AJBell
Holdings Limited

Building a platform for growth

Interim Report | 2010

Contents

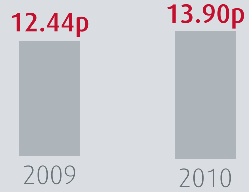
Highlights to 31 March 2010

Profit before tax

Increased by **4%** from £7.17 million to £7.49 million

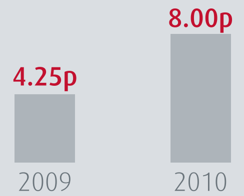
Diluted earnings per share

Increased by **12%** from 12.44 pence to 13.90 pence



Interim dividend

Increased by **88%** from 4.25 pence to 8.00 pence

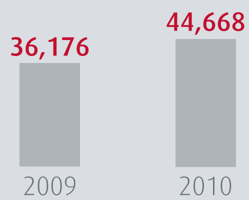


Total assets under administration

Increased by **50%** from £8.4 billion to £12.6 billion

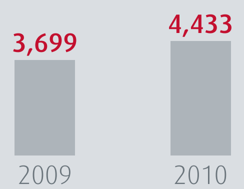
Number of SIPPs administered

Increased by **23%** from 36,176 to 44,668



Net new SIPPs written*

Increased by **20%** from 3,699 to 4,433



*Net new SIPPs written is the number of SIPPs written less closures as a result of death, annuity purchase, transfer out or cancellation.

Joint statement from the Chairman and Chief Executive

Jim Martin
Chairman

Andy Bell
Chief Executive

We are pleased to announce our interim results for the first six months' trading of the current financial year. Whilst revenue has decreased by 7% to £17.01 million from £18.31 million, profit before tax has increased by 4% to £7.49 million from £7.17 million. Diluted earnings per share has increased by 12% to 13.90 pence per share from 12.44 pence per share. This has enabled us to declare an interim dividend of 8.00 pence, compared to 4.25 pence in the equivalent period last year. Following the completion of the current dividend cycle for this financial year, our dividend policy will return to a more typical split between interim and final. This year's cycle has been distorted by an early payment of the interim dividend due to the change to income tax rates.

It is important to view these interim results in the context of our overall growth over a number of years, rather than as a comparison to the exceptional results from the last financial year. In the three years since the end of March 2007, we have seen SIPP assets under administration increase organically by 105% and the number of SIPP clients increase by 81%.

The key driver of our business, total assets under administration, has increased in the first six months by 13% to £12.6 billion from £11.2 billion. This growth has been driven by a combination of increased underlying asset values and an increase in the number of SIPP clients.

The SIPP market continues to go from strength to strength and our distinct reputation for service, value and functionality means that we continue to be ideally placed to benefit from further growth in this market. Pension assets under administration increased in the six months by 14% to £8.4 billion from £7.4 billion. This growth was driven by SIPPs, where assets under administration have increased by 15% to £7.8 billion from £6.8 billion.

As at the end of the first six months of this financial year, the number of SIPPs we administered increased by 11% to 44,668 from 40,235 as at 30 September 2009. Net new SIPPs written in the current period were up by 20% to 4,433 from 3,699 in the same period last year.

In the half year to 31 March 2010, SIPP contributions decreased by 21% to £170 million from £215 million although this was more than compensated for by the increase in the value of transfers received, up 32% to £847 million from £641 million. We may be seeing the first signs of the long term decline in pension saving as a result of the restriction of higher rate tax relief on pension contributions for high earners. However, the SIPP market has always been far more reliant on transfers than contributions and there are still many of our SIPP customers who are not affected by these new rules and will continue to contribute to their SIPP.

Joint statement from the Chairman and Chief Executive cont.

The SSAS business remains stable with 646 SSASs as at 31 March 2010 representing £0.6 billion of assets under administration, broadly unchanged from the start of this financial year.

The 11% increase in institutional stockbroking assets under administration over the first six months, to £4.2 billion from £3.8 billion, is predominantly due to an increase in underlying asset values.

Whilst the interest rate environment played a large part in the success achieved in the last financial year, we are particularly pleased with these interim results given that interest rates have remained at a record low throughout the current period.

We aggressively repriced Sippdeal in December 2009 reducing online dealing commission to a flat £9.95. Sippdeal has no establishment fees making it "the best buy for share-based investors" according to a leading Financial Times journalist. The repricing has been accompanied by an increased marketing effort that is beginning to generate new business for this product.

We continue to invest heavily in the future of the business, including the development of our range of non-pension products such as ISAs and personal dealing accounts. These will complement our existing SIPP products distributed under our Sippdeal and Sippcentre brands. We hope to launch these new products later this year.

