7 December 2023

AJ Bell plc

Final results for the year ended 30 September 2023

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 2023.

Highlights

Financial performance

- Record financial performance, with revenue up 33% to £218.2 million (FY22: £163.8 million) and profit before tax (PBT) up 50% to £87.7 million (FY22: £58.4 million)
- PBT margin of 40.2% (FY22: 35.6%), reflecting an increased revenue margin of 29.8bps (FY22: 22.6bps) together with total cost growth in line with previous guidance
- Diluted earnings per share up 46% to 16.53 pence (FY22: 11.35 pence)
- Final dividend of 7.25 pence per share proposed, increasing the total ordinary dividend for the year by 46% to 10.75 pence per share (FY22: 7.37 pence per share) in line with the Company’s stated dividend policy. This is the 19th consecutive year of ordinary dividend growth

Platform business

- Another successful year, with customers increasing by 50,880 to 476,532 and platform net inflows of £4.2 billion (FY22: £5.8 billion)
- Record assets under administration (AUA) of £70.9 billion (FY22: £64.1 billion), up 11% driven by the net inflows across the platform and favourable market movements of £2.6 billion
- Customer retention rate remained high at 95.2% (FY22: 95.5%)
- Consistently high customer service levels evidenced by AJ Bell’s Trustpilot rating of 4.8

AJ Bell Investments

- Record net inflows in the year of £1.65 billion, up 57% versus the prior year (FY22: £1.05 billion underlying net inflows)
- Assets under management (“AUM”) of £4.7 billion, up 68% in the year (FY22: £2.8 billion)

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

“I am pleased to report another year of strong financial performance for the business which has demonstrated our ability to continue to grow in different market conditions. Revenue increased 33% to £218.2 million, enabling us to reinvest in our customer proposition and our people, whilst delivering a record profit before tax of £87.7 million which supports an increased dividend for shareholders.

“We added over 50,000 customers to the platform in the year, reflecting the quality and value of our propositions, as well as increased investment in our brand. The growth in customers enabled us to deliver over £4 billion of net inflows, an excellent result which again highlights the benefit of operating our dual-channel platform.

“As we approach half a million platform customers, we remain focused on providing a great value proposition, with a philosophy of sharing our scale benefits with customers. Having reduced several fees across the platform in 2022, this year we have increased the interest rates paid to customers several times and will soon be increasing them further, with a particular focus on pension drawdown where there is a customer need to hold cash to fund income payments.

“We continue to invest in our customer proposition with a focus on making it easy for people to invest. In the D2C market we have recently added the option to purchase bonds and gilts online in response to increased demand for these investments in the higher interest rate environment. Our free pension finding service has proved popular with customers trying to track down and consolidate lost pension pots and next year we will be expanding this into a low-cost pension consolidation service. This will enable people to find and automatically consolidate their existing pensions into one simple pension with ready-made investment options and a single annual charge of between 0.45% and 0.60%.

“In the advised market we continue to invest in new functionality to help advisers manage their client portfolios. A focus this year has been supporting advisers with the implementation of the Consumer Duty and next year we will roll out a new client onboarding process which will streamline the new business process for advisers. We have recently added a money market portfolio to our MPS range to provide another investment option for advisers and their clients in the current interest environment.

“Maintaining a strong culture and motivated workforce is essential to facilitating our continued business growth. We made several enhancements to our pay and benefits package in the year, including a new free share award scheme for all employees which encourages our staff to think and act like business owners. The success of our business is down to the quality of work and commitment of our people, and I would like to thank them for their outstanding contribution during the year.

“The strong financial performance of the business has led the Board to propose a final ordinary dividend of 7.25 pence per share, increasing the ordinary dividend for the year by 46% to 10.75 pence per share. This extends our record of ordinary dividend increases to 19 years.

“Our dual-channel platform has continued to perform strongly against the current backdrop of elevated inflation and interest rates, demonstrating our resilience through the economic cycle. Whilst the current challenging environment is likely to persist in the short term, I am confident that our long-term focus and continued investment in the business positions us well to take advantage of the structural growth opportunity for the platform market.”

Financial highlights

	Year ended 30 September 2023	Year ended 30 September 2022	Change
Revenue	£218.2 million	£163.8 million	33%
Revenue per £AUA*	29.8bps	22.6bps	7.2bps
PBT	£87.7 million	£58.4 million	50%
PBT margin	40.2%	35.6%	4.6ppts
Diluted earnings per share	16.53 pence	11.35 pence	46%
Total ordinary dividend per share	10.75 pence	7.37 pence	46%

Non-financial highlights

	Year ended 30 September 2023	Year ended 30 September 2022	Change
Number of retail customers	**491,402**	**440,589**	**12%**
- Platform	476,532	425,652	12%
- Non-platform	14,870	14,937	-
AUA*	**£76.1 billion**	**£69.2 billion**	**10%**
- Platform	£70.9 billion	£64.1 billion	11%
- Non-platform	£5.2 billion	£5.1 billion	2%
AUM*	**£4.7 billion**	**£2.8 billion**	**68%**
Customer retention rate	**95.2%**	**95.5%**	**(0.3ppts)**

*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 09:30 GMT today. Attendance is by invitation only.

Management will also be hosting a group call for investors at 15.00 GMT today. Please contact Camilla Crowe at c.crowe@dbnumis.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

"AJ Bell is a great business with a justifiable reputation for innovation, customer focus and a commitment to delivering real value to customers and advisers."

I am delighted to present my first Annual Report as your new Chair.

Since my appointment on 1 May 2023, I have spent time getting to know many people across the business, as well as having 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 a really interesting and informative period since joining, which has reaffirmed my initial very favourable impression of the people and the business. I am very excited to lead the Board and support the executive team in the goals we have set ourselves.

I am pleased to report that we have delivered a strong financial performance during the year with PBT of £87.7 million. Over the past 12 months customer numbers increased by 50,813 to 491,402 and we delivered £4.1 billion of net inflows, ending the year with total AUA of £76.1 billion. This strong performance demonstrates the resilience of our business model during a challenging year and continued uncertainties around the UK economy. The Financial review contains further information on this year's performance.

As the uncertainties in the wider economy continued into 2023, it created further challenges for our customers, our people and our wider stakeholders. As a Board we were particularly mindful of this and so our focus remained 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.

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

Culture, purpose and stakeholder engagement

The Board plays a vital role in shaping and embedding a strong and healthy culture through promoting the core values and principles of the Group and this continued to be a focus throughout the year. We welcomed the opportunity to engage with our staff and shareholders in person again this year, providing invaluable insight into the operation and culture of our business. I was delighted to be appointed as the nominated Employee Engagement Director in May, which has given me an opportunity to refresh the Employee Voice Forum (EVF).

During the year we also reviewed the AJ Bell Way and our guiding principles; challenging ourselves on their continued alignment with our purpose and culture following significant growth of the business. It was encouraging to see the level of engagement from our people and our customers and advisers, affirming how well our core values resonate with our key stakeholders. Whilst the key elements of our guiding principles remain relevant, some refinements have been made to simplify them and reflect the feedback received to ensure they continue to be embraced by our people on a day-to-day basis.

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

We recognise the importance of an engaged workforce and it was pleasing to see that this year's staff survey showed positive progress with an overall response rate of 87%. Our people are at the heart of our continued growth and success and so how we motivate, reward and support them is a key priority for the Board. The introduction of the new free share award scheme for all employees has been very well received and we expect the level of share ownership to increase further for the coming year. Our pay and benefits package introduced at the start of FY23 has also seen further enhancements to base pay and pension contributions for the coming year.

We have made good progress embedding our Diversity and Inclusion framework. As reported last year our primary focus was on the senior management and talent pipeline where I am pleased to see we have already made positive steps on the recruitment at executive level. The Board will continue to monitor and challenge progress on our initiatives for the wider workforce where we expect to see further improvements in the coming year.

Further details on our ESG-related activities can be found in our Responsible Business section.

Board changes and succession

On 1 May 2023 I succeeded Baroness Helena Morrissey as Chair. On behalf of the Board, I would like to thank Helena for her significant contribution to AJ Bell as Chair and look forward to her continued involvement through her consultancy role where we are benefiting from her passion and commitment to diversity and inclusion.

As previously announced when Andy Bell stepped down from the Board in September 2022, it was agreed that he would have the right to nominate a Non-Executive Director to represent his interests on the Board whilst a significant shareholder. This agreement was formalised in July 2023 when we announced that Les Platts would join the Board as Andy's Representative Director. I would like to take this opportunity to formally welcome Les to the Board and very much look forward to working with him. Les' in-depth knowledge of the financial services sector and AJ Bell in particular, will further enhance the experience on the Board and help us drive the future growth of the Company.

During the year we resumed our search for two new independent Non-Executive Directors (NED), the first being a replacement for Simon Turner who has completed nine years' service and will step down from the Board once a successful handover is complete. The Board is extremely mindful of the importance of having a diverse range of skills, experience and perspective around the Board table and so this was at the forefront of our minds throughout the recruitment process. I am pleased to report that since the year end we have appointed Fiona Fry as an independent Non-Executive Director with effect from 7 December 2023. Fiona will succeed Simon Turner, as Chair of the Risk & Compliance Committee, subject to regulatory approval. Fiona is a highly experienced risk professional, having spent the majority of her career at KPMG where, as a partner she focused on financial services regulation. Fiona sat on the UK Board of KPMG for six years. She was previously Head of investigations at the Financial Services Authority (now the FCA). Fiona is currently Chair of the Risk Committee at Aviva Insurance Limited.

