30 September 2015** | **536** | **1,876** | **1,042** | **3,454** |
| **Carrying value at 30 September 2014** | **157** | **620** | **472** | **1,249** |
| **Carrying value at 30 September 2015** | **141** | **700** | **363** | **1,204** |

During the year, additions of property, plant and equipment under finance leases totalled £13,000 (2014: £221,000).

The carrying amount of the Group's office equipment includes an amount of £197,000 (2014: £285,000) in respect of assets held under finance leases.

At the year-end, the Group had no commitments (2014: £Nil) to purchase any tangible fixed assets.

## 14. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation, and proportion of ownership interest is given in note 4 to the Company's separate financial statements.

The financial statements for the year ended 30 September 2015 of AJ Bell EBT Limited have been exempted from audit under s479A of the Companies Act 2006 by way of parent guarantee from AJ Bell Holdings Limited.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 15. Other financial assets

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Trade and other receivables** | | |
| Trade receivables | 6,243 | 5,139 |
| Prepayments and accrued income | 6,480 | 6,345 |
| **Total trade and other receivables** | **12,723** | **11,484** |

The directors consider that the carrying value of trade and other receivables approximates to their fair value.

The maturity profile of the Group's trade receivables was as follows:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Neither past due nor impaired | 4,904 | 3,977 |
| 31 to 60 days | 114 | 84 |
| 61 to 90 days | 147 | 163 |
| 91 days and over | 1,286 | 1,084 |
| | **6,451** | **5,308** |
| Less provision for doubtful debts | (208) | (169) |
| **Trade receivables per consolidated statement of financial position** | **6,243** | **5,139** |

The movement in the provision for doubtful debts is as follows:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| At 1 October 2014 | 169 | 109 |
| Amounts charged to the income statement as irrecoverable | 153 | 102 |
| Amounts recovered during the year | (114) | (42) |
| At 30 September 2015 | **208** | **169** |

The directors have reviewed the collectability of all receivables and are satisfied that those balances not otherwise provided against are recoverable.

### *Client and market receivables*

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Client and market receivables | 23,560 | 23,304 |
| Clients' settlement cash balances | 18,228 | 20,024 |
| | **41,788** | **43,328** |

Client and market receivables arise as a result of the provision of stockbroking services.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

### Cash and cash equivalents

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Cash and cash equivalents | 36,318 | 33,222 |
| Total | **36,318** | **33,222** |

Cash and cash equivalents comprise cash held by the Company and any of its operating subsidiaries. It also includes short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value. Any client bank accounts in foreign currency have been translated into sterling at the prevailing exchange rate at the statement of financial position date.

### Financial assets

Financial assets consist of cash and cash equivalents, trade receivables and client and market receivables and total £84,349,000 (2014: £81,689,000).

### Risks arising from financial assets

### Credit and bank default risk

The Group's credit risk extends to its principal financial assets. These are cash balances held with banks and trade and other receivables.

As regards trade receivables, the Group has implemented procedures that require appropriate credit or alternative checks on potential customers before business is undertaken. This minimises credit risk in this area.

The directors continue to monitor the strength of the banks used by the Group. The banks currently used by the Group are Bank of Scotland plc, HSBC Bank plc, The Royal Bank of Scotland plc, Santander UK plc, BNP Paribas Securities Services and Brown Brothers Harriman & Co.

Bank of Scotland plc, the Group's principal banker, is substantial and is 100% owned by Lloyds Banking Group in which the UK Government still has a stake. The degree of state ownership is closely monitored by the Group. All of the banks currently used by the Group have long-term credit ratings of at least A (Fitch), apart from The Royal Bank of Scotland plc which has a rating of BBB+ (Fitch), or A3 (Moody's). Where the services of other banks are used, the Group follows a rigorous due diligence process prior to selection. This results in the Group retaining the ability to further mitigate the counterparty risk on its own behalf and that of its customers.

