1 December 2022

AJ Bell plc

Final results for the year ended 30 September 2022

AJ Bell plc (‘AJ Bell’ or the ‘Company’), one of the UK's largest investment platforms, today announces its final results for the year ended 30 September 2022.

Highlights

Financial performance

- Strong financial performance, with revenue up 12% to £163.8 million (FY21: £145.8 million) and profit before tax (PBT) up 6% to £58.4 million (FY21: £55.1 million)
- PBT margin of 35.6% (FY21: 37.8%), reflecting the planned investment in new propositions, Dodl and Touch, and the impact of price reductions made in the year to benefit customers
- Diluted earnings per share up 6% to 11.35 pence (FY21: 10.67 pence)
- Final dividend of 4.59 pence per share proposed, increasing the total ordinary dividend for the year by 6% to 7.37 pence per share (FY21: 6.96 pence per share), an 18th consecutive year of ordinary dividend growth

Platform business

- Another successful year, with customers increasing by 57,687 to 425,652 and platform net inflows of £5.8 billion (FY21: £7.0 billion)
- Platform AUA closed the year at £64.1 billion, down 2% as the strong net inflows in the year were offset by adverse market movements of 11%
- Customer retention rate increased to 95.5% (FY21: 95.0%)
- Development of new simplified propositions to increase our footprint in the D2C and advised market segments, with Dodl launched in April 2022 and Touch to follow in 2023

AJ Bell Investments

- Assets under management (“AUM”) increased by 27% in the year to close at £2.8 billion (FY21: £2.2 billion)
- Underlying net inflows in the year of £1.05 billion (FY21: £922 million)
- Excellent investment performance with all of AJ Bell’s multi-asset funds outperforming their Investment Association sector average over one, three and five years to 30 September 2022

Michael Summersgill, Chief Executive Officer at AJ Bell, commented:

"2022 has been another successful year for AJ Bell. Our trusted, dual-channel platform, serving both the advised and D2C markets, drove organic customer growth of 16% to over 425,000 and delivered £5.8 billion of net inflows across the platform. Our customer retention rate also remained extremely high at 95.5%, evidencing the quality of our propositions and the strong service levels we provide to our customers.

"Our continued growth has underpinned another excellent set of financial results in a challenging year for markets. Revenue was up 12%, profit before tax up 6% and earnings per share up 6%. Our profitable, sustainable business model and strong financial position has supported continued investment in our customer propositions and our people whilst enabling us to again increase our ordinary dividend to shareholders. The Board has proposed a final dividend of 4.59 pence per share, increasing the total ordinary dividend for the year by 6% to 7.37 pence per share.

"As we grow, the efficiency of our business model enables us to share the benefits of our scale with customers whilst still delivering strong financial returns for shareholders. Earlier this year we announced several pricing reductions across our platform which delivered total annualised savings to customers of around £5 million. We will look for further opportunities to cut costs for customers in future as we continue to grow the business.

"Our investment in new simplified customer propositions supports our long-term growth ambitions by increasing our footprint in both the advised and direct-to-consumer markets. Dodl, our new commission-free investing app complements AJ Bell, our full-service D2C proposition which has recently been renamed from AJ Bell Youinvest, enabling us to capture more retail investors earlier in their investing journey. Next year we will be launching Touch for the advised market, a simplified platform proposition that complements our full-service AJ Bell Investcentre proposition. This will broaden our offering to financial advisers, helping them serve a wider base of clients.

"The success of AJ Bell would not be possible without our staff, who continue to drive the business forward, delivering award-winning propositions and great service to our customers. We continue to invest in our people and have recently enhanced our pay and benefits package for all employees. In particular I am delighted to have introduced a new annual free share award worth £2,000 per year for all employees outside of the senior management team, ensuring that everyone shares in the future success of the business. This will further strengthen the sense of ownership amongst our people which is already a hugely important part of our culture.

"This strong culture had been built over many years under the leadership of our co-founder, Andy Bell. It was a huge privilege to take over as CEO from Andy in October, having worked alongside him on the Board for 11 years. We have also implemented our succession plans for other executive roles during the year with a good blend of internal promotions and external recruits and I am confident we have the right team in place to take the business forward.

"Looking ahead, whilst market volatility is likely to persist in the short-term, our focus is very much on the long-term. The structural growth drivers for the UK investment platform market remain strong, and with around two-thirds of our estimated £3 trillion target market still held off platform, we have a significant growth opportunity ahead of us. To ensure we capitalise on this, we will be investing more in our brand to improve awareness of AJ Bell and support our long-term growth ambitions. Our diversified revenue streams and efficient operating model ensure we can continue investing in our propositions, our people and our brand whilst continuing to deliver strong financial performance, and we are well positioned heading into 2023."

Financial highlights

	Year ended 30 September 2022	**Year ended 30 September 2021**	**Change**
Revenue	£163.8 million	£145.8 million	12%
Revenue per £AUA*	22.6bps	22.2bps	0.4bps
PBT	£58.4 million	£55.1 million	6%
PBT margin	35.6%	37.8%	(2.2ppts)
Diluted earnings per share	11.35 pence	10.67 pence	6%
Total ordinary dividend per share	7.37 pence	6.96 pence	6%
Total special dividend per share	nil	5.00 pence	n/a

Non-financial highlights

	Year ended 30 September 2022	**Year ended 30 September 2021**	**Change**
Number of retail customers	**440,589**	**382,754**	**15%**
- Platform	425,652	367,965	16%
- Non-platform	14,937	14,789	1%
AUA*	**£69.2 billion**	**£72.8 billion**	**(5%)**
- Platform	£64.1 billion	£65.3 billion	(2%)
- Non-platform	£5.1 billion	£7.5 billion	(32%)
AUM*	**£2.8 billion**	**£2.2 billion**	**27%**
Customer retention rate	**95.5%**	**95.0%**	**0.5ppts**

*see definitions

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Results presentation details

A pre-recorded video with Michael Summersgill (CEO) and Peter Birch (CFO) discussing these results will be available on our website (ajbell.co.uk/investor-relations) along with an accompanying investor presentation from 07.00 GMT today. Management will be hosting a meeting for sell-side analysts at 09:00 GMT today. Attendance is by invitation only.

Management will also be hosting a group call for investors at 15.30 GMT on 7 December. Please contact Camilla Crowe at c.crowe@numis.com for registration details.

Forward-looking statements

The full year results contain forward-looking statements that involve substantial risks and uncertainties, and actual results and developments may differ materially from those expressed or implied by these statements. These forward-looking statements are statements regarding AJ Bell's intentions, beliefs or current expectations concerning, among other things, its results of operations, financial condition, prospects, growth, strategies, and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These forward-looking statements speak only as of the date of these full year results and AJ Bell does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these results.

Chair’s statement

Dear shareholder

“I have long admired AJ Bell and its commitment to helping people to invest. At AJ Bell we are a purpose-driven organisation who put our customers at the heart of everything we do.”

I am pleased to be writing to you as Chair, having joined the business in July last year before taking over as Chair at the AGM in January.

I have spent a lot of time getting to know many people across the business, which has been wonderful. I have been greatly impressed by the calibre of our employees and the collegiate culture. I have also had the pleasure of engaging with some of our shareholders and other key stakeholders, discussing both AJ Bell’s business and the wider platform market. It has been insightful to hear the feedback and to understand what each stakeholder group believes our priorities should be going forward.

During the year the Board’s long-established succession plan came to fruition with Andy stepping down on 30 September 2022 and our Deputy CEO, Michael Summersgill, being appointed to the role. My priority as Chair has been to ensure a smooth transition of responsibilities and this has been achieved. As co-founder and CEO, Andy has been the heart and soul of AJ Bell for 27 years, shaping it into the successful listed business it is today. On behalf of the Board I would like to thank Andy for the incredible legacy he has created and strong culture that we shall build on going forward.

Uncertainties in the wider economy and the increasing pressures from the rising cost of living are bringing many challenges to our customers, our people and our wider stakeholders. As a Board we are particularly mindful of this and so our focus continues to be on the wellbeing of our staff, while maintaining a high-quality, value for money service to our customers and delivering positive outcomes for all our stakeholders.

Overview

I am pleased to report that we have delivered a strong financial performance during the year with PBT of £58.4 million. Over the past 12 months customer numbers increased by 57,835 to 440,589 and we delivered £3.8 billion of net inflows of AUA, ending the year with total AUA of £69.2 billion. This strong performance demonstrates the resilience of our business model during a turbulent year and continued uncertainties around the UK economy. The Financial Review below contains further information on this year’s performance.

Our governance structure and cohesive culture provide a solid framework for achieving our long-term strategic goals and the Board remains focused on delivering AJ Bell’s purpose which is simply to help people to invest.

Governance and culture

The Board remains focused on applying high standards of corporate governance and ensuring these principles are embedded into our culture. We believe effective stakeholder engagement is key to the long-term success of our business and we aim to proactively engage with our key stakeholders and understand what is most important to them.

We welcomed the opportunity to engage with our staff and shareholders in person again this year as COVID restrictions lifted, providing invaluable insight into the operation and culture of our business, particularly for those Board members who joined us during 2021. I was delighted to be appointed as the nominated employee engagement director in January this year, which has given me an opportunity to refresh the Employee Voice Forum (EVF), increasing the frequency of our gatherings and making it more inclusive.

We have been particularly mindful of the impact of cost-of-living pressures on our people and the wider implications of a challenging labour market during 2022. With this in mind we have made a significant investment in pay and benefits from 1 October 2022 and believe that the needs of our workforce as a whole have been taken into account through a combination of higher pay rises, enhanced benefits, increased bonus pool and a free share scheme for all employees. To ensure we considered those areas most important to our staff for our benefits review, we sought feedback through a staff survey which highlighted that benefits associated with health and wellbeing, saving for the future and share ownership were considered most important.

Consideration of our wider stakeholders in some of our key decisions in the year are outlined in our Section 172 statement.

The Board continues to provide strong support and appropriate challenge to the executive team to ensure the Group's strategy is appropriate, achievable and ultimately delivered. During the year the Board worked closely with Michael Summersgill, who led a key project to replace the current Executive Management Board (EMB) structure with an enlarged Executive Committee (ExCo) and sub-committees. The new ExCo structure will provide additional executive level oversight and support the ongoing growth of the business.

Full details of the work of the Board, its Committees and the revised executive structures are set out in the Corporate Governance report.

Responsible business

We have made good progress during the year to further embed our environmental, social and governance (ESG) framework into our wider business strategy. Our senior management team has been busy driving forward a number of key objectives around diversity and inclusion (D&I), a new charitable framework and our paperless ambition. In addition, we have also looked carefully at our own climate impact and have produced our first Task Force on Climate-related Financial Disclosures (TCFD) report. Peter Birch became the lead Executive for ESG, following his appointment as Chief Financial Officer (CFO), taking the reins from Michael Summersgill.

Particular focus has been given to establishing a D&I framework this year, taking into account both demographic and cognitive diversity, which the Board approved in July. Our primary focus has been on senior management and the talent pipeline, although we are also looking more broadly at the wider workforce. I am confident that the work this year has formed a solid basis for the Group's continued development in this area.

I am also particularly pleased to report the formation of a Non-Executive Director forum during the year to provide further oversight and challenge of specific ESG initiatives. Our first meeting in July focused on a deep dive into the D&I framework, reflecting its importance to the Board. Further details on our ESG-related activities can be found in our Responsible Business section.

Board changes and succession

This has been a year of change for the Board, welcoming new Executive members and overseeing succession plans. I succeeded Les Platts as Chair at the 2022 AGM. Les provided excellent stewardship of the Group during his tenure and the Board wishes him well for the future.

Andy stepped down as CEO from 30 September 2022, succeeded by Michael Summersgill, our Deputy CEO. As a Board we would like to formally welcome Michael in his new role and look forward to supporting him in driving the growth of the business.

As a Board we were keen for Andy to remain involved in the business in a Non-Executive capacity to ensure the business continues to benefit from his deep experience of AJ Bell and the wider investment platform market. Although we were unable to agree our preferred role for Andy with the Financial Conduct Authority (FCA), we are delighted that he will continue to support the business in a consultancy role, focusing on building the AJ Bell brand and assisting AJ Bell's campaigning on behalf of retail investors and financial advisers.

Following the conclusion of our dialogue with the FCA, I decided with great regret that I should step down from the Board once a successor is found, so a new Chair can take the Board forward. I will continue to work with the business as a consultant, focusing on our Money Matters initiative to encourage more women to consider investing and to also further the Company's progress on diversity and inclusion.

Laura Carstensen also stepped down from the Board at the 2022 AGM and we thank her for her valuable contribution to the Group during her tenure. As part of the Board's succession plans, Evelyn Bourke was appointed Senior Independent Director (SID) and Margaret Hassall Chair of the Remuneration Committee.

As previously announced, we welcomed Roger Stott to the Board on 1 October 2021 as Chief Operating Officer (COO), and more recently, Peter Birch as CFO from 1 July 2022. The Board has overseen an orderly transition for the role of CFO from Michael Summersgill who was appointed Deputy CEO at the start of the year.

We continually monitor our Board composition and effectiveness through the work of the Nomination Committee to ensure we have the right skillset and breadth of experience with which to function as an effective Board. Following the commencement of the recruitment of a new Chair, the Board has agreed to pause the search for two new Non-Executive Directors until that process is completed. Both the Board and I are extremely mindful of the importance of having a diverse range of skills, experience and perspective around the Board table and this will be uppermost in our minds throughout the recruitment process.

Further details on Board changes can be found in the Nomination Committee report.

Dividend

In line with our commitment to a progressive dividend policy, the Board is pleased to announce a final ordinary dividend of 4.59p per share, reflecting the financial strength of the business and strong capital position. The final ordinary dividend will be paid, subject to shareholder approval at our AGM on 8 February 2023, to shareholders on the register at the close of business on 20 January 2023.

This brings the total ordinary dividend for the financial year to 7.37p per share, representing an increase (excluding the special dividend in the prior year) of 6% on the previous year.

Building on Andy's legacy as we look ahead

Andy's achievements in building AJ Bell cannot be overstated. From SIPP-only offering in 1995 to today's dual-channel FTSE 250 listed platform business, Andy has been the driving force. He has of course also created a great team to take the business forward, motivated by the same purpose; to help people to invest. While the difficult economic outlook may lessen the immediate opportunity for growth, over the long term, it is clear that the fundamental drivers of an expanding addressable market remain firmly in place. With a focus on ease of use and value for money, and having also invested in our simplified propositions, Dodl and Touch, AJ Bell is well-positioned to both gain market share and to capitalise on an expanding universe of investors, both direct and advised.

AJ Bell is financially strong with a well-capitalised and highly cash-generative business model, and the Board remains confident in the long-term prospects of the business.

Baroness Helena Morrissey DBE
Chair

30 November 2022

Additional Board focus areas

Culture:

AJ Bell has always prided itself on a strong collegiate culture; staff recruited over the pandemic have obviously not had as many opportunities to benefit from this. Particular efforts are being made to ensure that this is a focus for managers as well as the Board.

Diversity and inclusion:

Having founded the 30% Club and now Chair of the Diversity Project, this is clearly something that matters greatly to me. I have seen so often the benefits yielded by improving diversity of thought and creating an inclusive workplace. So, it has been great to see us push diversity and inclusion higher onto the Board's agenda this year. We have established a framework within which we can improve the current situation to ensure our talent is consistent with AJ Bell's strategic ambitions. We are now also monitoring the data to enable us to measure progress. Our D&I framework encompasses both demographic and cognitive diversity; while the initial focus has been on senior management and the talent pipeline, the commitment is there to widen this to the broader workforce.