Our commitment to addressing both the Parker Review recommendations and the FCA diversity requirements remains a key consideration as we continue our search for a further independent NED to join the Board in the coming year. Whilst we are pleased with our progress, we acknowledge there is still more to be done to continue to drive greater diversity at both Board and executive level.

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

Dividend

In line with our commitment to a progressive dividend, the Board is pleased to announce a final ordinary dividend of 7.25p 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 30 January 2024, to shareholders on the register at the close of business on 12 January 2024.

This brings the total ordinary dividend for the financial year to 10.75p per share, representing an increase of 46% on the previous year.

Looking ahead

I have really enjoyed my first seven months as AJ Bell's Chair. First impressions are of a committed, strong management team, collaborative Board and strong performance despite the wider economic backdrop. I truly believe this is a great business and I can see the growth potential. Our dual-channel business model is a real strength in the investment platform market and with a focus on ease of use and value for money, AJ Bell is well-positioned to continue to attract new customers and assets to the platform and further increase our market share.

I am very grateful to the Board and all those in the business who have helped me over the first few months as part of my induction and I am very much looking forward to continuing to work with them over the coming years.

AJ Bell is a financially strong business as evidenced by a profitable, well-capitalised and highly cash-generative business model, and the Board remains confident in the long-term prospects of the business. Whilst the macroeconomic environment remains challenging in the short term, it is clear that the fundamental growth drivers for the platform market remain firmly in place and I look forward to working with Michael, the executive team and the Board to ensure the business takes advantage of the growth opportunities that lie ahead.

Fiona Clutterbuck
Chair

6 December 2023

Board Priorities

Performance and resilience:

I am very proud of the strong performance that the business has delivered in 2023. However, I am acutely aware of the need to continue growing the business, whilst at the same time managing our cost base against a backdrop of significant macroeconomic uncertainty. These are two key priorities in the coming year. I am also keen that we continue to embrace the entrepreneurial culture which was so much a hallmark of the business under Andy Bell's leadership.

Performance such as that which the business has demonstrated this year is only achievable if the business is resilient; technology plays a very important role in embedding this resilience so this too will be a focus for FY24.

Culture:

AJ Bell has always justifiably prided itself on a strong cohesive culture. In my first few months as Chair I have had the opportunity to experience this first hand. Interactions with my colleagues across the business have confirmed an open and transparent culture that permeates throughout the whole organisation. Our role as a Board is to monitor how we nurture this culture and ensure it remains a real strength as we continue to grow.

One of the most important facets of the AJ Bell purpose-led culture has been its extraordinary focus on doing the right thing for its customers. We place good customer outcomes at the heart of everything we do, with good value products, simple communications and strong processes to support our customers.

The initial implementation of the Consumer Duty has been a key area of focus for the Board and the business as a whole during the year, with Simon Turner, our Chair of the Risk & Compliance Committee being appointed as our designated Non-Executive Director Consumer Duty Champion. Although we believe our culture is aligned with the requirements of Consumer Duty, we are by no means complacent and the Board's focus during FY24 will be on maintaining oversight to ensure the business is delivering good outcomes for its customers which are consistent with the Duty.

Succession planning:

The Board remains focused on maintaining good corporate governance and ensuring these principles are embedded into our culture. I strongly believe that diversity in all its forms leads to more productive and balanced Board discussions, and maintaining a diverse and inclusive Board is a key priority. This includes meeting our targets for gender and ethnic diversity, whilst at the same time ensuring that all Board appointments are made on merit.

As I have already mentioned, we are well progressed in our search for two new independent NEDs. It will be important to ensure that our new NEDs receive an appropriate induction, matched to their skills and experience, together with the right level of support from the Board in their first year. We will also be focusing on putting in place succession planning for the Committee Chair roles.

Chief Executive Officer's review

Overview

"We are in a great position to maintain our growth momentum and capitalise on the significant long-term opportunities in our market by providing investors with an easy-to-use, low-cost platform, supported by excellent customer service."

We are pleased to report another strong set of results for 2023, delivering organic growth in customer numbers, AUA and AUM, across both the advised and D2C market segments. This growth, alongside a record financial performance, demonstrates the strength of our dual-channel platform and diversified revenue model to deliver in different market conditions.

In the five years since our IPO in December 2018 we have delivered the significant growth that was expected, increasing our share of the fast-growing platform market each year, whilst also paying an increasing ordinary dividend to shareholders. Our focus on providing great value through our high-quality products has led to nearly half a million platform customers now trusting us with their investments.

The investment platform market continues to grow. Whilst we are winning new business from our competitors within the platform market, crucially we are still growing the platform market by attracting assets held off-platform in legacy products, as investors seek the flexibility and control that platforms offer. This growth is set to continue with approximately two-thirds of the estimated £3 trillion addressable market currently held off-platform. Our dual-channel model, serving both the advised and D2C segments of the market, enables us to capture assets across the whole addressable market, whilst the benefits of our scale, coupled with our efficient operating model, enable us to keep costs low for customers and invest in our platform with a focus on ease of use. Together with our market-leading customer service levels, these factors have been key to our success to date and ensure we are positioned at the forefront of the platform market to capitalise on the significant long-term growth opportunities.

The current macroeconomic environment has presented challenges for investors and advisers, with high inflation leading to higher interest rates. These conditions have impacted consumer confidence and led to stronger demand for cash savings products. We expect these conditions to persist in the short term, however the versatility of our open-architecture platform enables us to continue to grow across a range of market conditions, as demonstrated in recent years. Our platform provides customers with the flexibility to choose from a broad range of investment options, enabling them to respond to changing market dynamics. In the higher interest rate environment, we have seen increased demand for government bonds and money market funds. Separately, our Cash savings hub has provided a convenient option for customers seeking higher returns on their cash savings.

Strong performance

Our platform delivered growth of over 50,000 customers in the year, increasing total platform customers by 12% to 476,532 (FY22: 425,652). Our low-cost products position us well at a time when customers are increasingly looking for value. Demand has been strong from D2C customers, supported by the investments in our brand and improved mobile app functionality. We maintained our excellent service levels throughout this period, as evidenced by our high customer retention rate of 95.2% (FY22: 95.5%).

The strength of our open-architecture platform, offering customers a wide range of investment options, was demonstrated as we delivered over £4 billion of net inflows. This contributed to an 11% increase in platform AUA which ended the year at £70.9 billion (FY22: £64.1 billion). Our investments business achieved another year of significant growth, with total AUM increasing by 68% to £4.7 billion (FY22: £2.8 billion). The strong demand has been fuelled by our excellent long-term investment performance, with all six of our multi-asset growth funds being placed in the top quartile of returns when compared to their Investment Association peers over the last five years.

Our diversified revenue model has enabled us to deliver a record financial performance whilst also investing in long-term initiatives to support future growth. Revenue increased by 33% to £218.2 million (FY22: £163.8 million), largely driven by growth in platform AUA and higher rates of interest generated on cash balances held on the platform.

We have been mindful of the need to share the benefits of higher revenue margins across all our stakeholders. For customers we have kept our prices low, paid a competitive interest rate on their cash balances and invested in our propositions; for our people we have improved our pay and benefits package in response to the rising cost of living; and for our shareholders our investments in brand and propositions position us to continue to increase our market share, whilst once again increasing our ordinary dividend.

Investing for long-term growth

We continue to innovate and invest in our products with a focus on ease of use.

A significant proportion of our addressable market sits in legacy pension products. Most adults have several employers during their career, and subsequently accumulate a number of different pension pots which can be inefficient to manage separately. Our free pension finding service, which is now live for new and existing customers, has proved popular with customers trying to track down and consolidate pension pots. In FY24, we will launch our new ready-made pension product that consolidates a customer's pension into a simple product, offering an investment range of four AJ Bell growth funds with a transparent all-in charging structure starting from 45bps. The streamlined nature of this product will reduce barriers for customers who are less confident in managing their own investments and provides an enhanced journey for new customers opening a pension with us in the future.

Our product philosophy of utilising our scale to keep charges low for our customers ensures we continue to provide excellent value for money. We reduced a number of charges across our full-service propositions in the second half of FY22 and are committed to continually reviewing our customer charges as we grow.

Trust and brand awareness are key drivers of a new customer's decision when choosing an investment platform.
We have built a brand which is highly trusted by our customers, and this year, we commenced our multi-year strategy to enhance brand awareness and to continue increasing our share of the growing platform market. This strategy was kick-started with our 'feel good, investing' multi-channel advertising campaign, alongside our new five-year partnership as the title sponsor of the Great Run Series.

Q&A with Michael Summersgill

It has now been five years since AJ Bell's IPO. How do you reflect on this time?

We have achieved significant organic growth in customers and AUA, in line with the strategy set out to investors at the time of the IPO. Over this period, platform AUA has increased by 84% to £70.9 billion and platform customers have risen by 160% to 476,532. This growth has been organic and hasn't required shareholder capital, in fact we have paid £147.5 million in dividends since the IPO.

Key to this growth has been investing in our platform propositions whilst consistently delivering excellent service to our customers, as reflected by our recognition as the Which? Recommended Investment Platform provider for five consecutive years and our market-leading Trustpilot score of 4.8-stars.

This service would not be possible without the dedication of our people. Culture and employee engagement have always been key strengths of the business, and we have maintained this as we continued to grow, achieving a 3-star accreditation in the Best Companies to Work For survey every year since we listed.

Looking ahead to the next five years, I am confident we will deliver on the significant growth opportunities our market continues to present.

How will your platform products drive growth?