### Embedded derivatives

In accordance with IAS39, 'Financial Instruments: Recognition and Measurement', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. The directors are satisfied that there are no material embedded derivatives held by the Group.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 16. Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior reporting period.

| | Accelerated capital allowances £'000 | Share-based payments £'000 | Short-term timing difference £'000 | Unused tax losses £'000 | Total £'000 |
|---|---|---|---|---|---|
| At 1 October 2013 | (178) | 164 | (220) | 9 | (225) |
| Credit/(charge) to the income statement | 20 | (11) | 73 | (9) | 73 |
| Credit to equity | - | (16) | - | - | (16) |
| **At 1 October 2014** | **(158)** | **137** | **(147)** | **-** | **(168)** |
| Credit/(charge) to the income statement | 154 | (22) | 109 | - | 241 |
| (Charge) to equity | - | (19) | - | - | (19) |
| **At 30 September 2015** | **(4)** | **96** | **(38)** | **-** | **54** |

The current year deferred tax adjustment relating to share-based payments reflects the estimated total future tax relief associated with the cumulative share-based payment benefit arising in respect of share options granted but unexercised as at 30 September 2015.

As at 30 September 2015 the Group had unused tax losses of £92,000 (2014: £87,000) which have not been recognised as a deferred tax asset.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Deferred tax asset | 96 | 137 |
| Deferred tax liability | (42) | (305) |
| Net deferred tax asset/(liability) | **54** | **(168)** |

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 17. Obligations under finance leases

### *Minimum lease payments*

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Amounts payable under finance leases: | | |
| Within one year | 119 | 123 |
| In the second to fifth years inclusive | 113 | 219 |
| | **232** | **342** |
| Less: future finance charges | (17) | (39) |
| **Present value of lease obligations** | **215** | **303** |

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Present value of minimum lease payments** | | |
| Amounts payable under finance leases: | | |
| Within one year | 106 | 100 |
| In the second to fifth years inclusive | 109 | 203 |
| **Present value of lease obligations** | **215** | **303** |

It is the Group's policy to lease certain items of office equipment under finance leases. The average lease term is between three and five years. All lease obligations are denominated in sterling. The fair value of the Group's lease obligations approximates to their carrying amount.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 18. Other financial liabilities

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Trade and other payables** | | |
| Trade payables | 1,075 | 552 |
| Social security and other taxes | 1,320 | 1,312 |
| Accruals and deferred income | 4,975 | 3,615 |
| | **7,370** | **5,479** |

Trade payables, accruals and deferred income principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade payables approximates to their fair value.

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Client and market payables** | **38,598** | **41,692** |

Client and market payables arise as a result of the provision of stockbroking services.

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Non-current payables** | | |
| Other payables | **90** | **57** |

### *Financial liabilities*

Financial liabilities consist of trade payables, client and market payables and obligations under finance leases.

The following details the Group's remaining contractual maturity for its non-derivative financial liabilities.

| | Less than 1 month £'000 | 1 to 3 months £'000 | 3 to 12 months £'000 | 1 to 5 years £'000 | **Total £'000** |
|---|---|---|---|---|---|
| 2015 | 39,503 | - | 276 | 109 | **39,888** |
| 2014 | 42,240 | (14) | 117 | 203 | **42,546** |

### *Risks arising from financial liabilities*

### *Liquidity risk*

This is the risk that the Group may be unable to meet its liabilities as and when they fall due. These liabilities arise from the day-to-day activities of the Group and from its obligations to customers. The Group is a highly cash generative business and maintains sufficient cash and standby banking facilities to fund its foreseeable trading requirements.

## 19. Provisions

| | FSCS levy £'000 | Office dilapidations £'000 | Total £'000 |
|---|---|---|---|
| At 1 October 2014 | 68 | 398 | 466 |
| Utilised in the year | (15) | - | (15) |
| Charged in the year | - | - | - |
| At 30 September 2015 | **53** | **398** | **451** |
| Included in current liabilities | 53 | - | 53 |
| Included in non-current liabilities | - | 398 | 398 |

The FSCS levy provision represents an estimate of a potential interim levy for the year ended 31 March 2015.