We intend to expand our institutional stockbroking services in the coming months, introducing a fully integrated front office and custody administration solution for wealth managers. This will allow those clients to focus on delivering their core skill in providing advice and investment management whilst we provide front office systems support and operational services.

The political and economic situation will undoubtedly impact on our clients' ability and desire to save. Not only will we be subject to the challenges of this new environment but also those posed by the fiscal deficit reduction programme. The Retail Distribution Review is now taking shape and the next phase of this will hopefully clarify many of the questions it has raised.

The outlook for the second half of the financial year remains positive and despite the many external challenges that face us, our ability to innovate and challenge convention will provide us with a greater opportunity to excel. Finally, our thanks go to our dedicated staff whose combined determination, skill and enthusiasm continues to underpin our growth and success.

Jim Martin
Chairman

16 June 2010

Andy Bell
Chief Executive

16 June 2010

Unaudited condensed consolidated income statement

For the six months ended 31 March 2010

	Notes	Unaudited Six months ended 31 March 2010 £'000	Unaudited Six months ended 31 March 2009 £'000	Audited Year ended 30 September 2009 £'000
REVENUE		17,010	18,307	38,491
Cost of sales		(478)	(838)	(1,673)
GROSS PROFIT		16,532	17,469	36,818
Administrative expenses		(9,082)	(8,835)	(17,886)
Impairment of other intangible asset		-	(1,538)	(2,634)
OPERATING PROFIT		7,450	7,096	16,298
Net finance income		39	77	122
PROFIT BEFORE INCOME TAX		7,489	7,173	16,420
Income tax expense	3	(1,881)	(2,176)	(4,882)
Profit for the period attributable to equity holders of the parent		5,608	4,997	11,538
Earnings per ordinary share:				
Basic (pence)	4	14.19	12.79	29.33
Diluted (pence)	4	13.90	12.44	28.71

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

There were no other components of income or expense recognised in any period and consequently no Consolidated Statement of Comprehensive Income has been presented.

Unaudited condensed consolidated statement of financial position

As at 31 March 2010

	Notes	Unaudited 31 March 2010 £'000	Unaudited 31 March 2009 £'000	Audited 30 September 2009 £'000
ASSETS				
Non-current assets:				
Goodwill		420	420	420
Other intangible assets	5	2,402	2,285	2,256
Property, plant and equipment		952	979	1,049
Deferred tax asset		245	-	167
		4,019	3,684	3,892
Current assets:				
Trade and other receivables		6,554	4,633	5,637
Client receivables		26,560	11,152	35,242
Cash and cash equivalents		11,867	10,397	14,528
Clients' settlement cash balances		6,878	1,896	3,823
		51,859	28,078	59,230
Total assets		55,878	31,762	63,122
LIABILITIES				
Current liabilities				
Trade and other payables		(3,020)	(3,916)	(5,451)
Client payables		(32,916)	(13,028)	(37,905)
Obligations under finance leases		(14)	(21)	(22)
Current tax liabilities		(2,394)	(2,126)	(2,368)
Provisions		(63)	(152)	(82)
		(38,407)	(19,243)	(45,828)
Non-current liabilities:				
Obligations under finance leases		(6)	(9)	(10)
Provisions		(77)	(67)	(72)
Other payables		(25)	(31)	(28)
Deferred tax liabilities		-	(351)	-
		(108)	(458)	(110)
Total liabilities		(38,515)	19,701	45,938
Net assets		17,363	12,061	17,184
EQUITY				
Share capital	6	39	39	39
Share premium	6	226	198	198
Share option reserve		357	22	279
Retained earnings		16,741	11,802	16,668
Total equity attributable to equity holders of the parent		17,363	12,061	17,184

The unaudited condensed financial statements were approved by the board of directors on 16 June 2010 and were signed on its behalf by:

Stuart Dootson
Director and company secretary
16 June 2010

Unaudited condensed consolidated statement of changes in equity

For the six months ended 31 March 2010

	Notes	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2008		39	155	18	9,346	9,558
Total comprehensive income:						
Profit for the period		-	-	-	4,997	4,997
Transactions with owners, recorded directly in equity:						
Issue of share capital		-	43	-	-	43
Dividend to equity holders	7	-	-	-	(2,541)	(2,541)
Share-based payment expense		-	-	4	-	4
Total transactions with owners		-	43	4	(2,541)	(2,494)
Balance at 31 March 2009		39	198	22	11,802	12,061
Balance at 1 October 2009		39	198	279	16,668	17,184
Total comprehensive income:						
Profit for the period		-	-	-	5,608	5,608
Transactions with owners, recorded directly in equity:						
Issue of share capital	6	-	28	-	-	28
Dividend to equity holders	7	-	-	-	(5,535)	(5,535)
Share-based payment expense	8	-	-	15	-	15
Deferred tax on share-based payment expense	3	-	-	3	-	3
Tax relief on exercise of share options	3	-	-	60	-	60
Total transactions with owners		-	28	78	(5,535)	(5,429)
Balance at 31 March 2010		39	226	357	16,741	17,363