I expect AJ Bell and Investcentre, our well-established full-service platform propositions, to continue to be the core drivers of growth. Alongside this, our new simplified products represent a key area of our growth strategy. Dodl, our simplified D2C platform proposition, is aimed at less-experienced investors. Given the success we have seen on our D2C brand work in 2023, we have decided to revitalise Dodl in FY24, so that it is brought much closer to our core AJ Bell branding and delivers an optimised marketing approach. We are confident in the high-quality customer outcomes the product delivers and this change will help to maximise future growth.

We continue to develop Touch, our simplified advised product. This will expand our offering for advisers, helping them to cater for clients looking for a digital service model. We completed a closed beta launch in the year and plan to deliver the initial proposition to market during 2024.

How will you maintain a strong culture?

Maintaining a strong, purpose-led culture is key for me. Our guiding principles are an important tool in fostering the right culture, having been first established around 10 years ago. We have revisited them this year to ensure they continue to reflect who we are as a business. This involved stakeholder engagement which highlighted how deep-rooted our guiding principles are. We have made some changes which are a refinement of the existing framework that has served us well, rather than a fundamental change. These refreshed guiding principles have been embraced by our people who continue to apply them in their roles each day.

Employee share ownership is ingrained in our culture, ensuring staff share in the success of the business. The introduction of our annual all-employee free share scheme will facilitate a continuation of this culture, with the first awards having been made in January 2023.

Business update

Advised

Advised customers	**Advised AUA**
159,256	£48.2 billion
+10%	+8%

Our advised business has performed resiliently during a challenging period for the market, delivering a 13,885 increase in customer numbers and £3.4 billion increase in AUA. This increase was driven by net AUA inflows of £1.9 billion (FY22: £3.3 billion) and £1.5 billion of favourable market movements (FY22: £4.3 billion of adverse market movements). Net AUA inflows were 42% lower than prior year as a result of a moderation in transfer activity as advisers and their clients exercised more caution in the face of ongoing uncertainty in the macroeconomic environment.

We have continued to develop our full-service advised proposition, Investcentre, with a focus on ease of use. This included new dealing functionality which allows advisers to make one-off investments using their customers' model portfolio asset allocation, helping to avoid any unnecessary friction when adding money to portfolios. We have also made significant progress on enhancements to the onboarding journey, due to be rolled out in the first half of FY24, delivering an improved interface mapped to the advice process which streamlines the new business process for advisers.

In the higher interest environment a number of customers are looking for cash-like returns, whilst maintaining the benefits of remaining in their existing tax wrappers and having the flexibility to easily invest in other assets again at a time of their choosing. To support advisers in servicing those customers, we launched the AJ Bell Investments Money Market MPS in November. This product is at a market-leading low-price with no management fees and an ongoing charges figure (OCF) of just 10bps.

We engage with advisers through a range of events and technical support every year. We continued our 'on and off the road' seminars, and hosted our flagship Investival conference in November, which was attended by over 400 financial professionals. This regular communication with advisers allows us to forge strong relationships and earn their trust as a platform provider.

D2C

D2C customers	**D2C AUA**
317,276	£22.7 billion
+13%	+18%

Our D2C business has delivered a strong performance, with a 36,995 increase in customer numbers and a £3.4 billion increase in AUA. This increase was driven by net inflows of £2.3 billion (FY22: £2.5 billion), with over 95% of these net inflows into tax-wrappers and dealing accounts, and £1.1 billion of favourable market movements (FY22: £2.7 billion of adverse market movements).

At the start of the financial year we retired the Youinvest sub-brand, renaming our full-service D2C platform as AJ Bell. This change has helped to drive the strong growth in the year by simplifying the journey for new customers, and improving the effectiveness of our direct marketing activity.

We have continued to focus on making the customer journey easier and have rolled out multiple enhancements to the AJ Bell platform. In November, we introduced the ability to purchase a select list of gilts online in response to increased demand for those instruments in the higher interest rate environment. We also delivered our pension finding service for new and existing customers.

Following the increases in the UK base rate throughout the year, we raised the rates we pay to customers on cash held on the platform. Early in 2024, we will be introducing a higher interest rate on cash held in SIPP drawdown, reflecting the fact that these customers often hold more of their portfolio in cash to fund their short-to-medium term retirement plans, as well as higher rates for SIPP and ISA customers with large cash balances.

We provide high-quality investment content for our D2C customers, covering the latest market trends. In May, we made our weekly Shares magazine free for all D2C customers, and our weekly Money & Markets and Money Matters podcasts provide further market information and expert analysis to support our customers in navigating their investment decisions.

Investments

AUM
£4.7 billion
+68%

Our investments business offers a range of simple, transparent investment solutions at a low cost. In a market where many asset managers are suffering persistent net outflows, the strong performance and low-cost nature of our multi-asset investment solutions continue to attract new assets in both the advised and D2C markets.

The growth has been particularly strong from advised and external platform customers who value the long-term track record of performance our investments have delivered.

Customer services and technology

We provide a high-quality service to our customers, with over 95% of customer calls in the year answered within 20 seconds. This excellent service is reflected in our 4.8-star Trustpilot score, as rated by our D2C customers, and our 95.2% platform customer retention rate.

We continue to invest in our technology to deliver a great customer experience. 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. During the year, we have continued to invest in the resilience of our platform through further investment in our cyber security and disaster recovery capabilities. In addition, we have increased the resource in the change teams in order to improve the speed at which we deliver further enhancements to our platform propositions.

We recognise the significant opportunities that artificial intelligence presents for us to increase our efficiency as a business as well as the risks it presents for customer security. In June, we dedicated engineering and business resources to execute an artificial intelligence hackathon, building several innovative proofs of concept. The output of this process was very encouraging, with lots of initiatives discussed and many ideas generated which we will consider adopting in the future. We will embrace artificial intelligence, with the focus initially on internal, non-customer-facing operations, as part of our efforts to continually improve operational efficiency.

People and culture

As our business continues to grow, it is important that we maintain a strong culture, along with our high levels of staff engagement and wellbeing. It is therefore pleasing to have once again achieved a 3-star accreditation in the 'Best Companies to Work For', and to be recognised as one of the top 20 large companies to work for in the UK.

At the start of FY23 we introduced several enhancements to our pay and benefits package, representing an increase in staff costs of over 10%, including our new free share award scheme for all employees. We remained mindful of the impact of the continuing cost-of-living pressures on our people when considering employee benefits for the forthcoming year. A number of additional enhancements to our pay and benefits package were made, including an average increase in base pay of 5.8% and a further uplift in pension contributions.

As part of our review of the AJ Bell Way, we have refreshed some of our guiding principles and relaunched these to staff across the business, further details of which can be found in our Responsible Employer section.

Our apprenticeship programmes continue to be a huge success, with this year's intake of 34 new digital and investment apprentices being the largest cohort since it was launched in 2017. We were also pleased to have been recognised as the 'Large Employer of the Year' at the North West Apprenticeship Awards. In addition, our commitment to developing our internal talent pipeline was recognised with an 'Outstanding' Ofsted rating following their inspection of our Talent Development Programme which upskills and develops our Team Leaders and Managers through apprenticeships.

We launched the AJ Bell Futures Foundation at the start of the year to develop long-term partnerships with our local communities. It has been great to see staff participating in volunteering activities with both of our partner charities, Smart Works and IntoUniversity, as well as taking up the chance to nominate local charities for donations. Further information on the work of the Foundation can be found in our Responsible Business report.

Regulatory developments

There are a number of ongoing regulatory developments that will impact customers in our market and we continue to engage proactively with Government and regulators on their behalf.

We were well prepared for the implementation of the new Consumer Duty which came into force at the end of July. We are supportive of this development and believe it will be positive for consumers, with an increased focus on value for money and ensuring good customer outcomes. It is disappointing the new Duty does not yet apply to legacy schemes, as the FCA has recently stated savers in older schemes may be at greatest risk of poor value for money.

We are continuing to work with the Government and the FCA on their review of the boundary between advice and guidance, and their exploration of new ways to offer support and guidance to consumers. We believe any new rules should be applicable to new and existing D2C customers and enable firms to deliver solutions that meet the needs of their customer cohorts. An overly prescriptive approach would stifle innovation and risk poor customer outcomes.

ISAs should be a simple, easy-to-use tax-efficient savings vehicle but we now have six variations of ISAs, all aiming to cater for slightly different customer needs, with complicated rules. We have been campaigning for the Government to simplify ISAs by creating a single ISA solution that is easy for consumers to understand and will encourage them to invest more. Whilst some relaxations were announced in the Autumn Statement such as allowing people to subscribe to more than one of the same type of ISA each year, we think this was a missed opportunity to launch a wider consultation with the aim of simplifying ISAs and helping people to invest. Whilst significant change may take some time to achieve, our proposals have been received well both by government and the industry, so we will continue to campaign for further change in this area.

Executive Committee changes

Bruce Robinson stepped down from his role as Company Secretary and Group Legal Services Director, and as a member of the Executive Committee, at the end of September 2023. I would like to thank Bruce for his exceptional service over the last 11 years at AJ Bell and look forward to continuing to work with him in his new role as an Executive Consultant.

Following this, I am pleased to report the internal promotion of Kina Sinclair to the role of Group Legal Services Director and as a member of the Executive Committee with effect from 1 October 2023. Kina joined AJ Bell in July 2018 and brings extensive knowledge of the business alongside her broad commercial law expertise.

As part of the succession plan for Bruce, we have separated the Company Secretary role and are pleased to announce the appointment of Olubunmi Likinyo as Company Secretary with effect from 1 October 2023.

Following the year end Kevin Doran, Managing Director of D2C and Investments, informed the business of his decision to leave. He will therefore be departing AJ Bell in the new year. Kevin has helped us to build a terrific investment business and I would particularly like to thank him for his work in this part of the business. I am pleased to announce that Charlie Musson, our Chief Communications Officer, has taken over as Acting Managing Director D2C. Having worked with Charlie for many years, I look forward to working with him in his new role as we continue to drive our D2C platform propositions forward.