Money Matters – helping women invest:

There is not a single good reason why women should have less money than men. Despite that, the fact remains that on average women have less than half the levels of savings and investments than men. That gender investment gap is one of the biggest challenges facing our society today. AJ Bell is determined to help solve this.

I am proud to be championing AJ Bell Money Matters, which is designed to give women the information and inspiration they need to become more confident investors. It aims to get women talking about money and investing. We have a range of articles on our website, a dedicated podcast series, a regular newsletter, webinars and in-person live events.

Consumer Duty:

Over the long term, the Consumer Duty should improve trust in financial services, which in turn should lead to more people making better decisions about their short, medium and long-term savings and investments. AJ Bell already places good consumer outcomes at the heart of everything we do, with good value products, simple communications and strong processes to support customers front-and-centre. We recognise however, the step change that the FCA is expecting of firms to proactively evidence and review how they deliver good consumer outcomes.

As a Board we are actively engaged in the Consumer Duty and will be overseeing the delivery of the implementation plan ahead of the regulatory deadline of July 2023.

Chair succession:

As announced on 27 September, I advised the Board that I will stand down from the Board once a suitable replacement as Chair is found. Work has already commenced on the formal recruitment process, which is being led by Evelyn Bourke, the Senior Independent Director. My focus will be to ensure an efficient handover of responsibilities to the successor in due course

Chief Executive Officer's review

Overview

"The foundations are firmly in place for us to deliver long-term growth in both the advised and D2C segments of the platform market. My focus is on continuing to evolve our platform products and service capabilities to meet the ever-changing needs of advisers and customers."

It is a huge privilege to take on the role of CEO from Andy, having worked alongside him on the Board since 2011. During that time, we have built the Company into one of the largest investment platforms in the UK, establishing a track record of sustained organic growth and high-quality service to our customers. Helena has covered Andy's many achievements in his time as CEO, so I will not repeat them here, but I will take the opportunity to put on record my thanks for the faith he has shown in me and the support he has given me over the years.

I believe we are well placed to maintain our long-term growth and capitalise on the opportunities in a fast-growing platform market. The addressable market is estimated at £3 trillion, with two-thirds currently held off-platform. Each year a significant proportion of our new business comes from assets already in the financial system, where customers transfer assets from adjacent markets to access the increased flexibility, investment choice and value that a platform can offer. I expect this trend will continue and our dual-channel offering puts us in a unique position to take advantage, maximising our growth opportunity by serving both the advised and D2C segments of the market.

Our strategy remains focused on providing high-quality platform products to meet the evolving needs of investors, emphasising user experience, excellent service, and value for money. Our full-service D2C platform, now called AJ Bell (formerly Youinvest), and our full-service advised platform Investcentre, have been established for many years and continue to attract thousands of new customers every year. They are complemented by our simplified platform products, Dodl (which was brought to the market in April 2022), and Touch (which is scheduled to launch in 2023), furthering our growth potential by targeting a broader range of customers.

Integrated throughout our platform products is our range of in-house investment solutions. These low-cost funds and managed portfolios have delivered consistently strong performance and are well positioned to continue their strong growth.

In 2022, we achieved another year of strong customer growth in challenging market conditions. The macroeconomic outlook significantly changed during the year, with UK inflation at levels not seen for 40 years, interest rates rising to their highest level in 13 years and global asset values falling. In the short term this has reduced both the appetite, and funds available, for investing, however our dual-channel business model has a proven history of delivering growth under different macroeconomic conditions, as demonstrated again this year.

Our business model proved its strength

Our platform business delivered net AUA inflows of £5.8 billion over the year, once again demonstrating the strength of our dual-channel model, with both advised and D2C channels performing very well. Advised platform inflows were strong throughout the year as advisers helped their clients to navigate significant market volatility, whilst our D2C platform also delivered substantial inflows and remained resilient during the traditionally quieter summer months, with £0.3 billion of net inflows in the final quarter despite a slowdown in new contributions from customers impacted by the rising cost of living.

Testament to our high-quality products, we achieved organic growth in platform customer numbers of 57,687, an increase of 16% in the year. Our excellent customer service levels also ensured our customer retention rates remained high, increasing to 95.5% (FY21: 95.0%).

Revenue margin on AUA climbed to 22.6bps (FY21: 22.2bps) as our diversified revenue streams once again ensured we are well placed to succeed in different macroeconomic environments. We delivered a 31% increase in recurring ad valorem revenue due to higher average AUA in the year and the rise in the UK base rate leading to increased interest income, providing protection from inflationary pressures in our cost base. We continue to scale the business effectively, which in combination with increasing interest rates, enabled us to reduce our charges (representing annualised customer savings of approximately £5 million), and increase the interest rates we pay to customers on cash held on the platform.

Alongside delivering value for our customers, the operational efficiency of our business model means we also continue to deliver strong returns for shareholders, reflected in our record PBT of £58.4 million whilst also investing in our brand, technology, people and products to ensure we take advantage of the significant opportunities presented by the platform market.

Our strong financial performance is reflected in the 6% increase in basic earnings per share to 11.39p (FY21: 10.71p) with our well-capitalised, highly cash-generative business model meaning that the Board has yet again recommended an increased ordinary dividend for the 18th successive year.

Advised

The advised market has remained resilient in the face of current market headwinds, and the strength of our Investcentre platform has delivered growth in customer numbers of 18,451 to 145,371 (FY21: 126,920), an increase of 15%. Strong net AUA inflows of £3.3 billion were offset by £4.3 billion of adverse market movements, resulting in closing AUA of £44.8 billion (FY21: £45.8 billion). During the year the FTSE All-Share Index fell by 7%, whilst the FTSE 250 Index fell by 25%, reflecting the weakened markets caused by high inflation and geopolitical uncertainty.

It was pleasing to be recognised as the 'Best Platform', 'Best Retirement Provider' and 'Provider of the Year' for the second consecutive year at the 2022 Money Marketing Awards. Judged by a panel of industry experts, these awards are further evidence of the high-quality service we provide to advisers and their clients.

We have continued to develop our Investcentre platform, making several enhancements with a focus on ease of use. We regularly review our charges to ensure they position us well to support advisers and their clients and were pleased to share the benefits of our scale with our customers by removing our frictional charges for establishing and transferring SIPPs on to our platform, where the process is initiated online, whilst also removing some of our dealing charges.

We continue to develop Touch ahead of its launch in 2023. Touch will further expand our offering for advisers, helping them to cater for clients looking for a digital service model.

As part of our high-quality customer service we have strong ongoing engagement with advisers, highlighting the value they see in us as a trusted partner. We host a range of events providing them with industry insights, contributing to their continuing professional development. In November 2022, we again hosted our flagship adviser conference, Investival, with over 300 finance professionals attending. We have also continued to deliver numerous other events including Luminary and our 'On the Road' seminars alongside monthly 'Off the Road' webinars due to strong demand.

D2C

Our D2C customer numbers grew by 39,236 in the year to 280,281 (FY21: 241,045), an increase of 16%. We delivered net AUA inflows of £2.5 billion, offset by adverse market movements of £2.7 billion resulting in closing AUA of £19.3 billion (FY21: £19.5 billion). We are pleased by the continued growth of our full-service D2C platform through challenging market conditions, with the strength of the product underpinned by an excellent 95.8% customer retention rate (FY21: 94.8%). In the final quarter, which is typically quieter, we experienced a slowdown in new contributions from customers as disposable incomes were squeezed across UK households by the rising cost of living.

Our full-service D2C platform is highly valued by customers, as evidenced by the multitude of industry awards it has won during the year, including being recognised as a Which? Recommended Investment Platform provider for the fourth consecutive year.

We rebranded AJ Bell Youinvest to AJ Bell in October 2022. We have continued to develop the AJ Bell platform during the year, rolling out multiple enhancements focused on ease of use. In July we started beta-testing a new pension finding service, simplifying the pension consolidation journey for our customers – by providing us with some basic information, we will find their previous pensions free of charge. During the coming year, we will continue to trial and develop this service, enabling customers to combine their pensions into their AJ Bell pension in just a few quick and simple steps. We also added new pay by bank functionality: this feature utilises open banking to direct customers to their online bank account before transferring funds via Faster Payments, arriving in their account almost instantly and in just a few clicks.

Our efficient operating model and robust cost control allow us to simplify and reduce charges for our customers to ensure we continue to provide excellent value for money. We reviewed our trading model following the higher levels of dealing activity experienced during the pandemic, in order to reduce the costs for customers. As a result, we were pleased to reduce our FX commission rates on 1 July, whilst also simplifying our dividend re-investment charge, reducing the cap on custody charges for funds and removing charges for in-specie transfers out. Our low prices position us well at a time where customers are increasingly looking for value.

Dodl is a simplified investment app which we launched in April and sits alongside our existing D2C platform product. Together they provide great value investment platform options for retail investors, catering for all levels of experience and investment needs. Dodl offers ISAs, LISAs, pensions and GIAs with an annual charge of just 0.15% and no commission for buying or selling investments. The simplified investment range offers customers 30 funds catering for different themes and risk appetites. It also features 50 popular shares in UK-listed companies for those who like to invest in their favourite brands. Since its launch, we have added a selection of 30 US shares to its investment universe and launched transfer functionality, allowing customers to transfer cash and investments into Dodl's full range of accounts.

In the rising interest rate environment, our Cash savings hub is increasingly relevant for our customers, providing access to a range of competitive notice and fixed-term savings accounts from UK authorised banks.

Investments

Our investments business is delivering on its commitment to offer a choice of simple, transparent investment solutions at a low cost. This range of investment solutions continue to be a popular choice with investors, growing strongly in the year with underlying net inflows of over £1 billion across our multi-asset funds and managed portfolio service, excluding the impact of a £0.2 billion one-off outflow. Total AUM closed at £2.8 billion (FY21: £2.2 billion).

Our asset allocation approach has delivered for our customers, with all our multi-asset funds outperforming their Investment Association sector average over the last one, three and five years. It was particularly pleasing to see the resilient performance of our Cautious portfolio, protecting cautious investors through difficult market conditions.

Since launching our first AJ Bell multi-asset funds in 2017 we have shared the benefits of our increasing scale with customers, reducing the Ongoing Charges Figure (OCF), by nearly half from 0.50% to 0.31% during that time. In February we also implemented a new simplified pricing structure, setting a single OCF for all of our multi-asset growth funds, making it easier for customers and advisers to understand.

We are delighted to have won Best Medium Sized Company at the Citywire Wealth Manager Investment Performance Awards 2022, further reflecting the strength of our investment solutions and the progress that has been made since our first funds were launched five years ago.

Customer services and technology

We have provided an excellent service to our customers through a year of continued growth. This is reflected in our 4.6-star Trustpilot score, as rated by our retail customers, and our 95.5% platform customer retention rate.

Our secure and scalable platform has been designed to facilitate growth and drive operational gearing, utilising a hybrid technology model which allows us to build adaptable, easy-to-use interfaces. Our platform is integral to our business performance and we have consistently invested in its evolution to provide great customer service.

The increased spend on our technology in the year reflects the development of our new products, Dodl and Touch, alongside further enhancing our existing technology infrastructure. Our developer modernisation journey has increased our pace of change with improvements made across security, scale and resilience. These improvements enable us to deliver change initiatives more quickly to take advantage of our significant market opportunity. We also continued to invest in information security as part of our ongoing commitment to provide a safe, secure online experience for our customers.

We have embedded the FCA's new regulatory requirements for operational resilience, effective from 31 March 2022, into our operating framework and processes. These rules are designed to ensure regulated firms are better able to prevent, adapt to, respond to, recover from and learn from operational disruptions.

People and culture

Andy instilled a positive culture in the business from day one. He kept a keen focus on it throughout his tenure as CEO, ensuring it remained a real strength as the business grew. I see it as one of my key challenges to repeat that achievement. As a management team, we will need to approach that challenge differently as the business continues to evolve and grow, but staying true to our Guiding Principles and maintaining high levels of staff engagement will continue to be crucial.

It was very pleasing to achieve our highest ever score, and a place in the top 25 of the '100 Best UK Large Companies to work for' in 2022, maintaining our status as a three-star company, which is the best standard of workplace engagement, for the fifth consecutive year.

To ensure we remain an attractive employer and reward our committed employees, we have strengthened our pay and benefits package for all employees effective from 1 October 2022. The changes focused on protecting our employees from the current inflationary environment, supporting their wellbeing and helping them to strengthen their long-term finances. There are additional details of the changes in our Responsible employer report, but the element that was most important to me was the new share award for all employees. For those outside of the senior management team, £2,000 worth of AJ Bell plc shares will be awarded every year from FY23. This will help to keep share ownership and the associated benefits at the heart of the business for years to come.

We are committed to being an inclusive workplace and ensuring the diversity of our workforce represents the society we serve. As Helena has noted in her Chair's statement, we have implemented a new D&I framework this year, considering both demographic and cognitive diversity, to measure and drive our development in this area.

We recently established our new charitable framework, the 'AJ Bell Futures Foundation', to develop more deep-rooted, long-term partnerships in our communities. We will work with charitable organisations to empower people to take control of their future and their finances. We have committed to contribute 0.5% of our PBT each year, which will be distributed to chosen partner charities; we are delighted to have partnered with IntoUniversity and SmartWorks for FY23.

Market developments

In the short-term, the rising cost of living is likely to lead to lower investable income across the economy, with the UK household savings ratio falling back towards pre-pandemic levels. We see this having a bigger impact on the D2C market, as these customers typically have lower levels of accumulated wealth and investable income than advised customers. Our low-cost solutions in both segments of the platform market should be highly appealing to investors who are increasingly looking for value.

However, over the longer-term, the structural drivers of growth in the UK investment platform market remain strong, as detailed in our Market overview.

There are also a number of regulatory developments underway that will shape the market over time.

We support the focus on positive customer outcomes in the FCA's new Consumer Duty. Our ingrained customer focus, providing low-cost, easy-to-use products and accessible investment content, positions us well to operate successfully in the new regulatory environment but we are using it as an opportunity to review everything we do through the new Consumer Duty lens to ensure our products, communications and customer service functions continue to deliver good customer outcomes.

As part of the FCA's Consumer Investments Strategy, they have announced a review of the boundary between advice and guidance. We continue to push for a guidance framework which we believe could provide an opportunity for investment platforms to offer more personalised guidance to customers in the D2C channel and help to deliver good customer outcomes. We aren't expecting imminent change in this area, but look forward to working with the FCA on this review.

The Pensions Dashboards proposal aims to enable people to see all of their pension savings in one place. We will comply with all requirements and are closely monitoring the initiative to assess what opportunities it may present.

Outlook

Whilst there are undoubtedly some short-term headwinds, the long-term growth potential of the platform market is significant. We have put strong foundations in place that will enable us to continue to grow the business. The launch of Dodl during 2022 and Touch in 2023 reflects our aim to cater for more investors and in doing so, further penetrates the platform market with products that provide simplicity, ease of use and excellent service at a compelling price.

Our diversified revenue model ensures we are well equipped to operate in different macroeconomic conditions, as demonstrated by our track record of continued growth. Whilst no business is immune to inflationary pressures, the rise in UK base rates provides an opportunity to combat this, by rebuilding our revenue margins that suffered in an exceptionally low interest rate environment. Our PBT margins are expected to increase in FY23 as higher revenue margins and the operational gearing inherent in our business model outweigh the impact of inflationary pressures and our planned investment in our brand and products.

Finally, I would like to thank all of my AJ Bell colleagues; without their ongoing commitment and quality of work our continued success would not be possible. I am incredibly excited about the future of the business as we seek to deliver on the long-term growth opportunity in the platform market.

Michael Summersgill
Chief Executive Officer

30 November 2022

A message from Andy Bell

"It has been an honour to lead AJ Bell as CEO for over 27 years. I would like to thank everyone involved for their support in helping to grow the business into what it is today.

