Press release

17 May 2018

AJ Bell

Interim results for the six months ended 31 March 2018

Continued strong growth at AJ Bell boosts profits by 24% ahead of potential IPO

AJ Bell, one of the UK's leading investment platforms operating in both the direct-to-consumer and advised markets, has today announced its interim results for the six months ended 31 March 2018.

Financial highlights

- Customer numbers up 12% to 183,482 from 164,557 at 30 September 2017
- Assets under administration (AUA) rose 5% to £41.8bn (30 September 2017: £39.8bn), despite a 4% fall in the FTSE All Share index, driven principally by the performance of the Platform business[1]
- Strong new business growth with net platform inflows of £3.5bn, up 17% (H1 2017: £3.0bn)
- Customer retention remains high at 95%
- Revenue increased 16% to £42.9m (H1 2017: £37.0m)
- Profit Before Tax rose 24% to £13.9m (H1 2017: £11.2m)
- The Board has declared an interim dividend payment of 14 pence per share, a 10% increase compared to the interim dividend last year (H1 2017: 12.75p)

Operational highlights

- Launched two new income-focused multi-asset portfolios within our Managed Portfolio Service (MPS) for financial advisers
- Reduced the MPS annual management charge from 0.25% to 0.15%, reflecting our commitment to provide simple, transparent, low-cost investment solutions to customers
- Our new Lifetime ISA product proved popular with direct customers during tax year end
- Eamonn Flanagan and Laura Carstensen appointed to the Board as new independent non-executive directors of the Group, chairing the Audit and Remuneration Committees respectively. Laura is also the senior independent director
- Preparations for a listing on the Main Market of the London Stock Exchange later in 2018 or early 2019 are progressing well

Andy Bell, chief executive of AJ Bell, comments:

"These are the most profitable interim results in our history and are a great endorsement of our strategy and market position.

"The UK retail investment and savings market continues to display strong growth and investment platforms are central to this. Our brand heritage, platform technology and positioning across both advised and direct-to-consumer markets enables us to benefit from this long term growth story.

"The need for people to provide financially for their future has never been greater and our focus is on making it easier for our customers to invest. Our propositions are designed to be easy to use, at a competitive price and we continue to focus on delivering a great customer experience, which is rewarded by the loyalty of our customers.

"We are well placed to continue our growth trajectory and are progressing well with our plans for a premium listing on the London Stock Exchange later this year or early 2019."

Press contacts:

AJ Bell

Charlie Musson
07834 499 554
charlie.musson@ajbell.co.uk

Instinctif Partners

Giles Stewart
Rachel Cashmore
0207 457 2020

1: The AJ Bell Platform business is made up of its two flagship platform propositions, AJ Bell Investcentre and AJ Bell Youinvest, together with the AJ Bell Securities custody solution.

Visit our Media Centre for all commentary and press releases from AJ Bell - www.ajbell.co.uk/media-centre

About AJ Bell:

Established by Andy Bell in 1995, AJ Bell is one of the largest investment platforms in the UK.

We operate in both the advised and direct to consumer segments of the Platform market and our flagship platform propositions are AJ Bell Investcentre (AJBIC) and AJ Bell Youinvest (AJBYI).

We offer SIPPs, ISAs and General Investment / Dealing Accounts. We provide our customers with additional support in the form of various investment solutions and information. We offer a broad investment range including shares and other instruments traded on the major stock exchanges around the world, as well as all mainstream collective investments available in the UK and our own range of AJ Bell funds.

AJ Bell is headquartered in Manchester, UK and has over 700 employees.

Group highlights

Non-financial highlights

Number of retail customers	**Six months ended 31 March 2018**	Year ended 30 September 2017	Change % YTD
Platform	165,639	141,207	17
Non-Platform	17,843	23,350	(24)
	183,482	**164,557**	**12**
Assets under administration (£bn)	**Six months ended 31 March 2018**	Year ended 30 September 2017	Change % YTD
Platform	33.8	30.9	9
Non-Platform	8.0	8.9	(10)
	41.8	**39.8**	**5**
AUA Net inflows/outflows (£bn)	**Six months ended 31 March 2018**	Six months ended 31 March 2017	Change %
Platform	3.5	3.0	17
Non-Platform	(0.8)	0.1	(900)
	2.7	**3.1**	**(13)**
Customer retention rate	**Six months ended 31 March 2018**	Year ended 30 September 2017	Change (ppts) YTD
	95.1%	94.7%	0.4