Unaudited condensed consolidated statement of cashflows

For the six months ended 31 March 2010

	Notes	Unaudited Six months ended 31 March 2010 £'000	Unaudited Six months ended 31 March 2009 £'000	Audited Year ended 30 September 2009 £'000
NET CASH FROM OPERATING ACTIVITIES	9	6,391	8,951	18,210
Investing activities				
Purchase of other intangible assets	5	(427)	(891)	(2,388)
Purchase of property, plant and equipment		(96)	(545)	(613)
Interest received		46	90	140
Net cash used in investing activities		(477)	(1,346)	(2,861)
Financing activities				
Payment of obligations under finance leases		(13)	(72)	(83)
Proceeds from issue of share capital	6	28	43	43
Dividends paid	7	(5,535)	(2,541)	(4,216)
Net cash used in financing activities		(5,520)	(2,570)	(4,256)
Net increase in cash and cash equivalents		394	5,035	11,093
Cash and cash equivalents at beginning of period		18,351	7,258	7,258
Total cash and cash equivalents at end of period		18,745	12,293	18,351
Comprising:				
Clients' settlement cash balances		6,878	1,896	3,823
Group cash and cash equivalents		11,867	10,397	14,528
Total cash and cash equivalents		18,745	12,293	18,351

Notes to the unaudited condensed consolidated financial statements

For the six months ended 31 March 2010

1. General information

The statutory accounts for the financial year ended 30 September 2009 have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (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 section 498 (2) or (3) of the Companies Act 2006.

2. Significant accounting policies

The condensed set of financial statements included in this half yearly financial report have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 30 September 2009.

Except as described below, the accounting policies applied by the Group in these condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 30 September 2009.

Presentation of financial statements

The Group applies IAS 34 "Interim Financial Reporting" as amended by IAS 1. This standard sets out the overall requirements for the presentation of interim financial statements, guidelines for their structure and minimum requirements for their content. As a result, the Group is now required to present a Consolidated Statement of Changes in Equity, showing all owner changes in equity. However, it has not changed the recognition, measurement or disclosure of specific transactions and other events required by IFRS.

Notes to the unaudited condensed consolidated financial statements cont.

For the six months ended 31 March 2010

3. Income tax expense

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

	Six months ended 31 March		Year ended 30 September
	2010	2009	2009
	£'000	£'000	£'000
Current tax	1,992	2,218	5,282
Adjustment to current tax in respect of prior periods	(36)	6	-
Deferred tax	120	(48)	(382)
Adjustment to deferred tax in respect of prior periods	(195)	-	(18)
Tax charge per income statement	1,881	2,176	4,882

Corporation tax is calculated at 28% of the estimated assessable profit for the period (2009: 28%).

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

	Six months ended 31 March		Year ended 30 September
	2010	2009	2009
	£'000	£'000	£'000
Deferred tax relating to share-based payments	3	-	166
Current tax relief on exercise of share options	60	-	57

Notes to the unaudited condensed consolidated financial statements cont.

For the six months ended 31 March 2010

3. Income tax expense cont.

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

	Six months ended 31 March		Year ended 30 September
	2010	2009	2009
	£'000	£'000	£'000
Profit before tax	7,489	7,173	16,420
Profit before tax multiplied by the standard rate of Corporation Tax in the UK of 28%	2,097	2,008	4,598
Effects of:			
Expenses not deductible	15	210	245
Adjustments to current tax in respect of prior period	(36)	6	-
Adjustments to deferred tax in respect of prior period	(195)	(48)	(18)
Recognised through reserves	-	-	57
Total tax expense in consolidated income statement	1,881	2,176	4,882
Effective tax rate	25.1%	30.3%	29.7%

The adjustment to deferred tax in respect of the prior period is attributable to an amendment to the tax treatment of expenditure incurred in the prior period on the development of a new retail fund and share dealing platform.

Notes to the unaudited condensed consolidated financial statements cont.

For the six months ended 31 March 2010

4. Earnings per share

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

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

	Six months ended 31 March		Year ended 30 September
	2010	2009	2009
	£'000	£'000	£'000
Earnings (all from continuing operations)			
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent company	5,608	4,997	11,538
Number of shares			
Weighted average number of ordinary shares (for the purposes of basic earnings per share) in issue during the period	39,511,819	39,072,874	39,335,200
Effect of potentially dilutive share options	840,454	1,099,243	848,235
Weighted average number of ordinary shares for the purposes of fully diluted earnings per share	40,352,273	40,172,117	40,183,435

5. Intangible assets

During the period the Group entered the development phase of two strategically significant projects which have been capitalised as intangible assets.

