AJBell Holdings Limited

Making investing easier

Annual Report and Financial Statements 2016

Contents

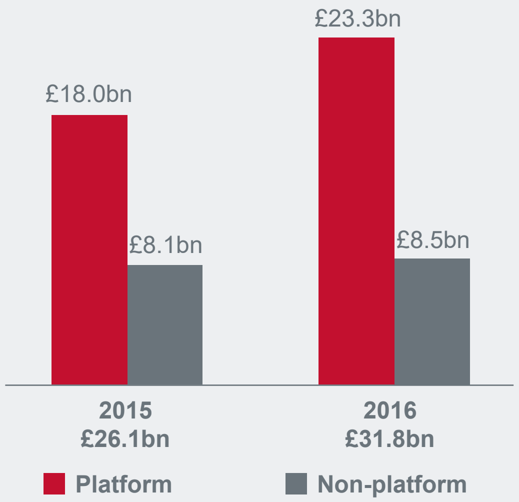
Highlights

Key performance indicators

Assets under administration

£31.8 bn

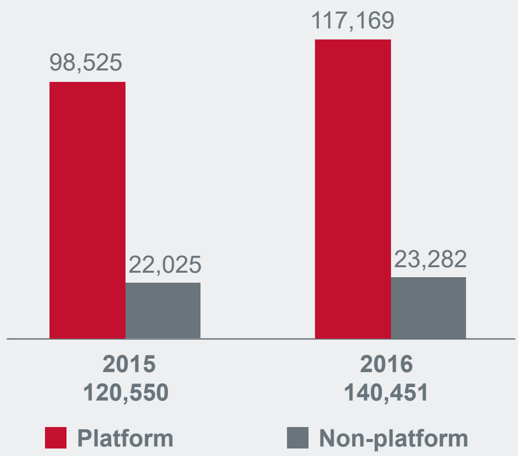
↑ 22%



Total number of retail customers

140,451

↑ 17%



Key financial information

Revenue	Profit before tax	Net assets	Return on assets	Diluted earnings per share	Total ordinary dividend
£64.5m	£16.8m	£53.8m	25%	32.73p	25.75p
September 2016	September 2016	September 2016	September 2016	September 2016	September 2016
↑ 13%	↑ 8%	↑ 3%	↑ 1%	↑ 8%	↑ 1%
£57.0m	£15.5m	£52.3m	24%	30.17p	25.50p
September 2015	September 2015	September 2015	September 2015	September 2015	September 2015

Joint statement from the Chairman and Chief Executive

Les Platts
Chairman

Andy Bell
Chief Executive Officer

We are pleased to present our annual report for the year ended 30 September 2016 in which we highlight a record number of new customers and inflows, together with a growth in revenue, profits and dividends. This strong performance is underpinned by the quality of our product propositions, supported by an efficient operating model and a successful organic growth strategy built on a robust infrastructure.

Growth

Total retail customers increased by 17% from 120,550 to 140,451 during the financial year with AUA growing by 22% from £26.1bn to £31.8bn. The growth in AUA was largely attributable to the record inflows but was supported by favourable market movements, with the FTSE All-Share rising by 11% during the 12-month period.

The platform propositions continue to be the key driver of growth in the business with customers and AUA in that part of our business increasing by 19% and 29% respectively during the period. More detailed information about the performance of the platform and non-platform propositions can be found on pages 10 and 11.

Financial performance

Revenue increased by 13%, from £57.0m to £64.5m for the year ended 30 September 2016. All revenue streams grew year-on-year with the exception of trail commission from funds, following the complete ban on all platform rebates from 6 April 2016. In the lead-up to the EU referendum on 23 June 2016, both stock market asset values and customer transaction volumes were depressed due to the uncertainty but markets and activity recovered in the final quarter. The returns available on cash deposits reduced further during the year following the BoE policy decisions to cut the base rate to 0.25% and to continue its quantitative easing programme.

Profit before tax increased by 8% to £16.8m for the year ended 30 September 2016, compared to £15.5m in the prior year. The increase in profitability is due to the strong growth in our customer base coupled with operational efficiencies gained across the business.

Financial position

The Group's financial position continues to remain strong with net assets totalling £53.8m at 30 September 2016. We benefit from a short working capital cycle that enables the majority of our profits to be converted to cash within the same financial year. Our cash balance was £39.5m at the year end, an increase of 9% compared with the prior year. This surplus of cash ensures that we have funds available to invest in the business and hold a significant liquidity buffer. We also hold a significant surplus of regulatory capital at all times. Further details can be found under our Capital Requirement Regulation (CRR) part eight disclosures (see page 29 of the Directors' report for more information).

Joint statement from the Chairman and Chief Executive

Shareholder returns

Diluted earnings per share (DEPS) increased by 2.56p per share, from 30.17p per share last year to 32.73p per share in the current year. The Board has declared a final dividend of 13.00p per share, taking the total dividend for the year to 25.75p per share, compared to 25.50p in the previous year. 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 (see page 26). The Board continues to provide strong support and appropriate challenge to the Executive Management Board to ensure its strategy is sound, achievable and ultimately delivered. During the year, Simon Turner increased his responsibilities and replaced John Tomlins as Chairman of the Risk and Compliance Committee. John remains Chairman of the Audit Committee.

The Board has met nine 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 twice and the Nominations Committee once. The Board and its sub-committees achieved 100% attendance for all meetings.

Responsibility for the day-to-day management of the business remains with the EMB (see 27).

Easiest platform to use

We aim to become the easiest platform to use and our digital strategy remains pivotal to delivering this strategic goal. A number of significant improvements have been made during the year including the launch of a new website for AJ Bell Investcentre and significant enhancements to the AJ Bell Youinvest website. The enhancements we make focus on ease of use, speed, and richer functionality to improve the customer journey.

Our customers' needs and how they use our products are constantly evolving. We strive to meet their changing requirements by developing functionality that allows them to access our products how they want and when they want. This year we developed prototype functionality to facilitate dealing activity through messenger services for Facebook and Amazon Echo and both are currently being trialled with private user groups. Our weekly AJ Bell Youinvest market outlook videos were also made available to Apple TV and Roku channels. We are constantly exploring new innovative ideas to ensure we meet the evolving needs of our existing customers and appeal to the next generation of investors.

The acquisition of an investment management business earlier this year provided the Group with the ability to provide a range of investment solutions for our customers. Our Managed Portfolio Service was the first product to launch, having been successfully rolled out in August 2016. This service provides low-cost, risk-targeted model portfolios – constructed and managed within the Group – that provide diversified exposure to a wide variety of markets. The next phase of our investment management strategy will be to launch our own range of low-cost AJ Bell funds.

We help our customers to invest by providing them with rich investment content and in recent years have seen a significant increase in the demand to access information through mobile devices. This change in behaviour has been recognised and we have recently made the transition from print to digital for our weekly Shares Magazine. This is now being provided free of charge to AJ Bell Youinvest customers who have more than £4k held in their portfolios.

Market developments

The platform market continues to grow, whilst its participants experience a period of consolidation. Competitive pricing, the low interest rate environment and the increasing costs of regulation have had an adverse impact on profitability with many of our peers struggling to break even. The decline in profitability has led to many of the loss-making platform companies seeking to exit from the market and this trend is expected to continue in the immediate future.

The industry faces some short-term challenges, with increasing regulatory pressures, downward pressure on revenues and, for some, the added difficulties of re-platforming. It is estimated that over £200bn of assets, representing more than half of the advised platform market, will be changing IT platform in the near future. Our investment platform, a proprietary solution supported by GBST's Composer and JHC's Figaro systems, was completed in 2011 and it has proven to be a big success. It has provided the Group with a stable and scalable operating model that ensures we have the infrastructure to support our ambitious growth targets well into the future.

The regulatory framework has been evolving for some time and the cost of operating in the investment industry continues to rise. The new regulatory capital rules for SIPP operators came into effect from 1 September increasing administration costs across the industry and, for many, the capital requirements. Financial strength is a key consideration for many advisers and retail customers when choosing their investment platform. Our prudent approach to managing our capital base will continue to provide the assurance they are seeking.

Joint statement from the Chairman and Chief Executive

Outlook

We continue to believe that the pension freedoms reforms are generally positive for the savings industry. It also remains our view that Government policy should provide certainty and confidence to savers by ensuring simplicity and stability. Stability could be enhanced by refraining from making changes to legislation each year. A pledge by the government to rule out any further tax changes impacting pensions for a certain period of time would help to provide the certainty that investors need.