The Group is contractually obliged to reinstate its three leased properties to their original state and layout at the end of the lease terms. The office dilapidations provision represents the directors' best estimate of the present value of costs which will ultimately be incurred in settling these obligations.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 20. Share Capital

| | 2015 £ | 2014 £ |
|---|---|---|
| **Issued, fully-called and paid:** | | |
| 38,592,492 (2014: 38,035,865) ordinary shares of 0.1p each | 38,593 | 38,036 |
| 75,000 (2014: 75,000) ordinary non-voting shares of 0.1p each | 75 | 75 |
| 781,471 (2014: 1,858,436) A non-voting ordinary shares of 0.1p each | 781 | 1,858 |
| 767,465 (2014: Nil) X non-voting ordinary shares of 0.1p each | 767 | - |
| | **40,216** | **39,969** |
| **Issued, partly-called and paid:** | | |
| 167,102 (2014: Nil) B non-voting ordinary shares of 0.1p each | 167 | - |
| Nil (2014: 77,910) A non-voting ordinary shares of 0.1p each – 10% partly-called and paid | - | 8 |
| 64,000 (2014: 174,242) A non-voting ordinary shares of 0.1p each – 0.2% partly-called and paid | - | 1 |
| 221,104 (2014: 484,205) A non-voting ordinary shares of 0.1p each – 0.3% partly-called and paid | 1 | 1 |
| 57,597 (2014: Nil) X non-voting ordinary shares of 0.1p each – 10% partly-called and paid | 6 | - |
| 120,683 (2014: Nil) X non-voting ordinary shares of 0.1p each – 0.2% partly-called and paid | - | - |
| 151,665 (2014: Nil) A non-voting ordinary shares of 0.1p each – 0.3% partly-called and paid | - | - |
| | **174** | **10** |
| **Total value of fully or partly-paid shares** | **40,390** | **39,979** |

The following share transactions that have had an impact on share premium during the year:

| Transaction type | Share class | Number of shares | Premium £'000 |
|---|---|---|---|
| Full payment | A non-voting ordinary shares of 0.1p each | n/a | 352 |
| Full payment | X non-voting ordinary shares of 0.1p each | n/a | 18 |
| Full payment | Y non-voting ordinary shares of 0.1p each | n/a | 282 |
| Exercise of CSOP options | Ordinary shares of 0.1p each | 40,919 | 111 |
| New issue under OTB | A non-voting ordinary shares of 0.1p each, 0.2% partly-paid | 69,400 | 1 |
| New issue | Ordinary shares of 0.1p each | 15,500 | 30 |
| New issue under OTB | B non-voting ordinary shares of 0.1p each | 167,102 | 34 |
| | | | **828** |

The ordinary non-voting shares A non-voting ordinary shares and X non-voting ordinary shares have the same rights as to dividend and on winding-up as the ordinary shares except that they cannot vote at meetings of shareholders.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 21. Notes to the statement of cash flows

| | 2015<br>£'000 | 2014<br>£'000 |
|---|---|---|
| Profit for the financial year | 12,329 | 12,523 |
| Adjustments for: | | |
| Investment revenue | (120) | (234) |
| Finance costs | 38 | 31 |
| Income Tax expense | 3,140 | 3,594 |
| Depreciation of property, plant and equipment | 393 | 436 |
| Amortisation of intangible assets | 1,648 | 1,753 |
| Share-based payment expense | 39 | 2 |
| Increase in provisions and other payables | 18 | 111 |
| Loss on disposal of fixed assets | 8 | 2 |
| Operating cash flows before movements in working capital | **17,493** | **18,218** |
| Decrease/(increase) in receivables | 301 | (3,410) |
| (Decrease)/increase in payables | (1,203) | 1,601 |
| **Cash generated from operations** | **16,591** | **16,409** |
| Income Taxes paid | (3,501) | (4,429) |
| Interest paid | (38) | (31) |
| **Net cash from operating activities** | **13,052** | **11,949** |

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 22. Operating leases

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **The Group as lessee:** | | |
| Minimum lease payments under operating leases recognised as an expense in the year | **999** | **857** |

At the date of the consolidated statement of financial position, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases as shown in the table presented below. The calculations represent the minimum payments up to the next available break point in each of the Group's leases.