Financial highlights

	Six months ended 31 March 2018	Six months ended 31 March 2017	Change %
Revenue (£m)	42.9	37.0	16
Revenue per £AUA (bps)	20.2	20.6	(2)
Profit before tax (£m)	13.9	11.2	24
Operating profit margin (%)	32.4	30.4	2.0
Dividend per share (pence)	14.00	12.75	10
Diluted earnings per share (pence)	27.36	22.06	24
Return on assets (%)	17.3	15.6	1.7

Chief Executive Officer's report

I am pleased to present our interim report for the six-month period to 31 March 2018, delivering a record number of net new customers, helping to deliver the most profitable interim trading period in our history. These results are a testament to the multi-award-winning, easy-to-use platform we have built, underpinned by a reputation for quality service at very competitive prices. It is over twelve years since our first institutional investor invested in AJ Bell and we are now planning for a main market listing on the London Stock Exchange.

Overview of first half of year

Our profitable and scalable business model continues to deliver strong performances with customers and AUA growing 12% and 5% respectively in the six months to 31 March 2018. The strong growth in net new customers and AUA inflows have led to record revenues increasing by 16% from £37.0m to £42.9m, with profit before tax rising by 24% from £11.2m to £13.9m. The Board has declared a dividend payment of 14 pence per share, reflecting its progressive dividend policy, continued confidence in the Group’s outlook and healthy financial position.

The number of net new retail customers increased by a record 18,925 during the period to a total of 183,482 (FY17: 164,557). The growth in AUA to £41.8bn (FY17: £39.8bn) was driven by strong asset inflows from incoming transfers, contributions and subscriptions totalling £3.9bn. Customer retention remained high at 95%, but our asset outflows of £1.2bn were significantly impacted by our decision to discontinue one of our third party SIPP administration contracts. Global stock markets saw a decline during the period with the FTSE All Share falling by 4%, which impacted our AUA growth in the period.

Our preparations for a listing on the Main Market of the London Stock Exchange are progressing well and we expect to list later in 2018 or early in 2019, subject to market conditions. I believe a listing is a natural step as we plan for the next growth phase in the business and to increase our profile in the market. A listing will enable more institutional investors to participate in AJ Bell’s future, and an element of the offering will be exclusively set aside for AJ Bell retail customers.

It is now a year since we relocated to our new Head Office in Exchange Quay, signalling the start of a new journey for the business. Since the move, we have received two prestigious awards. Firstly, our building, EQ4 has been independently recognised as being one of the top three work places in the UK, based on research conducted by Leesman, who have the largest database of workplace effectiveness in the world. Secondly, we were recognised by Best Companies as one of the top 100 companies to work for in the UK. This is based on staff feedback and is the largest survey of its kind in the UK. We are proud of these achievements and they reflect our commitment to invest in our staff and their place of work to create the best environment to learn, develop and succeed in a dynamic, fast-paced business.

Strategic update

Our digital strategy and commitment to invest in innovation and technology remain pivotal in our aim to become the easiest platform to use and each year we plan to deliver a number of initiatives to improve the customer journey. In the first half of the year the Group’s digital strategy has predominantly focused on our adviser-based proposition AJ Bell Investcentre, with a number of enhancements implemented during the period. These include the launch of a new application process, an execution-only service and an enhanced secure customer site, which enables customers to obtain valuations and up-to-date information on their accounts. There were also further developments for our direct to customer proposition AJ Bell Youinvest with a range of improvements to both our website and mobile application.

AJ Bell Youinvest is one of only a few investment platforms to offer a stocks and shares Lifetime ISA and it has been extremely popular with both existing and new customers.

The range of investment solutions available on AJ Bell Investcentre was extended during the period with the launch of two new income-focused multi-asset portfolios within our Managed Portfolio Service (MPS). These new portfolios both target a 4% income yield and are available with active and passive implementation. The lower risk option is designed to deliver the income yield whilst preserving capital, with the higher risk version aiming to grow capital in line with inflation. In addition, we have also reduced our annual management charge for our MPS from 0.25% to 0.15% plus VAT, supporting our commitment to providing simple, transparent and low-cost investment solutions to our customers. It is our intention over the next few months to reduce the annual management charge on our fund range which is offered through both AJ Bell Investcentre and AJ Bell Youinvest to 0.15%, whilst maintaining the popular 0.5% p.a. cap on the ongoing charges.