I am delighted to be handing over to Michael, who has proven himself an outstanding leader during his 15 years in the business. His knowledge, passion and integrity make him the right person to lead AJ Bell into what is an exciting future."

Q&A with our new CEO

As incoming CEO, what is your focus on?
I believe that the foundations are firmly in place for us to deliver long-term growth in both the advised and D2C markets. My focus is on continuing to develop our platform products and service capabilities to meet the ever-changing needs of advisers and customers, ensuring we deliver on the significant market opportunity.

In the short term, I have also focused on increasing our brand awareness and enhancing our employee offer at a time when the cost of living is rising.

How are you supporting staff through the cost-of-living squeeze?
We conducted a full review of our pay and benefits offering this year and I was pleased to reward our team for their ongoing commitment by introducing several changes with a focus on protecting them from the current inflationary environment, supporting their wellbeing and helping them to strengthen their long-term finances. These changes, effective from 1 October 2022, represent an annualised increase of over 10% in total employee costs. The element that was most important to me was the introduction of a new share award for all employees.

Why have you introduced a new free share award?
Employee share ownership is ingrained in our culture with over 50% of our workforce having share interests in the Company. I am passionate about ensuring that all employees feel a sense of ownership and continue to share in the success of the business, so one of my first acts as CEO has been to implement an annual free share award worth £2,000 per year for all employees outside of the senior management team.

What changes are you making to the brand?
Following the year end, we retired the AJ Bell Youinvest sub-brand with our full-service D2C platform now rebranded to AJ Bell. This will improve the effectiveness of our direct marketing activity by simplifying the journey for new customers leading to better conversion rates. In addition to this, we are evolving our brand strategy with a focus on communicating how we can help people to feel good investing.

Why are you making these changes?
When customers entering the market are choosing a platform to invest with, less than half research more than one provider. For most new customers, trust and brand awareness are key drivers of their decision.

With over 27 years of experience, we have built a trusted brand through our high-quality service and easy-to-use, award-winning platform products. We have strong brand affinity but relatively low brand awareness. Given the lifetime value of a customer and significant platform market opportunity, we are increasing investment in our brand to deliver long-term growth. These brand changes simplify our brand architecture and position us to maximise the returns on this investment, ensuring we capture more of the new customers coming into the market.

Financial review

Overview

"The advantages of our dual-channel model and diversified revenue streams continue to help us deliver strong returns for shareholders whilst simultaneously investing to deliver on our significant growth opportunity.

In an uncertain market environment, we achieved another excellent set of financial results with revenue increasing by 12% to £163.8 million and PBT up 6% to £58.4 million."

During a year in which macro economic uncertainty impacted market values and investor confidence, our dual-channel business model and diversified revenue streams have combined to enable us to deliver another year of sustainable growth. At the same time, we have been able to position ourselves to take advantage of the future growth opportunity by reducing certain charges to customers, developing our simplified propositions, and investing in our brand.

Our platform business delivered strong net AUA inflows of £5.8 billion (FY21: £7.0 billion) and customer growth of 16% in a challenging operating environment. Our ability to continue to grow at a good rate in these circumstances is testament to the quality of our propositions.

We achieved another strong set of financial results with revenue increasing by 12% to £163.8 million (FY21: £145.8 million) and PBT up 6% to £58.4 million (FY21: 55.1 million). The nature of our business model means we continue to thrive in different macro economic conditions, enabling us to invest in delivering on our significant growth opportunity whilst providing strong returns for shareholders.

Business performance

Customers

Customer numbers increased by 57,835 during the year to a total of 440,589 (FY21: 382,754). This growth has been driven by our platform propositions, with our advised and D2C propositions delivering growth of 15% and 16% respectively. In addition, our platform customer retention rate remained high at 95.5% (FY21: 95.0%).

	Year ended 30 September 2022 No.	**Year ended 30 September 2021 No.**
Advised platform	145,371	126,920
D2C platform	280,281	241,045
Total platform	**425,652**	**367,965**
Non-platform	14,937	14,789
Total	**440,589**	**382,754**

Assets under administration

Year ended 30 September 2022

	Advised platform £bn	D2C platform £bn	**Total platform £bn**	Non-platform £bn	**Total £bn**
As at 1 October 2021	45.8	19.5	**65.3**	7.5	**72.8**
Inflows	6.2	3.9	**10.1**	0.2	**10.3**
Outflows	(2.9)	(1.4)	**(4.3)**	(2.2)	**(6.5)**
Net inflows / (outflows)	3.3	2.5	**5.8**	(2.0)	**3.8**
Market and other movements	(4.3)	(2.7)	**(7.0)**	(0.4)	**(7.4)**
As at 30 September 2022	44.8	19.3	**64.1**	5.1	**69.2**

Year ended 30 September 2021

	Advised platform £bn	D2C platform £bn	**Total platform £bn**	Non-platform £bn	**Total £bn**
As at 1 October 2020	36.3	13.4	**49.7**	6.8	**56.5**
Inflows	6.3	4.6	**10.9**	0.2	**11.1**
Outflows	(2.5)	(1.4)	**(3.9)**	(0.8)	**(4.7)**
Net inflows / (outflows)	3.8	3.2	**7.0**	(0.6)	**6.4**
Market and other movements	5.7	2.9	**8.6**	1.3	**9.9**
As at 30 September 2021	45.8	19.5	**65.3**	7.5	**72.8**

We continued to see strong AUA inflows, driven by our platform propositions. Gross inflows in the year were £10.3 billion (FY21: £11.1 billion).

Total advised platform inflows were £6.2 billion (FY21: £6.3 billion). Our existing customer base continued to invest at a similar rate to the prior year, whilst average inflows from new customers were lower, impacted by a reduction in defined benefit pension inflows which are typically higher in value.

Total D2C platform inflows were £3.9 billion (FY21: £4.6 billion). Whilst the rate of new customer growth slowed in the face of market headwinds, we continued to attract good quality business with increased average inflows per new customer.

Outflows increased by £1.8 billion to £6.5 billion (FY21: £4.7 billion). Non-platform outflows of £2.2 billion reflect the final outflows in relation to the previously announced closure of our institutional stockbroking service. Outflows were also impacted by an exceptional bulk annuity purchase by an adviser firm which resulted in a one-off outflow of £0.2 billion from both advised platform AUA and AJ Bell Investments AUM.

The uncertainty across global markets driven by high inflation, geopolitical uncertainty and the rising cost-of-living contributed to a £7.4 billion adverse market movement on asset values. This compares to favourable market movements of £9.9 billion last year, resulting in AUA closing down 5% at £69.2 billion (FY21: £72.8 billion).

Assets under management

Our award-winning investment solutions continue to perform strongly and are highly valued by financial advisers, their clients and our retail customers. This is evidenced by strong underlying net inflows of £1.05 billion and increase of 14% versus the prior year (FY21: £0.92 billion). Total AUM closed at £2.8 billion (FY21: £2.2 billion), representing a 27% increase in the year.

	Year ended 30 September 2022 £bn	**Year ended 30 September 2021 £bn**
Advised	1.7	1.3
D2C	1.0	0.8
Non-platform	0.1	0.1
Total	**2.8**	**2.2**

Financial performance

Revenue

	Year ended 30 September 2022 £000	Year ended 30 September 2021 £000
Recurring fixed	29,787	28,598
Recurring ad valorem	102,184	77,955
Transactional	31,876	39,273
Total	**163,847**	**145,826**

Revenue increased by 12% to £163.8 million (FY21: £145.8 million).

Revenue from recurring fixed fees increased by 4% to £29.8 million (FY21: £28.6 million), primarily due to higher pension administration revenue from our advised platform customers.

Recurring ad valorem revenue grew by 31% to £102.2 million (FY21: £78.0 million). The key drivers of this growth were higher average platform AUA compared to the prior year, and an increase in the average interest rate earned on customer cash balances, as the Bank of England base rate increased from 0.10% to 2.25% over the year.

Revenue from transactional fees decreased by 19% to £31.9 million (FY21: £39.3 million). This decrease was due to lower dealing activity levels in the current year, impacted by lower investor confidence, and compares to the significantly elevated levels of activity seen in the first half of the prior year.

Our overall revenue margin increased by 0.4bps to 22.6bps (FY21: 22.2bps), reflecting the higher average interest rate earned on cash, partially offset by the reduced dealing activity.

Administrative expenses

	Year ended 30 September 2022 £000	Year ended 30 September 2021 £000
Distribution	14,998	11,095
Technology	32,706	25,765
Operational and support	57,162	53,115
Total	**104,866**	**89,975**

Administrative expenses increased by 17% to £104.9 million (FY21: £90.0 million).

Distribution costs increased by 35% to £15.0 million (FY21: £11.1 million) as we continued to invest in our brand to help deliver long-term growth. We increased D2C marketing activity over a range of channels in the year, including for the launch of our new Dodl proposition. In February we launched a new national TV advertising campaign whilst once again sponsoring events such as the AJ Bell Tour of Britain and AJ Bell World Triathlon Leeds. The year-on-year increase is also partly reflective of lower than planned spend in the prior year when both advertising and sponsorship opportunities were impacted by COVID-19 restrictions.

Technology costs increased by 27% to £32.7 million (FY21: £25.8 million). This increase was driven by an increase in headcount and our investment in the scalability and resilience of our platform, to support our continued growth, alongside the development of our new propositions, Dodl and Touch.

Operational and support costs increased by 8% to £57.2 million (FY21: £53.1 million) as the business continued to scale efficiently. The higher costs were driven by an increase in the average number of employees to support our continued growth, as well the acceleration of share-based payment charges relating to Andy Bell and Charles Galbraith's Executive Incentive Plan (EIP) awards, following their departure from the business as good leavers at the end of September 2022. These increased costs were partially offset by expenses relating to the reduced customer dealing activity during the year.

Profitability and earnings

PBT increased by 6% to £58.4 million (FY21: £55.1 million) whilst PBT margin decreased to 35.6% (FY21: 37.8%). The lower margin versus the prior year reflects our planned investment in brand and technology to drive long-term growth.

The effective rate of tax for the year was 20.0% (FY21: 20.4%), slightly higher than the standard rate of UK Corporation Tax of 19.0%, as a result of disallowable charges relating to the Touch earn-out arrangement.

Basic earnings per share rose by 6% to 11.39p (FY21: 10.71p) in line with the increase to PBT. Diluted earnings per share (DEPS), which accounts for the dilutive impact of outstanding share awards, also increased by 6% to 11.35p (FY21: 10.67p).

Financial position

The Group's balance sheet remains strong, with net assets totalling £133.4 million (FY21: £130.7 million) as at 30 September 2022 and a return on assets of 35% (FY21: 34%).

Financial resources and regulatory capital position

Our financial resources are kept under continual review, incorporating comprehensive stress and scenario testing which is formally reviewed and agreed at least annually.

	Year ended 30 September 2022 £000	**Year ended 30 September 2021 £000**
Total shareholder funds	133,394	130,708
Less: unregulated business capital	(3,718)	(4,722)
Regulatory Group shareholder funds	**129,676**	**125,986**
Less: foreseeable dividends	(18,843)	(38,912)
Less: non-qualifying assets	(14,233)	(11,469)
Total qualifying capital resources	**96,600**	**75,605**
Less: capital requirement	(49,252)	(40,525)
Surplus capital	**47,348**	**35,080**
% of capital resource requirement held	196%	187%

We have continued to maintain a healthy surplus over our regulatory capital requirement throughout the year. The Investment Firm Prudential Regime (IFPR) came into effect on 1 January 2022, focusing prudential requirements on the potential harm the firm itself can pose to consumers and markets whilst introducing a basic liquidity requirement for all investment firms.

We held a significant surplus over our basic liquid asset requirement during the year. Our year-end balance sheet included cash balances of £84.0 million (FY21: £94.0 million), with the reduction reflecting the higher dividends returned to shareholders in the year following the declaration of a special dividend in 2021. We operate a highly cash-generative business, with a short working-capital cycle that ensures profits are quickly converted into cash. We generated cash from operations of £57.2 million in the year at a cash conversion rate of 97%.

Dividend

As noted in the CEO's review above, we adopt a progressive dividend policy and the Board has recommended a final dividend of 4.59p per share (FY21: 4.50p per share), resulting in a total ordinary dividend of 7.37p (FY21: 6.96p) and equating to a dividend pay-out ratio of 65% of statutory profit after tax.

Peter Birch
Chief Financial Officer

30 November 2022

Principal risks and uncertainties

The Board is committed to a continual process of improving and embedding the risk management framework within the Group. This ensures that the business identifies both existing and emerging risks and continues to develop appropriate mitigation strategies.

The Board believes that there are a number of potential risks to the Group that could hinder the successful implementation of its strategy. These risks may arise from internal and external events, acts and omissions. The Board is proactive in identifying, assessing and managing all risks facing the business, including the likelihood of each risk materialising in the short or longer term.

The Group has reviewed the impact of the war on Ukraine and concluded that whilst the level of inherent risk for some of Group's principal risks and uncertainties has increased, e.g. information security / cyber-attacks, the Group's controls continue to mitigate this increase in risk. The Group will continue to monitor and respond to any new developments from the war in Ukraine that may impact the Group.

The principal risks and uncertainties facing the Group are detailed below, along with potential impacts and mitigating actions.

Risk	Potential impact	Mitigations
1. Strategic risk		
Competitor or market risk The risk that the Group fails to remain competitive in its peer group, due to lack of innovative products and services, increased competitor activity, regulatory expectations, and lack of marketing focus and spend to keep pace with competitors.	• Loss of competitive advantage, such that AUA and customer number targets are adversely impacted. This would have a negative impact on profitability. • Reputational damage as a result of underperformance and/or regulatory scrutiny.	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 Group remains closely aligned with trade and industry bodies, and other policy makers across our market. The use of ongoing competitor analysis provides insight and an opportunity to adapt strategic direction in response to market conditions.
2. Operational risk		
Regulatory, compliance and legal risk The risk that the Group fails to comply with regulatory and legal standards.	• Regulatory censure and/or fines, including fines from the FCA and ICO. • Related negative publicity could reduce customer confidence and affect ability to generate new inflows. • Poor conduct could have a negative impact on customer outcomes, impacting the Group's ability to achieve strategic objectives.	The Group maintains a strong compliance culture geared towards positive customer outcomes and regulatory compliance. The Group performs regular horizon scanning to ensure all regulatory change is detected and highlighted to the Group for consideration. The Group maintains an open dialogue with the FCA and actively engages with them on relevant proposed regulatory change. The Compliance function is responsible for ensuring all standards of the regulatory system

		are being met by the Group. This is achieved by implementing policies and procedures across the business, raising awareness and developing an effective control environment through providing comprehensive training. Where appropriate, the Compliance Monitoring Team conducts reviews to ensure a high standard of compliance has been embedded into the business.
Information security and data risk The risk of a vulnerability in the Group's infrastructure being exploited or user misuse that causes harm to service, data and/or an asset causing material business impact. Data risk is defined as the risk of the Group failing to effectively govern, manage and control its data (including data processed by third-party suppliers).	• Related negative publicity could damage customer and market confidence in the business, affecting our ability to attract and retain customers. • Information security breaches could adversely impact individuals' data rights and freedoms and could result in fines/censure from regulators, such as the ICO and FCA.	The Group continually reviews its cyber security position to ensure that it protects the confidentiality, integrity and availability of its network and the data that it holds. A defence in depth approach is in place with firewalls, web gateway, email gateway and anti-virus amongst the technologies deployed. Staff awareness is seen as being a key component of the layered defences, with regular updates, training and mock phishing exercises. Our security readiness is subject to independent assessment by a penetration testing partner that considers both production systems and development activities. This is supplemented by running a programme of weekly vulnerability scans to identify configuration issues and assess the effectiveness of the software patching schedule. The Group regularly assesses its maturity against an acknowledged security framework, which includes an ongoing programme of staff training and assessment through mock security exercises. The Group monitors the adequacy of its data governance framework via the Data Steering Group.
Fraud and financial crime risk The risk of failure to protect the Group and its customers from all aspects of fraud and financial crime (anti-money	• The Group may be adversely affected, including regulatory censure or enforcement, if we fail to mitigate the risk of being used to facilitate any form of financial crime.	Extensive controls are in place to minimise the risk of financial crime. Policies and procedures include: mandatory financial crime training in anti-money laundering and counter terrorist financing, fraud, market abuse and the Criminal Finances