Our call for simplicity has historically been in relation to pension tax rules, but more recently also for ISAs as the number of types of accounts available to investors has increased and the rules have become more complicated. It is our belief that investors only need one ISA, with a single set of rules that can cope with the different options that are currently available to savers. We are also campaigning for changes that will make it easier for advisers to migrate their customers onto a new platform, where cost saving is the main driver, by removing regulatory and provider led obstacles.

Market volatility appears likely to remain in the short term with the uncertainty surrounding the UK's exit from the European Union. The latest market forecasts suggest the UK economy will continue to grow in 2017, but the Bank of England's decision to cut the base rate to 0.25%, increase quantitative easing and provide £100bn of new funding to banks will continue to cause downward pressure on the margins we earn on cash deposits. In addition, the impact of new global liquidity standards under BASEL III will further diminish both appetite and capacity for cash deposits within the UK banking sector. We have operated in challenging markets before and our diversified revenue model ensures we will remain resilient during such periods.

The regulatory challenges will continue next year, with the ongoing application of CRD IV for investment firms and the preparation required for the introduction of MiFID II. Management will invest the required time to ensure we are ready to comply with any regulatory changes as and when they become effective.

We will continue to progress our digital strategy next year and will be looking to release a number of other new online tools and features for AJ Bell Investcentre. A number of digital and functionality enhancements are also planned for AJ Bell Youinvest including a dividend reinvestment facility and an enhanced online new customer application process. We also plan to launch our own range of low-cost funds next year, in what will be an exciting new direction for the business. Our aim will be to provide customers with access to simple, low-cost, transparent investment solutions that make investing easier. It is also planned to launch a Lifetime ISA (LISA) for our AJ Bell Investcentre and AJ Bell Youinvest platforms on 6 April 2017 when they become the latest addition to the range of tax-free ISAs available in the UK savings market.

The product propositions of the Group remain well positioned in the market and the planned enhancements, coupled with the launch of our own investment solutions, will only serve to strengthen their position. The long-term future of the savings industry remains positive and the growth in the platform market is expected to continue. We plan to capitalise on that growth as we execute our ambitious growth strategy.

Conclusion

We have enjoyed another record year of new customers and inflows to the business and this is testament to the hard work of our people, coupled with the strength and depth of our relationship with our customers.

Next year, we will provide our Manchester-based staff with an improved office environment when we relocate the Group's office headquarters to Exchange Quay. The move will also ensure that we have sufficient space to expand our operations to meet our future growth plans. This will be a significant step forward and signifies the progress the business has made since it first moved to Trafford House in 2002.

The key to our success has always been our people and we would like to take this opportunity to thank our staff for the quality of their work and their commitment.

Les Platts
Chairman

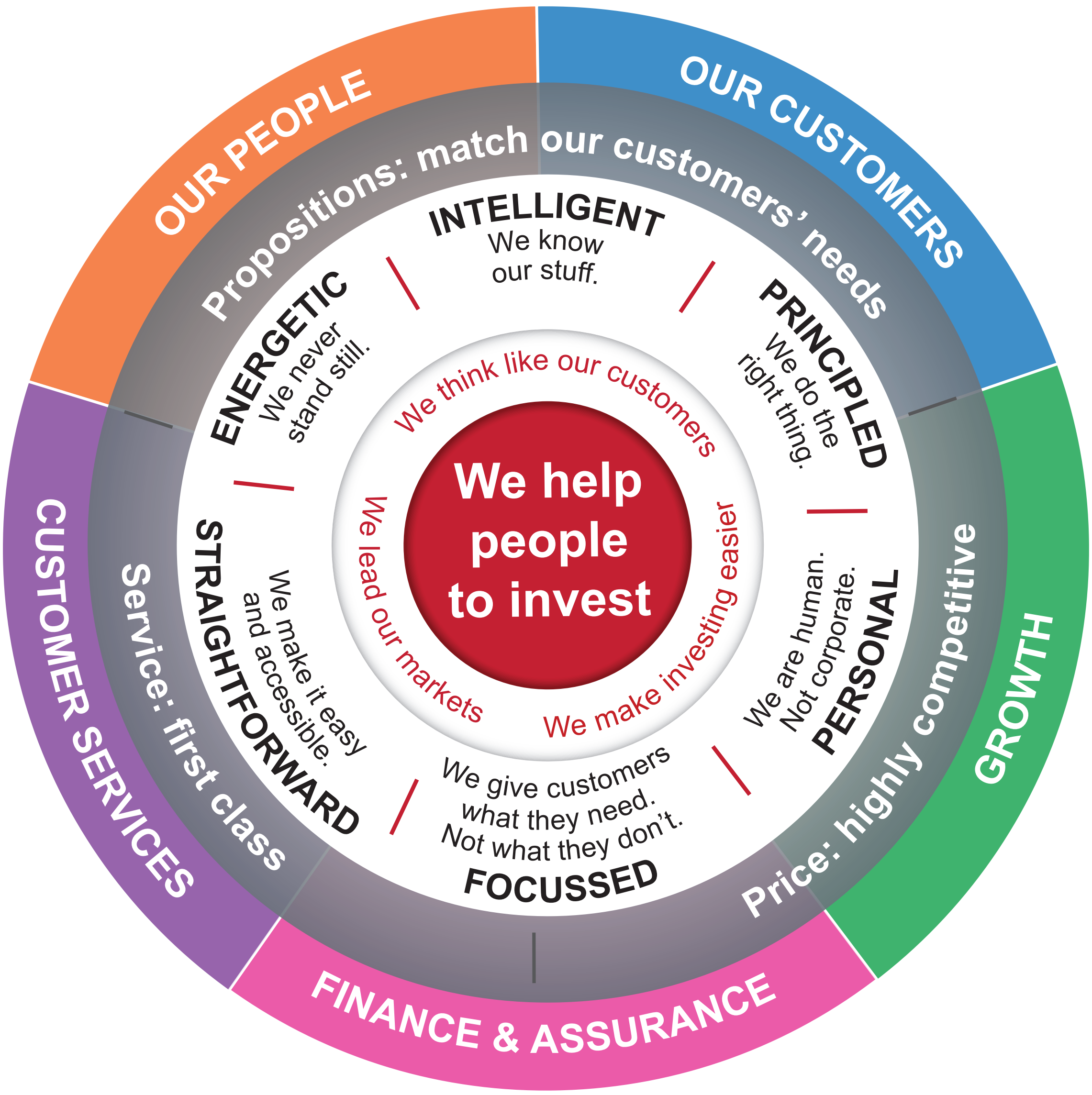
Andy Bell
Chief Executive Officer

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.

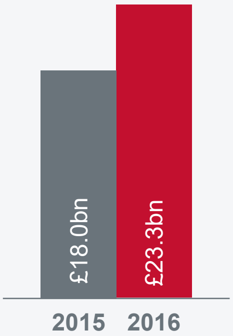


Our products

Our platform business

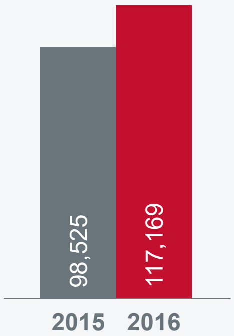
Assets under administration

↑ 29%



Customers

↑ 19%



AJ Bell Investcentre

AJ Bell Investcentre is an online investment platform distributed by financial advisers. It offers award-winning SIPPs, ISAs, and GIAs, together with a market-leading range of investments and a highly competitive charging structure. A LISA is planned for launch in April 2017.

AJ Bell Investcentre is one of the largest and fastest-growing businesses in the advised platform market.

AJ Bell Youinvest

AJ Bell Youinvest is a platform designed to provide an easy and cost-effective way for execution-only 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. A LISA is planned for launch in April 2017.

AJ Bell Youinvest is one of the largest and fastest-growing platforms in the execution-only segment of the market.

IMAS

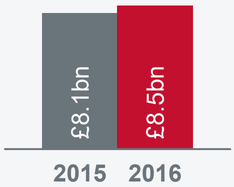
IMAS is a fully integrated investment custody administration solution that allows wealth managers to focus on delivering a high quality service without the distraction of administering the assets.

Our products

Our non-platform business

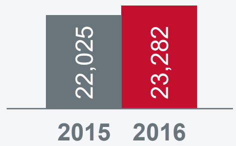
Assets under administration

↑5%



Customers

↑6%



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, AJ Bell Platinum offers SIPPs and SSASs.

AJ Bell Media

AJ Bell Media is 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 Shares, a weekly digital investment publication, 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 service provides white label SIPP administration to a number of leading financial services companies.

AJ Bell Investments

AJ Bell Investments provides a range of investment and multi-asset fund management solutions to retail, professional and institutional customers.