Outlook

Investment platforms play a hugely important role in helping individuals to take control of their long-term investments. At AJ Bell, we operate a scalable platform that provides a high-quality, trusted service to our customers. Our continued investment in our advised and D2C platform propositions means we are well equipped and ready to serve both existing platform customers and new customers seeking to invest in the future.

In the short term, the macroeconomic environment will continue to present some headwinds. However, as we have seen this year, our versatile platform offering enables us to continue delivering robust growth in these conditions and the long-term structural drivers of growth in the UK platform market remain strong. Our aim remains to continue increasing our share of the platform market, which for many years has grown quicker than the broader financial services sector.

Our diversified revenue model means we are well placed to succeed in different macroeconomic conditions. Our philosophy remains to continually re-invest the benefits of our scale to drive long-term growth, ensuring that we offer a great value proposition to customers whilst investing in our brand, technology and people at the levels required to deliver on our long-term growth ambitions.

As a final point, I would like to thank all of our staff; without their ongoing commitment and quality of work our continued success would not be possible.

Michael Summersgill
Chief Executive Officer

6 December 2023

Financial review

"The advantages of our dual-channel model and diversified revenue streams enabled us to deliver a record financial performance in the year."

Overview

Our dual-channel platform achieved robust net inflows of £4.2 billion (FY22: £5.8 billion) and customer growth of 12% (FY22: 16%) in a challenging external environment. Our ability to continue to grow in these circumstances is testament to the quality of our platform propositions.

Our diversified revenue model enabled us to deliver a strong financial performance, with revenue increasing by 33% to £218.2 million (FY22: £163.8 million) and PBT up 50% to £87.7 million (FY22: £58.4 million), whilst investing in our people, propositions and brand to ensure we are well placed to achieve future growth.

Business performance

Customers

Customer numbers increased by 50,813 during the year to a total of 491,402 (FY22: 440,589). This growth has been driven by our platform propositions, with our advised customers up by 10% and our D2C customers increasing by 13%.

Our platform customer retention rate remained high at 95.2% (FY22: 95.5%).

	Year ended 30 September 2023 No.	**Year ended 30 September 2022 No.**
Advised platform	159,256	145,371
D2C platform	317,276	280,281
Total platform	**476,532**	**425,652**
Non-platform	14,870	14,937
Total	**491,402**	**440,589**

Assets under administration

Year ended 30 September 2023

	Advised platform £bn	D2C platform £bn	**Total platform £bn**	Non-platform £bn	**Total £bn**
As at 1 October 2022	44.8	19.3	**64.1**	5.1	**69.2**
Inflows	5.0	4.3	**9.3**	0.2	**9.5**
Outflows	(3.1)	(2.0)	**(5.1)**	(0.3)	**(5.4)**
Net inflows / (outflows)	1.9	2.3	**4.2**	(0.1)	**4.1**
Market and other movements	1.5	1.1	**2.6**	0.2	**2.8**
As at 30 September 2023	48.2	22.7	**70.9**	5.2	**76.1**

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**

We achieved robust total net inflows of £4.1 billion (FY22: £3.8 billion), driven by our platform.

Total advised platform net inflows were £1.9 billion (FY22: £3.3 billion). The year-on-year reduction was driven by a fall in gross inflows to £5.0 billion (FY22: £6.2 billion). There has been a moderation in transfer activity as advisers and their clients exercise more caution in the face of ongoing uncertainty in the macroeconomic environment, whilst existing customer inflows into tax-wrapped products remained stable. Advised outflows in the year increased to £3.1 billion (FY22: £2.9 billion).

Total D2C platform net inflows were £2.3 billion (FY22: £2.5 billion). Gross inflows increased to £4.3 billion (FY22: £3.9 billion) with the increase driven by changes to the annual pension allowance, competitive dynamics and strong inflows from new customers supported by the investments made in our brand. Outflows increased to £2.0 billion (FY22: £1.4 billion) as customers drew down on their investments amidst the cost-of-living pressures.

Non-platform net outflows of £0.1 billion (FY22: £2.0 billion) were significantly lower than FY22 following the closure of the institutional stockbroking business in the prior year.

Favourable market movements contributed £2.8 billion as global equity markets recovered some of the losses experienced in the prior year, when adverse market movements contributed to a £7.4 billion reduction in AUA. This resulted in closing AUA of £76.1 billion (FY22: £69.2 billion).

Assets under management

	Year ended 30 September 2023 £bn	**Year ended 30 September 2022 £bn**
Advised	2.5	1.7
D2C	1.3	1.0
Non-platform	0.9	0.1
Total	**4.7**	**2.8**

Our range of funds and MPSs are highly valued by financial advisers, their clients and our retail customers. Total AUM closed at £4.7 billion (FY22: £2.8 billion), representing a 68% increase in the year. The growth has been particularly strong from our advised customers, as well as a significant increase in AUM from customers investing via external third-party platforms.

Financial performance

Revenue

	Year ended 30 September 2023 £000	**Year ended 30 September 2022 £000**
Recurring fixed	30,666	29,787
Recurring ad valorem	161,152	102,184
Transactional	26,416	31,876
Total	**218,234**	**163,847**

Revenue increased by 33% to £218.2 million (FY22: £163.8 million).

Revenue from recurring fixed fees increased by 3% to £30.7 million (FY22: £29.8 million), primarily due to higher pension administration revenue from our advised platform customers.

Recurring ad valorem revenue grew by 58% to £161.2 million (FY22: £102.2 million). The key driver of this growth was the higher levels of interest generated on cash balances held on the platform following increases to market rates of interest in the year, combined with elevated average cash balances in the first half of the year. Our economies of scale enable us to benefit from these interest rate rises whilst also sharing them with our customers by paying a market-competitive rate on their cash balances. Further information on the impact to revenue of changes to the UK base interest rate has been disclosed in note 25 to the consolidated financial statements. Increased custody fee income as a result of higher average platform AUA also contributed to this revenue growth.

Revenue from transactional fees decreased by 17% to £26.4 million (FY22: £31.9 million). This decrease was due to lower dealing activity levels in the current year, impacted by the macroeconomic environment.

Our overall revenue margin increased by 7.2bps to 29.8bps (FY22: 22.6bps).

Administrative expenses

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Distribution	25,928	14,998
Technology	40,317	32,706
Operational and support	65,769	57,162
Total	**132,014**	**104,866**

Administrative expenses increased by 26% to £132.0 million (FY22: £104.9 million), in line with expectation, as we delivered our planned investment in our people, technology and brand, whilst absorbing some one-off inflationary impacts and supporting sustainable growth. Total staff costs increased by £9.9 million across the business driven by the roll out of a comprehensive new pay and benefits package which took effect on 1 October 2022 and increased headcount to support our growth.

Distribution costs increased by 73% to £25.9 million (FY22: £15.0 million) as we executed our plans to increase investment in our brand. This included our multi-channel ‘feel good, investing’ advertising campaign, and our new partnership as the title sponsor of the AJ Bell Great Run Series.

Technology costs increased by 23% to £40.3 million (FY22: £32.7 million). This increase reflects investment in our proposition development teams, as well as increases to our licensing and external hosting costs.

Operational and support costs increased by 15% to £65.8 million (FY22: £57.2 million). The higher costs were driven by an increase in the average number of employees in order to support our continued growth, as well as the investment in our pay and benefits package for staff. This was partially offset by lower dealing costs in the year as a result of reduced customer dealing activity.

The 26% total increase in the year reflects our investments, as planned, to deliver on our long-term growth plans. In FY24 we expect this growth rate to moderate to around 15% as inflationary pressures settle and we benefit from the operational gearing inherent in our business model, along with a focus on efficiency. The same factors are expected to result in lower levels of cost growth in the medium term.

Profitability and earnings

PBT increased by 50% to £87.7 million (FY22: £58.4 million) whilst PBT margin increased to 40.2% (FY22: 35.6%). The higher margin versus the prior year reflects the higher revenue margin.

Corporation tax for the period has been calculated at a rate of 22.0%, representing the average annual tax rate for the year, as the standard rate of UK corporation tax increased from 19.0% to 25.0% on 1 April 2023. Our effective rate of tax for the period was 22.2% (FY22: 20.0%).

Basic earnings per share rose by 46% to 16.59 pence (FY22: 11.39 pence) 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 46% to 16.53 pence (FY22: 11.35 pence).

Financial position

The Group's financial position remains strong, with net assets totalling £166.0 million (FY22: £133.4 million) as at 30 September 2023 and a return on assets of 41% (FY22: 35%).

Financial resources and regulatory capital position

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

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Total shareholder funds	166,037	133,394
Less: unregulated business capital	(3,675)	(3,718)
Regulatory group shareholder funds	**162,362**	**129,676**
Less: foreseeable dividends	(29,807)	(18,843)
Less: non-qualifying assets	(12,887)	(14,233)
Total qualifying capital resources	**119,668**	**96,600**
Less: capital requirement	(53,930)	(49,252)
Surplus capital	**65,738**	**47,348**
% of capital resource requirement held	222%	196%

During the year, we have continued to maintain a healthy surplus over our regulatory capital requirement and as at the balance sheet date this was 222% (FY22: 196%) of the capital requirement.

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 £120.5 million (FY22: £57.2 million) and held a significant surplus over our basic liquid asset requirement during the period, with our year end balance sheet including cash balances of £146.3 million (FY22: £84.0 million).