Earlier in the year we launched ‘AJ Bell Connect’ seminars to help paraplanners expand their technical pensions and investment knowledge, using a mix of case studies and interactive sessions. We remain committed to informing and engaging with our stakeholders and early indications are that this approach has been successful.

We continue with our aim to raise our brand awareness and reputation in the wider market and launched our first TV advertising campaign earlier this year. The strapline for the promotion was ‘invest in the life you want to live’, and it was designed to demonstrate the benefits and positive impact investing can have on people’s lives. It was well received and we will continue to seek new media opportunities to broaden our customer reach.

At the end of last year we announced plans to relocate the stockbroking operations in Tunbridge Wells to our Head Office in Manchester, following a wider review of our target operating model. I am pleased to report that we are progressing to plan and the first phase of the migration has been successfully completed.

Market developments

We continue to engage with the FCA on a number of market studies including the FCA’s Investment Platform Market Study. This study is looking at competition in the market and its interim report is expected in the summer.

Relevant to competition in the markets in which we operate, we view the point of sale disclosure regime as complicated and a barrier to customers making informed decisions about their savings and investments. In light of this, AJ Bell has been working with the Behavioural Economics team at Manchester Metropolitan University to analyse possible areas of change. The findings from this piece of analysis was presented to a group of policy advisers and Civil Servants at April’s Contemporary Issues in Economics and Policy Seminar Series at the Treasury offices in London. We await the results of this lobbying and the further guidance on effective consumer communication that is anticipated from the FCA.

Operating within a highly regulated environment, the business has continued to invest significantly in compliance. We have successfully implemented a number of changes ahead of The Markets in Financial Instruments Directive II (MiFID II) deadline and continue to embed the requirements into our business processes. General Data Protection Regulation (GDPR) comes into force on 25 May 2018, replacing the existing Data Protection Act (DPA) 1998. Our implementation of new measures to deal with the changes of GDPR is progressing to plan and is on target to meet the deadline.

We have published our gender payroll information as required by 6 April this year. Our mean gender pay and bonus gap figures are in line with most financial service companies and are reflective of the gender profile of our workforce which has a higher number of men in senior roles than women. In keeping with our guiding principles, we seek to provide an inclusive workplace where no one is disadvantaged and where all staff have the support that they need to realise their potential at AJ Bell.

Board changes and governance

During the period the Board welcomed Eamonn Flanagan and Laura Carstensen as new independent Non-executive Directors of the Group. Eamonn will be chairing the Audit Committee with Laura chairing the Remuneration Committee and acting as the Senior Independent Director of the Group. Both bring with them a wealth of knowledge and experience of the financial services sector. These appointments will further strengthen the skillsets of our Board as we plan for the next phase of growth in the business.

John Tomlins stepped down from the Board in March this year after serving over four years as a Non-executive Director. On behalf of the Board, I would like to thank John for his valuable contribution and support to the business over a period of significant growth and development and I wish him well in his future endeavours.

Outlook

The outlook for the Group remains positive with the UK savings industry growing strongly and within it, the platform market, which continues to grow at a faster rate. At AJ Bell, we believe in making it easier for our customers to invest and the need for people to save and invest for their future has never been higher. Our strong product propositions, built for ease-of-use at a competitive price and underpinned by our scalable infrastructure, enable us to capitalise on the growth in this market.

The UK base rate increased for the first time in a decade in November 2017 and whilst further increases in the short to medium term have been signalled by the BOE, this is laced with uncertainty. We expect market volatility to continue in the short term and in the lead up to 29 March 2019 when the UK officially leaves the EU. Our scalable business model is designed to meet the challenges arising from changing macroeconomic conditions, but maintains flexibility to benefit from the opportunities created.

We have a number of initiatives planned for the second half of the year as we continue with our aim to become the easiest platform to use. AJ Bell Youinvest will continue to develop its Mywealth proposition, which aims to provide our customers with the facility to monitor their assets wide of AJ Bell in one easily accessible place. The focus for AJ Bell Investcentre will be on launching a Lifetime ISA and developing a new mobile application.

Our range of simple, transparent and low-cost investment solutions will continue to be developed following the launch of our income-focused portfolios. We will be implementing a reduction in the annual management charge on our AJ Bell fund range in the second half of the year as we aim to provide our customers with some of the lowest-cost investment solutions in the market place.