> AJ Bell Investcentre launched a Managed Portfolio Service in 2016.

Easiest platform to use

Our customers remain at the heart of everything we do and this is encapsulated in our strategic aim to become the easiest platform to use. We plan to achieve this by delivering a rolling programme of changes and initiatives to ensure we continually improve the service that we provide to our customers.

We have continued to invest in our digital strategy following the successful changes that were made to the AJ Bell Youinvest website last year. This year our attention has turned to AJ Bell Investcentre. A new website has been launched with simplified navigation, an extended customer area and an enhanced interactive research centre. This coincided with the launch of a range of cash management tools that provide advisers with a streamlined process for managing customer cash movements.

Further enhancements will be made next year, focusing on ease of use, speed and richer functionality to improve the customer journey.

Investment management

Cost leadership, the efficient delivery of investment services and a focus on customer outcomes form the strategy for AJ Bell Investments.

Ryan Hughes joined the Group as Head of Fund Selection during the year. He has a strong background in investment management, having worked at both Old Mutual and Apollo Asset Management, and is tasked with building a robust fund selection process.

AJ Bell Investcentre launched a Managed Portfolio Service in 2016. The service provides advisers with a range of portfolios to choose from that are mapped to market-leading risk profiling tools. The portfolios will be managed in-house by our expert investment management team, thereby reducing the regulatory burden for advisers. We look forward to providing an update on progress next year.

In the forthcoming period, we will look to broaden our range of investment solutions, including the launch of our AJ Bell fund range.

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

We set challenging targets for completing all of our key processes and communications to ensure we respond to our customers' requests, questions and queries promptly. These targets are monitored on a regular basis and corrective action is taken should we fail to meet them. This year all of these targets were met, and many were exceeded.

Accuracy

Our functional operating structure ensures that our customers' queries can be directed to the appropriate team and answered swiftly by staff with the required technical expertise. All of our customer services staff undertake rigorous training when they join the business and many 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.

Awards

We are proud to have won the following awards this year:

- **UK Platform Awards 2016**
  - Leading platform-enabled retirement proposition
- **City of London Wealth Management Awards**
  - Best SIPP Provider 2016
- **Moneyfacts**
  - Five star rating
- **Professional Adviser Awards 2016**
  - Best SIPP Provider
- **FTAdviser**
  - Online Service Awards
  (Five star award - Life and Pensions and Consistent Service Excellence award)

Investment content

The Shares weekly investment magazine recently made the successful transition to become a digital-only publication. This provides users with investment tips, expert analysis and market information and is provided to AJ Bell Youinvest customers free of charge (where they hold more than £4k in their portfolio).

Our adviser-focussed investment event 'Investival' sold out this year with over 400 advisers attending on the day. It was held at the Royal Institute of British Architects for the second consecutive year, with a number of industry expert guest speakers taking part. 'Investival' continues to prove popular with the adviser community.

Brand awareness

AJ Bell's ambition is to become one of the best-known names in its markets. In 2016 we sought to further this aim by increasing both our public relations and sponsorship activities.

Public relations

Our Investment Director, Russ Mould, continues to build his reputation as a trusted investment expert, making frequent appearances on radio and television to share his insights on topical, business-related issues. We have also maintained our focus on producing quality written material in the form of opinion pieces and articles for industry publications. Our work in this area received a major boost in 2016 following the appointment of a new Senior Analyst, Tom Selby, who joined us from MoneyMarketing.

Sports sponsorship

We hold a number of long-term strategic sponsorship partnerships with sporting teams, events, venues and individuals who offer AJ Bell significant exposure to a number of media channels including television coverage.

AJ Bell National Badminton League

English badminton is enjoying a significant rise in popularity and profile following success in the Rio Olympics, where Team GB won its first badminton medal in 12 years. We have extended our title sponsorship of the AJ Bell National Badminton League (NBL) for a further two years.

The deal includes live TV coverage of 8 matches, court branding at all 21 fixtures in the 2016/17 season and naming rights to the league's exciting 'PowerPlay' double points rally - an in-play feature exclusive to the AJ Bell NBL.

AJ Bell London Triathlon

Following last year's success we decided to sponsor the AJ Bell London Triathlon for a second year. The event is the largest competition of its kind anywhere in the world, attracting over 14,000 triathletes and 30,000 spectators every year.

2016 saw a welcome return to the classic Westminster cycle route and its backdrop of famous London sights. Once again, we benefited from enormous branding opportunities around the course, which was covered by Channel 4, Eurosport (UK) and Sky Sports.

AJ Bell Stadium

The AJ Bell Stadium is the home of Sale Sharks and Salford Red Devils. The site enjoys a prominent position next to the M60 motorway, from where the AJ Bell branding on the rooftop is clearly visible.

AJ Bell British Squash Grand Prix

We sponsored the AJ Bell British Squash Grand Prix for the third consecutive year in 2016, building on what is already a firm association between our brand and a sport that continues to grow in popularity.

Nick Matthew

Squash is extremely popular among our target demographic, so we are pleased to be associated with the three-time World Squash Champion and holder of three Commonwealth Gold medals for another year.

Nick Matthew Commonwealth Gold Squash Winner

Our people

Our HR strategic framework is underpinned by engagement factors taken from the Best Companies survey; the largest survey of its kind in the UK. We take part in the survey every year to independently measure our staff engagement and in 2016 were delighted to record our highest-ever engagement score, moving closer to a coveted two star accreditation.

.... in 2016 were delighted to record our highest-ever engagement score...

Our Management Development Programme has been extended to include team leaders, following its popularity with managers and the positive impact it has had on the business. We have also launched a school leavers' programme during the year, offering successful applicants a two year fixed term contract. This will provide the successful applicants with the opportunity to attain a professional qualification and gain exposure to the business by rotating around four Customer Service Teams.

Talent management remains a key focus for us. It ensures we have a consistent framework across the business to identify those people who have the relevant skills and talent needed to progress in the organisation and become the leaders and managers of tomorrow. This is complemented by our Skills to Progress framework. This provides our Customer Services staff with the opportunity to demonstrate that they have the right skills, knowledge and behaviours to progress their career with us. We aim to give our employees the best possible chance to further their career at AJ Bell and our talent management framework continues to be a success with over 60% of vacancies being filled internally in the last year.

Office move

Next year, after 15 years at our current location, we will be moving our office headquarters to 4 Exchange Quay which is located in Salford Quays. This is more than just a change of address, it is the start of a new chapter in our history and will provide the springboard to deliver more success for the business in the future.

Principal risks and uncertainties

The Board is committed to a continual process of improvement and embedment of the risk management framework in 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.

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. In addition, the acquisition of the investment businesses in early 2016 has led to the Group becoming subject to additional regulatory requirements.

The Group monitors all regulatory developments to enable an assessment to be made of their impact on the Group's businesses and for steps to be taken to mitigate any regulatory risks.

The Brexit vote has created doubt over the future shape of regulation in the UK. However, in the short term, the FCA has made clear that, until the UK has actually left the EU, regulated firms must comply with existing and new EU regulation, including MiFID II, the implementation of which is expected to require significant resource over the next eighteen months.

The new capital framework for SIPP operators became effective from September 2016. This will generally increase the amount of regulatory capital required to be held by SIPP operators. The Group has assessed the financial impact on its capital requirement at a regulated entity and Group level, and does not expect it to be material. A substantial cash surplus is held by the Group to provide additional regulatory capital to its regulated subsidiaries if the need arises.

The Group has considered the FCA's 2016 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 2017.

In view of the increase in regulatory requirements, we have increased the resource in our Risk and Compliance teams and established an Investment Committee to oversee certain activities of the investment business.

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. The introduction of Lifetime ISAs in April 2017 is expected to increase the appeal of ISAs and, although this may have some impact on the market for pensions 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. The changes to the pricing for the AJ Bell Youinvest and AJ Bell Investcentre products, with effect from October 2016, are intended to ensure these products remain competitive in their target markets and are sustainable, taking into account the changing regulatory and economic environment.

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. The Group continues 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.

Following the acquisition of the investment businesses, the Group has launched the Managed Portfolio Service and is planning to launch a number of other new investment products and services designed for its target markets, including a range of risk-targeted funds. In the development of these products, we recognise that they carry different risks to our existing products, and we will put in place appropriate controls to minimise and monitor the risks of poor customer outcomes from the outset.

Principal risks and uncertainties

Economic and capital market fluctuations risk

Although the immediate impact of the Brexit vote was not as dire as many of the predictions, there is considerable uncertainty over the longer term impact on the UK economy and this is likely to remain until, at least, exit terms are agreed. The Group's products are targeted at UK residents and we do not do business in any other countries and have relatively few customers outside the UK. However, 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 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.