laundering and counter terrorist financing, market abuse, fraud, cyber-crime and the facilitation of tax evasion).	This includes money laundering and counter terrorist financing, market abuse, fraud, cyber-crime and the facilitation of tax evasion. • Potential customer detriment as customers are at risk of losing funds or personal data, which can subject them to further loss via other organisations. • Fraudulent activity leading to identity fraud and/or loss of customer holdings to fraudulent activity.	Act for all employees to aid the detection, prevention and reporting of financial crime. The Group has an extensive recruitment process in place to screen potential employees. The Group actively maintains defences against a broad range of likely attacks by global actors, bringing together tools from well-known providers, external consultancy and internal expertise to create multiple layers of defence. The latter includes intelligence shared through participation in regulatory, industry and national cyber security networks.
Third-party IT failure risk The risk that a third-party provider materially fails to deliver the contracted services.	• Loss of service from a third-party technology provider could have a negative impact on customer outcomes due to website unavailability, delays in receiving and/or processing customer transactions or interruptions to settlement and reconciliation processes. • Financial impact through increased operational losses. • Regulatory fine and/or censure.	To mitigate the risk posed by third-party software suppliers, the Group conducts onboarding due diligence and monitors performance against documented service standards to ensure their continued commitment to service, financial stability and viability. Performance metrics are discussed monthly with documented actions for any identified improvements. This is supplemented by attendance at formal user groups with other clients of the key suppliers, sharing experience and leveraging the strength of the user base. Where relevant and appropriate, annual financial due diligence on critical IT suppliers and on-site audits are also undertaken.
IT system performance, capacity and resilience risk The risk that the design, implementation and management of applications, infrastructure and services fail to meet current and future business requirements.	• The reliance on evolving technology remains crucial to the Group’s effort to develop its services and enhance products. Prolonged underinvestment in technology will affect our ability to serve our customers and meet their needs. • Failing to deliver and manage a fit-for-purpose technology platform could have an adverse impact on customer outcomes and	The Group continues to implement a programme of increasing annual investment in the technology platform. This is informed by recommendations that result from regular architectural reviews of applications and of the underpinning infrastructure and services. Daily monitoring routines provide oversight of performance and capacity. Our rolling programme of both business continuity planning and testing, and single point of failure management, maintains our focus

	affect our ability to attract new customers. • IT failures may lead to financial or regulatory penalties, and reputational damage.	on the resilience of key systems in the event of an interruption to service.
Operational resilience risk The risk that the Group does not have an adequate operational resilience framework to prevent, adapt to, respond to, recover from and learn from operational disruptions.	• Failure to maintain or quickly recover operations could lead to intolerable harm to customers and the Group. • Operational resilience disruptions may lead to financial or regulatory penalties, and reputational damage.	The Group has developed a comprehensive operational resilience framework, under the direction of the Operational Resilience Forum, a sub-committee of the Operational Committee. The Group implemented the operational resilience regulatory requirements set out in the FCA policy statement (PS) 21/3 in March 2022, which are: • Identify important business services. • Undertake core mapping. • Set impact tolerances. • Undertake scenario testing. • Board sign-off on a self-assessment.
Operational capability risk The risk that, due to unexpectedly high volumes and or levels of change activity, the Group is unable to process work within agreed service levels and/or to an acceptable quality for a sustained period.	• A decline in the quality of work will have a financial impact through increased operational losses. • Unexpectedly high volumes coupled with staff recruitment and retention issues could lead to poor customer outcomes and reputational damage.	The Group focuses on increasing the effectiveness of its operational procedures and, through its business improvement function, aims to improve and automate more of its processes. This reduces the need for manual intervention and the potential for errors. There is an ongoing programme to train staff on multiple operational functions. Diversifying the workforce enables the business to deploy staff when high work volumes are experienced. Causes of increased volumes of work, for example competitor behaviour, are closely monitored in order to plan resource effectively.
Financial control environment risk The risk that the financial control environment is weak. This includes the risk of loss to the business, or its customers, because of either the actions of an	• Reputational damage with regulators, leading to increased capital requirement. • Potential customer detriment resulting from inadequate protection of customer assets. • Increased expenditure in order to compensate	The Group's 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. Anti-fraud training is provided to all members of staff who act as first line of defence to facilitate early

associated third-party or the misconduct of an employee.	customers for losses incurred.	detection of potentially fraudulent activity. Strong technology controls are in place to identify potential money laundering activity or market abuse.
Retail conflicts / conduct risk The risk that the fair treatment of customers is not central to the Group's corporate culture.	• Poor conduct could have a negative effect on customer outcomes. • Reputational damage resulting from poor levels of customer service. • Additional regulatory scrutiny and financial loss.	The Group's customer focus is founded on our guiding principles, which drive the culture of the business and ensure customers remain at the heart of everything we do. Training on the importance and awareness of the delivery of good customer outcomes is provided to all staff on a regular basis. 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. All developments are assessed for potential poor customer outcomes, and mitigating actions are delivered alongside the developments as appropriate. The business is currently implementing the requirements of the FCA's New Consumer Duty, which further evidences how customers are at the centre of the business.
ESG risk The risk that environmental, social and governance factors could negatively impact the Group, its customers, investors and the wider community	• Environmental, physical and transition risks resulting from climate change, which may impact the Group and our customers' assets • Social risks, including employee wellbeing and diversity and inclusion • Governance risks, including the risks related to the Group's governance structures being ineffective, which could manifest in governance-related reputational and conduct risks.	The Group has established an ESG Working Group to manage all ESG-related matters, including people and social-related matters, as well as the Group's Task Force for Climate-related Financial Disclosures (TCFD). ESG-related strategic objectives are incorporated in the Group's BPP process. The Group is committed to creating an inclusive workplace and prioritising employee wellbeing, to establish an environment where all employees feel valued and supported. The Group has reviewed and strengthened its governance

		framework during FY22, with a refreshed governance framework.
People risk The risk that the Group fails to attract, retain, develop and motivate employees who are aligned to the Group's Guiding Principles.	• Difficulties in recruiting the right people to work for the Group. • Existing employees who aren't motivated, don't perform well and may leave the Group. • Talented employees who are not appropriately developed and / or have limited opportunities to progress are likely to leave the Group.	The Group has improved its recruitment processes to attract the best people possible to join the Group. The Group undertakes a staff engagement survey at least annually and uses this feedback to address any areas for improvement to ensure staff engagement remains high. The Group conducts regular reviews of its employee benefits package to ensure it is competitive. The Group operates a talent development programme.
Investment risk Risk of failures surrounding the investment activities carried out by AJ Bell Investments (AJBI). The risks specific to the AJBI entity include operational, reputational and conduct risks.	• Outflows or loss of assets under management as a result of underperformance or reputational damage. • Compensation required to cover operational losses, such as trading errors. • Potential customer detriment resulting from inadequate governance arrangements.	The Group maintains robust Investment Governance arrangements for decision-making in relation to the AJBI products and services. The performance of AJBI products and services are monitored on an ongoing basis for alignment with customer expectations and mandates, including through dedicated committees and by the independent 2nd line of defence Investment Risk function. Operational risks are reviewed and monitored through AJBI's Department Risk Committee. Any trading undertaken on the AJ Bell Funds is subject to a number of internal controls to minimise the risk of any operational losses.
3. Financial risk		
Economic and capital markets fluctuation risk The risk that a significant and prolonged capital market or economic downturn has an adverse effect on customer confidence, asset values and interest rates.	• Adverse effect on customer transactional activity or ad valorem fees generated from assets under administration from which the Group derives revenue. Sensitivities for interest rate and market movements are shown in note 25 to the consolidated financial statements.	The Group's products are targeted at UK residents. 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 a sustained economic downturn. Revenue from retained interest income is derived from the pooling of customer cash balances. 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 interest rate fluctuations and capital market fluctuations.
Counterparty credit risk The risk of potential failure of clients, market counterparties or banks used by the Group to fulfil contractual obligations.	• Unintended market exposure. • Customer detriment. • Increased future capital requirements.	The Group's credit risk extends principally to its financial assets, cash balances held with banks and trade and other receivables. 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 continues to diversify across a range of approved banking counterparties, reducing the concentration of credit risk as exposure is spread over a larger number of counterparties. The banks currently used by the Group are detailed in note 25 to the consolidated financial statements. With regard to trade receivables, the Group has implemented procedures that require appropriate credit or alternative checks on potential customers before business is undertaken. This has minimised credit risk in this area. The Group will maintain its existing strategy of diversification to ensure acceptable exposure across a wide range of well-capitalised banks with appropriate credit ratings. It will continue to regularly monitor its level of exposure and to assess the financial strength of its banking counterparties.

Liquidity risk The risk that the Group suffers significant settlement default or otherwise suffers major liquidity problems or issues of liquidity deficiency which severely impact on the Group's reputation in the markets. The risk that the Group does not have available readily-realisable financial resources to enable it to meet its obligations as they fall due or can only secure such resources at excessive cost.	• Reputational damage. • Potential customer detriment. • Financial loss. • Unable to meet obligations as they fall due.	The Group has robust systems and controls and monitors all legal entities to ensure they have sufficient funds to meet their liabilities as they fall due. The Group continues to monitor trade settlement on both an intra-day and daily basis. The Group continues to be a highly cash-generative business and maintains sufficient cash alongside standby banking facilities to fund its foreseeable trading requirements.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the viability of the Group, considering a four-year period to September 2026. The Board considers a four-year horizon to be an appropriate period to assess the Group's strategy and its capital requirements, considering the investment needs of the business and the potential risks that could impact the Group's ability to meet its strategic objectives.

This assessment has been made considering the Group's financial position and regulatory capital and liquidity requirements in the context of its business model, strategy and four-year financial forecasts and in consideration of the principal risks and uncertainties, as detailed in the Strategic report. The principal risks and uncertainties are those that may adversely impact the Group based on its business model and strategy and are derived from both the Group's business activities and the wider macroeconomic environment in which the Group operates but does not control.

As an FCA-regulated entity, as part of its Internal Capital and Risk Assessment (ICARA) the Group is required to use stress testing of the business model and strategy to identify whether it holds sufficient own funds and liquid assets. Forward-looking hypothetical stress testing scenarios have been determined by considering potential macroeconomic and idiosyncratic events that would have a significant adverse impact on the Group's ability to generate profits, and therefore maintain the existing levels of own funds and liquid assets, over the business planning period.

The Board-approved four-year financial forecast assumes the business continues to grow customer numbers and AUA through investment in our brand, product propositions, technology and people. Further Bank of England base rate interest rises are expected to combat the high levels of inflation in the UK, during the period of the financial forecasts it is assumed that the Bank of England base interest rate continues to increase and peaks during FY23, before falling back to 2.50% in FY25. There are no significant market movements in underlying asset values based on the position at the point the projections were approved by the Board.

The Board has considered the potential impact of three stress-test scenarios, which cumulatively represent a severe, remote but plausible scenario:

1) **Macroeconomic (Economic and capital markets fluctuation risk)** – a significant reduction in equity market values, based on the 2008-09 global financial crisis. Asset values fall by 40% in year 1, recovering to 20% below the level they were prior to the fall in year 2, and remain flat in years 3 and 4.

2) **Macroeconomic (Economic and capital markets fluctuation risk)** – Bank of England base interest rate reduced to 0.50% throughout the assessment period, leading to a lower interest rate retained on customer cash balances.

3) **Idiosyncratic (IT system performance, capacity and resilience risk, Third-party IT failure risk)** – prolonged IT issues with key operating software suppliers cause significant damage to AJ Bell's service and reputation; which results in a reduction in customers. Following year 1 the Group incurs development and license costs to upgrade or replace key components of the platform software, with service levels and net inflows returning to normal in year 3.

The Board would consider raising prices as a possible management action that could be taken in the event that the modelled scenarios crystallise. The Board considers this approach reasonable in light of the industry-wide impact of the scenario, and the firm's profitability and price positioning relative to its competitors.

The results have confirmed that the Group would be able to withstand the adverse financial impact of these three scenarios occurring simultaneously over the four-year assessment period. This assumes that dividends are paid in line with the recommendation made in the 30 September 2022 Annual Report and with the Group dividend policy on a forward-looking basis. During the period, the Group continues to retain surplus financial resources over and above its regulatory capital and liquidity requirements, with or without any management remediation actions.

The Group's strategy and four-year financial forecasts were approved by the Board in September 2022. The Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the four-year period ending September 2026.

The Strategic report was approved by the Board of Directors and signed on its behalf by:

Michael Summersgill

Chief Executive Officer

30 November 2022

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with UK-adopted international accounting standards and applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss for the Group for that period. The Directors are also required to prepare the Group financial statements in accordance with international financial reporting standards as adopted by the UK.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group or Parent Company will continue in business; and
- prepare a Directors' report, a Strategic report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Each of the Directors, whose names and responsibilities are listed in the Corporate Governance report, confirms that, to the best of their knowledge:

- The financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and Parent Company, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approved by the Board on 30 November 2022 and signed on its behalf by:

Christopher Bruce Robinson
Company Secretary
4 Exchange Quay
Salford Quays
Manchester
M5 3EE

Consolidated income statement
for the year ended 30 September 2022

	Note	2022 £ 000	2021 £ 000
Revenue	5	163,847	145,826
Administrative expenses		(104,866)	(89,975)
Operating profit	6	58,981	55,851
Investment income	8	198	23
Finance costs	9	(768)	(790)
Profit before tax		58,411	55,084
Tax expense	10	(11,672)	(11,262)
Profit for the financial year attributable to:			
Equity holders of the Parent Company		**46,739**	**43,822**
Earnings per share:			
Basic (pence)	12	11.39	10.71
Diluted (pence)	12	11.35	10.67

All revenue, profit and earnings are in respect of continuing operations.

There were no other components of recognised income or expense in either period and, consequently, no statement of other comprehensive income has been presented.