The project to centralise the Group’s stockbroking operations in our Manchester Head Office will be completed in the second half of the year. This will be the final step to achieve our target operating model and will provide further opportunities for operational synergies across the business.

The last six months have been an extremely successful period for the business with an excellent set of interim results. This would not be possible without the commitment of our staff and the quality of their work and I would like to take this opportunity to thank them. We look forward to a busy second half of the year which will see us continue to prepare for a listing on the London Stock Exchange and the next growth phase in the business.

Andy Bell

Chief Executive Officer

Financial review

The Group has continued to make excellent progress during the first half of the financial year with revenue up 16% to £42.9m and profit before tax increasing 24% to £13.9m (HY17: £11.2m). These strong results are underpinned by the two key drivers of our performance, customers and AUA, which grew by 12% and 5% respectively since 30 September 2017.

Financial performance

Revenue

Revenue increased by 16%, from £37.0m to £42.9m for the six months ended 31 March 2018, driven by the underlying growth in customers and AUA.

Recurring fees were up 15% at £33.5m, mostly derived from ad-valorem charges on higher asset values. Transactional fees increased by 19% to £9.4m with higher dealing volumes and pension scheme activity driven by the growth in customers.

Administrative expenses

Administrative expenses increased by 12% to £29.0m (HY17: £25.8m). Staff costs remain our largest expense, increasing by 14% to £15.2m (HY17: £13.3m) with the average number of staff rising to 711 (HY17: 618) reflecting the ongoing relocation of roles from Tunbridge Wells to Manchester, the growth in the business and continued investment in our people.

Non-staff costs totalled £13.8m, an increase of £1.3m (HY17: £12.5m). This is principally due to the growth in the business, an increase in marketing expenditure following the launch of our TV and radio advertising campaigns and the costs of closing our Tunbridge Wells office.

Profit before tax

Profit before tax rose to £13.9m, an increase of 24% compared to the prior year (HY17: £11.2m). This was largely due to the strong growth in our AUA and customer numbers. Our profit margin has increased from 30% to 32% due to operational efficiency gains.

Earnings per share

Diluted earnings per share (DEPS) increased by 24%, from 22.06p per share last year to 27.36p per share in the current year. This being reflective of our strong trading performance and stable capital base.

Financial position

Capital and liquidity

The Group's balance sheet remains strong, with net assets totalling £65.4m at 31 March 2018 (2017: £57.6m). The Group's regulatory capital requirement and related details can be found under our Pillar III disclosures (see page 33 of the Directors' report in the 2017 annual financial statements for more information).

Cash balances have also increased by 23% from £36.8m to £45.3m. Our significant cash surplus ensures we have a liquidity buffer and funds available to invest in the business as required. Our regulatory capital position remains strong with a healthy surplus held at all times.

Dividends

The Board has declared an interim dividend of 14 pence, this is an increase of 10% compared to the same period last year. The Board remains committed to a progressive dividend policy, whilst also ensuring we have sufficient capital for future investment in the business and to maintain a surplus of regulatory capital.

Michael Summersgill

Chief Financial & Operating Officer

Unaudited condensed consolidated income statement
For the six months ended 31 March 2018

	Notes	Unaudited Six months ended 31 March 2018 £000	Unaudited Six months ended 31 March 2017 £000	Audited Year ended 30 September 2017 £000
Revenue		**42,928**	37,034	75,576
Administrative expenses		**(29,038)**	(25,793)	(53,800)
Operating profit		**13,890**	11,241	21,776
Investment income		**43**	-	3
Finance costs		**(5)**	(34)	(82)
Profit before tax		**13,928**	11,207	21,697
Taxation	5	**(2,628)**	(2,224)	(4,223)
Profit **for the period**		**11,300**	8,983	17,474
Profit for the period attributable to:				
Owners of the Company		**11,300**	9,077	17,571
Non-controlling interests		**-**	(94)	(97)
		11,300	8,983	17,474
Earnings per ordinary share:				
Basic (pence)	6	**27.54**	22.16	42.85
Diluted (pence)	6	**27.36**	22.06	42.60

The results for each period relate to continuing operations.

There were no other components of recognised income or expense in any of the periods presented and consequently no statement of other comprehensive income has been presented.