Counterparty 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 appropriate amount of capital against the materialisation of this risk.

Operational risks

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.

In 2015 the Board approved a revised technology strategy for the Group, covering a period of 3-5 years, and good progress has been made over the last year in the implementation of this strategy. Progress and priorities are reviewed on a regular basis by the Board with a more detailed roadmap agreed for the next 12-18 months. Focus remains on the increasing risk posed by the activities of 'cyber' criminals and the actions required to ensure our controls continue to mitigate this ever-evolving risk and to protect our customers' data. In addition, we have carried out a review of our IT hosting arrangements and a number of changes will be implemented over the coming year. The Group continues 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.

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 are designed to ensure that the risk of fraudulent access to customer or corporate accounts is minimised.

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.

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 its operational procedures and, through its business improvement function, aims to improve and automate more of its processes and, by doing so, reduce the need for manual intervention and the potential for errors.

There is also 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.

Strategic project and project overload risk

There is a risk of failing to deliver on a major strategic project, or trying to complete too many projects or business change initiatives too quickly, leading to a failure to deliver the anticipated benefits. The Group has implemented a process designed to improve the management and delivery of business improvement initiatives, alongside more significant projects, with members of the Executive Management Board meeting on a regular basis to monitor progress, re-prioritise or approve additional resource, as necessary to ensure delivery of the Group's strategic objectives.

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 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 succession plans for key members of management and has also sought to mitigate this risk by facilitating equity ownership for senior employees through various share schemes and the development of a staff engagement strategy.

Corporate social responsibility

Volunteering at St Ann's hospice

The Great AJ Bell Bake Off

At AJ Bell we have a strong social conscience. We encourage staff to 'give something back' through charitable and voluntary activities and introduce company initiatives to help raise the profile of local charities. Here is a brief summary of the activities that were undertaken in 2016.

Charity fund raising

At the start of the year we held a staff vote to choose our very first 'Charity of the Year'. The Alzheimer's Society was the clear winner and since then people across the business have raised thousands of pounds for this great cause through a variety of activities, including sponsored runs, cake bakes, sweepstakes, a penalty shoot-out and even dressing as pirates!

Over 30 staff took part in the AJ Bell London Triathlon in August, many of them raising funds for charity in the process. In addition, we also had a number of staff who completed marathons, 10km runs and various other challenges. One member of staff took on 10 triathlons to raise money for Alder Hey Children's Hospital, one walked 106km in the Isle of Wight Challenge to raise money for The East Kent Hospitals Charity Dementia Appeal and a team from the Risk and Compliance team took part in 'Pretty Muddy' for Cancer Research.

Volunteering at Manchester Dog's Home

Raising money for our Charity of the year – Alzheimer's society

Volunteering

In the summer staff from the Manchester office volunteered to help with gardening, tidying and painting benches at St Ann's Hospice. More recently, some of our Tunbridge Wells staff took on the task of painting their local Alzheimer's Society offices and staff in Manchester were invited back to St Ann's as they had done such great work on the previous visits.

AJ Bell Stadium - North Stand

Each year we offer the naming rights for AJ Bell Stadium's North Stand to a charity free of charge. The chosen charity can put its branding on the stand for two years, in order to raise awareness of their work and hopefully gain additional funds over the period of the deal.

Last year the cancer charity Maggie's reached the end of its two-year spell as the naming partner for the North Stand. Following a public vote via social media, the naming rights for the next two years were awarded to 'Wooden Spoon', which uses the power of rugby to fund life-changing projects for disadvantaged and disabled children across the UK and Ireland.

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
15 December 2016

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 a leading international professional services firm. Over a period of 33 years, 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 a major 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, including our stockbroking operations, Technology Services, Finance, HR, Key control functions within the SIPP administration business and Business Improvement. 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 joined 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 UK 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, 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 worked at a major bank for over 20 years before joining AJ Bell in August 2000. Since then he has worked in many areas of the business, and is currently Managing Director of AJ Bell Investcentre. Fergus is also responsible for Customer Services, AJ Bell Investments and our Platinum SSAS/SIPP 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 a well-known stockbroker, and was also responsible for the stocks and shares ISA business of a major high street bank. Charles has overall responsibility for our institutional stockbroking business, AJ Bell Youinvest platform and media business.

Roger Stott
Group Finance Director

Roger qualified as a Chartered Accountant in 1990 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 finance department, 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.

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 2016.

Directors

The directors, who served throughout the year, are disclosed on page 26.

Directors' interests

The directors who held office at 30 September 2016 had the following interests in the share capital of the Company:

	Ordinary	A non-voting	B non-voting	X non-voting	C non-voting
	30 Sept 2016	30 Sept 2016	30 Sept 2016	30 Sept 2016	30 Sept 2016
Les Platts	50,305	-	-	-	-
Andy Bell	11,459,783	104,093	44,541	-	38,948
Michael Summersgill	-	-	13,281	66,330	14,517
John Tomlins	31,578	-	-	-	-
Simon Turner	25,800	-	-	-	-
Total	11,567,466	104,093	57,822	66,330	53,465

No director held the Ordinary non-voting class of shares at 30 September 2016, 30 September 2015 or at any time during the period between these dates.

Directors' share options

At 30 September 2016, 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 17
M Summersgill	2,500	3.00	1 Oct 10	1 Jul 17
M Summersgill	1,000	3.50	19 Dec 11	1 Jul 17

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.

Directors' report

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.

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 4.

Dividends

The Company has declared a final dividend of 13.00p (2015: 16.00p) per share, to be paid on 16 December 2016. This, together with the interim dividend of 12.75p (2015: 9.50p) paid on 31 March 2016, makes a total dividend in respect of the financial year ended 30 September 2016 of 25.75p per share (2015: 25.50p).

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.

The Group's regulatory capital requirement and details can be found under our Capital Requirement Regulation Part Eight (Pillar 3) disclosures; this can be found on the Group's website at www.ajbell.co.uk. We continue to hold a significant amount of capital above the Group's regulatory capital requirement.

Country by Country Reporting

AJ Bell Securities Limited and AJ Bell Investments LLP are 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 showing where the relevant information can be found within the financial statements. 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	See note 6	See Income statement	See Income statement	3,498	None received

Directors' report

Financial risks

Interest rate risk

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

The Group's income levels are affected by prevailing interest rates and in a low interest rate environment, 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, Close Brothers plc, Lloyds Bank plc 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 External 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.

Events after the date of the consolidated statement of financial position

Details of events occurring after the end of the reporting period are given in note 26.

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.

Approved by the Board on 15 December 2016 and signed on its behalf by:

Christopher Bruce Robinson (Company Secretary)
for and on behalf of AJ Bell Holdings Limited
Trafford House, Chester Road, Manchester, M32 0RS
15 December 2016

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

The directors are responsible for preparing the 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 and 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 including FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 FRS 101 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of 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 2016 set out on pages 36 to 81. 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 32, 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 2016 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

15 December 2016

Financial statements

Consolidated income statement

For the year ended 30 September 2016

	Notes	2016 £'000	2015 £'000
Revenue	4	64,466	57,038
Administrative expenses			
Before unoccupied property costs		(47,537)	(41,651)
Unoccupied property costs		(180)	-
Administrative expenses		(47,717)	(41,651)
Operating profit	5	**16,749**	**15,387**
Investment revenue		73	120
Finance costs	7	(43)	(38)
Profit before tax		**16,779**	**15,469**
Taxation	8	(3,466)	(3,140)
Profit for the year		**13,313**	**12,329**
Profit/(loss) for the financial year attributable to:			
Equity holders of the parent company		13,440	12,329
Non-controlling interests		(127)	-
		13,313	**12,329**
Earnings per ordinary share:			
Basic (pence)	10	32.85	30.23
Diluted (pence)	10	32.73	30.17

The notes and information on pages 40 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 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets:			
Goodwill	11	3,660	1,957
Other intangible assets	13	5,016	6,796
Property, plant and equipment	14	1,268	1,204
Deferred tax asset	17	49	54
		9,993	**10,011**
Current assets:			
Trade and other receivables	16	14,288	12,723
Client and market receivables	16	71,459	41,788
Cash and cash equivalents	16	39,510	36,318
		125,257	**90,829**
Total assets		**135,250**	**100,840**
Liabilities			
Current liabilities:			
Trade and other payables	19	(9,554)	(7,370)
Client and market payables	19	(68,009)	(38,598)
Current tax liabilities		(1,701)	(1,843)
Obligations under finance leases	18	(75)	(106)
Provisions	21	(363)	(53)
		(79,702)	**(47,970)**
Non-current liabilities:			
Obligations under finance leases	18	(34)	(109)
Provisions	21	(754)	(398)
Other payables	20	(972)	(90)
		(1,760)	**(597)**
Total liabilities		**(81,462)**	**(48,567)**
Net assets		**53,788**	**52,273**
Equity			
Share capital	22	40	40
Share premium		2,229	1,913
Retained earnings		51,918	50,320
Equity attributable to owners of the company		**54,187**	**52,273**
Non-controlling interests		(399)	-
Total equity		**53,788**	**52,273**

The notes on pages 40 to 73 form an integral part of these financial statements.