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Within one year | 1,046 | 984 |
| In the second to fifth years inclusive | 1,833 | 2,408 |
| After five years | 201 | 303 |
| | **3,080** | **3,695** |

Presented below are the minimum lease payments to which the Group would be contractually obligated if all break options were removed:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Within one year | 1,046 | 984 |
| In the second to fifth years inclusive | 3,818 | 4,003 |
| After five years | 5,278 | 6,201 |
| | **10,142** | **11,188** |

Operating lease payments represent rentals payable by the Group for its office properties. At original inception, office property leases are negotiated for an average term of ten to fifteen years and rentals are fixed for an average of five years.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 23. Share-based payments

### *Equity-settled share option schemes*

During the year there have been two HMRC-approved share option schemes in operation, an EMI scheme and CSOP. Following amendments to the EMI thresholds, the Group ceased to qualify as an eligible participant and the EMI scheme was closed to new entrants in July 2008. The CSOP was created in July 2009 to replace the EMI scheme, and to ensure that equity ownership for all levels of employees within the organisation continued to be facilitated.

All unexercised options granted under the EMI scheme prior to July 2008 are fully vested and remain exercisable. Options granted under the EMI scheme are usually forfeited if the employee leaves the Group before the option expires. There were no unvested EMI scheme options in existence during the current or prior year. Therefore, there was no share-based payment expense in respect of the EMI scheme in either the prior year or current year, nor will there be any expense in future accounting periods.

Options granted under the CSOP vest between three and ten years after the date of grant and are usually forfeited if the employee leaves the Group before the option expires. The expense for share-based payments under the CSOP is recognised over the respective vesting period of these options. The expense recognised in the year to 30 September 2015 was £27,764 (2014: £2,111).

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes method, taking into account the terms and conditions upon which the options were granted.

During the period, a total of 130,254 options were granted under the CSOP. The fair value of these options has been estimated using the Black-Scholes method.

The inputs to that model for this new issue of options are listed below:

| | |
|---|---|
| Fair value of share from generally accepted business model (£) | 3.50 |
| Exercise price of an option (£) | 3.50 |
| Expected volatility | 25% |
| Expected dividend yield | 7.21% |
| Risk-free interest rate | 0.83% |
| Expected option life to exercise (months) | 36 |

Options are exercisable at a price equal to the market value of the Company's shares on the date of grant. As the Company is unlisted, it has no readily available share price and so its share value is calculated using dividend and earnings-based models to determine a range of valuations. The average price indicated by these valuations is assumed to be the approximate market value at the date of grant. This is discounted to represent the minority value of one share and is agreed with HMRC prior to the granting of options. The expected life of the options is based on the minimum period between the grant of the option, the earliest possible exercise date and an analysis of the historical exercise data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the case.

The B non-voting ordinary shares (Growth shares) are a new share class offered to management which will effectively replace the A non-voting ordinary share class during the current financial year. Growth shares entitle the holder to participate in any growth in value of the Group above a certain threshold level, which is set in excess of the market value at the time that the shares are acquired. Growth shares carry no dividend entitlement.

We have estimated the value of Growth shares using the Black-Scholes method, taking into account the terms and conditions upon which the options were granted. The expense recognised in the period was the fair value of the growth shares less the 20 pence issue price. This resulted in a charge to the income statement of £10,883 (2014: £Nil), relating to the issue of 167,102 Growth shares in December 2014.

# Notes to the consolidated financial statements

For the year ended 30 September 2015

The inputs to that model for this new issue of options are listed below:

| | |
|---|---|
| Fair value of share from generally accepted business model (£) | 4.10 |
| Expected volatility | 25% |
| Expected dividend yield | 6.16% |
| Risk-free interest rate | 0.83% |
| Time expected to reach growth target (months) | 22 |

The fair value of the shares has been based on a whole company basis and has been provided independently by our tax advisers. The dividend yield, volatility and risk-free interest rates are consistent with those used for CSOPs. The expected time period has been based on the assumed date that the growth target threshold will be met using a 3 year forecast approved by the Board.

Details of the aggregate share options (EMI and CSOP) outstanding during the year are as follows:

***Reconciliation of the movement in the number of share options:***

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price (£) | Number of options | Weighted average exercise price (£) |
| Outstanding at beginning of period | 460,819 | 2.69 | 537,644 | 2.72 |
| Granted during the period | 130,254 | 3.50 | 20,715 | 3.80 |
| Exercised during the period | (40,919) | 2.71 | (27,604) | 2.82 |
| Forfeitures | (20,252) | 2.72 | (69,936) | 3.16 |
| Outstanding at the end of the period | **529,902** | **2.89** | **460,819** | **2.69** |
| **Exercisable at the end of the period** | 259,972 | 1.90 | 251,653 | 1.65 |

The Company is unlisted; therefore no quoted price is available for its stock.