Unaudited condensed consolidated statement of financial position
As at 31 March 2018

	Notes	Unaudited 31 March 2018 £000	*(restated)* Unaudited 31 March 2017 £000	Audited 30 September 2017 £000
Assets				
Non-current assets				
Goodwill		**3,660**	3,660	3,660
Other intangible assets	7	**3,255**	4,397	3,841
Property, plant and equipment		**3,952**	3,839	3,994
Other non-current financial assets		**-**	250	-
Deferred tax asset		**371**	103	227
		11,238	12,249	11,722
Current assets				
Trade and other receivables		**23,652**	22,000	22,172
Cash and cash equivalents		**45,344**	36,831	42,138
		68,996	58,831	64,310
Total assets		**80,234**	71,080	76,032
Liabilities				
Current liabilities				
Trade and other payables		**(9,488)**	(9,331)	(10,115)
Current tax liabilities		**(2,441)**	(2,046)	(1,857)
Obligations under finance leases		**(47)**	(61)	(75)
Provisions	8	**(1,925)**	(1,121)	(1,587)
		(13,901)	(12,559)	(13,634)
Non-current liabilities				
Obligations under finance leases		**(46)**	(5)	(68)
Provisions	8	**(741)**	(754)	(790)
Other payables		**(133)**	(188)	(178)
		(920)	(947)	(1,036)
Total liabilities		**(14,821)**	(13,506)	(14,670)
Net assets		**65,413**	57,574	61,362
Equity				
Share capital		**42**	40	40
Share premium		**3,531**	2,294	2,806
Own shares		**(1,278)**	-	-
Retained earnings		**63,118**	55,462	58,516
Equity attributable to owners of the Company		**65,413**	57,796	61,362
Non-controlling interests		**-**	(222)	-
Total equity		**65,413**	57,574	61,362

Unaudited condensed consolidated statement of cash flows
For the six months ended 31 March 2018

	Note	Unaudited Six months ended 31 March 2018 £000	*(restated)* Unaudited Six months ended 31 March 2017 £000	Audited Year ended 30 September 2017 £ 000
Cash flows from operating activities				
Profit for the period		**11,300**	8,983	17,474
Adjustments to cash flows for non-cash items:				
Investment revenue		**(43)**	-	(3)
Finance costs		**5**	34	82
Income tax expense		**2,628**	2,224	4,223
Depreciation and amortisation		**1,145**	926	2,057
Share-based payment expense		**59**	47	107
Increase/(decrease) in provisions and non-current other payables		**244**	(26)	466
Loss on disposal of property, plant and equipment		**2**	1	48
Operating cash flows before movement in working capital		**15,340**	12,189	24,454
Increase in trade and other receivables		**(1,480)**	(4,512)	(4,434)
Increase/(decrease) in trade and other payables		**(627)**	(223)	561
Cash generated from operations		**13,233**	7,454	20,581
Tax paid		**(2,181)**	(1,915)	(4,100)
Interest paid		**(5)**	(34)	(82)
Net cash flows from operating activities		**11,047**	5,505	16,399
Cash flows from investing activities				
Purchase of other intangible assets		**(6)**	-	(44)
Purchase of property, plant and equipment		**(513)**	(2,879)	(3,476)
Interest received		**43**	-	3
Net cash flows from investing activities		**(476)**	(2,879)	(3,517)
Cash flows from financing activities				
Payments of obligations under finance leases		**(50)**	(43)	(102)
Proceeds from issue of share capital		**727**	52	556
Proceeds from settlement of part-paid shares		**-**	21	21
Payments for purchase of own shares		**(402)**	(8)	(165)
Purchase of own shares for employee share schemes		**(1,278)**	-	-
Dividends paid	10	**(6,362)**	(5,327)	(10,564)
Net cash flows from financing activities		**(7,365)**	(5,305)	(10,254)
Net increase/(decrease) in cash and cash equivalents		**3,206**	(2,679)	2,628
Cash and cash equivalents at beginning of period		**42,138**	39,510	39,510
Cash and cash equivalents at end of period		**45,344**	36,831	42,138

Notes to the unaudited condensed consolidated financial statements
For the six months ended 31 March 2018

1

AJ Bell Holdings Limited ("the Company") is the Parent Company of the AJ Bell Holdings group of companies (together the "Group"). The Company is a private limited company limited by shares and incorporated and domiciled in the United Kingdom. The Company's number is 04503206 and the registered office is 4 Exchange Quay, Salford Quays, Manchester, M5 3EE.