Consolidated statement of financial position
as at 30 September 2022

	Note	2022 £ 000	2021 (Restated)[1] £ 000
Assets			
Non-current assets			
Goodwill	13	6,991	6,991
Other intangible assets	14	8,779	6,014
Property, plant and equipment	15	3,325	3,351
Right-of-use assets	16	12,273	13,325
Deferred tax asset	18	610	940
		31,978	30,621
Current assets			
Trade and other receivables	19	49,436	37,462
Current tax receivable		38	51
Cash and cash equivalents	20	84,030	94,008
		133,504	131,521
Total assets		**165,482**	**162,142**
Liabilities			
Current liabilities			
Trade and other payables	21	(15,604)	(12,765)
Lease liabilities	16	(1,566)	(1,708)
Provisions	22	(519)	(1,526)
		(17,689)	(15,999)
Non-current liabilities			
Lease liabilities	16	(12,395)	(13,886)
Provisions	22	(2,004)	(1,549)
		(14,399)	(15,435)
Total liabilities		(32,088)	(31,434)
Net assets		**133,394**	**130,708**
Equity			
Share capital	23	51	51
Share premium		8,930	8,658
Own shares		(473)	(740)
Retained earnings		124,886	122,739
Total equity		**133,394**	**130,708**

1. See note 2 for details of a change in accounting policy and the resulting restatement of prior year.

The financial statements were approved by the Board of Directors and authorised for issue on 30 November 2022 and signed on its behalf by:

Peter Birch
Chief Financial Officer

AJ Bell plc
Company registered number: 04503206

Consolidated statement of changes in equity
for the year ended 30 September 2022

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Own shares £ 000	Total equity £ 000
Balance at 1 October 2021	51	8,658	122,739	(740)	130,708
Total comprehensive income for the year:					
Profit for the year	-	-	46,739	-	46,739
Transactions with owners, recorded directly in equity:					
Issue of shares	-	272	-	-	272
Dividends paid	-	-	(50,383)	-	(50,383)
Equity settled share-based payment transactions	-	-	6,162	-	6,162
Deferred tax effect of share-based payment transactions	-	-	(275)	-	(275)
Tax relief on exercise of share options	-	-	171	-	171
Share transfer relating to EIP (note 23)	-	-	(267)	267	-
Total transactions with owners	-	272	(44,592)	267	(44,053)
Balance at 30 September 2022	**51**	**8,930**	**124,886**	**(473)**	**133,394**

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Own shares £ 000	Total equity £ 000
Balance at 1 October 2020	51	8,459	102,103	(1,147)	109,466
Total comprehensive income for the year:					
Profit for the year	-	-	43,822	-	43,822
Transactions with owners, recorded directly in equity:					
Issue of shares	-	199	-	-	199
Dividends paid	-	-	(29,138)	-	(29,138)
Equity settled share-based payment transactions	-	-	6,330	-	6,330
Deferred tax effect of share-based payment transactions	-	-	(202)	-	(202)
Tax relief on exercise of share options	-	-	231	-	231
Share transfer relating to EIP	-	-	(110)	110	-
Share transfer relating to earn-out arrangement	-	-	(297)	297	-
Total transactions with owners	-	199	(23,186)	407	(22,580)
Balance at 30 September 2021	**51**	**8,658**	**122,739**	**(740)**	**130,708**

Consolidated statement of cash flows
for the year ended 30 September 2022

	Note	2022 £ 000	2021 (Restated)[1] £ 000
Cash flows from operating activities			
Profit for the financial year		46,739	43,822
Adjustments for:			
Investment income		(198)	(23)
Finance costs		768	790
Income tax expense		11,672	11,262
Depreciation and amortisation		3,643	3,623
Share-based payment expense	24	4,728	4,952
Decrease in provisions and other payables		(1,007)	(69)
Loss on disposal of property, plant and equipment		21	13
Profit on disposal of right-of-use assets		-	(3)
Increase in trade and other receivables		(11,974)	(6,889)
Increase / (decrease) in trade and other payables		2,839	(1,347)
Cash generated from operations		57,231	56,131
Income tax paid		(11,433)	(11,455)
Interest expense paid		-	(1)
Net cash flows from operating activities		**45,798**	**44,675**
Cash flows from investing activities			
Purchase of other intangible assets	14	(2,365)	(2,370)
Purchase of property, plant and equipment	15	(1,014)	(1,174)
Acquisition of subsidiary, net of cash acquired		-	(2,561)
Interest received		198	23
Net cash flows used in investing activities		**(3,181)**	**(6,082)**
Cash flows from financing activities			
Payments of principal in relation to lease liabilities	16	(1,716)	(1,241)
Payments of interest on lease liabilities	16	(768)	(789)
Proceeds from issue of share capital	23	272	199
Dividends paid	11	(50,383)	(29,138)
Net cash flows used in financing activities		**(52,595)**	**(30,969)**
Net (decrease) / increase in cash and cash equivalents		**(9,978)**	**7,624**
Cash and cash equivalents at beginning of year	20	94,008	86,384
Total cash and cash equivalents at end of year	**20**	**84,030**	**94,008**

1. See note 2 for details of a change in accounting policy and the resulting restatement of prior year.

Notes to the consolidated financial statements
for the year ended 30 September 2022

1 General information

AJ Bell plc (the 'Company') is the Parent Company of the AJ Bell group of companies (together the 'Group'). The Group provides investment administration, dealing and custody services. The nature of the Group's operations and its principal activities are set out in the Strategic report and the Directors' report.

The Company is a public limited company which is listed on the Main Market of the London Stock Exchange 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. A list of investments in subsidiaries, including the name, country of incorporation, registered office, and proportion of ownership is given in note 6 of the Company's separate financial statements.

The consolidated financial statements were approved by the Board on 30 November 2022.

The financial information contained in this report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information set out in this report has been extracted from the Group's 2022 Annual Report and Financial Statements, which have been approved by the Board of Directors on 30 November 2022. The Auditors have reported on the 2021 and 2022 accounts, their reports were (i) unqualified; (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 sections 498(2) or (3) of the Companies Act 2006.

2 Significant accounting policies

Basis of accounting

The consolidated financial statements of AJ Bell plc have been prepared in accordance with UK-adopted International Financial Reporting Standards.

The financial statements are prepared on the historical cost basis and prepared on a going concern basis. They are presented in sterling, which is the currency of the primary economic environment in which the Group operates, rounded to the nearest thousand.

The accounting policies have been applied consistently to all periods presented in these financial statements and by all Group entities, unless otherwise stated.

Change in accounting policy

Due to a change in the Group's accounting policy to recognise electronic payments at the settlement date, rather than when they are initiated, to more appropriately reflect the nature of these transactions, the comparative amounts have been restated.

The impact on the 30 September 2021 balance sheet is an increase to trade and other receivables of £3.1m and a decrease to cash and cash equivalents of £3.1m. Net cash outflow from operating activities in 2021 has decreased by £3.1m. There is no impact on the income statement, earnings per share or net assets.

Changes to International Reporting Standards

Interpretations and standards which became effective during the year:

The following amendments and interpretations became effective during the year. Their adoption has not had any significant impact on the Group.

		Effective from
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 (Amendments)	1 January 2021
IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments)	1 April 2021

Changes to International Reporting Standards

Interpretations and standards in issue but not yet effective

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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. The Group controls an entity when it is exposed to, or it has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an entity if facts and circumstances indicate there are changes to one or more elements of control. The results of a subsidiary undertaking are included in the consolidated financial statements from the date the control commences until the date that control ceases.

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

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 and the Directors' report. Note 25 includes the Group's policies and processes for managing exposure to credit and liquidity risk.

The Group's forecasts and objectives, considering a number of potential changes in trading conditions, show that the Group should be able to operate at adequate levels of both liquidity and capital for at least 12 months from the date of signing this report. The Directors have performed a number of stress tests, covering a significant reduction in equity market values, a fall in the Bank of England base interest rate leading to a lower interest rate retained on customer cash balances, and a further Group-specific idiosyncratic stress relating to a scenario whereby prolonged IT issues cause a reduction in customers. Further detail of the forecasts and stress test scenarios are set out in the Viability statement above. These scenarios provide assurance that the Group has sufficient capital and liquidity to operate under stressed conditions.

Consequently, after making reasonable enquiries, the Directors are satisfied that the Group has sufficient financial resources to continue in business for at least 12 months from the date of signing the report and therefore have continued to adopt the going concern basis in preparing the financial statements.

2.2 Business combinations

A business combination is recognised where separate entities or businesses have been acquired by the Group. The acquisition method of accounting is used to account for the business combinations made by the Group. The cost of a business combination is measured at 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 acquired entity. Where the consideration includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the cost of the acquisition. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration are charged to the income statement, except for obligations that are classified as equity, which are not re-measured. Where consideration is dependent on continued employment within the business this is treated as a separate transaction as post-acquisition remuneration.

Acquisition related costs are expensed as incurred in the income statement, except if related to the issue of debt or equity securities. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the Group's share of the identifiable net assets of the subsidiary acquired, the difference is taken immediately to the income statement.

2.3 Segmental reporting

The Group determines and presents operating segments based on the information that is provided internally to the Board, which is the Group’s Chief Operating Decision Maker (CODM). In assessing the Group’s operating segments the Directors have considered the nature of the services provided, product offerings, customer bases, operating model and distribution channels amongst other factors. The Directors concluded there is a single segment as it operates with a single operating model; operations, support and technology costs are managed and reported centrally to the CODM. A description of the services provided is given within note 4.

2.4 Revenue recognition

Revenue represents fees receivable from investment administration and dealing and custody services for both client assets and client money. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Recurring fixed

Recurring fixed revenue comprises recurring administration fees and media revenue.

Administration fees include fees charged in relation to the administration services provided by the Group and are recognised over time as the related service is provided.

Included within administration fees are annual pension administration fees. The Group recognises revenue from such fees over time, using an input method to measure progress towards complete satisfaction of a single performance obligation. The Group determined that the input method is the best method in measuring progress of the services relating to these fees because there is a direct relationship between the Group’s effort (i.e. labour hours incurred) and the transfer of service to the customer.

The Group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

Certain pension administration fees are received in arrears or in advance. Where revenue is received in arrears for an ongoing service, the proportion of the income relating to services provided but not yet received is accrued. This is recognised as accrued income until the revenue is received. Where revenue is received in advance for an ongoing service, the proportion of the income relating to services that have not yet been provided is deferred. This is recognised as deferred income until the services have been provided.

Media revenue includes advertising, subscriptions, events and award ceremony and corporate solutions contracts. Subscriptions and corporate solutions revenue is recognised evenly over the period in which the related service is provided. Advertising, event and award ceremony revenue is recognised in the period in which the publication is made available to customers or the event or award ceremony takes place.

Recurring ad valorem

Recurring ad valorem revenue comprises custody fees, retained interest income and investment management fees provided by the Group and is recognised evenly over the period in which the related service is provided.

Ad valorem fees include custody fees charged in relation to the holding of client assets and interest received on client money balances. Custody fees and investment management fees are accrued on a time basis by reference to the AUA.

Transactional fees

Transactional revenue comprises dealing fees and pension scheme activity fees.

Transaction-based fees are recognised when received in accordance with the date of settlement of the underlying transaction.

Other non-recurring fees are recognised in the period to which the service is rendered.

Customer incentives

Customer incentives paid to new retail customers are considered to be a reduction in revenue under IFRS 15. In line with IFRS 15, customer incentives to acquire new customers are offset against recurring ad valorem revenue and spread over the period which the customer is required to remain a customer in order to be eligible for the incentive. Customer incentives comprise cash.

2.5 Share-based payments

The Group operates a number of share-based payment arrangements for its employees and non-employees. These generally involve an award of share options (equity-settled share-based payments) which are measured at the fair value of the equity instrument at the date of grant.

The share-based payment arrangements have conditions attached before the beneficiary becomes entitled to the award. These can be performance and/or service conditions.

The total cost is recognised, together with a corresponding increase in the equity reserves, over the period in which the performance and/or service conditions are fulfilled. Costs relating to the development of internally generated intangible assets are capitalised in accordance with IAS 38. The cumulative cost recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and management's estimate of shares that will eventually vest. At the end of each reporting period, the entity revises its estimates of the number of share options expected to vest based on the non-market vesting conditions. It recognises any revision to original estimates in the income statement, with a corresponding adjustment to equity reserves.

No cost is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The cost of equity-settled awards is determined by the fair value at the date when the grant is made using an appropriate valuation model or the market value discounted to its net present value, further details of which are given in note 24. The expected life applied in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

2.6 Investment income

Investment income comprises the returns generated on corporate cash at banks and short-term highly-liquid investments. Investment income is recognised in the income statement as it accrues, using the effective interest rate method.

2.7 Finance costs

Finance costs comprise interest incurred on lease liabilities recognised under IFRS 16. Finance costs are recognised in the income statement using the effective interest rate method.

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 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 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 is not recognised if the temporary difference arises from:

- the initial recognition of goodwill; or
- investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable they will not reverse in the foreseeable future; or
- the initial recognition of an asset and liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that taxable profits will be available in the future, against which deductible temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at each reporting date.

The principal temporary differences arise from accelerated capital allowances, provisions for share-based payments and unutilised losses.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.9 Dividends

Dividend distributions to the Company's shareholders are recognised in the period in which the dividends are declared and paid. The final dividend is approved by the Company's shareholders at the Annual General Meeting.

2.10 Goodwill

Goodwill arising on consolidation represents the difference between the consideration transferred and the fair value of net assets acquired of the subsidiary at the date of acquisition. Goodwill is not amortised, but is reviewed at least annually for impairment. Any impairment is recognised immediately through the income statement and is not subsequently reversed.

For the purposes of impairment testing goodwill acquired in a business combination is allocated to the cash generating unit (CGU) 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, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.11 Intangible assets (excluding goodwill)

Intangible assets comprise computer software and mobile applications, and the Group's Key Operating Systems (KOS). These are stated at cost less amortisation and any recognised impairment loss. Amortisation is charged on all intangible assets excluding goodwill and assets under construction at rates 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 and mobile applications - 3 - 4 years
KOS - 15 years
KOS enhancements - Over the remaining life of the KOS

The assets' estimated useful lives, amortisation rates and residual values are reviewed, and adjusted if appropriate at the end of each reporting period. An asset's carrying value is written down immediately to its recoverable amount if its carrying value is greater than the recoverable amount.

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.

2.12 Internally-generated intangible assets

An internally-generated asset arising from work performed by the Group is recognised only when the following criteria can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of expenditure incurred from the date when the asset first meets the recognition criteria listed above. Development expenditure that does not meet the criteria is recognised as an expense in the period which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Assets under construction are not amortised until the asset is operational and available for use.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

2.13 Property, plant and equipment

All property, plant and equipment is stated at cost, which includes directly attributable acquisition costs, less accumulated depreciation and any recognised impairment losses. Depreciation is charged on all property, plant and equipment, except assets under construction, at rates 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 - 3 - 5 years

The assets' estimated useful lives, depreciation rates and residual values are reviewed, and adjusted if appropriate at the end of each reporting period. An asset's carrying value is written down immediately to its recoverable amount if its carrying value is greater than the recoverable amount.

Assets under construction relate to capital expenditure on assets not yet in use by the Group and are therefore not depreciated.

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.

2.14 Leased assets and lease liabilities

Leases

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the leases. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Depreciation is applied in accordance with IAS 16: Property, Plant and Equipment. Right-of-use assets are depreciated over the lease term.

Right-of-use assets are subject to impairment.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the addition of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

2.15 Impairment of intangible assets (excluding goodwill), property, plant and equipment and leased assets

At each reporting date the Group reviews the carrying amount of its intangible assets, property, plant and equipment and leased 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.

The recoverable amount 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 pre-tax 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.

An impairment loss is reversed 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.

2.16 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.

2.17 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.

The amount recognised as a provision is the Directors' best estimate of the consideration required to settle that obligation at the reporting date and is discounted to present value where the effect is material.

2.18 Levies

The Group applies the guidance provided in IFRIC 21 to levies issued under the Financial Services Compensation Scheme. The interpretation clarifies that an entity should recognise a liability when it conducts the activity that triggers the payment of the levy under law or regulation.

2.19 Financial instruments

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

Financial assets

Financial assets are classified according to the business model within which the asset is held and the contractual cash-flow characteristics of the asset. All financial assets are classified as at amortised cost.

Financial assets at amortised cost

The Group's financial assets at amortised cost comprise trade receivables, loans, other receivables and cash and cash equivalents.

Financial assets at amortised cost are initially recognised at fair value including any directly attributable costs. They are subsequently measured at amortised cost using the effective interest method, less any impairment. No interest income is recognised on financial assets measured at amortised cost, with the exception of cash and cash equivalents, as all financial assets at amortised cost are short-term receivables and the recognition of interest would be immaterial. Financial assets are derecognised when the contractual right to the cash flows from the asset expire.