Approved by the Board on 15 December 2016 and signed on its behalf by:

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

15 December 2016

Consolidated statement of changes in equity

For the year ended 30 September 2016

	Share capital £'000	Share premium £'000	Retained earnings £'000	Non-controlling interests £'000	Total equity £'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
Dividends	-	-	(10,297)	-	(10,297)
Credit to equity in respect of share-based payments	-	-	39	-	39
Deferred tax effect of share-based payments	-	-	(19)	-	(19)
Tax relief on exercise of share options	-	-	7	-	7
Balance at 30 September 2015	**40**	**1,913**	**50,320**	**-**	**52,273**
Balance at 1 October 2015	40	1,913	50,320	-	52,273
Total comprehensive income for the year:					
Profit for the financial year	-	-	13,440	(127)	13,313
Transactions with owners, recorded directly in equity:					
Issue of share capital	-	316	-	-	316
Dividends	-	-	(11,763)	-	(11,763)
Credit to equity in respect of share-based payments	-	-	69	-	69
Deferred tax effect of share-based payments	-	-	(8)	-	(8)
Tax relief on exercise of share options	-	-	72	-	72
Transactions between owners:					
Equity to holders of non-controlling interest	-	-	-	(484)	(484)
Total contributions by and distributions to owners	-	-	(212)	212	-
Balance at 30 September 2016	**40**	**2,229**	**51,918**	**(399)**	**53,788**

The notes on pages 40 to 73 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 September 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit for the financial year		13,313	12,329
Adjustments to cash flows from non-cash items:			
Investment revenue		(73)	(120)
Finance costs		43	38
Income Tax expense		3,466	3,140
Depreciation and amortisation		2,086	2,041
Impairment of intangible assets		345	-
Share-based payment expense		69	39
Increase in provisions		666	18
Operating cash flows before movement in working capital		**19,915**	**17,485**
(Increase)/decrease in trade and other receivables		(31,018)	301
Increase/(decrease) in trade and other payables		30,230	(1,203)
Cash generated from operations		**19,127**	**16,583**
Income Tax paid		(3,498)	(3,501)
Interest paid		(43)	(38)
Net cash flow from operating activities		**15,586**	**13,044**
Cash flows from investing activities			
Purchase of other intangible assets	13	(115)	(163)
Purchase of property, plant and equipment	14	(604)	(343)
Interest received		73	120
Loss on disposal of fixed assets		4	8
Net cash paid to acquire subsidiary		(199)	-
Net cash flows from investing activities		**(841)**	**(378)**
Cash flows from financing activities			
Payments of obligations under finance leases		(106)	(101)
Proceeds from issue of share capital		316	176
Proceeds from settlement of part-paid shares		-	652
Dividends paid	9	(11,763)	(10,297)
Net cash flows from financing activities		**(11,553)**	**(9,570)**
Net increase in cash and cash equivalents		**3,192**	**3,096**
Cash and cash equivalents at beginning of year		36,318	33,222
Total cash and cash equivalents at end of year		**39,510**	**36,318**

The notes and information on pages 40 to 73 form part of the consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 30 September 2016

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 4 to 23 and the Directors' report on pages 28 to 31.

The consolidated financial statements for the Company and its subsidiaries were approved by the Board on 15 December 2016.

2. Significant accounting policies

Basis of accounting

The consolidated financial statements are prepared on a going concern basis as noted on page 41 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 40 to 48.

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 the provisions of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 and have prepared them in accordance with FRS101. This UK GAAP standard allows the use of EU-adopted International Financial Reporting Standards (IFRS) with reduced disclosures, where allowed, by the Companies Act and associated legislation. 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 81.

Change in accounting policy

At the date of issue of these financial statements there were a number of standards and interpretations in issue which were relevant 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) are given in note 4 to the Company's separate financial statements.

Notes to the consolidated financial statements

For the year ended 30 September 2016

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 4 to 23 and the Directors' report on pages 28 to 31. Within the Directors' report, the financial risks section on page 30 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 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 (Cash Generating Units) 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 2016

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 2016

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 2016

2.11 Intangible assets (excluding goodwill)

Intangible assets comprise computer software, customer contracts and non-contractual customer relationships, 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
- 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 2016

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 2016

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 current 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 client money required to meet settlement obligations. 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 current 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.

Notes to the consolidated financial statements

For the year ended 30 September 2016

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 2016

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 2016

4. Revenue

	2016 £'000	2015 £'000
An analysis of the consolidated revenue is as follows:		
Investment administration services	38,129	33,862
Dealing and custody services	22,287	19,586
Media services	3,202	3,590
Investment management services	848	-
Total	**64,466**	**57,038**

5. Operating profit

	2016 £'000	2015 £'000
Profit for the financial year has been arrived at after charging:		
Amortisation of intangible assets	1,550	1,648
Depreciation of tangible assets	536	393
Impairment of intangible assets	345	-
Loss on disposal of tangible assets	4	8
Operating lease rentals	1,216	999
Staff costs	25,101	22,945
Fees payable to the company's auditor for the audit of the company's annual accounts	23	11
Fees payable to the company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	76	57
Audit-related assurance services	60	54
Other assurance services	9	4

Notes to the consolidated financial statements

For the year ended 30 September 2016

6. Employee benefit costs and employee numbers

	2016 No.	2015 No.
The average number of employees (including Executive Directors) in the continuing operations of the Group during the year ended 30 September 2016 were:		
Administrative functions	**607**	**570**

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

	2016 £'000	2015 £'000
Short-term employee benefits	21,566	19,941
Social security costs	2,345	2,112
Retirement benefit costs	1,013	819
Termination benefits	177	73
Total	**25,101**	**22,945**

Remuneration of key management personnel

	2016 £'000	2015 £'000
Key management personnel are represented by the Board of Directors as shown on page 26 and the EMB as shown on page 27:		
Short-term employee benefits	2,499	2,303
Retirement benefit costs	66	62
Total	**2,565**	**2,365**

Remuneration of directors

	2016 £'000	2015 £'000
The following costs relate to the Board of Directors as shown on page 26:		
Short-term employee benefits	1,141	1,085
Retirement benefit costs	1	1
Total	**1,142**	**1,086**

Notes to the consolidated financial statements

For the year ended 30 September 2016

Remuneration of highest paid director

	2016 £'000	2015 £'000
Short-term employee benefits	720	711
Total	**720**	**711**

7. Finance costs

	2016 £'000	2015 £'000
Obligations under finance leases	20	24
Other finance costs	23	14
Total finance costs	**43**	**38**

Notes to the consolidated financial statements

For the year ended 30 September 2016

8. Taxation

Tax charged/(credited) in the income statement

	2016 £'000	2015 £'000
Current taxation		
UK Corporation Tax	3,552	3,494
Adjustment to current tax in respect of prior period	(240)	(113)
	3,312	**3,381**
Deferred taxation		
Origination and reversal of temporary differences	(69)	(268)
Change in recognised deductible temporary differences	217	22
Reduction in tax rate	6	5
Tax expense per the consolidated income statement	**3,466**	**3,140**

Corporation Tax is calculated at 20% of the estimated assessable profit for the year to 30 September 2016 (2015: 20.5%).

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

	2016 £'000	2015 £'000
Deferred tax relating to share-based payments (see note 16)	8	19
Current tax relief on exercise of share options	(72)	(7)
	(64)	**12**

It is expected that the ongoing effective tax rate will remain at a rate approximating to the standard UK Corporation Tax rate in the medium term except for the impact of deferred tax arising from the timing of exercising of share options. The standard UK Corporation Tax rate was reduced to 20% (from 21%) on 1 April 2015 and accordingly the Group's profits for this accounting year are taxed at an effective rate of 20%. Deferred tax has been recognised at 17%, being the rate at which the deferred tax assets are expected to reverse.