The lowest exercise price for share options outstanding at the end of the period was 22p (2014: 22p) and the highest exercise price was 420p (2014: 420p). The weighted average remaining contractual life of share options outstanding at the end of the period was 6 years (2014: 6 years).

# Notes to the consolidated financial statements

For the year ended 30 September 2015

## 24. Related party transactions

### *Subsidiaries*

The Company has a related party relationship with its subsidiaries. Transactions between the Company and its subsidiaries and between subsidiaries have been eliminated on consolidation.

### *Key management personnel*

The Group has a related party relationship with its directors and members of the senior management team (the ‘key management personnel’). Remuneration of key management personnel is disclosed in note 6. During the year there were no material transactions or balances between the Group and its key management personnel or members of their close family, other than noted below.

### *Directors*

Remuneration of the directors is disclosed in note 6.

### *Charitable donations*

During the year, the Group made donations totalling £76,500 (2014: £76,000) to the AJ Bell Trust, a registered charity of which Mr A J Bell is a trustee.

## 25. Events after the date of the consolidated statement of financial position

At the date of the approval of these consolidated finanical statements, the directors are not aware of any material events after the date of the consolidated statement of financial position.

# Company balance sheet

As at 30 September 2015

| | Notes | 2015 £'000 | 2015 £'000 | 2014 £'000 | 2014 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investments | 4 | | 18,010 | | 18,010 |
| **Current assets** | | | | | |
| Debtors: | | | | | |
| - due within one year | 5 | 907 | | 1,816 | |
| - due after one year | 5 | 6,480 | | 7,450 | |
| | | **7,387** | | **9,266** | |
| Cash at bank and in hand | | 8,932 | | 8,327 | |
| | | | **16,319** | | **17,593** |
| **Current liabilities** | | | | | |
| Creditors: Amounts falling due within one year | 6 | | (1,565) | | (725) |
| **Net assets** | | | **32,764** | | **34,878** |
| **Capital and reserves** | | | | | |
| Called-up share capital | 7 | | 40 | | 40 |
| Share premium account | 8 | | 1,912 | | 1,085 |
| Profit and loss account | 8 | | 30,812 | | 33,753 |
| **Shareholders' funds** | 9 | | **32,764** | | **34,878** |

The financial statements of AJ Bell Holdings Limited (registered number 04503206) were approved by the Board of Directors and authorised for issue on 10 December 2015. They were signed on its behalf by:

**Michael Summersgill (Director)**
**for and on behalf of AJ Bell Holdings Limited**
Trafford House, Chester Road, Manchester, M32 0RS
10 December 2015

# Notes to the Company financial statements

For the year ended 30 September 2015

## 1. Significant accounting policies

### *Basis of accounting*

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historic cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The accounting policies that are different to those used in the preparation of the consolidated financial statements are summarised below. They have all been applied consistently throughout the year and the preceding year.

The separate statements have been prepared on a going concern basis. The directors believe that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the date the financial statements are approved.

### *Investments*

Investments in subsidiary undertakings are shown at cost less provision for impairment.

### *Taxation*

The charge or credit for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

## 2. Profit for the financial year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the year ended 30 September 2015 of £7,317,000 (2014: £7,819,000). This profit was generated from the Company's principal activity which is that of a holding company.

The auditor's remuneration for the audit and other services is disclosed in note 5 to the consolidated financial statements.

## 3. Charitable donations

During the year, the Company made charitable donations of £76,500 (2014: £76,000).