The Group is an investment platform offering its customers SIPPs, ISAs and General Investment/Dealing accounts, supported by a range of investment solutions and information.

2

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” ("IAS 34") as adopted by the European Union ("EU"). They do not include all of the information and disclosures required for full annual financial statements and therefore should be read in conjunction with the AJ Bell Holdings Limited Annual Report and financial statements for the year ended 30 September 2017, which were prepared under IFRSs as adopted by the EU and the Companies Act 2006.

These unaudited condensed consolidated financial statements do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The consolidated financial statements for the year ended 30 September 2017 have been reported on by the Company’s auditor and delivered to the registrar of companies. The report of the auditor was:

(i) unqualified, and
(ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and
(iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements of the Group for the year ended 30 September 2017 are available to view online at www.ajbell.co.uk.

Significant accounting policies

The accounting policies adopted by the Group in these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended 30 September 2017.

Developments in reporting standards and interpretations

A number of standards and amendments to standards and interpretations are effective for periods beginning on or after 30 September 2018. The following new standards are applicable to the Group and will be adopted in the reporting period in which they become effective:

		Effective from
IFRS 9	Financial Instruments	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRS 16	Leases	1 Jan 2019

The directors are still undergoing a review of the impact of adopting these standards and interpretations in future periods however the directors anticipate that these standards will not have a material impact on the income statement when they come into effect.

Accounting judgements and estimates

The judgements, estimates and assumptions made by the Group in these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended 30 September 2017.

Going concern

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

3

We continually review the principal risks and uncertainties facing the Group that could pose a threat to the delivery of our strategic objectives. The Board believes that the nature of the principal risks and uncertainties that may have a material effect on the Group's performance over the remainder of the financial year remain unchanged from those presented within our 2017 annual report and accounts.

4

There is a peak in the Group’s operational activity around the tax year-end. This impacts the financial results primarily in March and April, either side of the interim period-end. As such, no significant seasonal fluctuations affect the first or second half of the Group’s financial year in isolation.

5 Taxation

Tax recognised in the condensed consolidated income statement

	Unaudited Six months ended 31 March 2018 £000	Unaudited Six months ended 31 March 2017 £000	Audited Year ended 30 September 2017 £000
Current taxation			
UK Corporation Tax	**2,765**	2,260	4,375
Adjustment in respect of prior period	**1**	-	(63)
	2,766	2,260	4,312
Deferred taxation			
Origination and reversal of temporary differences	**(135)**	(35)	(98)
Adjustment in respect of prior periods	**-**	-	17
Effect of changes in tax rates	**(3)**	(1)	(8)
Total tax expense	**2,628**	2,224	4,223

Corporation Tax for the six months ended 31 March 2018 has been calculated at 19% (six months ended 31 March 2017: 19.5%; year ended 30 September 2017: 19.5%), representing the average annual effective tax rate expected for the full year, applied to the estimated assessable profit for the six-month period.

In addition to the amount charged to the income statement, certain tax amounts have been recognised directly in equity as follows:

	Unaudited Six months ended 31 March 2018 £000	Unaudited Six months ended 31 March 2017 £000	Audited Year ended 30 September 2017 £000
Deferred tax relating to share-based payments	**(7)**	(18)	(88)
Current tax relief on exercise of share options	**-**	-	(57)
	(7)	(18)	(145)

Notes to the unaudited condensed consolidated financial statements (continued)
For the six months ended 31 March 2018

5 Taxation (continued)

The tax expense for the period can be reconciled to the profit per the condensed consolidated income statement as follows:

	Unaudited Six months ended 31 March 2018 £000	Unaudited Six months ended 31 March 2017 £000	Audited Year ended 30 September 2017 £000
Profit before tax	**13,928**	11,207	21,697
Profit before tax multiplied by rate of Corporation Tax in the UK of 19% (six months ended 31 March 2017: 19.5%; year ended 30 September 2017: 19.5%)	**2,646**	2,185	4,231
Tax effects of:			
Adjustments in respect of prior periods	**1**	17	(47)
Expenses not deductible for tax purposes	**47**	23	57
Effect of the exercise employee share options	**-**	-	(15)
Change in recognised deductible temporary differences	**(63)**	-	5
Reduction in tax rate	**(3)**	(1)	(2)
Income not taxable	**-**	-	(6)
Total tax expense	**2,628**	2,224	4,223
Effective tax rate	**18.9%**	19.8%	19.5%

6 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, excluding own 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.