Trade and other receivables

Trade and other receivables are initially recorded at the fair value of the amount receivable and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Other receivables also represent client money required to meet settlement obligations.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, on demand deposits with banks and other short-term highly-liquid investments with original maturities of three months or less, or those over which the Group has an immediate right of recall. Where appropriate, bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and number of days past due. The Group considers a trade receivable to be in default when it is past due by more than 90 days, or when the value of a client's receivable balance exceeds the value of the assets they hold with AJ Bell.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 September 2022 and the corresponding historical credit losses experienced within this period.

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

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

Lease liabilities

Lease liabilities consist of amounts payable by the Group measured at the present value of lease payments to be made over the lease term.

Other financial liabilities

The Group's other financial liabilities comprised borrowings and trade and other payables. Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently carried at amortised cost using the effective interest rate method. A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or they expire.

Trade and other payables

Trade and other payables consist of amounts payable to clients and other counterparties and obligations to pay suppliers for goods and services in the ordinary course of business, including amounts recognised as accruals. Trade and other payables are measured at amortised cost using the effective interest method.

2.20 Employee benefit trust

The Group has an employee benefit trust, the AJ Bell Employee Benefit Trust, used for the granting of shares to certain employees. AJ Bell plc is considered to be the sponsoring employer and so the assets and liabilities of the Trust are recognised as those of AJ Bell plc.

Shares of AJ Bell plc held by the Trust are treated as 'own shares' held and shown as a deduction from equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sales proceeds and original cost being taken to equity.

3 Critical accounting adjustments 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.

There are no judgements made, in applying the accounting policies, about the future, or any other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 Segmental reporting

It is the view of the Directors that the Group has a single operating segment being investment services in the advised and D2C space administering investments in SIPPs, ISAs and General Investment/Dealing accounts. Details of the Group's revenue, results and assets and liabilities for the reportable segment are shown within the consolidated income statement and consolidated statement of financial position above.

The Group operates in one geographical segment, being the UK.

Due to the nature of its activities, the Group is not reliant on any one customer or group of customers for generation of revenues.

5 Revenue

The analysis of the consolidated revenue is as follows:

	2022 **£ 000**	**2021** **£ 000**
Recurring fixed	29,787	28,598
Recurring ad valorem	102,184	77,955
Transactional	31,876	39,273
	163,847	**145,826**

Recurring ad valorem fees include custody fees. These recurring charges are derived from the market value of retail customer assets, based on asset mix and portfolio size, and are therefore subject to market and economic risks. The rate charged is variable dependent on the product, portfolio size and asset mix within the portfolio. The risks associated with this revenue stream in terms of its nature and uncertainty is discussed further within the Financial instruments and risk management note below.

Recurring ad valorem fees also include retained interest income earned on the level of customer cash balances, which are based on product type, customers' asset mix and portfolio size and are therefore subject to market and economic risks. The risks associated with this revenue stream in terms of its nature and uncertainty is discussed further within the Financial instruments and risk management note below.

The total revenue for the Group has been derived from its principal activities undertaken in the United Kingdom.

6 Operating profit

Profit for the financial year has been arrived at after charging:

	2022 £ 000	2021 £ 000
Amortisation of intangible assets	1,034	862
Depreciation of property, plant and equipment	1,019	1,071
Depreciation of right-of-use assets	1,590	1,690
Loss on the disposal of property, plant and equipment	21	13
Profit on the disposal of right-of-use assets	-	(3)
Auditor's remuneration (see below)	496	368
Staff costs (note 7)	54,887	47,654

During the year there was no expenditure in relation to research and development expensed to the income statement (2021: £nil).

Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2022 £ 000	2021 £ 000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	155	116
Fees payable to the Company's auditor for the audit of the Company's subsidiaries' accounts, pursuant to legislation	204	151
Audit-related assurance services	89	62
Other assurance services	48	39
	496	368

Of the above, audit-related services for the year totalled £473,000 (2021: £349,000).

7 Staff costs

The average monthly number of employees (including Executive Directors) of the Group was:

	2022 No.	2021 No.
Operational and support	761	709
Technology	225	181
Distribution	109	99
	1,095	989

Employee benefit expense for the Group during the year:

	2022 £ 000	2021 £ 000
Wages and salaries	41,427	35,516
Social security costs	4,808	3,918
Retirement benefit costs	3,857	3,202
Termination benefits	67	66
Share-based payments (note 24)	4,728	4,952
	54,887	47,654

In addition to the above, £1,315,000 staff costs and £1,434,000 share-based payment expenses (2021: £454,000 staff costs and £1,378,000 share-based payment expenses) have been capitalised as an internally generated intangible asset (see note 14).

8 Investment income

	2022 £ 000	2021 £ 000
Interest income on cash balances	198	23

9 Finance costs

	2022 £ 000	2021 £ 000
Interest on lease liabilities	768	789
Interest on other financial liabilities	-	1
	768	790

10 Taxation

Tax charged in the income statement:

	2022 £ 000	2021 £ 000
Current taxation		
UK Corporation Tax	11,855	11,629
Adjustment to current tax in respect of prior periods	(238)	(11)
	11,617	11,618
Deferred taxation		
Origination and reversal of temporary differences	62	(328)
Adjustment to deferred tax in respect of prior periods	45	12
Effect of changes in tax rates	(52)	(40)
	55	(356)
Total tax expense	11,672	11,262

Corporation Tax is calculated at 19% of the estimated assessable profit for the year to 30 September 2022 (2021: 19%).

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

	2022 £ 000	2021 £ 000
Deferred tax relating to share-based payments (note 18)	275	202
Current tax relief on exercise of share options	(171)	(231)
	104	(29)

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

	2022 £ 000	2021 £ 000
Profit before tax	58,411	55,084
UK Corporation Tax at 19% (2021: 19%)	11,098	10,466
Effects of:		
Expenses not deductible for tax purposes	669	709
Income not taxable in determining taxable profit	(86)	-
Amounts not recognised	236	126
Effect of rate changes to deferred tax	(52)	(40)
Adjustments to current and deferred tax in respect of prior periods	(193)	1
	11,672	11,262
Effective tax rate	20.0%	20.4%

Following the enactment of the Finance Act 2021 the standard UK Corporation Tax rate will remain at 19% before increasing to 25% from 1 April 2023. Accordingly, the Group's profits for this accounting year are taxed at 19%.

Deferred tax has been recognised at either 19% or 25% being the rate expected to be in force at the time of the reversal of the temporary difference (2021: 19% or 25%). A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price at 30 September 2022.

11 Dividends

	2022 £ 000	2021 £ 000
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the year ended 30 September 2021 of 4.50p (2020: 4.66p) per share	18,460	19,070
Special dividend for the year ended 30 September 2021 of 5.00p (2020: nil) per share	20,511	-
Interim dividend for the year ended 30 September 2022 of 2.78p (2021: 2.46p) per share	11,412	10,068
Total dividends paid on equity shares	50,383	29,138
Proposed final dividend for the year ended 30 September 2022 of 4.59p (2021: 4.50p) per share	18,843	18,471
Proposed special dividend for the year ended 30 September 2022 of nil (2021: 5.00p) per share	-	20,523

A final dividend declared of 4.59p per share is payable on 17 February 2023 to shareholders on the register on 20 January 2023. The ex-dividend date will be 19 January 2023. The final dividend is subject to approval by the shareholders at the Annual General Meeting on 8 February 2023 and has not been included as a liability within these financial statements.

Dividends are payable on all ordinary shares as disclosed in note 23.

AJ Bell Employee Benefit Trust, which held 567,100 ordinary shares (2021: 885,701) in AJ Bell plc at 30 September 2022, has agreed to waive all dividends. This represented 0.1% (2021: 0.2%) of the Company's called-up share capital. The maximum amount held by the Trust during the year was 885,701.

12 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Parent Company by the weighted average number of ordinary shares, excluding own shares, in issue during the year.

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

The calculation of basic and diluted earnings per share is based on the following data:

	2022 £ 000	2021 £ 000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the Parent Company	46,739	43,822

	2022 No.	2021 No.
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS in issue during the year	410,248,095	409,249,186
Effect of potentially dilutive share options	1,485,721	1,643,911
Weighted average number of ordinary shares for the purposes of fully diluted EPS	411,733,816	410,893,097

	2022	2021
Earnings per share (EPS)		
Basic (pence)	11.39	10.71
Diluted (pence)	11.35	10.67

13 Goodwill

	2022 £ 000	2021 £ 000
Cost		
At 1 October	7,103	3,772
Acquired through business combinations	-	3,331
At 30 September	7,103	7,103
Impairment		
At 1 October and 30 September	(112)	(112)
Carrying value at 30 September	6,991	6,991

Goodwill relates to acquisitions allocated to the Group's single cash generating unit (CGU).

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

The recoverable amount of the assets within the CGU is determined using value-in-use calculations. In assessing the value-in-use the estimated future cash flows of the CGU are discounted to their present value using a pre-tax discount rate. Cash flows are based upon the most recent forecasts, approved by the Board, covering a three-year period representing the remaining useful economic life of the asset.

The key assumptions for value-in-use calculations are those regarding discount rate, growth rates and expected changes to revenues and costs in the period, as follows:

- a compound rate of 20% (2021: 17%) has been used to assess the expected growth in revenue for the three-year forecast period. This is based on a combination of historical and expected future performance;

- 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; and

- modest ongoing maintenance expenditure is required on the assets within the CGU in order to generate the expected level of cash flows.

The Directors have made these assumptions based upon past experience and future expectations in the light of anticipated market conditions and the results of streamlining processes through implementation of the target operating model for customer services.

Cash flows have been discounted using a pre-tax discount rate of 8.1% (2021: 14.52%).

The pre-tax discount rate has been calculated using an independent external source, and decreased during the year due to a change in methodology in the calculation of the Group's weighted average cost of capital (WACC). 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. However, even with nil growth in revenue, there would still be sufficient headroom to support the carrying value of the assets under the CGU.

Based upon the review above the estimated value-in-use of the CGU comfortably supports the carrying value of the assets held within it, and so the Directors are satisfied that for the period ended 30 September 2022 goodwill is not impaired.

14 Other intangible assets

	Key operating system £ 000	Contractual customer relationships £ 000	Computer software and mobile applications £ 000	Total £ 000
Cost				
At 1 October 2020	8,707	2,135	5,385	16,227
Additions	1,832	-	1,916	3,748
Disposals	-	-	(832)	(832)
Arising on acquisition	1,142	-	-	1,142
At 30 September 2021	11,681	2,135	6,469	20,285
Additions	2,749	-	1,050	3,799
Disposals	-	(2,135)	(483)	(2,618)
At 30 September 2022	14,430	-	7,036	21,466
Amortisation				
At 1 October 2020	6,854	2,135	5,252	14,241
Amortisation charge	337	-	525	862
Eliminated on disposal	-	-	(832)	(832)
At 30 September 2021	7,191	2,135	4,945	14,271
Amortisation charge	337	-	697	1,034
Eliminated on disposal	-	(2,135)	(483)	(2,618)
At 30 September 2022	7,528	-	5,159	12,687
Carrying amount				
At 30 September 2022	6,902	-	1,877	8,779
At 30 September 2021	4,490	-	1,524	6,014
At 30 September 2020	1,853	-	133	1,986
Average remaining amortisation period	3 years		1 year	

The amortisation charge above is included within administrative expenses in the income statement.

Additions include an amount of £3,556,000 relating to internally generated assets for the year ended 30 September 2022 (2021: £2,289,000), of which £1,434,000 (2021: £1,378,000) relates to capitalised share-based payment expenses (see note 24).

The net carrying amount of key operating systems, and computer software and mobile applications include £5,724,000 and £nil respectively (2021: £2,974,000 and £457,000), relating to assets in development which are currently not amortised.

At the year end, the Group had entered into contractual commitments for the acquisition of computer software amounting to £103,000 (2021: £nil).

The disposal of contractual customer relationships held at nil net book value relates to customer relationships acquired in 2007 and 2012 that no longer exist.

15 Property, plant and equipment

	Leasehold improvements £ 000	Office equipment £ 000	Computer equipment £ 000	Total £ 000
Cost				
At 1 October 2020	2,144	942	4,709	7,795
Arising on acquisition	-	11	52	63
Additions	48	27	1,099	1,174
Disposals	-	(26)	(643)	(669)
Transfers from right-of-use assets	-	-	393	393
At 30 September 2021	2,192	954	5,610	8,756
Additions	9	22	983	1,014
Disposals	-	(1)	(324)	(325)
At 30 September 2022	2,201	975	6,269	9,445
Depreciation				
At 1 October 2020	471	645	3,455	4,571
Arising on acquisition	-	5	21	26
Charge for the year	184	169	718	1,071
Eliminated on disposal	-	(22)	(634)	(656)
Transfers from right-of-use assets	-	-	393	393
At 30 September 2021	655	797	3,953	5,405
Charge for the year	167	72	780	1,019
Eliminated on disposal	-	(1)	(303)	(304)
At 30 September 2022	822	868	4,430	6,120
Carrying amount				
At 30 September 2022	1,379	107	1,839	3,325
At 30 September 2021	1,537	157	1,657	3,351
At 30 September 2020	1,673	297	1,254	3,224

The depreciation charge above is included within administrative expenses in the income statement.

At the year end, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £471,000 (2021: £nil).

Computer equipment includes assets under construction of £37,000 (2021: £71,000) which are currently not depreciated.

16 Leases

i) Right-of-use assets

	Property £ 000	Computer and office equipment £ 000	Total £ 000
Cost			
At 1 October 2020	15,734	582	16,316
Additions	424	36	460
Disposals	-	(15)	(15)
Effect of modification to leases	-	42	42
Transfer to property, plant and equipment	-	(393)	(393)
At 30 September 2021	16,158	252	16,410
Additions	538	-	538
At 30 September 2022	16,696	252	16,948
Depreciation			
At 1 October 2020	1,455	339	1,794
Charge for the year	1,485	205	1,690
Eliminated on disposal	-	(6)	(6)
Transfer to property, plant and equipment	-	(393)	(393)
At 30 September 2021	2,940	145	3,085
Charge for the year	1,541	49	1,590
At 30 September 2022	4,481	194	4,675
Carrying amount			
At 30 September 2022	12,215	58	12,273
At 30 September 2021	13,218	107	13,325
At 30 September 2020	14,279	243	14,522

The depreciation charge above is included within administrative expenses in the income statement.

The Group has entered into various leases in respect of property and computer and office equipment as a lessee. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. Property leases typically run for a period of six to fifteen years and computer and office equipment for a period of one to six years.

Additions include £455,000 relating to the increase in the Group’s dilapidation provision (2021: £nil) (see note 22).

Other than property and computer and office equipment there are no further classes of assets leased by the Group.

ii) Lease liabilities

	2022 £ 000	2021 £ 000
Current	1,566	1,708
Non-current	12,395	13,886
	13,961	15,594

The undiscounted maturity analysis of lease liabilities is shown below:

	2022 £ 000	2021 £ 000
Within one year	2,517	2,450
In the second to fifth years inclusive	8,579	8,333
After five years	7,533	8,678
Total minimum lease payments	18,629	19,461

The total lease interest expense for the year ended 30 September 2022 was £768,000 (2021: £789,000). Principal cash outflow for leases accounted for under IFRS 16 for the year ended 30 September 2022 was £1,716,000 (2021: £1,241,000).

17 Subsidiaries

The Group consists of a Parent Company, AJ Bell plc incorporated within the UK, and a number of subsidiaries held directly and indirectly by AJ Bell plc which operate and are incorporated in the UK. Note 6 to the Company's separate financial statements lists details of the interests in subsidiaries.