Notes to the consolidated financial statements

For the year ended 30 September 2016

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

	2016 £'000	2015 £'000
Profit before tax	16,779	15,469
Profit before tax multiplied by a pro-rata rate of Corporation Tax in the UK of 20% (2015: 20.5%)	3,356	3,171
Effects of:		
Adjustments to current tax in respect of prior period	(13)	(91)
Expenses not deductible	110	55
Change in recognised deductible temporary differences	9	5
Reduction in tax rate	5	-
Income not taxable	(1)	-
Total tax expense in consolidated income statement	**3,466**	**3,140**
Effective tax rate	20.7%	20.3%

Notes to the consolidated financial statements

For the year ended 30 September 2016

9. Dividends

	2016 £'000	2015 £'000
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the year ended 30 September 2015 of 16.00p (2014: 15.75p) per share	6,546	6,423
Interim dividend for the year ended 30 September 2016 of 12.75p (2015: 9.50p) per share	5,217	3,874
Ordinary dividends paid on equity shares	**11,763**	**10,297**
Proposed final dividend for the year ended 30 September 2016 of 13.00p (2015: 16.00p) per share	5,373	6,513

Dividends are payable on all classes of issued, fully or partially paid up ordinary shares, except B and C non-voting shares as disclosed in note 22.

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 to assume exercise of all potentially dilutive share options.

	2016 £'000	2015 £'000
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent company	13,440	12,329

Number of Shares

	Number of shares 2016	Number of shares 2015
Weighted average number of ordinary shares (for the purpose of basic earnings per share) in issue during the year	40,914,184	40,788,579
Effect of potentially dilutive share options	148,193	73,993
Weighted average number of ordinary shares for the purposes of fully diluted earnings per share	**41,062,377**	**40,862,572**

Notes to the consolidated financial statements

For the year ended 30 September 2016

11. Goodwill

	2016 £'000	2015 £'000
Cost		
At 1 October 2015	2,069	2,069
Additions	1,703	-
At 30 September 2016	**3,772**	**2,069**
Accumulated impairment losses		
At 1 October 2015	112	112
Charge for the financial year	-	-
At 30 September 2016	**112**	**112**
Carrying value at 30 September 2016	**3,660**	**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.

Goodwill arising on acquisition of Indexx Markets Limited

Goodwill of £1,588,000 recognised in the statement of financial position arose on the acquisition of Indexx Markets Limited during the year ended 30 September 2016.

For the purposes of impairment testing, £1,143,000 of goodwill arising on the acquisition of Indexx Markets Limited is allocated to the investment administration CGU, with the remaining £445,000 being allocated to the dealing and custody CGU.

Goodwill arising on acquisition of AJ Bell Investments LLP

Goodwill of £115,000 recognised in the statement of financial position arose on the acquisition of AJ Bell Investments LLP during the year ended 30 September 2016.

For the purposes of impairment testing, £83,000 of goodwill arising on the acquisition of AJ Bell Investments LLP is allocated to the investment administration CGU, with the remaining £32,000 being allocated to the dealing and custody CGU.

Notes to the consolidated financial statements

For the year ended 30 September 2016

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 four years 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 five-year life of the key operating system, which was deemed to have a useful life of ten years when it was brought into use five years ago, and was deemed the most prominent asset in the CGU, based on the most recent forecasts approved by the Board.

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 budget 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 2016

12. Acquisitions

On 29 February 2016 the Group's subsidiary, AJ Bell Asset Management Limited, acquired the entire share capital of Indexx Markets Limited and its wholly owned subsidiary Allium Capital Limited (now AJ Bell Capital Limited) and Mansard Capital LLP (now AJ Bell Investments LLP).

Indexx Markets Limited designs investment products, and its FCA-regulated wholly owned subsidiary AJ Bell Capital Limited operates an existing range of multi-asset funds. AJ Bell Investments LLP is also an FCA-regulated company that provides investment management services.

This acquisition has facilitated the launch of AJ Bell's Managed Portfolio Service for advisers and their clients, and in due course, its own range of funds.

In the period between the acquisition and the reporting date, Indexx Markets Limited contributed revenue of £690,000 and a loss of £507,000 to the Group's results. AJ Bell Investments LLP contributed revenue of £249,000 and a loss of £14,000.

If the acquisition had occurred on 1 October 2015, the directors estimate that consolidated revenue would have been £64.8m including Indexx Markets Limited and £64.5m including AJ Bell Investments LLP with consolidated profit being £16.7m for the year ended 30 September 2016.

Consideration transferred

The consideration transferred for the acquisition of Indexx Markets Limited was £149,000, this being made up of £107,000 cash and £42,000 worth of share capital in AJ Bell Asset Management Limited, issued to the Indexx Markets Limited management team. As Indexx Markets Limited held cash and cash equivalent amounts of £7,000 on the date of acquisition, the net cost arising on the acquisition was £142,000.

The consideration transferred for the acquisition of AJ Bell Investments LLP was £185,000, this being made up of £143,000 cash and £42,000 worth of share capital in AJ Bell Asset Management Limited, issued to the AJ Bell Investments management team. As AJ Bell Investments LLP held cash and cash equivalent amounts of £44,000 on the date of acquisition, the net cost arising on the acquisition was £141,000.

Identifiable assets and liabilities acquired

	Indexx Markets Limited		AJ Bell Investments LLP	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Trade and other receivables	160	160	100	100
Cash and cash equivalents	7	7	44	44
Trade and other payables	(2,142)	(2,142)	(105)	(105)
	(1,975)	**(1,975)**	**39**	**39**

The trade receivables for Indexx Markets Limited include gross contractual amounts of £115,000 and for AJ Bell Investments LLP include gross contractual amounts of £69,000. They have not been reduced by a provision made for those considered to be doubtful debts, as the trade receivables were expected to be collected at the acquisition date for both companies.

If new information is obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date which identify any material adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

Notes to the consolidated financial statements

For the year ended 30 September 2016

Non-controlling interest

AJ Bell Holdings Limited has a 75% share in AJ Bell Asset Management Limited which wholly owns Indexx Markets Limited and AJ Bell Investments LLP, therefore, the non-controlling interest has been calculated as 25% of Indexx Markets Limited's and AJ Bell Investments LLP's net assets at acquisition.

Under IFRS 3 we have chosen to value the non-controlling interest's proportionate share of net assets/liabilities of the acquired companies.

	Indexx Markets Limited £'000	AJ Bell Investments LLP £'000
Net assets / (liabilities)	(1,975)	39
Non-controlling interest	25%	25%
Attributable to non-controlling interest	**(494)**	**10**

The profits/losses attributable to the non-controlling interest will be shown as one line on the face of the income statement.

Goodwill

Goodwill recognised as a result of the acquisition is shown below:

	Indexx Markets Limited £'000	AJ Bell Investments LLP £'000
Total cash consideration transferred	107	143
Less: Fair value of identifiable net assets / (liabilities)	(1,481)	28
Total goodwill recognised	**1,588**	**115**

The goodwill is attributable to the skills and technical talent of the assembled workforce that will allow the Group to take advantage of the post-RDR landscape in the platform market and develop low-cost investment management solutions for advisers and DIY customers.

It has been allocated to the cash generating units that derive revenue from the investment platforms that will benefit from the provision of this. For the purposes of impairment testing, £1,143,000 of goodwill arising on the acquisition of Indexx Markets Limited will be allocated to the pension administration CGU and £445,000 to the stockbroking CGU. For the purposes of impairment testing, £83,000 of goodwill arising on the acquisition of AJ Bell Investments LLP will be allocated to the pension administration CGU and £32,000 to the stockbroking CGU. None of the goodwill recognised is to be deductible for tax purposes.

Acquisition-related costs

The due diligence work was predominantly undertaken by the Group's management team, with some supplementary legal support provided by external consultants. In addition to management time, acquisition-related costs of £7,000 were included in administrative expenses in the condensed consolidated income statement for the year ended 30 September 2016.

Notes to the consolidated financial statements

For the year ended 30 September 2016

13. Other intangible assets

	Key operating system £'000	Contractual customer relationships £'000	Computer software £'000	Total £'000
Cost				
At 1 October 2014	8,657	2,135	6,430	17,222
Additions	-	-	163	163
At 30 September 2015	**8,657**	**2,135**	**6,593**	**17,385**
Additions	-	-	115	115
At 30 September 2016	**8,657**	**2,135**	**6,708**	**17,500**
Amortisation				
At 1 October 2014	1,863	1,241	5,837	8,941
Amortisation charge	1,056	275	317	1,648
At 30 September 2015	**2,919**	**1,516**	**6,154**	**10,589**
Amortisation charge	1,056	274	220	1,550
Impairment	-	345	-	345
At 30 September 2016	**3,975**	**2,135**	**6,374**	**12,484**
Carrying amount				
30 September 2015	**5,738**	**619**	**439**	**6,796**
30 September 2016	**4,682**	**-**	**334**	**5,016**
Average remaining amortisation period	4 years 6 months		7 months	

The acquisition of AJ Bell Media & Money AM in 2012 gave rise to a customer list being recognised as an intangible asset. This was based on the contractual position and the expected profitability of the corporate solution customers within Money AM. The corporate solutions customer list is unable to support the net book value on the balance sheet as it no longer generates positive cash flows and has resulted in an impairment of £152,000.