Dividend

At half year, the Board declared an interim dividend of 3.50 pence per share (FY22: 2.78 pence per share). This was higher than would have resulted from applying our stated interim dividend policy, to ensure that the growth in interim dividend more closely aligned with the increase in financial performance during the current year.

The full year dividend policy of paying out 65% of statutory profit after tax remains unchanged and therefore the Board has recommended a final dividend of 7.25 pence per share (FY22: 4.59 pence per share), resulting in a total ordinary dividend of 10.75 pence (FY22: 7.37 pence).

Peter Birch
Chief Financial Officer

6 December 2023

Principal risks and uncertainties

The Board is committed to a continual process of improvement and embedment of the risk management framework within the Group. This 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 shorter or longer term.

The principal risks and uncertainties facing the Group are detailed below, along with potential impacts and mitigating actions. The majority of the Group's principal risks and uncertainties' residual risk has remained stable, however the residual risk has increased for information security and financial crime due to the heightened threat landscape in these areas.

Residual risk direction

↑ Increased ↔ Stable ↓ Decreased

Risk	Potential impact	Mitigations
Strategic risk		
Strategic 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. **Residual risk direction** ↔ Stable	• 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.
ESG risk The risk that environmental, social and governance factors could negatively impact the Group, its customers, investors and the wider community. **Residual risk direction** ↔ Stable	• Environmental, physical and transition risks resulting from climate change, which may impact the Group and our customers' assets. • Social risks, include 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 Business Planning Process (BPP). 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's Employee Voice Forum promotes health and wellbeing in and outside of the office. The Group has a robust governance framework.
Operational risk		
Legal and regulatory risk The risk that the Group fails to comply with regulatory and legal standards. **Residual risk direction** ↔ Stable	• Regulatory censure and / or fines, including fines from the FCA and Information Commissioner's Office (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. Where appropriate, the Compliance Monitoring Team conducts reviews to ensure compliance standards have been embedded into the business.
Information security 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. **Residual risk direction** ↑ Increased	• 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. • Failure to maintain or quickly recover operations could lead to intolerable harm to customers and the Group. • The Group could suffer damage to its reputation eroding trust and making it difficult to attract and retain customers, employees, partners, and investors.	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.
Data risk Data risk is defined as the potential threats and vulnerabilities that can compromise the confidentiality, integrity, availability, and compliance of sensitive or valuable data within the Group and its third-party suppliers. This risk encompasses the possibility of unauthorised access, loss, theft, alteration, or exposure of data. **Residual risk direction** ↔ Stable	• Data breaches could adversely impact individuals' data rights and freedoms and could result in fines / censure from regulators, such as the ICO and FCA. • A data breach could result in financial loss due to the cost of investigating the breach, notifying impacted individuals, and implementing remediation measures. • The Group could suffer damage to its reputation, eroding trust and making it difficult to attract and retain customers, employees, partners, and investors.	The Group monitors the adequacy of its data governance framework via the Data Forum. The Group has data protection policies and procedures, security controls to protect data such as encryption, access controls and monitoring. The Group educates employees about data security and the importance of protecting sensitive data. The Group conducts regular data audits to identify and address potential security risks. The Group's Data Protection Officer / CRO provides an assessment of the adequacy of the Group's data protection framework as part of the annual DPO report.
Financial crime risk The risk of failure to protect the Group and its customers from all aspects of financial crime, including anti-money laundering, terror financing, proliferation financing, sanctions restrictions, market abuse, fraud, cyber-crime and the facilitation of tax evasion. **Residual risk direction** ↑ Increased	• 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. • 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.	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 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

	• The Group could suffer damage to its reputation, eroding trust and making it difficult to attract and retain customers, employees, partners, and investors.	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 management risk The risk that a third-party provider materially fails to deliver the contracted services. **Residual risk direction** ↔ Stable	• Loss of service from a third-party 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 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 suppliers and on-site audits are also undertaken.
Technology risk The risk that the design, implementation and management of applications, infrastructure and services fail to meet current and future business requirements. **Residual risk direction** ↔ Stable	• The reliance on evolving technology remains crucial to the Group's effort to develop its services and enhance products. Prolonged underinvestment in technology would 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 affect our ability to attract new customers. • Technology failures may lead to financial or regulatory penalties, and reputational damage.	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 on the resilience of key systems in the event of an interruption to service.
Operational resilience risk	• Failure to maintain or quickly recover operations could lead	The Group has developed a comprehensive operational

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. **Residual risk direction** ↔ Stable	to intolerable harm to customers and the Group. • Operational resilience disruptions may lead to financial or regulatory penalties, and reputational damage.	resilience framework, under the direction of the Operations sub-committee of ExCo. The R&CC and Board also provide oversight. An annual operational resilience self-assessment document is reviewed by the Board and R&CC. The Group's Risk Team also provide a 2nd line of defence review of the operational resilience self-assessment.
Process risk The risk that, due to unexpectedly high volumes, the Group is unable to process work within agreed service levels and / or to an acceptable quality for a sustained period. **Residual risk direction** ↔ Stable	• A decline in the quality of work would 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.	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. 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.
Change risk The risk of potential negative consequences and uncertainties associated with introducing modifications, alterations, or adjustments to established processes or systems. **Residual risk direction** ↔ Stable	• Operational resilience disruptions resulting from crystallisation of change risk may lead to financial or regulatory penalties, and reputational damage. • Change can increase costs if not delivered within budget or introduce complexity to end users due to a lack of compatibility with existing systems. • Reduced quality because of a change can lead to customer dissatisfaction, rework, and additional costs. • An inability to deliver change can result in reputational damage to the Group, making it difficult to attract customers and talent.	All operational and regulatory change is prioritised, captured, and monitored through the Operations sub-committee of ExCo. Technical Change is prioritised, captured, and monitored within Technology Services and through associated Committees. Product Change is managed within the Product areas and overseen by the corresponding Proposition Committee.

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 associated third party or the misconduct of an employee. **Residual risk direction** ↔ Stable	• 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 customers for loss incurred.	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 detection of potentially fraudulent activity. Strong technology controls are in place to identify potential money laundering activity or market abuse.
Conduct / Consumer Outcomes risk The risk that the fair treatment of customers is not central to the Group's corporate culture. **Residual risk direction** ↔ Stable	• Poor conduct could have a negative effect on customer outcomes. • Reputational damage resulting from poor levels of customer service. • The Group may be adversely affected, including regulatory censure or enforcement.	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 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 Group implemented the Consumer Duty in July 2023 which provides higher and clearer standards of consumer protection.
People risk The risk that the Group fails to attract, retain, develop and engage employees who are aligned to the Group's guiding principles.	• Difficulties in recruiting the right people to work for the Group. • Existing employees who are not motivated, do not perform well and may leave the Group. • Talented employees who are not appropriately developed and / or have limited	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.

Residual risk direction ↔ Stable	opportunities to progress are likely to leave the Group. • Resource shortfalls may impact quality and service and could lead to poor service / consumer outcomes and reputational damage.	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. **Residual risk direction** ↔ Stable	• 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 is 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. Enterprise risks are reviewed and monitored through AJBI's Department Risk Forum, with escalation routes to the Investment Proposition Committee (IPC) and Risk & Compliance Committee. Consumer Duty Evidential MI is monitored and reported up through the IPC and Operational Committee. Any trading undertaken on the AJ Bell Funds or in model portfolios is subject to a number of internal controls to minimise the risk of any operational losses.
Financial risk		
Market 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. **Residual risk direction** ↔ Stable	• 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.
Capital risk The risk that the Group does not maintain sufficient capital resources to cover unexpected losses. **Residual risk direction** ↔ Stable	• Inability to cover unexpected losses. • Additional regulatory scrutiny and potential increased regulatory capital resource requirements.	The Group adopts a cautious and controlled approach to managing its capital risk. The Group conducts an Internal Capital and Risk Assessment (ICARA) process aligned with its risk management framework to identify, monitor and mitigate harms. Where harms cannot be mitigated, the Group holds capital to cover potential unexpected losses (its capital resource requirement). The Group's capital risk appetite is to maintain its capital resources at least >125% more than the Group's capital resource requirement.
Credit risk The risk of potential failure of clients, market counterparties or banks used by the Group to fulfil contractual obligations. **Residual risk direction** ↔ Stable	• Unintended market exposure. • Customer detriment.	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. **Residual risk direction** ↔ Stable	• 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 to maintain sufficient cash and 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 2027. 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. The financial forecasts assume that the Bank of England base interest rate has peaked, gradually falling throughout the forecast period, in line with market projections. 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 (Market risk)** – a significant reduction in equity market values, based on the 2008-09 global financial crisis. Asset values fall by 40% in year one, recovering to 20% below the level they were prior to the fall in year two, and remain flat in years three and four.

2) **Macroeconomic (Market 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 (Technology risk, Third-party management 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 one 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 three.

The Board have identified a number of potential management actions that could be taken, the action selected would be dependent upon the nature of the scenario.

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 2023 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 2023. 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 2027.