The development costs capitalised as at 31 March 2010 totalled £412,000 across the two projects.

Notes to the unaudited condensed consolidated financial statements cont.

For the six months ended 31 March 2010

6. Share capital and share premium

	Six months ended 31 March		Year ended 30 September
	2010	2009	2009
	£	£	£
Authorised:			
100,239,482 ordinary shares at 0.1p each	100,239	100,239*	100,239*
900,000 ordinary non-voting shares of 0.1p each	900	900*	900*
8,860,518 A non-voting ordinary shares of 0.1p each	8,861	8,861*	8,861*
	110,000	110,000	110,000
Issued and fully paid:			
37,664,482 ordinary shares of 0.1p each	37,664	37,664	37,664
75,000 non-voting ordinary shares of 0.1p each	75	75	75
1,585,518 A non-voting ordinary shares of 0.1p each	1,586	1,458	1,458
	39,325	39,197	39,197
Issued and partly paid:			
210,638 (2008: 210,638) A non-voting ordinary shares of 0.1p each	21	21	21
Total value of issued, fully or partly paid share capital	39,346	39,218	39,218

On 4 November 2009, 127,500 options for 0.1p A non-voting ordinary shares were exercised at 22p per share resulting in a share premium of £27,923.

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

*Corrected from amounts stated in earlier consolidated financial statements.

Notes to the unaudited condensed consolidated financial statements cont.

For the six months ended 31 March 2010

7. Dividends

	Six months ended 31 March		Year ended 30 September
	2010	2009	2009
	£'000	£'000	£'000
Amounts recognised as distributions to equity holders during the period:			
Interim dividend for the year ended 30 September 2009 of 4.25p (2008: 4.25p) per share	**-**	-	1,675
Final dividend for the year ended 30 September 2009 of 14.00p (2008: 6.50p) per share	**5,535**	2,541	2,541
Ordinary dividends paid on equity shares	**5,535**	2,541	4,216

Dividend is payable to all classes of issued and fully or partly paid up shares as disclosed in note 6.

8. Share-based payment transactions

The share-based payment expense relates entirely to options issued in prior periods. The details of these options were disclosed in the consolidated financial statements for the year ended 30 September 2009 and remained unchanged throughout the six months ended 31 March 2010.

Notes to the unaudited condensed consolidated financial statements cont.

For the six months ended 31 March 2010

9. Notes to the cashflow statement

	Six months ended 31 March		Year ended 30 September
	2010	2009	2009
	£'000	£'000	£'000
Profit for the period	5,608	4,997	11,538
Adjustments for:			
Net finance income	(39)	(77)	(122)
Income tax expense	1,881	2,176	4,882
Depreciation of plant and equipment	190	339	350
Amortisation of intangible assets	281	77	505
Impairment of intangible asset	-	1,538	2,634
Share-based payment expenses	15	4	38
Deferred tax effect on share-based payments	3	-	166
Decrease in provisions	(17)	(51)	(119)
Tax relief on exercise of share options	60	-	57
Loss on disposal of fixed assets	3	-	3
Operating cashflows before movements in working capital	7,985	9,003	19,932
Decrease/(increase) in receivables	7,765	1,524	(23,571)
(Decrease)/increase in payables	(7,420)	167	26,579
Cash generated from operations	8,330	10,694	22,940
Income taxes paid	(1,932)	(1,730)	(4,712)
Interest paid	(7)	(13)	(18)
Net cash from operating activities	6,391	8,951	18,210

10. Related party transactions

During the period the holding company made a loan to Stuart Dootson. The purpose of this loan was to enable Mr Dootson to pay the tax liability due following the issue of shares and options disclosed in the consolidated financial statements for the year ended 30 September 2009. The loan is unsecured, interest free and may remain outstanding until the underlying shares are sold.

Definitions

The following definitions are used throughout the financial statements, notes and Chairman/Chief Executive's joint statement.

Company, Holdings	A J Bell Holdings Limited
Group	A J Bell Holdings Limited and its wholly owned subsidiaries.
SIPP	Self invested personal pension.
SSAS	Small self administered scheme.

Company information

Company number	Secretary and registered office	Auditors	Bankers	Solicitors
4503206	Stuart Dootson A J Bell Holdings Limited Trafford House Chester Road Manchester M32 0RS	KPMG Audit Plc St James' Square Manchester M2 6DS	HBOS plc 41 South Gyle Crescent Edinburgh EH12 9BG	Mace & Jones Drury House 19 Water Street Liverpool L2 0RP

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