The acquisition of AJ Bell Securities in 2007 gave rise to a customer list being recognised as an intangible asset based on the profitability of 54 institutional customers that existed at the time of acquisition. The corporate solutions customer list is unable to support the net book value on the balance sheet as it no longer generates positive cash flows and has resulted in an impairment of £193,000.

The impairment charge of £345,000 (2015: £nil) is recognised under administrative expenses in the income statement.

Notes to the consolidated financial statements

For the year ended 30 September 2016

14. Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Other property, plant and equipment £'000	Total £'000
Cost				
At 1 October 2014	676	1,346	2,288	4,310
Additions	1	59	296	356
Disposals	-	-	(8)	(8)
At 30 September 2015	**677**	**1,405**	**2,576**	**4,658**
Additions	-	36	568	604
Disposals	-	(12)	(136)	(148)
At 30 September 2016	**677**	**1,429**	**3,008**	**5,114**
Depreciation				
At 1 October 2014	519	874	1,668	3,061
Charge for year	17	168	208	393
At 30 September 2015	**536**	**1,042**	**1,876**	**3,454**
Charge for the year	17	170	349	536
Eliminated on disposal	-	(12)	(132)	(144)
At 30 September 2016	**553**	**1,200**	**2,093**	**3,846**
Carrying amount				
At 30 September 2015	**141**	**363**	**700**	**1,204**
At 30 September 2016	**124**	**229**	**915**	**1,268**

During the year, additions of property, plant and equipment under finance leases totalled £Nil (2015: £13,000).

The carrying amount of the Group's office equipment includes an amount of £99,000 (2015: £197,000) in respect of assets held under finance leases.

At the year-end, the Group had no commitments (2015: £Nil) to purchase any tangible fixed assets.

15. 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 2016 of AJ Bell EBT Limited have been exempted from audit under s479C 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 2016

16. Other financial assets

	2016 £'000	2015 £'000
Trade and other receivables		
Trade receivables	6,287	6,243
Prepayments and accrued income	8,001	6,480
	14,288	**12,723**

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:

	2016 £'000	2015 £'000
Neither past due nor impaired	4,451	4,904
31 to 60 days	87	114
61 to 90 days	82	147
91 days and over	1,831	1,286
	6,451	6,451
Provision for doubtful debts	(164)	(208)
Trade receivables per consolidated statement of financial position	**6,287**	**6,243**

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

	2016 £'000	2015 £'000
At 1 October 2015	208	169
Amounts charged to the income statement as irrecoverable	40	153
Amounts recovered during the year	(84)	(114)
At 30 September 2016	**164**	**208**

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

	2016 £'000	2015 £'000
Client and market receivables	41,658	23,560
Clients' settlement cash balances	29,801	18,228
	71,459	**41,788**

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 2016

Cash and cash equivalents

	2016 £'000	2015 £'000
Cash and cash equivalents	39,510	36,318
	39,510	**36,318**

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 £117,256,000 (2015: £84,349,000).

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, Close Brothers plc, Lloyds Bank plc 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 2016

17. Deferred tax asset

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 differences £'000	Losses £'000	Total £'000
At 1 October 2014	(158)	137	(147)	-	(168)
Credit/(charge) to the income statement	154	(22)	109	-	241
(Charge) to equity	-	(19)	-	-	(19)
At 1 October 2015	**(4)**	**96**	**(38)**	**-**	**54**
Credit/(charge) to the income statement	(106)	38	49	22	3
(Charge) to equity	-	(8)	-	-	(8)
At 30 September 2016	**(110)**	**126**	**11**	**22**	**49**

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 2016.

As at 30 September 2016 the Group had no unused tax losses (2015: £92,000) 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:

	2016 £'000	2015 £'000
Deferred tax asset	317	96
Deferred tax liability	(268)	(42)
Net deferred tax asset	**49**	**54**

Notes to the consolidated financial statements

For the year ended 30 September 2016

18. Obligations under finance leases

2016	Minimum lease payments £'000	Less finance charges £'000	Present value of lease obligations £'000
Within one year	79	(4)	75
In two to five years	35	(1)	34
	114	**(5)**	**109**

2015	Minimum lease payments £'000	Less finance charges £'000	Present value of lease obligations £'000
Within one year	119	(13)	106
In two to five years	113	(4)	109
	232	**(17)**	**215**

Finance leases

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.

19. Other financial liabilities

	2016 £'000	2015 £'000
Trade and other payables		
Trade payables	1,283	1,075
Accruals and deferred income	6,568	4,626
Social security and other taxes	1,408	1,320
Other payables	295	349
	9,554	**7,370**

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.

	2016 £'000	2015 £'000
Client and market payables	**68,009**	**38,598**

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

Notes to the consolidated financial statements

For the year ended 30 September 2016

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**
2016	68,710	51	589	34	**69,394**
2015	39,503	-	276	109	**39,888**

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.

Notes to the consolidated financial statements

For the year ended 30 September 2016

20. Other payables

	2016 £'000	2015 £'000
Non-current loans and borrowings		
Unsecured debentures	848	-
Other payables		
Non-current payables	124	90
	972	**90**

The loan debenture of £848,000 (2015: Nil) that is unsecured, bears interest at 5% per annum and is due for repayment in full by 28 February 2019.

21. Provisions

	Office dilapidations £'000	FSCS levy £'000	Total £'000
At 1 October 2015	398	53	451
Increase/(decrease) in existing provisions	683	-	683
Provisions used	-	(17)	(17)
At 30 September 2016	**1,081**	**36**	**1,117**
Included in non-current liabilities	754	-	754
Included in current liabilities	327	36	363

The FSCS levy provision represents an estimate of a potential interim levy for the year ended 31 March 2016.

The Group is contractually obliged to reinstate its four leased properties to their original state and layout at the end of the lease. The office dilapidations provision represents the directors' best estimate of the present value of costs which will ultimately be incurred in settling these obligations. The increase in this provision relates to the newly leased property, 4 Exchange Quay.

Notes to the consolidated financial statements

For the year ended 30 September 2016

22. Share Capital

	2016 £	2015 £
Issued, fully-called and paid:		
38,650,070 (2015: 38,592,492) ordinary shares of 0.1p each	38,650	38,593
75,000 (2015: 75,000) ordinary non-voting shares of 0.1p each	75	75
846,081 (2015: 781,471) A non-voting ordinary shares of 0.1p each	846	781
773,994 (2015: 767,465) X non-voting ordinary shares of 0.1p each	774	767
	40,345	**40,216**

	2016 £	2015 £
Issued, partly-called and paid:		
Nil (2015: 167,102) B non-voting ordinary shares of 0.1p each	-	6
201,631 C non-voting ordinary shares of 0.1p each	8	-
10,000 (2015: 64,000) A non-voting ordinary shares of 0.1p each – 0.2% partly-called and paid	-	-
Nil (2015: 221,104) A non-voting ordinary shares of 0.1p each – 0.3% partly-called and paid	-	1
6,529 (2015: 57,597) X non-voting ordinary shares of 0.1p each – 10% partly-called and paid	7	6
Nil (2015: 120,683) X non-voting ordinary shares of 0.1p each – 0.3% partly-called and paid	-	-
Nil (2015: 151,665) A non-voting ordinary shares of 0.1p each – 0.3% partly-called and paid	-	-
	15	13
Total value of fully or partly-paid shares	**40,360**	**40,229**

Notes to the consolidated financial statements

For the year ended 30 September 2016

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

Transaction type	Share class	Number of shares	Premium £'000
Exercise of EMI options	A non-voting ordinary shares of 0.1p each	64,545	56
Full payment	X non-voting ordinary shares of 0.1p each	6,529	26
Exercise of CSOP options	Ordinary shares of 0.1p each	51,778	165
New issue under OTB	A non-voting ordinary shares of 0.1p each, 0.2% partly-paid	10,000	-
New issue	Ordinary shares of 0.1p each	5,800	29
New issue under OTB	C non-voting ordinary shares of 0.1p each	201,631	40
			316

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.