Earnings per share	Unaudited Six months ended 31 March 2018 Pence	Unaudited Six months ended 31 March 2017 Pence	Audited Year ended 30 September 2017 Pence
Basic earnings per share	**27.54**	22.16	42.85
Diluted earnings per share	**27.36**	22.06	42.60

The earnings and weighted average number of shares used in the calculation of basic and diluted earnings per share is shown below:

	Unaudited Six months ended 31 March 2018 £000	Unaudited Six months ended 31 March 2017 £000	Audited Year ended 30 September 2017 £000
Earnings			
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent company	**11,300**	9,077	17,571

	No.	No.	No.
Number of shares			
Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	**41,027,418**	40,962,931	41,009,036
Effect of potentially dilutive share options	**281,007**	193,117	240,433
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**41,308,425**	41,156,048	41,249,469

All amounts relate to continuing operations.

7 Other intangible assets

	Unaudited Six months ended 31 March 2018 £000	**Unaudited Six months ended 31 March 2017 £000**	**Audited Year ended 30 September 2017 £ 000**
Carrying value			
Computer software	**156**	242	216
Key operating system	**3,099**	4,155	3,625
	3,255	4,397	3,841

None of the intangible assets have been pledged as security.

8 Provisions

	Office dilapidations £000	Restructuring costs £000	FSCS Levy £000	Other provisions £000	Total £000
At 1 October 2016	1,081	-	36	-	1,117
Additional provisions	-	-	-	1,052	1,052
Provisions used	(294)	-	-	-	(294)
As at 31 March 2017	787	-	36	1,052	1,875
Additional provisions	3	492	-	76	571
Provisions used	-	-	(36)	-	(36)
Unused provision	-	-	-	(33)	(33)
As at 1 October 2017	790	492	-	1,095	2,377
Additional provisions	43	246	-	-	289
As at 31 March 2018	833	738	-	1,095	2,666
Non-current liabilities	741	-	-	-	741
Current liabilities	92	738	-	1,095	1,925

Office dilapidations

The Group is contractually obliged to reinstate its three leased properties to their original state and layout at the end of the lease terms. Additional office space has been renovated at 4 Exchange Quay during the interim period leading to an increase in the dilapidations provision of £43,000 (six months ended 31 March 2017: provisions used £294,000 and year ended 30 September 2017: £3,000). These provisions are expected to be utilised over the period to the end of each specific lease.

Restructuring costs

The restructuring provision relating to the closure of Tunbridge Wells office has increased by £246,000 (six months ended 31 March 2017: £Nil and year ended 30 September 2017: £492,000) during the period which represents the best current estimate and is based upon a number of key variables for the staff affected, grade and remuneration package. As a result there is some uncertainty around the value and timing of the liability. It is expected that all costs will be incurred within the financial year.

Other provisions

Other provisions cover the settlement of a one-off tax liability that arose during the last financial year. There is some uncertainty regarding the amount of the outflow required to settle the obligation; therefore a best estimate has been made by assessing a number of different outcomes considering the potential areas and time periods at risk and any associated interest. The time of the outflows are uncertain but the Group expects that settlement will be within the next 12 months.

9 Share capital and share premium

The following share transactions have taken place during the period:

Transaction type	Share class	Number of shares	Premium £000
New issue under OTB	Ordinary voting shares of 0.1p each	37,048	250
New issue under OTB	E non-voting ordinary shares of 0.1p each	931,660	390
New issue under OTB	F non-voting ordinary shares of 0.1p each	203,500	85
Repurchase and cancellation	A non-voting ordinary shares of 0.1p each	(76,923)	-
Repurchase and cancellation	D non-voting ordinary shares of 0.1p each	(13,462)	-
			725

At 31 March 2018, the Group held 152,707 own shares in the AJ Bell Employee Benefit Trust.