18 Deferred tax asset

	2022 £ 000	2021 £ 000
Deferred tax asset	906	1,139
Deferred tax liability	(296)	(199)
	610	940

The movement on the deferred tax account and movement between deferred tax assets and liabilities is as follows:

	Accelerated capital allowances £ 000	Share-based payments £ 000	Short-term timing differences £ 000	Losses £ 000	Total £ 000
At 1 October 2020	(47)	940	102	8	1,003
(Charge) / credit to the income statement	65	252	47	(8)	356
Charge to equity	-	(202)	-	-	(202)
Acquired through business combination	(217)	-	-	-	(217)
At 30 September 2021	(199)	990	149	-	940
(Charge) / credit to the income statement	(97)	31	11	-	(55)
Charge to equity	-	(275)	-	-	(275)
At 30 September 2022	(296)	746	160	-	610

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 2022.

Deferred tax assets have been recognised in respect of other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered. As at 30 September 2022, deferred tax assets have not been recognised on trading losses of £4,051,000 (2021: £2,809,000).

19 Trade and other receivables

	2022 £ 000	2021 (Restated)[1] £ 000
Trade receivables	2,207	2,321
Prepayments	6,824	5,379
Accrued income	21,960	14,699
Other receivables	18,445	15,063
	49,436	37,462

1 See note 2 for details of a change in accounting policy and the resulting restatement of prior year.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Included within other receivables is client money required to meet settlement obligations and are payable on demand.

Included within accrued income is £984,000 (2021: £978,000) relating to contract assets, a movement of £6,000 (2021: £59,000) during the year due to increased revenues.

The ageing profile of trade receivables was as follows:

	2022 £ 000	2021 £ 000
Current – not past due	747	882
Past due:		
0 to 30 days	886	798
31 to 60 days	116	159
61 to 90 days	39	125
91 days and over	1,024	881
	2,812	2,845
Provision for impairment	(605)	(524)
	2,207	2,321

The movement in the provision for impairment of trade receivables is as follows:

	2022 £ 000	2021 £ 000
Opening loss allowance as at 1 October	524	415
Loss allowance recognised	174	196
Receivables written off during the year as uncollectable	(21)	(58)
Unused amount reversed	(72)	(29)
Balance at end of year	605	524

In determining the recoverability of trade receivables, the Directors considered any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

20 Cash and cash equivalents

	2022 £ 000	2021 (Restated)[1] £ 000
Group cash and cash equivalent balances	84,030	94,008

1 See note 2 for details of a change in accounting policy and the resulting restatement of prior year.

Cash and cash equivalents at 30 September 2022 and 30 September 2021 are considered to be holdings of less than one month, or those over which the Group has an immediate right of recall.

21 Trade and other payables

	2022 £ 000	2021 £ 000
Trade payables	138	580
Social security and other taxes	2,151	2,111
Other payables	678	582
Accruals	10,428	7,473
Deferred income	2,209	2,019
	15,604	12,765

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

Deferred income in the current and prior year relates to contract liabilities. The prior year deferred revenue balance has now all been recognised as revenue and the current year balance all relates to cash received in the current period. Total deferred income as at 30 September 2022 is expected to be recognised as revenue in the coming year.

22 Provisions

	Office dilapidations £ 000	Other provisions £ 000	Total £ 000
At 1 October 2021	**1,549**	**1,526**	**3,075**
Additional provisions	455	-	455
Provisions used	-	(257)	(257)
Unused provision reversed	-	(750)	(750)
At 30 September 2022	**2,004**	**519**	**2,523**
Included in current liabilities	-	519	519
Included in non-current liabilities	2,004	-	2,004

Office dilapidations:

The Group is contractually obliged to reinstate its leased properties to their original state and layout at the end of the lease terms. During the year, management reviewed the Group's dilapidation provision and the assumptions on which the provision is based. The estimate is based upon property location, size of property and an estimate of the charge per square foot. A further charge of £455,000 has been recognised in relation to an increase in the estimated charge per square foot. The office dilapidations provision represents management's best estimate of the costs which will ultimately be incurred in settling these obligations.

Other provisions:

The other provisions relate to the settlement of an operational tax dispute and the costs associated with defending a legal case. The provision relating to the operational tax dispute has been updated at 30 September 2022 to reflect the ongoing discussions with HMRC, with full settlement of payments expected to be completed within the next 12 months.

23 Share capital

Issued, fully-called and paid:	2022 Number	2021 Number	2022 £	2021 £
Ordinary shares of 0.0125p each	411,091,634	410,491,708	51,386	51,311

All ordinary shares have full voting and dividend rights.

The following transactions have taken place during the year:

Transaction type	Share class	Number of shares	Share premium £ 000
Exercise of CSOP options	Ordinary shares of 0.0125p each	267,003	272
Exercise of EIP options	Ordinary shares of 0.0125p each	176,949	-
Earn-out issue	Ordinary shares of 0.0125p each	155,974	-
		599,926	272

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. They are entitled to share in the proceeds on the return of capital, or upon the winding up of the Company in proportion to the number of and amounts paid on shares held. The shares are non-redeemable.

Own shares

The Group has an employee benefit trust in order to acquire own shares in the Company to satisfy future share incentive plans. Shares held by the Trust are held at £473,000 (2021: £740,000) being the price paid to repurchase, and the carrying value is shown as a reduction within shareholders' equity.

During the year, 318,601 EIP options were exercised and issued from the AJ Bell Employee Benefit Trust.

The costs of operating the Trust are borne by the Group but are not material. The Trust waived the right to receive dividends on these shares.

24 Share-based payments

Company Share Option Plan (CSOP)

The CSOP is a HMRC approved scheme in which the Board, at their discretion, grant options to employees to purchase ordinary shares. Each participating employee can be granted options up to the value of £30,000. Options granted under the CSOP can be exercised between the third and tenth anniversary 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.

Option To Buy Scheme (OTB) - Growth shares

The OTB scheme is a historical award scheme whereby the Board at its discretion granted growth shares to employees. Growth shares entitled 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. Growth shares granted under the OTB scheme had different vesting conditions. The vesting condition attached to all growth shares granted is that the threshold level needs to be met and an exit event needs to have occurred. As part of the AJ Bell listing process all awards were converted into ordinary shares and those awards granted with an additional employment condition of four or six years after the date of grant, continue to be recognised as a share-based payment. Awards that were issued subject to employment conditions are subject to buy back options under which the Group can buy back the shares for their issue price if the employee leaves the Group before the expiry of the employment condition period.

Buy As You Earn plan (BAYE)

The BAYE plan is an all-employee share plan under which shares can be issued to employees as either free shares or partnership shares.

The Company may grant free shares up to a maximum of £3,600 per employee in a tax year. During the year, no free shares have been issued (2021: nil).

Employees have been offered the opportunity to participate in the partnership plan to enable such employees to use part of their pre-tax salary to acquire shares. The limit to the pre-tax salary deduction is £1,800 or, if lower, 10% of salary each year. The initial plan was an accumulation plan where employees were required to save an amount of their gross salary for a 12 month period. The accumulation plan ended on 6 December 2019 and employees still in the plan at that date were entitled to purchase shares using the funds saved based on the IPO price of £1.60.

From January 2020, the plan entitles employees to use this deduction to buy shares in the Company on a monthly basis at the current market value. Employees are able to withdraw their shares from the plan at any time but may be subject to income tax and national insurance charges if withdrawn within three years of purchasing the shares. Therefore the monthly partnership plan does not give rise to a share-based payment charge.

Executive Incentive Plan (EIP)

The EIP is a performance share plan that involves the award of nominal cost options to participants conditional on the achievement of specified performance targets and continuous employment over a certain period of time. Individual grants will be dependent on the assessment of performance against a range of financial and non-financial targets set at the beginning of the financial year.

CSR initiative

A CSR initiative was introduced in December 2019 with the intention of giving an additional contribution to charity through the donation of share options should a number of stretching targets be met by the Group. The awards made are equity-settled awards and involved the grant of market value options to the AJ Bell Trust conditional on the achievement of diluted earnings per share (DEPS) targets for the financial years 2022, 2023 and 2024 (Performance Period).

The exercise of each tranche will be conditional upon the DEPS having increased in relation to the 7.47 pence DEPS for the year ended 30 September 2019, by more than:

- 90% for September 2022;
- 115% for September 2023; and
- 140% for 30 September 2024.

These are considered to be the lower DEPS targets. The upper DEPS target for each performance period is 10% above the lower DEPS target.

The percentage of shares granted that will vest in each performance period is determined as follows:

- If actual DEPS is below the lower DEPS target, the vesting percentage is equal to zero;
- If actual DEPS is above the upper DEPS target, the vesting percentage is equal to 100%; and
- If actual DEPS is between the lower and upper target, then the vesting percentage is determined by linear interpolation on a straight-line basis and rounded down to the nearest 10%.

As no service is being provided by the AJ Bell Trust, all conditions involved in the arrangement are considered to be non-vesting conditions. Non-vesting conditions should be taken into account when estimating the fair value of the equity instrument granted. The fair value has been estimated using the Monte Carlo simulation model.

Earn-out arrangement

The acquisition of Adalpha in the previous year gave rise to an earn-out arrangement whereby share awards will be made should a number of operational and financial milestones, relating to AUA targets and the development of a simplified proposition for financial advisers, be met. The awards will be equity-settled and will vest in several tranches in line with the agreed milestones.

Under the terms of the acquisition agreement, shares will be awarded to eligible employees conditional upon the successful completion of certain performance milestones and their continued employment with the Group during the vesting period. There is no exercise price attached to the share award.

The fair value of the earn-out arrangement is estimated as at the date of grant calculated by reference to the quantum of the earn-out payment for each performance milestone and an estimated time to proposition completion, discounted to net present value. The performance condition included within the arrangement is not considered a market condition and therefore the expected vesting will be reviewed at each reporting date.

Movements during the year

The tables below summarise the outstanding options for each share-based payment scheme.

CSOP

	2022		2021	
	Number	**Weighted average exercise price £**	**Number**	**Weighted average exercise price £**
Outstanding at beginning of the year	1,015,763	3.23	1,003,968	1.90
Granted during the year	461,744	3.73	392,371	4.34
Forfeited during the year	(108,611)	4.05	(57,198)	2.23
Exercised during the year	(267,003)	1.02	(323,378)	0.61
Outstanding at the end of the year	1,101,893	3.90	1,015,763	3.23
Exercisable at the end of the year	31,462	1.04	10,000	0.52

The lowest exercise price for share options outstanding at the end of the period was 104p (2021: 52p) and the highest exercise price was 434p (2021: 434p). The weighted average remaining contractual life of share options outstanding at the end of the period was 8.3 years (2021: 8.3 years).

OTB - Growth shares

	2022		2021	
	Number	**Weighted average exercise price £**	**Number**	**Weighted average exercise price £**
Outstanding at beginning of the year	3,192,268	0.63	3,212,675	0.63
Vested	(2,026,137)	0.63	(20,407)	0.63
Outstanding at the end of the year	1,166,131	0.63	3,192,268	0.63

Upon listing to the London Stock Exchange, all growth shares were converted to ordinary shares and therefore no exercise price exists for growth shares outstanding at the end of the period. During the year 2,026,137 ordinary shares under a call option agreement vested and were released. The weighted average remaining contractual life of growth shares converted to ordinary shares under a call option agreement at the end of the period was 1.2 years (2021: 0.9 years).

BAYE – Free shares

	2022 Number	2021 Number
Outstanding at beginning of the year	240,112	263,106
Forfeited during the year	(4,680)	(22,994)
Vested	(235,432)	-
Outstanding at the end of the year	-	240,112

Free shares are issued to employees for free and therefore do not have an exercise price. During the year 235,432 free shares vested and were released. There are no free shares outstanding at the end of the period.

EIP

	2022		2021	
	Number	**Weighted average exercise price £**	**Number**	**Weighted average exercise price £**
Outstanding at beginning of the year	1,487,313	0.000125	1,208,693	0.000125
Granted during the year	736,015	0.000125	580,146	0.000125
Exercised during the year	(495,550)	0.000125	(130,695)	0.000125
Lapsed during the year	(111,910)	0.000125	(145,632)	0.000125
Forfeited during the year	-	-	(25,199)	0.000125
Outstanding during the year	1,615,868	0.000125	1,487,313	0.000125
Exercisable at the end of the year	565,636	0.000125	191,509	0.000125

The weighted average remaining contractual life of EIP shares outstanding at the end of the period was 8 years (2021: 8.2 years).

CSR initiative

	2022		2021	
	Number	**Weighted average exercise price £**	**Number**	**Weighted average exercise price £**
Outstanding at beginning of the year	2,493,766	4.01	2,493,766	4.01
Granted during the year	-	-	-	-
Forfeited during the year	(831,256)	4.01	-	-
Outstanding during the year	1,662,510	4.01	2,493,766	4.01
Exercisable at the end of the year	-	-	-	-

The weighted average remaining contractual life of CSR options outstanding at the end of the period was 7.2 years (2021: 8.2 years).

The first tranche of options were forfeited due to the DEPS for the year, 11.31, being below the lower DEPS target of 14.19 pence at the end of the performance period.

Weighted average share price of options exercised

The weighted average share price of all options exercised during the year was £3.67 (2021: £4.32).

Earn-out arrangement

	2022		2021	
	Number	Weighted average share price £	Number	Weighted average share price £
Shares granted during the year	155,974	3.15	353,032	4.25

Measurement

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

The inputs into the Black-Scholes model and assumptions used in the calculations are as follows:

EIP

Grant date	**09/12/2021**	**09/12/2021**	**09/12/2021**
Number of shares under option	344,727	100,644	290,644
Fair value of share option from generally accepted business model (£)	3.76	3.62	3.56
Share price (£)	3.83	3.83	3.83
Exercise price of an option (£)	0.000125	0.000125	0.000125
Expected volatility	27.60%	31.01%	31.01%
Expected dividend yield	1.82%	1.82%	1.82%
Risk-free interest rate	0.24%	0.50%	0.47%
Expected option life to exercise (months)	12	36	48

CSOP

Grant date	**09/12/2021**	**10/01/2022**	**20/04/2022**
Number of shares under option	443,766	7,936	10,042
Fair value of share option from generally accepted business model (£)	0.74	0.58	0.49
Share price (£)	3.83	3.68	2.91
Exercise price of an option (£)	3.75	3.78	2.98
Expected volatility	31.01%	27.65%	29.29%
Expected dividend yield	1.82%	1.89%	2.39%
Risk-free interest rate	0.50%	0.92%	1.62%
Expected option life to exercise (months)	36	36	36

Expected volatility is estimated by considering historic average share price volatility at the grant date.

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 that 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.

During the year, the Group recognised a share-based payment expense of £4,728,000 (2021: £4,952,000), £1,840,000 (2021: £2,764,000) of which relates to the earn-out arrangement.

The Group capitalised share-based payment costs of £1,434,000 (2021: £1,378,000).

25 Financial instruments and risk management

The Group's activities expose it to a variety of financial instrument risks; market risk (including interest rate and foreign exchange), credit risk and liquidity risk. Information is presented below regarding the exposure to each of these risks, including the procedures for measuring and managing them.

Financial instruments include both financial assets and financial liabilities. Financial assets principally comprise trade and other receivables and cash and cash equivalents. Financial liabilities comprise trade and other payables, accruals and obligations under leases. The Group does not have any derivative financial instruments.

Risk management objectives

The Group has identified the financial, business and operational risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. The Board of Directors has overall responsibility for establishing and overseeing the Group's risk management framework and risk appetite.