# Notes to the Company financial statements

For the year ended 30 September 2015

## 4. Investments

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Cost** | | |
| At 1 October 2014 | 18,412 | 8,412 |
| Additions | - | 10,000 |
| **At 30 September 2015** | **18,412** | **18,412** |
| **Accumulated impairment losses** | | |
| At 1 October 2014 | 402 | 402 |
| Charge for the financial year | - | - |
| **At 30 September 2015** | **402** | **402** |
| **Carrying value at 30 September 2015** | **18,010** | **18,010** |

The Company has investments in the ordinary share capital of the following subsidiaries:

| Name of Company | Country of incorporation | Principal activity | Holding % |
|---|---|---|---|
| AJ Bell Limited* | England and Wales | Investment / Group administration | 100 |
| AJ Bell Trustees Limited | England and Wales | Dormant | 100 |
| Ashby London Trustees Limited | England and Wales | Dormant | 100 |
| AJ Bell Platinum Limited* | England and Wales | Dormant | 100 |
| Ashby London Actuarial Services Limited* | England and Wales | Dormant | 100 |
| AJ Bell Management Limited* | England and Wales | Investment administration | 100 |
| Sippdeal Trustees Limited | England and Wales | Dormant | 100 |
| AJ Bell (PP) Trustees Limited | England and Wales | Dormant | 100 |
| Whitehead Trustees Limited | England and Wales | Dormant | 100 |
| Ashby London (PP) Trustees Limited | England and Wales | Dormant | 100 |
| Sippdeal Limited | England and Wales | Dormant | 100 |
| MSM Media Limited* | England and Wales | Dormant | 100 |
| AJ Bell Securities Limited* | England and Wales | Dealing and custody | 100 |
| Lawshare Nominees Limited | England and Wales | Dormant | 100 |
| AJ Bell EBT Limited*† | England and Wales | Dormant | 100 |
| AJ Bell Media Limited* | England and Wales | Media | 100 |
| MoneyAM Limited | England and Wales | Media | 100 |

* Held directly by AJ Bell Holdings Limited.

† The financial statements for the year ended 30 September 2015 of AJ Bell EBT Limited have been exempted from audit under s479A of the Companies Act 2006 by way of parent guarantee from AJ Bell Holdings Limited.

# Notes to the Company financial statements

For the year ended 30 September 2015

## 5. Debtors

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Due within one year:** | | |
| Trade debtors | 335 | 1,052 |
| Amounts owed by Group undertakings | 7 | 747 |
| Prepayments and accrued income | 565 | 17 |
| | **907** | **1,816** |

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Due after one year:** | | |
| Deferred tax asset relating to share-based payments | 30 | - |
| Amounts owed by Group undertakings | 6,450 | 7,450 |
| | **6,480** | **7,450** |

Amounts owed by Group undertakings falling due after one year relate to loans issued to AJ Bell Limited by the Company in relation to costs incurred by AJ Bell Limited in renewing IT infrastructure and administration systems in order to enhance products and services for the Group.

## 6. Creditors – Amounts falling due within one year

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Trade Creditors | 276 | - |
| Amounts owed to Group undertakings | 381 | 205 |
| Other taxation and social security | 56 | - |
| Corporation Tax | 815 | 501 |
| Accruals and deferred income | 37 | 19 |
| | **1,565** | **725** |

## 7. Called-up share capital

The Company's share capital is disclosed in note 20 to the consolidated financial statements.

# Notes to the Company financial statements

For the year ended 30 September 2015

## 8. Reserves

| | Share premium £'000 | Profit & loss £'000 |
|---|---|---|
| At 1 October 2014 | 1,085 | 33,753 |
| Retained profit for the financial year | - | 7,317 |
| Issue of new shares | 175 | - |
| Pay up of part-paid shares | 652 | - |
| Dividends paid | - | (10,297) |
| Credit to equity for equity-settled share-based payments | - | 39 |
| **At 30 September 2015** | **1,912** | **30,812** |

## 9. Reconciliation of movement in equity shareholders' funds

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Retained profit for the financial year | 7,317 | 7,819 |
| Credit to equity for equity-settled share-based payments | 39 | 2 |
| Dividends | (10,297) | (10,154) |
| | **(2,941)** | **(2,333)** |
| Proceeds from issue of new shares | 175 | 355 |
| Proceeds from pay-up of part-paid shares | 652 | 91 |
| Repurchase of own shares | - | (99) |
| Net addition to shareholders' funds | **(2,114)** | **(1,986)** |
| Opening shareholders' funds at 1 October 2014 | 34,878 | 36,864 |
| **Closing shareholders' funds at 30 September 2015** | **32,764** | **34,878** |