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

Michael Summersgill

Chief Executive Officer

6 December 2023

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, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approved by the Board on 6 December 2023 and signed on its behalf by:

Olubunmi Likinyo
Company Secretary
4 Exchange Quay
Salford Quays
Manchester
M5 3EE

Consolidated income statement
for the year ended 30 September 2023

	Notes	2023 £000	2022 £000
Revenue	**5**	218,234	163,847
Administrative expenses		(132,014)	(104,866)
Operating profit	**6**	86,220	58,981
Investment income	**8**	2,393	198
Finance costs	**9**	(952)	(768)
Profit before tax		87,661	58,411
Tax expense	**10**	(19,442)	(11,672)
Profit for the financial year attributable to:			
Equity holders of the parent company		**68,219**	**46,739**
Earnings per share			
Basic (pence)	**12**	16.59	11.39
Diluted (pence)	**12**	16.53	11.35

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 2023

	Notes	2023 £000	2022 £000
Assets			
Non-current assets			
Goodwill	13	6,991	6,991
Other intangible assets	14	7,433	8,779
Property, plant and equipment	15	3,809	3,325
Right-of-use assets	16	10,800	12,273
Deferred tax asset	18	484	610
		29,517	31,978
Current assets			
Trade and other receivables	19	58,501	49,436
Current tax receivable		-	38
Cash and cash equivalents	20	146,304	84,030
		204,805	133,504
Total assets		**234,322**	**165,482**
Liabilities			
Current liabilities			
Trade and other payables	21	(52,437)	(15,604)
Current tax liability		(151)	-
Lease liabilities	16	(1,540)	(1,566)
Provisions	22	(1,126)	(519)
		(55,254)	(17,689)
Non-current liabilities			
Lease liabilities	16	(10,866)	(12,395)
Provisions	22	(2,165)	(2,004)
		(13,031)	(14,399)
Total liabilities		(68,285)	(32,088)
Net assets		**166,037**	**133,394**
Equity			
Share capital	23	52	51
Share premium		8,963	8,930
Own shares		(2,377)	(473)
Retained earnings		159,399	124,886
Total equity		**166,037**	**133,394**

The financial statements were approved by the Board of Directors and authorised for issue on 6 December 2023 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 2023

	Share capital £000	Share premium £000	Retained earnings £000	Own shares £000	Total equity £000
Balance at 1 October 2022	51	8,930	124,886	(473)	133,394
Total comprehensive income for the year:					
Profit for the year	-	-	68,219	-	68,219
Transactions with owners, recorded directly in equity:					
Issue of shares	1	33	-	-	34
Dividends paid	-	-	(33,294)	-	(33,294)
Equity settled share-based payment transactions	-	-	(110)	-	(110)
Deferred tax effect of share-based payment transactions	-	-	(88)	-	(88)
Tax relief on exercise of share options	-	-	123	-	123
Share transfer relating to EIP (note 23)	-	-	(96)	96	-
Payment of tax from employee benefit trust	-	-	(241)	-	(241)
Own shares acquired (note 23)	-	-	-	(2,000)	(2,000)
Total transactions with owners	1	33	(33,706)	(1,904)	(35,576)
Balance at 30 September 2023	**52**	**8,963**	**159,399**	**(2,377)**	**166,037**

Consolidated statement of changes in equity (continued)
for the year ended 30 September 2023

	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	-	-	(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**

Consolidated statement of cash flows
for the year ended 30 September 2023

	Notes	2023 £000	2022 £000
Cash flows from operating activities			
Profit for the financial year		68,219	46,739
Adjustments for:			
Investment income		(2,393)	(198)
Finance costs		952	768
Income tax expense		19,442	11,672
Depreciation, amortisation and impairment		4,788	3,643
Share-based payment expense	24	1,103	4,728
Increase/(decrease) in provisions		607	(1,007)
Loss on disposal of property, plant and equipment		16	21
Increase in trade and other receivables		(9,065)	(11,974)
Increase in trade and other payables		36,833	2,839
Cash generated from operations		120,502	57,231
Income tax paid		(19,092)	(11,433)
Net cash flows from operating activities		**101,410**	**45,798**
Cash flows from investing activities			
Purchase of other intangible assets	14	(1,926)	(2,365)
Purchase of property, plant and equipment	15	(1,574)	(1,014)
Interest received		2,393	198
Net cash flows used in investing activities		**(1,107)**	**(3,181)**
Cash flows from financing activities			
Payments of principal in relation to lease liabilities	16	(1,576)	(1,716)
Payment of interest on lease liabilities	16	(952)	(768)
Proceeds from issue of share capital	23	34	272
Purchase of own shares for employee share schemes	23	(2,000)	-
Payment of tax from employee benefit trust		(241)	-
Dividends paid	11	(33,294)	(50,383)
Net cash flows used in financing activities		**(38,029)**	**(52,595)**
Net increase/(decrease) in cash and cash equivalents		**62,274**	**(9,978)**
Cash and cash equivalents at beginning of year	20	84,030	94,008
Total cash and cash equivalents at end of year	20	**146,304**	**84,030**

Notes to the consolidated financial statements
for the year ended 30 September 2023

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 6 December 2023.

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 2023 Annual Report and Financial Statements, which have been approved by the Board of Directors on 6 December 2023. The Auditors have reported on the 2022 and 2023 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.

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
IAS 37	Onerous Contracts: Cost of Fulfilling a Contract (Amendments)	1 January 2022
IAS 16	Property, Plant and Equipment: Proceeds before intended use (Amendments)	1 January 2022
	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 3	Reference to the Conceptual Framework (Amendments)	1 January 2022

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. 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 are paid in 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 and to intangible assets where appropriate, 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 or an intangible asset not yet available for use 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 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 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 2023 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 employee benefit trusts provide for the granting of shares, principally under share option schemes. AJ Bell plc is considered to have control of the trusts and so the assets and liabilities of the trusts are recognised as those of AJ Bell plc.

Shares of AJ Bell plc held by the trusts 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.

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:

	2023 £000	2022 £000
Recurring fixed	30,666	29,787
Recurring ad valorem	161,152	102,184
Transactional	26,416	31,876
	218,234	163,847

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..

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 25.

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:

	2023 £000	2022 £000
Amortisation and impairment of intangible assets	2,055	1,034
Depreciation of property, plant and equipment	1,079	1,019
Depreciation of right-of-use assets	1,654	1,590
Loss on the disposal of property, plant and equipment	16	21
Auditor's remuneration (see below)	1,093	496
Staff costs (see note 7)	64,758	54,887

During the year there was no expenditure in relation to research and development expensed to the income statement (2022: £nil).

Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2023 £000	2022 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	329	155
Fees payable to the Company's auditor for the audit of the Company's subsidiaries' accounts, pursuant to legislation	589	204
Audit-related assurance services	115	89
Other assurance services	60	48
	1,093*	496

* Of which £215,000 relates to the audit for the year ended 2022.

Of the above, audit-related services for the year totalled £1,063,000 (2022: £473,000).

7 Staff costs

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

	2023 No.	2022 No.
Operational and support	856	761
Technology	279	225
Distribution	140	109
	1,275	1,095

Employee benefit expense for the Group during the year:

	2023 £000	2022 £000
Wages and salaries	51,854	41,427
Social security costs	5,846	4,808
Retirement benefit costs	5,937	3,857
Termination benefits	18	67
Share-based payments (note 24)	1,103	4,728
	64,758	54,887

In addition to the above, £1,919,000 staff costs (2022: £1,315,000) have been capitalised as an internally generated intangible asset (see note 14).

8 Investment income

	2023 £000	2022 £000
Interest income on cash balances	2,393	198

9 Finance costs

	2023 £000	2022 £000
Interest on lease liabilities	952	768

10 Taxation

Tax charged in the income statement:

	2023 £000	2022 £000
Current taxation		
UK Corporation Tax	19,750	11,855
Adjustment to current tax in respect of prior periods	(346)	(238)
	19,404	11,617
Deferred taxation		
Origination and reversal of temporary differences	(170)	62
Adjustment to deferred tax in respect of prior periods	341	45
Effect of changes in tax rates	(133)	(52)
	38	55
Total tax expense	19,442	11,672

Corporation Tax is calculated at 22% of the estimated assessable profit for the year to 30 September 2023 (2022: 19%).

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

	2023 £000	2022 £000
Deferred tax relating to share-based payments (note 18)	88	275
Current tax relief on exercise of share options	(123)	(171)
	(35)	104

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

	2023 £000	2022 £000
Profit before tax	87,661	58,411
UK Corporation Tax at 22% (2022: 19%):	19,293	11,098
Effects of:		
Expenses not deductible for tax purposes	(22)	669
Income not taxable in determining taxable profit	(16)	(86)
Amounts not recognised	325	236
Effect of rate changes to deferred tax	(133)	(52)
Adjustments to current and deferred tax in respect of prior periods	(5)	(193)
	19,442	11,672
Effective tax rate	22.2%	20.0%

Deferred tax has been recognised at 25%, being the rate expected to be in force at the time of the reversal of the temporary difference (2022: 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 2023.

11 Dividends

	2023 £000	2022 £000
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the year ended 30 September 2022 of 4.59p (2021: 4.50p per share)	18,893	18,460
Special dividend for the year ended 30 September 2022 of nil (2021: 5.00p per share)	-	20,511
Interim dividend for the year ended 30 September 2023 of 3.50p (2022: 2.78p per share)	14,401	11,412
Total dividends paid on equity shares	33,294	50,383
Proposed final dividend for the year ended 30 September 2023 of 7.25p (2022: 4.59p) per share	29,807	18,843

A final dividend declared of 7.25p per share is payable on 9 February 2024 to shareholders on the register on 12 January 2024. The ex-dividend date will be 11 January 2024. The final dividend is subject to approval by the shareholders at the Annual General Meeting on 30 January 2024 and has not been included as a liability within these financial statements.

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

The employee benefit trusts, which held 1,082,343 ordinary shares (2022: 567,100) in AJ Bell plc at 30 September 2023, have agreed to waive all dividends. This represented 0.3% (2022: 0.1%) of the Company's called-up share capital. The maximum amount held by the trusts during the year was 1,082,343.

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 weighted average number of anti-dilutive share options and awards excluded from the calculation of diluted earnings per share was 148,995 as at 30 September 2023 (FY22: 201,774).