The Group's financial risk management policies are intended to ensure that risks are identified, evaluated and subject to ongoing monitoring and mitigation (where appropriate). These policies also serve to set the appropriate control framework and promote a robust risk culture within the business. The Group regularly reviews its financial risk management policies and systems to reflect changes in the business, counterparties, markets and range of financial instruments that it uses.

The Group's Treasury Committee has principal responsibility for monitoring exposure to the risks associated with cash and cash equivalents. Policies and procedures are in place to ensure the management and monitoring of each type of risk. The primary objective of the Group's treasury policy is to manage short-term liquidity requirements whilst maintaining an appropriate level of exposure to other financial risks in accordance with the Group's risk appetite.

Significant accounting policies

Details of the significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each financial asset and financial liability, are disclosed within note 2 to the financial statements.

Categories of financial instrument

The financial assets and liabilities of the Group are detailed below:

	2022			2021 (Restated)[1]		
	Amortised cost £ 000	Financial liabilities £ 000	Carrying value £ 000	Amortised cost £ 000	Financial liabilities £ 000	Carrying value £ 000
Financial assets						
Trade receivables	2,207	-	2,207	2,321	-	2,321
Accrued income	21,960	-	21,960	14,699	-	14,699
Other receivables	18,445	-	18,445	15,063	-	15,063
Cash and cash equivalents	84,030	-	84,030	94,008	-	94,008
	126,642	**-**	**126,642**	**126,091**	**-**	**126,091**
Financial liabilities						
Trade and other payables	-	10,598	10,598	-	8,095	8,095
Lease liabilities	-	13,961	13,961	-	15,594	15,594
	-	**24,559**	**24,559**	**-**	**23,689**	**23,689**

1 See note 2 for details of a change in accounting policy and the resulting restatement of prior year.

The carrying amount of all financial assets and liabilities is approximate to their fair value due to their short-term nature.

Market risk

Interest rate risk

The Group holds interest bearing assets in the form of cash and cash deposits. Cash at bank earns interest at floating rates based on daily bank deposit rates. Term deposits can also be made for varying periods depending on the immediate cash requirements of the Group, and interest is earned at the respective fixed-term rate. Based on the cash balances shown in the Group's statement of financial position at the reporting date, if interest rates were to move by 25bps it would change profit before tax by approximately:

	2022	2021
	£ 000	£ 000
+ 25bps (0.25%)	191	246
- 25bps (0.25%)	(154)	(23)

As at the year end the Group had no borrowings, and therefore was not exposed to a material interest rate risk related to debt as the interest rate is fixed at the inception of the lease.

The Group retains a proportion of the interest income generated from the pooling of customer cash balances and as a result, the Group revenue has an indirect exposure to interest rate risk. The cash balances are held with a variety of banks and are placed in a range of fixed-term, notice and call deposit accounts with due regard for counterparty credit risk, capacity risk, concentration risk and liquidity risk requirements. The spread of rate retained by the Group is variable dependent on rates received by banks (disclosed to customers at between 0.10% below and 0.60% above the prevailing base rate) and amounts paid away to customers.

The impact of a 25bps increase or decrease in UK base interest rates on the Group's revenue has been calculated and shown below. This has been modelled on a historical basis for each year separately assuming that the UK base rate was 25bps higher or lower than the actual position at the time. We assume a minimum rate of return on call cash of 0bps.

	2022	**2021**
	£ 000	**£ 000**
+ 25bps (0.25%)	6,654	5,324
- 25bps (0.25%)	(6,823)	(4,901)

Customer cash balances are not a financial asset of the Group and so are not included in the statement of financial position.

Market movement sensitivity

The Group's custody fees are derived from the market value of the underlying assets held by the retail customer in their account, based on product type, mix and portfolio size which are charged on an ad valorem basis. As a result, the Group has an indirect exposure to market risks, as the value of the underlying customers' assets may rise or fall. The impact of a 10% increase or reduction in the value of the customers underlying assets subject to the custody fees on the Group's revenue has been calculated and shown below. This has been modelled on a historical basis for each year separately assuming that the value of the customers' assets were 10% higher or lower than the actual position at the time.

	2022	**2021**
	£ 000	**£ 000**
+ 10% higher	5,846	4,850
- 10% lower	(5,846)	(4,850)

Foreign exchange risk

The Group is not exposed to significant foreign exchange translation or transaction risk as the Group's activities are primarily within the UK. Foreign exchange risk is therefore not considered material.

Credit risk

The Group's exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due, arises principally from its cash balances held with banks and trade and other receivables.

Trade receivables are presented net of expected credit losses within the statement of financial position. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and number of days past due. Details of those trade receivables that are past due are shown within note 19.

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 credit and concentration risk on liquid funds, cash and cash equivalents is limited as deposits are held across a number of major banks. The Directors continue to monitor the strength of the banks used by the Group. The principal banks currently used by the Group are Bank of Scotland plc, Barclays Bank plc, Lloyds Bank plc, Lloyds Bank Corporate Markets plc, HSBC Bank plc, HSBC Global Asset Management, NatWest Markets plc, Santander UK plc, Santander Financial Services plc, Clearstream Banking SA and Qatar National Bank (Q.P.S.C). Bank of Scotland plc, the Group's principal banker, is substantial and is 100% owned by Lloyds Banking Group plc. All these banks currently have long-term credit ratings of at least A- (Fitch). 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.

The Group has no significant concentration of credit risk as exposure is spread over a large number of counterparties and customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset at the reporting date. In relation to dealing services, the Group operates as agent on behalf of its underlying customers and in accordance with London Stock Exchange Rules.

Any settlement risk during the period between trade date and the ultimate settlement date is substantially mitigated as a result of the Group's agency status, its settlement terms and the delivery versus payment mechanism whereby if a counterparty fails to make payment, the securities would not be delivered to the counterparty. Therefore any risk exposure is to an adverse movement in market prices between the time of trade and settlement. Conversely, if a counterparty fails to deliver securities, no payment would be made.

There has been no material change to the Group's exposure to credit risk during the year.

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.

There has been no change to the Group's exposure to liquidity risk or the manner in which it manages and measures the risk during the year.

The following table shows the undiscounted cash flows relating to non-derivative financial liabilities of the Group based upon the remaining period to the contractual maturity date at the end of the reporting period.

	Due within 1 year £ 000	1 to 5 years £ 000	After 5 years £ 000	Total £ 000
2022				
Trade and other payables	10,598	-	-	10,598
Lease liabilities	2,517	8,579	7,533	18,629
	13,115	8,579	7,533	29,227
2021				
Trade and other payables	8,095	-	-	8,095
Lease liabilities	2,450	8,333	8,678	19,461
	10,545	8,333	8,678	27,556

Capital management

The Group's objectives in managing capital are to:

- safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders, security for our customers and benefits for other stakeholders;
- maintain a strong capital base to support the development of its business; and
- comply with regulatory requirements at all times.

The capital structure of the Group consists of share capital, share premium and retained earnings. As at the reporting date the Group had capital of £133,394,000 (2021: £130,708,000).

Capital generated from the business is both reinvested in the business to generate future growth and returned to shareholders principally in the form of dividends. The capital adequacy of the business is monitored on an ongoing basis and as part of the business planning process by the Board. It is also reviewed before any distributions are made to shareholders to ensure it does not fall below the agreed surplus as outlined in the Group's capital management policy. The liquidity of the business is monitored by management on a daily basis to ensure sufficient funding exists to meet the Group's liabilities as they fall due. The Group is highly cash-generative and maintains sufficient cash and standby banking facilities to fund its foreseeable trading requirements.

The Group conducts an ICARA, as required by the FCA to assess the appropriate amount of regulatory capital and liquid resources to be held by the Group. Regulatory capital and liquid resources for ICARA are calculated in accordance with published rules.

The ICARA compares the Group's financial resources against regulatory capital and liquidity requirements as specified by the relevant regulatory authorities. Our current financial resources, regulatory capital and liquidity requirements can be found in the Financial Review above.

The Group maintained a surplus of regulatory capital and liquid resources throughout the year. The disclosures required under MIFIDPRU 8 of the Investment Firms Prudential Regime are available on the Group's website at ajbell.co.uk.

26 Interests in unconsolidated structure entities

The Group manages a number of investment funds (open-ended investments) acting as agent of the Authorised Corporate Director. The dominant factor in deciding who controls these entities is the contractual arrangement in place between the Authorised Corporate Director and the Group, rather than voting or similar rights. As the Group directs the investing activities through its investment management agreement with the Authorised Corporate Director, the investment funds are deemed to be structured entities. The investment funds are not consolidated into the Group's financial statements as the Group is judged to act as an agent rather than having control under IFRS 10.

The purpose of the investment funds is to invest capital received from investors in a portfolio of assets in order to generate a return in the form of capital appreciation, income from the assets, or both. The Group's interest in the investment funds is in the form of management fees received for its role as investment manager. These fees are variable depending on the value of the assets under management.

The funds do not have any debt or borrowings and are financed through the issue of units to investors.

The following table shows the details of unconsolidated structured entities in which the Group has an interest at the reporting date:

Year	Type	Number of funds	Net AUM of funds £m	Annual management charge £ 000	Management charge receivable at 30 September £ 000
2022	OEIC	9	1,465.5	1,816	369
2021	OEIC	9	1,073.2	1,138	266

The annual management charge is included within recurring ad valorem fees within revenue in the consolidated income statement.

The annual management charge receivable is included within accrued income and trade receivables in the consolidated statement of financial position.

The maximum exposure to loss relates to a reduction in future management fees should the market value of the investment funds decrease.

27 Reconciliation of liabilities arising from financing activities

2022	1 October 2021 £ 000	Cash flows £ 000	Change in lease liability £ 000	30 September 2022 £ 000
Lease liabilities	15,594	(1,716)	83	13,961
Total liabilities from financing activities	**15,594**	**(1,716)**	**83**	**13,961**

2021	1 October 2020 £ 000	Cash flows £ 000	Change in lease liability £ 000	Additions £ 000	Disposal £000	30 September 2021 £ 000
Lease liabilities	16,345	(1,241)	42	460	(12)	15,594
Total liabilities from financing activities	**16,345**	**(1,241)**	**42**	**460**	**(12)**	**15,594**

28 Related party transactions

Transactions between the Parent Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

Transactions with key management personnel:

Key management personnel is represented by the Board of Directors and the ExCo (previously EMB).

The remuneration expense of key management personnel is as follows:

	2022 £ 000	2021 £ 000
Short-term employee benefits (excluding NI)	2,779	2,108
Retirement benefits	114	35
Share-based payment	2,389	1,256
	5,282	3,399

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.

Transactions with directors:

The remuneration of individual directors is provided in the Directors’ Remuneration Report.

Dividends totalling £11,743,000 (2021: £6,766,000) were paid in the year in respect of ordinary shares held by the Company’s directors.

The aggregate gains made by the Directors on the exercise of share options during the year were £772,000 (2021: £nil).

During the year Directors and their families received beneficial staff rates in relation to personal portfolios. The discount is not material to the Directors or to AJ Bell.

Other related party transactions:

Charitable donations

During the year the Group made donations of £298,000 (2021: £272,000) to the AJ Bell Trust, a registered charity of which Mr A J Bell is a trustee.

EQ Property Services Limited

The Group is party to three leases with EQ Property Services Limited for rental of the Head Office premises, 4 Exchange Quay, Salford Quays, Manchester, M5 3EE. Mr A J Bell, Mr M T Summersgill and Mr R Stott are directors and shareholders of both AJ Bell plc and EQ Property Services Limited. Mr C Galbraith was a member of key management personnel in the year and shareholder of AJ Bell plc, and is a director and shareholder of EQ Property Services Limited. The leases for the rental of the building were entered into on 17 August 2016 for terms which expire on 30 September 2031, at an aggregate market rent of £1,826,000 (2021: £1,825,000) per annum.

At the reporting date, there is no payable outstanding (2021: £nil) with EQ Property Services Limited.

Any amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received. No provision has been made for doubtful debts in respect of amounts owed by related parties.

29 Subsequent events

There have been no material events occurring between the reporting date and the date of approval of these consolidated financial statements.

Glossary

Adalpha	AJ Bell Touch Limited and its wholly-owned subsidiaries
AGM	Annual General Meeting
AJBIC	AJ Bell Investcentre
BAYE	Buy as you earn
Board, Directors	The Board of Directors of AJ Bell plc
BPS	Basis points
CASS	Client Assets Sourcebook
CGU	Cash Generating Unit
CODM	Chief Operating Decision Maker
CSOP	Company Share Option Plan
CSR	Corporate Social Responsibility
D&I	Diversity and Inclusion
DEPS	Diluted Earnings Per Share
DTR	Disclosure Guidance and Transparency Rules
DWP	Department for Work and Pensions
D2C	Direct to Consumer
EIP	Executive Incentive Plan
EMB	Executive Management Board
ERC	Executive Risk Committee
ESG	Environmental, Social and Governance
EVF	Employee Voice Forum
ExCo	Executive Committee (formerly EMB)
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FRS	Financial Reporting Standards
FTSE	The Financial Times Stock Exchange
FX	Foreign Exchange
GHG	Greenhouse Gas
GIA	General Investment Account
HMRC	His Majesty's Revenue and Customs
HR	Human Resources
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
ICARA	Internal Capital and Risk Assessment
ICO	Information Commissioner's Office
IFA	Independent Financial Adviser
IFRIC	International Financial Reporting Interpretations Committee
IFPR	Investment Firm Prudential Regime
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering

ISA	Individual Savings Account
IT	Information Technology
KOS	Key Operating System
KPI	Key Performance Indicator
KRI	Key Risk Indicator
KYC	Know Your Customer
LISA	Lifetime ISA
MiFID II	Markets in Financial Instruments Directive II
MPS	Managed Portfolio Service
MSCI	Morgan Stanley Capital International
OCF	Ongoing Charges Figure
OEIC	Open-Ended Investment Company
OTB	Option To Buy
PBT	Profit Before Tax
PLC	Public Limited Company
PR&U	Principal Risks and Uncertainties
R&CC	Risk and Compliance Committee
RMF	Risk Management Framework
SID	Senior Independent Director
SIPP	Self-Invested Personal Pension
SMIP	Senior Management Incentive Plan
SREP	Supervisory Review and Evaluation Process
SSAS	Small Self-Administered Scheme
TCFD	Task Force on Climate-related Financial Disclosures
TPDFM	Third-Party Discretionary Fund Managers
TPR	The Pensions Regulator
WACI	Weighted Average Carbon Intensity

Definitions

Ad valorem	According to value
AUA	Assets Under Administration
AUM	Assets Under Management
Customer retention rate	Relates to platform customers
Fintech	Refers to a business that uses technology to enhance or automate financial services and processes
Lang Cat	An insight, marketing and communications consultancy business specialising in Financial Services
Lifetime value	The total amount of revenue a business expects to generate over the lifetime of a customer
Listing rules	Regulations subject to the oversight of the FCA applicable to companies listed on a UK stock exchange
MSCI ESG rating	MSCI's assessment of a Company's resilience to long-term, industry material ESG risks and how well they manage those risks relative to peers.
Own shares	Shares held by the Group to satisfy future incentive plans
Platforum	The advisory and research business specialising in investment platforms
Recurring ad valorem revenue	Includes custody fees, retained interest income and investment management fees
Recurring fixed revenue	Includes recurring pension administration fees and media revenue
Revenue per £ AUA	Represents revenue as a percentage of the average AUA in the year. Average AUA is calculated as the average of the opening and closing AUA in each quarter averaged for the year
Transactional revenue	Includes dealing fees and pension scheme activity fees
UK Corporate Governance Code	A code which sets out standards for best boardroom practice with a focus on Board leadership and effectiveness, remuneration, accountability and relations with shareholders

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