# Unaudited five-year summary

For the year ended 30 September 2015

| | IFRS | | | | |
|---|---|---|---|---|---|
| | 2015 £'000 | 2014 £'000 | 2013 £'000 | 2012 £'000 | 2011 £'000 |
| **Results** | | | | | |
| Revenue | 57,038 | 53,493 | 57,043 | 51,765 | 41,570 |
| Profit from operations | 15,387 | 15,914 | 23,725 | 26,360 | 18,940 |
| Profit before tax | 15,469 | 16,117 | 23,902 | 26,501 | 19,046 |
| Profits attributable to equity holders of AJ Bell Holdings Limited | 12,329 | 12,523 | 18,164 | 19,799 | 13,882 |
| **Assets employed** | | | | | |
| Non-current assets | 10,011 | 11,487 | 11,863 | 9,778 | 7,710 |
| Current assets | 90,829 | 88,034 | 83,908 | 64,907 | 58,193 |
| Current liabilities | (47,970) | (49,309) | (48,420) | (35,711) | (38,134) |
| Non-current liabilities | (199) | (428) | (358) | (287) | (79) |
| Long-term provisions | (398) | (398) | (315) | (280) | (136) |
| **Net assets** | **52,273** | **49,386** | **46,678** | **38,407** | **27,554** |
| **Financed by** | | | | | |
| Equity | 52,273 | 49,386 | 46,678 | 38,407 | 27,554 |
| **Key statistics** | | | | | |
| Earnings per share (pence) | 30.23 | 30.87 | 45.08 | 49.39 | 34.82 |
| Fully diluted earnings per share (pence) | 30.17 | 30.76 | 44.82 | 49.14 | 34.66 |
| Dividends paid in year (pence per share) | 25.25 | 25.00 | 24.75 | 22.50 | 18.50 |
| Dividend declared with respect to profits generated in year (pence per share) | 25.50 | 25.25 | 25.00 | 24.75 | 21.00 |

# Other information

# Definitions

The following definitions are used throughout the annual report and financial statements:

| | |
|---|---|
| AUA | Assets under administration |
| Board, Directors | The Board of Directors of AJ Bell Holdings Limited |
| bps | Basis points |
| Clean fund | A unit of a fund on which a platform does not receive any payment from the fund management group |
| Company | AJ Bell Holdings Limited |
| CGU | Cash Generating Unit |
| CRD IV | Capital Requirements Directive IV |
| CRR | Capital Requirements Regulations |
| CSOP | Company Share Option Plan |
| DEPS | Diluted Earnings Per Share |
| DIY | Do It Yourself |
| EMB | Executive Management Board |
| EMI | Enterprise Management Incentive |
| FCA | Financial Conduct Authority |
| FTSE | Financial Times Stock Exchange |
| FSCS | Financial Services Compensation Scheme |
| Fund | The generic term used to describe unit trusts and Open-Ended Investment Companies |
| GIA | General Investment Account |
| Group | AJ Bell Holdings Limited and its wholly-owned subsidiaries |
| HMRC | HM Revenue and Customs |
| ISA | Individual Savings Account |
| KOS | Key Operating System |
| LIBOR | London Interbank Offer Rate |
| Non-platform business | Includes our SIPP only and institutional stockbroking services |
| OBE | Order of the British Empire |
| OTB | Option to Buy Shares Scheme |
| PBT | Profit Before Tax |
| Platform business | Includes our AJ Bell Investcentre (formerly Sippcentre), AJ Bell Youinvest (formerly Sippdeal) and IMAS propositions |
| PR | Public Relations |
| QA | Quality and Audit |
| RDR | Retail Distribution Review |
| SIPP | Self-Invested Personal Pension |
| SSAS | Small Self-Administered Scheme |

# Company information

| | |
|---|---|
| Company number | 04503206 |
| Company Secretary | Christopher Bruce Robinson |
| Registered office | Trafford House<br>Chester Road<br>Manchester<br>M32 0RS |
| Auditor | KPMG LLP<br>1 St Peter’s Square<br>Manchester<br>M2 3AE |
| Principal banker | Bank of Scotland plc<br>1 Lochrin Square<br>92 – 98 Fountainbridge<br>Edinburgh<br>EH3 9QA |

AJ Bell Holdings Limited, Trafford House, Chester Road, Manchester M32 0RS
0845 40 89 100
**www.ajbell.co.uk**

Company registration number 04503206