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

	2023	**2022**
	£000	**£000**
Earnings		
Earnings for the purposes of basic and diluted earnings per share being profit attributable to the owners of the Parent Company	68,219	46,739

	2023	**2022**
	No.	**No.**
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS in issue during the year	411,242,458	410,248,095
Effect of potentially dilutive share options	1,405,191	1,485,721
Weighted average number of ordinary shares for the purposes of fully diluted EPS	412,647,649	411,733,816

	2023	**2022**
Earnings per share (EPS)		
Basic (pence)	16.59	11.39
Diluted (pence)	16.53	11.35

13 Goodwill

	2023 £000	2022 £000
Cost		
As at 1 October and 30 September	7,103	7,103
Impairment		
As 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 two-year period.

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 9.5% (2022: 20%) has been used to assess the expected growth in revenue for the two-year forecast period. This is based on a combination of historical and expected future performance;

- benefits realised from our economies of scale are passed onto customers in the form of price reductions; 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 8.6% (2022: 8.1%).

The pre-tax discount rate has been calculated using an independent external source. 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 2023 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 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
Additions	706	-	7	713
Disposals	-	-	(36)	(36)
At 30 September 2023	15,136	-	7,007	22,143
Amortisation				
As at 1 October 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
Amortisation and impairment	337	-	1,718	2,055
Eliminated on disposal	-	-	(32)	(32)
At 30 September 2023	7,865	-	6,845	14,710
Carrying amount				
At 30 September 2023	7,271	-	162	7,433
At 30 September 2022	6,902	-	1,877	8,779
At 30 September 2021	4,490	-	1,524	6,014
Average remaining amortisation period	2 years		Nil	

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

Additions include an amount of £706,000 relating to internally generated assets for the year ended 30 September 2023 (2022: £3,556,000).

Total additions in the period are net of a credit of £1,213,000 related to the reversal of capitalised share-based payment expenses (2022: additions of £1,434,000). The reversal recognised in the period is due to a change in estimate regarding the expected vesting of milestones relating to the earn-out arrangement (note 24).

The net carrying amount of key operating systems includes £6,430,000 (2022: £5,724,000), relating to assets in development which are currently not amortised. At the year end, the Group had not entered into any contractual commitments (2022: £103,000) for the acquisition of intangible assets.

15 Property, plant and equipment

	Leasehold improvements £000	Office equipment £000	Computer equipment £000	Total £000
Cost				
At 1 October 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
Additions	186	42	1,346	1,574
Disposals	-	(9)	(241)	(250)
At 30 September 2023	2,387	1,008	7,374	10,769
Depreciation				
At 1 October 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
Charge for the year	174	58	847	1,079
Eliminated on disposal	-	(9)	(230)	(239)
At 30 September 2023	996	917	5,047	6,960
Carrying amount				
At 30 September 2023	1,391	91	2,327	3,809
At 30 September 2022	1,379	107	1,839	3,325
At 30 September 2021	1,537	157	1,657	3,351

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

At the year end, the Group had not entered into contractual commitments for the acquisition of property, plant and equipment (2022: £471,000).

Computer equipment includes assets under construction of £68,000 (2022: £37,000) 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 2021	16,158	252	16,410
Additions	538	-	538
At 30 September 2022	16,696	252	16,948
Additions	161	21	182
Disposals	-	(6)	(6)
At 30 September 2023	16,857	267	17,124
Depreciation			
At 1 October 2021	2,940	145	3,085
Charge for the year	1,541	49	1,590
At 30 September 2022	4,481	194	4,675
Charge for the year	1,617	37	1,654
Disposals	-	(5)	(5)
At 30 September 2023	6,098	226	6,324
Carrying amount			
At 30 September 2023	10,759	41	10,800
At 30 September 2022	12,215	58	12,273
At 30 September 2021	13,218	107	13,325

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 £161,000 relating to the increase in the Group's dilapidation provision (2022: £455,000) (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**

	2023 £000	2022 £000
Current	1,540	1,566
Non-current	10,866	12,395
	12,406	13,961

The undiscounted maturity analysis of lease liabilities is shown below:

	2023 £000	2022 £000
Within one year	2,384	2,517
In the second to fifth years inclusive	8,216	8,579
After five years	5,525	7,533
Total minimum lease payments	16,125	18,629

The total lease interest expense for the year ended 30 September 2023 was £952,000 (2022: £768,000). Principal cash outflow for leases accounted for under IFRS 16 for the year ended 30 September 2023 was £1,576,000 (2022: £1,716,000).

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

	2023 £000	2022 £000
Deferred tax asset	999	906
Deferred tax liability	(515)	(296)
	484	610

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 2021	(199)	990	149	-	940
(Charge)/credit to income statement	(97)	31	11	-	(55)
Charge to equity	-	(275)	-	-	(275)
At 30 September 2022	(296)	746	160	-	610
(Charge)/credit to income statement	(219)	80	101	-	(38)
Charge to equity	-	(88)	-	-	(88)
At 30 September 2023	(515)	738	261	-	484

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 2023.

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 2023, deferred tax assets have not been recognised on trading losses of £5,524,000 (2022: £4,051,000).

19 Trade and other receivables

	2023 £000	2022 £000
Trade receivables	2,613	2,207
Prepayments	8,861	6,824
Accrued income	33,662	21,960
Other receivables	13,365	18,445
	58,501	49,436

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 £1,081,000 (2022: £984,000) relating to contract assets, a movement of £97,000 (2022: £6,000) during the year due to increased revenues.

The ageing profile of trade receivables was as follows:

	2023 £000	2022 £000
Current – not past due	1,137	747
Past due:		
0 to 30 days	476	886
31 to 60 days	279	116
61 to 90 days	173	39
91 days and over	1,341	1,024
	3,406	2,812
Provision for impairment	(793)	(605)
	2,613	2,207

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

	2023 £000	2022 £000
Opening loss allowance as at 1 October	605	524
Loss allowance recognised	254	174
Receivables written off during the year as uncollectable	(8)	(21)
Unused amount reversed	(58)	(72)
Balance at end of year	793	605

20 Cash and cash equivalents

	2023 £000	2022 £000
Group cash and cash equivalent balances	146,304	84,030

Cash and cash equivalents at 30 September 2023 and 30 September 2022 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

	2023 £000	2022 £000
Trade payables	960	138
Social security and other taxes	3,453	2,151
Other payables	859	678
Accruals	45,043	10,428
Deferred income	2,122	2,209
	52,437	15,604

Trade payables, accruals and deferred income principally comprise amounts outstanding for trade purposes including payment of interest to customers and ongoing costs of the business. 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 income 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 2023 is expected to be recognised as revenue in the coming year.

22 Provisions

	Office dilapidations £000	Other provision £000	Total £000
At 1 October 2022	2,004	519	2,523
Additional provisions	161	778	939
Provisions used	-	(171)	(171)
At 30 September 2023	2,165	1,126	3,291
Included in current liabilities	-	1,126	1,126
Included in non-current liabilities	2,165	-	2,165

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 £161,000 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, the costs associated with defending a legal case and compensation required to settle a small number of disputed claims. There is some uncertainty regarding the amount and timing of the outflows required to settle the obligations; therefore a best estimate has been made by assessing a number of different outcomes considering the potential areas and time periods at risk and any associated interest. The timings of the outflows are uncertain and could be paid within 12 months of the date of the statement of financial position, subject to the timing of a final resolution.

23 Share capital

Issued, fully-called and paid:	2023 Number	2022 Number	2023 £	2022 £
Ordinary shares of 0.0125p each	**412,211,306**	411,091,634	**51,526**	51,386

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	31,462	33
Exercise of EIP options	Ordinary shares of 0.0125p each	530,303	-
Free shares	Ordinary shares of 0.0125p each	557,907	-
		1,119,672	33

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

As at 30 September 2023, the Group held 1,082,343 in own shares in employee benefit trusts to satisfy future share incentive plans. Shares held by the Trust are held at £2,377,000 (2022: £473,000) being the price paid to repurchase, and the carrying value is shown as a reduction within shareholders' equity.

During the year, 631,151 ordinary own shares were purchased through AJ Bell's employee benefit trust in exchange for consideration of £2,000,000 (2022: £nil). 115,908 EIP options were exercised and issued from the employee benefit trusts in the year.

The costs of operating the trusts are borne by the Group but are not material. The trusts 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 £60,000. 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, free shares up to a maximum value of £2,000 have been offered to all employees who were employed by the Company at 30 September 2022 (2022: 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 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.

Senior Manager Incentive Plan (SMIP)

The SMIP 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 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 conditions included within the arrangement are not considered market conditions and therefore the expected vesting is reviewed at each reporting date.

Movements during the year

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

CSOP	2023 Number	2023 Weighted Average Exercise Price £	2022 Number	2022 Weighted Average Exercise Price £
Outstanding at the beginning of the year	1,101,893	3.90	1,015,763	3.23
Granted during the year	223,167	3.73	461,744	3.73
Forfeited during the year	(1,111,523)	3.94	(108,611)	4.05
Exercised during the year	(31,462)	1.04	(267,003)	1.02
Outstanding at the end of the year	182,075	3.91	1,101,893	3.90
Exercisable at the end of the year	39,339	3.94	31,462	1.04

The lowest exercise price for share options outstanding at the end of the period was 298p (2022: 104p) and the highest exercise price was 434p (2022: 434p). The weighted average remaining contractual life of share options outstanding at the end of the period was 7.6 years (2022: 8.3 years).