The B non-voting and C non-voting shares do not have the same rights to a dividend and on winding-up as the ordinary shares and cannot vote at meetings of shareholders.

Notes to the consolidated financial statements

For the year ended 30 September 2016

23. Operating leases

	2016 £'000	2015 £'000
The Group as lessee:		
Minimum lease payments under operating leases recognised as an expense in the year	**1,216**	**999**

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.

	2016 £'000	2015 £'000
Within one year	2,112	1,046
In the second to fifth years inclusive	5,743	1,833
After five years	15,936	201
	23,791	**3,080**

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

	2016 £'000	2015 £'000
Within one year	2,173	1,046
In the second to fifth years inclusive	5,764	3,818
After five years	16,580	5,278
	24,517	**10,142**

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 three years.

Notes to the consolidated financial statements

For the year ended 30 September 2016

24. 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 2016 was £30,040 (2015: £27,764).

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 113,984 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 (£)	5.00
Exercise price of an option (£)	5.00
Expected volatility	25%
Expected dividend yield	5.10%
Risk-free interest rate	0.81%
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.

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 £38,617 (2015: £10,883), relating to the issue of 201,631 Growth shares in December 2015.

Notes to the consolidated financial statements

For the year ended 30 September 2016

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

Fair value of share from generally accepted business model (£)	5.00
Expected volatility	25%
Expected dividend yield	5.10%
Risk-free interest rate	0.59%
Time expected to reach growth target (months)	21

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 three year forecast approved by the Board.

Notes to the consolidated financial statements

For the year ended 30 September 2016

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:

	2016 Number	2015 Number
Outstanding at beginning of period	529,902	460,819
Granted during the period	113,984	130,254
Forfeited during the period	(26,480)	(20,252)
Exercised during the period	(50,470)	(40,919)
Outstanding at the end of the period	566,936	529,902
Exercisable, end of period	**254,438**	**259,972**

	2016 (£)	2015 (£)
Outstanding at beginning of period	2.89	2.69
Granted during the period	5.00	3.50
Forfeited during the period	2.99	2.72
Exercised during the period	3.18	2.71
Outstanding at the end of the period	3.28	2.89
Exercisable at the end of the period	**2.94**	**1.90**

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 (2015: 22p) and the highest exercise price was 500p (2015: 420p). The weighted average remaining contractual life of share options outstanding at the end of the period was five years (2015: six years).

Notes to the consolidated financial statements

For the year ended 30 September 2016

25. 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 families, other than noted below.

Directors

Remuneration of the directors is disclosed in note 6.

Charitable donations

During the year, the Group made donations totalling £85,279 (2015: £76,500) to the AJ Bell Trust, a registered charity of which Mr A J Bell is a trustee.

26. Events after the date of the consolidated statement of financial position

At the date of approval of these consolidated financial 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 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets			
Investments	4	10,130	18,010
Current assets			
Trade and other receivables - due within one year	5	1,226	907
Trade and other receivables - due after one year	5	5,806	6,480
Cash and cash equivalents		15,068	8,932
		22,100	**16,319**
Current liabilities			
Creditors: Amounts falling due within one year	6	(1,674)	(1,565)
Net assets		**30,556**	**32,764**
Equity			
Share capital		40	40
Share premium	7	2,229	1,912
Retaining earnings	8	28,287	30,812
Total equity		**30,556**	**32, 764**

Approved by the Board on 15 December 2016 and signed on its behalf by:

Michael Summersgill (Director)
for and on behalf of AJ Bell Holdings Limited
Trafford House, Chester Road, Manchester, M32 0RS
15 December 2016

Notes to the Company financial statements

For the year ended 30 September 2016

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.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 2016 of £9,107,000 (2015: £7,317,000). 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 £85,279 (2015: £76,500).

Notes to the Company financial statements

For the year ended 30 September 2016

4. Investments

	2016 £'000	2015 £'000
Cost		
At 1 October 2015	18,412	18,412
Additions	2,120	-
Capital reduction	(10,000)	-
At 30 September 2016	**10,532**	**18,412**
Accumulated impairment losses		
At 1 October 2015	402	402
Charge for the financial year	-	-
At 30 September 2016	**402**	**402**
Carrying value at 30 September 2016	**10,130**	**18,010**

Notes to the Company financial statements

For the year ended 30 September 2016

The Company has investments in the ordinary share capital of the following subsidiaries at 30 September 2016:

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
AJ Bell Asset Management Limited*	England and Wales	Investment management services	75
AJ Bell Investments LLP	England and Wales	Investment management services	75
Indexx Markets Limited	England and Wales	Investment management services	75
AJ Bell Capital Limited	England and Wales	Investment management services	75

* Indicates direct investment of AJ Bell Holdings Limited

† The financial statements for the year ended 30 September 2016 of AJ Bell EBT Limited have been exempted from audit under s479C 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 2016

5. Trade and other receivables

	2016 £'000	2015 £'000
Due within one year:		
Trade receivables	-	335
Amounts owed by Group undertakings	371	7
Prepayments and accrued income	855	565
	1,226	**907**
Due after one year:		
Deferred tax asset relating to share-based payments	126	30
Amounts owed by Group undertakings	5,680	6,450
	5,806	**6,480**

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 due within one year

	2016 £'000	2015 £'000
Trade payables	-	276
Amounts owed to Group undertakings	570	381
Other taxation and social security	-	56
Corporation Tax	1,089	815
Accruals and deferred income	15	37
	1,674	**1,565**

7. Called-up share capital

The Company's share capital is disclosed in note 22 to the consolidated financial statements.

Notes to the Company financial statements

For the year ended 30 September 2016

8. Reserves

	Share premium £'000	Profit & loss £'000
At 1 October 2015	1,912	30,812
Retained profit for the financial year	-	9,107
Issue of new shares	317	-
Pay up of part-paid shares	-	-
Dividends paid	-	(11,763)
Credit to equity for equity-settled share-based payments	-	131
At 30 September 2016	**2,229**	**28,287**

9. Reconciliation of movement in equity shareholders' funds

	2016 £'000	2015 £'000
Retained profit for the financial year	9,107	7,317
Credit to equity for equity-settled share-based payments	131	39
Dividends	(11,763)	(10,297)
	(2,525)	**(2,941)**
Proceeds from issue of new shares	317	175
Proceeds from pay-up of part-paid shares	-	652
Net decrease in shareholders' funds	(2,208)	(2,114)
Opening shareholders' funds at 1 October 2015	32,764	34,878
Closing shareholders' funds at 30 September 2016	**30,556**	**32,764**

Unaudited five-year summary

For the year ended 30 September 2016

IFRS

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Results					
Revenue	64,466	57,038	53,493	57,043	51,765
Profit from operations	16,749	15,387	15,914	23,725	26,360
Profit before tax	16,779	15,469	16,117	23,902	26,501
Profits attributable to equity holders of AJ Bell Holdings Limited	13,440	12,329	12,523	18,164	19,799
Non-controlling interests	(127)	-	-	-	-
Assets employed					
Non-current assets	9,993	10,011	11,487	11,863	9,778
Current assets	125,257	90,829	88,034	83,908	64,907
Current liabilities	(79,702)	(47,970)	(49,309)	(48,420)	(35,711)
Non-current liabilities	(1,006)	(199)	(428)	(358)	(287)
Long-term provisions	(754)	(398)	(398)	(315)	(280)
Net assets	**53,788**	**52,273**	**49,386**	**46,678**	**38,407**
Financed by					
Equity	53,788	52,273	49,386	46,678	38,407
Key statistics					
Earnings per share (pence)	32.85	30.23	30.87	45.08	49.39
Fully diluted earnings per share (pence)	32.73	30.17	30.76	44.82	49.14
Dividends paid in year (pence per share)	28.75	25.25	25.00	24.75	22.50
Dividend declared with respect to profits generated in year (pence per share)	25.75	25.50	25.25	25.00	24.75

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
BoE	Bank of England
Company	AJ Bell Holdings Limited
CGU	Cash Generating Unit
CRD IV	Capital Requirements Directive IV
CRR	Capital Requirements Regulation
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
Non-platform business	Includes our SIPP only, institutional stockbroking services, media and investments
OTB	Option to Buy Shares Scheme
PBT	Profit Before Tax
Platform business	Includes our AJ Bell Investcentre, AJ Bell Youinvest and IMAS propositions
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 Chester Road Manchester M32 0RS
Auditor	KPMG 1 St Peter's Square Manchester M2 3AE
Principal banker	Bank of Scotland plc 1 Lochrin Square 92 – 98 Fountainbridge Edinburgh EH3 9QA

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Company registration number 04503206