10 Dividends

The following dividends were declared and paid by the Company during the period:

	Unaudited Six months ended 31 March 2018 £000	Unaudited Six months ended 31 March 2017 £000	Audited Year ended 30 September 2017 £000
Final dividend of 13.00 pence per share paid 16 December 2016	**-**	5,327	5,327
Interim dividend of 12.75 pence per share paid 22 May 2017	**-**	-	5,237
Final dividend of 15.50 pence per share paid 15 December 2017	**6,362**	-	-
Ordinary dividends paid on equity shares	**6,362**	5,327	10,564

An interim dividend of 14.00 pence per share was approved by the Board on 25 April 2018. This dividend has not been included as a liability as at 31 March 2018.

Dividends are payable on all classes of issued, fully or partially paid up ordinary shares, except B, C, D, E and F non-voting shares as disclosed in note 22 of the 2017 consolidated financial statements.

11 Share-based payments

Equity-settled share option schemes

The Group continues to operate the Company Share Option Plan ("CSOP") and option to buy shares scheme ("OTB") detailed in note 24 to the 2017 consolidated financial statements.

Company Share Option Plan

During the period, a total of 35,039 (six months ended 31 March 2017: 99,127 and year ended 30 September 2017: 104,896) options were granted under the CSOP. The fair value of these options has been estimated using the Black-Scholes method, taking into account the terms and conditions upon which the options were granted.

Option to buy shares scheme

During the period, a total of 1,135,160 growth shares were issued (six months ended 31 March 2017: 261,855 and year ended 30 September 2017: 275,317) under the OTB. The fair value of growth shares has been estimated using the Black-Scholes method.

Growth shares entitle the holder to participate in the growth value of the Group above a certain threshold level, set above the current market value of the Group at the time the shares were issued. The 1,135,160 growth shares issued consisted of 931,660 E non-voting ordinary shares and 203,500 F non-voting ordinary shares as disclosed in note 9. The E and F non-voting shares are a continuation of the D non-voting shares.

During the period the Group recognised total share-based payment expenses of £58,750 (six months ended 31 March 2017: £47,105; year ended 30 September 2017: £107,005).

12 Restatement of prior period figures

The prior period figures have been restated to reflect the impact of moving to settlement date accounting for all trades in accordance with IAS 39: Financial Instruments. In the prior interim period the Group recognised client and market counterparty receivables and payables balances on the balance sheet as financial instruments at trade date on the basis that there was a contractual obligation between the parties.

During the year ended 30 September 2017 the Group changed the contractual arrangements with their clients following which it was concluded that settlement date accounting better reflected the substance of the commercial position.

The change in policy has effectively removed the client and market receivables and client and market payables from the balance sheet and moved the revenue recognition date from trade date to settlement date. The resulting impact on the income statement is not material and so no adjustment has been made as part of the restatement, in the current or prior periods.

The client money requirement for client trading placed but not yet funded, has been reclassified under ‘other receivables’.

The impact of applying the above is as follows:

	Client and market payables £000	Client and market receivables £000	Other receivables £000
As reported at 31 March 2017	**95,851**	(100,616)	-
Restatement of client settlement balances	**(95,851)**	95,851	-
Reclassification of client money requirements	**-**	4,765	(4,765)
Balance as restated at 31 March 2017	**-**	-	(4,765)

There has been no impact on the income statement or statement of comprehensive income as a result of this restatement in the current and prior periods.

13 Related party transactions

Related party transactions are detailed in the Group's consolidated financial statements for the year ending 30 September 2017. The nature of the Group's related parties remains the same. No transactions took place during the period ended 31 March 2018 that would materially affect the financial position or performance of the Group.

Definitions

AUA	Assets Under Administration
AJBIC	AJ Bell Investcentre
AJBYI	AJ Bell Youinvest
Board, Directors	The Board of Directors of AJ Bell Holdings Limited
BOE	Bank of England
Company	AJ Bell Holdings Limited
CSOP	Company Share Option Plan
DEPS	Diluted Earnings per Share
EQ4	4 Exchange Quay
EU	European Union
FCA	Financial Conduct Authority
FTSE	Financial Times Stock Exchange
FY17	Financial year ended 30 September 2017
GDPR	General Data Protection Regulations
Group	AJ Bell Holdings Limited and its wholly-owned subsidiaries
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
ISA	Individual Savings Account
MiFID II	Markets in Financial Instruments Directive II
MPS	Managed Portfolio Service
Non-platform business	Includes our SIPP only and 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 AJ Bell Securities Custody Solution
SIPP	Self Invested Personal Pension
UK	United Kingdom
VAT	Value Added Tax