OTB - Growth Shares	2023 Number	2023 Weighted Average Exercise Price £	2022 Number	2022 Weighted Average Exercise Price £
Outstanding at the beginning of the year	1,166,131	0.63	3,192,268	0.63
Vested	-	-	(2,026,137)	0.63
Outstanding at the end of the year	1,166,131	0.63	1,166,131	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. 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 0.2 years (2022: 1.2 years).

EIP	2023 Number	2023 Weighted Average Exercise Price £	2022 Number	2022 Weighted Average Exercise Price £
Outstanding at beginning of the year	1,615,868	0.000125	1,487,313	0.000125
Granted during the year	912,833	0.000125	736,015	0.000125
Exercised during the year	(646,211)	0.000125	(495,550)	0.000125
Lapsed during the year	(207,298)	0.000125	(111,910)	0.000125
Outstanding at the end of the year	1,675,192	0.000125	1,615,868	0.000125
Exercisable at the end of the year	349,055	0.000125	565,636	0.000125

The weighted average remaining contractual life of EIP shares outstanding at the end of the period was 8.3 years (2022: 8 years).

SMIP initiative	2023 Number	2023 Weighted Average Exercise Price £
Outstanding at beginning of the year	-	-
Granted during the year	3,999	0.000125
Outstanding at the end of the year	3,999	0.000125
Exercisable at the end of the year	-	-

CSR initiative	2023 Number	2023 Weighted Average Exercise Price £	2022 Number	2022 Weighted Average Exercise Price £
Outstanding at beginning of the year	1,662,510	4.01	2,493,766	4.01
Forfeited during the year	(332,502)	4.01	(831,256)	4.01
Outstanding at the end of the year	1,330,008	4.01	1,662,510	4.01
Exercisable at the end of the year	498,753	4.01	-	-

The weighted average remaining contractual life of CSR options outstanding at the end of the period was 6.2 years (2022: 7.2 years).

Weighted average share price of options exercised.

The weighted average share price of all options exercised during the year was £3.46 (2022: £3.67).

Earn-out arrangement

	2023		2022	
	Number	Weighted Average Exercise Price £	Number	Weighted Average Exercise Price £
Shares granted during the year	-	-	155,974	3.15

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	09/12/2022	09/12/2022	09/12/2022
Number of shares under option	425,873	121,478	365,482
Fair value of share from generally accepted business model (£)	3.54	3.40	3.33
Share price (£)	3.61	3.61	3.61
Exercise price of an option (£)	0.000125	0.000125	0.000125
Expected volatility	36.90%	35.09%	35.09%
Expected dividend yield	2.04%	2.04%	2.04%
Risk-free interest rate	3.15%	3.18%	3.22%
Expected option life to exercise (months)	12	36	48

CSOP

Grant date	08/12/2022
Number of shares under option	223,167
Fair value of share option from generally accepted business model (£)	0.82
Share price (£)	3.61
Exercise price of an option (£)	3.73
Expected volatility	35.09%
Expected dividend yield	2.04%
Risk-free interest rate	3.18%
Expected option life to exercise (months)	36

SMIP

Grant date	08/02/2023
Number of shares under option	3,999
Fair value of share option from generally accepted business model (£)	3.25
Share price (£)	3.46
Exercise price of an option (£)	0.000125
Expected volatility	14.79%
Expected dividend yield	2.13%
Risk-free interest rate	3.15%
Expected option life to exercise (months)	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 total share-based payment expense of £1,103,000 (2022: £4,728,000), inclusive of a £1,213,000 reversal of capitalised share-based payment expense (2022: capitalised £1,434,000) within the statement of financial position.

The reversal recognised in the period is due to a change in estimate regarding the expected vesting dates of milestones relating to the earn-out arrangement. Under the terms of the earn-out arrangement, 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. 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.

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:

	2023 Amortised cost £000	2023 Financial liabilities £000	2023 Carrying value £000	2022 Amortised cost £000	2022 Financial liabilities £000	2022 Carrying value £000
Financial assets						
Trade receivables	2,613	-	2,613	2,207	-	2,207
Accrued income	33,662	-	33,662	21,960	-	21,960
Other receivables	13,365	-	13,365	18,445	-	18,445
Cash and cash equivalents	146,304	-	146,304	84,030	-	84,030
	195,944	**-**	**195,944**	**126,642**	**-**	**126,642**
Financial liabilities						
Trade and other payables	-	46,030	46,030	-	10,598	10,598
Lease liabilities	-	12,406	12,406	-	13,961	13,961
	-	**58,436**	**58,436**	-	**24,559**	**24,559**

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:

	2023 £000	2022 £000
+ 25 bps (0.25%)	293	191
- 25 bps (0.25%)	(293)	(154)

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 1.15% below and 0.15% above the prevailing base rate) and amounts paid away to customers.

The impact of a 50bps 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 50bps higher or lower for the year.

	2023 £000	2022 £000
+ 50 bps (0.50%)	-	11,827
- 50 bps (0.50%)	-	(12,759)

In FY23, movements in the UK base interest rate would not have impacted the retained interest income earned by the Group, as any increases or decreases to the UK base interest rate when it is at higher levels would be passed to customers in the form of higher or lower pay away rates respectively.

Conversely, in FY22 a 50bps increase would result in an additional £11.8m retained interest income, as the majority of the increased gross interest income earned would be retained by the Group to rebuild revenue margins when UK base is at low levels. A 50bps decrease would result in a reduction of £12.8m with the reduction in gross interest income earned being absorbed by the Group. At low levels of UK base rate it would not be possible to reduce the pay away rates significantly as they would already be at low levels.

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.

	2023 £000	2022 £000
+ 10% higher	6,341	5,846
- 10% lower	(6,341)	(5,846)

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, NatWest Markets plc, Santander UK 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
2023				
Trade and other payables	46,030	-	-	46,030
Lease liabilities	2,384	8,216	5,525	16,125
	48,414	8,216	5,525	62,155
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

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 £166,037,000 (2022: £133,394,000).

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.

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	Annual management charge	Management charge receivable at 30 September
			£m	£000	£000
2023	OEIC	9	2,426.6	2,859	280
2022	OEIC	9	1,465.5	1,816	369

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 trade and other 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

2023	1 October 2022 £000	Cashflows £000	Change in lease liability £000	30 September 2023 £000
Lease liabilities	13,961	**(1,576)**	**21**	12,406
Total liabilities from financing activities	**13,961**	**(1,576)**	**21**	**12,406**

2022	1 October 2021 £000	Cashflows £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**

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.

The remuneration expense of key management personnel is as follows:

	2023 £000	2022 £000
Short-term employee benefits (excluding NI)	2,893	2,779
Retirement benefits	66	114
Share-based payment	1,484	2,389
	4,443	**5,282**

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 £163,000 (2022: £11,743,000) 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 £469,000 (2022: £772,000).

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 nil (2022: £298,000) 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 M T Summersgill and Mr R Stott are directors and shareholders of both AJ Bell plc and EQ Property Services Limited, Mr A J Bell is a shareholder of both AJ Bell plc and 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 £2,009,000 (2022: £1,826,000 per annum).

At the reporting date, there is no payable outstanding (2022: £nil) with EQ Property Services Limited.

Andy Bell consultancy

On 1 October 2022 Andy Bell stepped down as CEO into a consultancy role for the Group, and remains a significant shareholder of AJ Bell plc. In his capacity as a consultant, he was paid £157,000 (2022: £nil).

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
AJBI	AJ Bell Investments
AJBIC	AJ Bell Investcentre
BAYE	Buy as you earn
BBSL	Blythe Business Services Limited
Board, Directors	The Board of Directors of AJ Bell plc
BPP	Business Planning Process
BPS	Basis points
CAM	Combined Assurance Model
CASS	Client Assets Sourcebook
CBT	Computer-Based Training
CDP	Carbon Disclosure Project
CGU	Cash Generating Unit
CODM	Chief Operating Decision Maker
CSOP	Company Share Option Plan
CSR	Corporate Social Responsibility
CTP	Competitive Tender Process
DC	Defined Contribution
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
EPS	Earnings Per Share
ERC	Executive Risk Committee
ESG	Environmental, Social and Governance
EVF	Employee Voice Forum
EVIC	Enterprise Value Including Cash
ExCo	Executive Committee (formerly EMB)
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FRS	Financial Reporting Standards
FTE	Full Time Equivalent
FTSE	The Financial Times Stock Exchange
FX	Foreign Exchange
GHG	Greenhouse Gas
HMRC	His Majesty's Revenue and Customs
HR	Human Resources

ICARA	Internal Capital and Risk Assessment
ICO	Information Commissioner's Office
IFRIC	International Financial Reporting Interpretations Committee
IFPR	Investment Firm Prudential Regime
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
ISA	Individual Savings Account
ISO	International Organisation for Standardisation
ISSB	International Sustainability Standards Board
IT	Information Technology
KOS	Key Operating System
KPI	Key Performance Indicator
KRI	Key Risk Indicator
LISA	Lifetime ISA
MiFID	Markets in Financial Instruments Directive
MIFIDPRU	Prudential Sourcebook for MiFID Investment Firms
MPS	Managed Portfolio Service
MSCI	Morgan Stanley Capital International
NGFS	Network for Greening the Financial System
OCF	Ongoing Charges Figure
OEIC	Open-Ended Investment Company
OTB	Option To Buy
PBT	Profit Before Tax
PCAF	Partnership for Carbon Accounting Financials
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
SSAS	Small Self-Administered Scheme
TCFD	Task Force on Climate-related Financial Disclosures
WACI	Weighted Average Carbon Intensity

Definitions

Ad valorem	According to value
AUA	Assets Under Administration
AUM	Asset Under Management
Customer retention rate	The customer retention rate is the average number of funded platform customers during the financial year that remain funded at the year end
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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