INVEST IN YOUR TOMORROW

AJ Bell plc
Annual report and financial statements 2021
WHAT WE DO

We want to make investing as easy as possible for our customers to enable them to realise their financial goals.

WHAT WE OFFER

As one of the largest investment platforms in the UK, based on the value of our AUA, we operate successfully in both the advised and D2C areas of the platform market through our flagship platform propositions.

LEARN MORE ABOUT OUR PURPOSE AND VALUES

For more information visit: www.ajbell.co.uk/investor-relations

Revenue

£145.8m
+15%
(30 September 2020: £126.7m)

Profit before tax

£55.1m
+13%
(30 September 2020: £48.6m)

Total dividend

11.96p
+94%
(30 September 2020: 6.16p)

Diluted earnings per share

10.67p
+13%
(30 September 2020: 9.47p)

Assets under administration (AUA)*

£72.8bn
+29%
(30 September 2020: £56.5bn)

Platform

£65.3bn

Non-platform

£7.5bn

Number of retail customers

382,754
+30%
(30 September 2020: 295,305)

Total dividend

11.96p
+94%
(30 September 2020: 6.16p)

Diluted earnings per share

10.67p
+13%
(30 September 2020: 9.47p)

* See page 23 for definition of Alternative Performance Measures

READ MORE ABOUT OUR SUSTAINABILITY HIGHLIGHTS ON p31

Money Marketing
Provider of the year 2021

Professional Adviser
Best Platform for Advisers 2021

3-star Best Companies

For more information visit: www.ajbell.co.uk/investor-relations
At the heart of our business is a clear and succinct purpose which drives everything that we do.

OUR PURPOSE

WE HELP PEOPLE TO INVEST.

OUR GUIDING PRINCIPLES

Our company is built on a set of guiding principles that define the way we do business. These principles inform everything we do, creating a culture in which we strive to think like our customers, make investing easier and lead our markets.

STRAIGHTFORWARD
- We make investing easy and accessible

INTELLIGENT
- We know our stuff

PERSONAL
- We are human, not robots

PRINCIPLED
- We do the right thing

FOCUSED
- We give customers what they need, not what they don’t need

ENERGETIC
- We never stand still

OUR STRATEGY

p20–21

STRATEGIC DRIVERS

OUR PEOPLE

OUR CUSTOMERS

GROWTH

FINANCE AND ASSURANCE

OUR TECHNOLOGY

STRAIGHTFORWARD

INTELLIGENT

PERSONAL

PRINCIPLED

FOCUSED

ENERGETIC

OUR STRATEGY

p34–37

RESPONSIBLE BUSINESS

RESPONSIBLE PROPOSITIONS

RESPONSIBLE EMPLOYER

SUPPORTING OUR LOCAL COMMUNITIES

ENVIRONMENTAL AWARENESS

PURPOSE IN ACTION

INVESTING IN DODL

OUR SIMPLIFIED D2C PROPOSITION

During the year we have invested in a new simplified proposition for the direct-to-consumer market.

Launching in the first half of 2022, Dodl by AJ Bell will offer our customers a jargon-free, easy-to-use, low-cost investment platform with an intuitive investment journey and streamlined range of investments.

Accessed only by mobile application, the proposition will appeal to new investors looking for a straightforward way to manage their investments.
In addition to our platform propositions, we offer four non-platform services:

- **AJ Bell Platinum**: Provides adviser-led and D2C pension administration services to customers with bespoke SIPP and SSAS accounts.
- **AJ Bell Media**: Publishes Shares magazine and other proprietary investment content to support our platform propositions.
- **White label SIPP administration**: Branded to Barclays Smart Investor and Halifax Share Dealing.
- **AJ Bell Securities stockbroking**: Provides dealing, settlement and custody services to institutional investment businesses.

**OUR OTHER PRODUCTS AND SERVICES**

The AJ Bell Way is a structured framework, informed by our guiding principles, that aids the development of our strategy and is the primary tool used for communicating that strategy to all key stakeholders.

**OUR PLATFORM PROPOSITIONS**

AJ Bell Investcentre is an investment platform proposition for regulated financial advisers and wealth managers, providing a suite of products, services, investment solutions and online tools to help manage their retail customers’ portfolios.

AJ Bell Youinvest is an investment platform proposition for execution-only retail customers which includes investment solutions through our in-house funds, ready-made portfolios and guidance via the AJ Bell favourite funds list. It also offers a cash savings solution.

**Customers**

- **2021** 126,920
- **2020** 108,911

**AUA**

- **2021** £19.5bn
- **2020** £13.4bn

**OUR CUSTOMERS**

We help people to invest but will not provide personal recommendations. We will continue to develop our customer propositions with a focus on ease of use, service and price.

**GROWTH**

We will grow both customer numbers and AUA in a sustainable and cost-effective manner.

**FINANCE AND ASSURANCE**

We will preserve our financial security, regulatory and reputational standing. We will treat all stakeholders fairly.

**OUR TECHNOLOGY**

We will deliver scalable technology solutions that are easy to use for both customers and colleagues, appropriate to their needs and adaptable for future change. The security of our technology is of paramount importance.

**OUR PEOPLE**

We will develop and support our talent to help them achieve their potential. We will strive to ensure our staff are actively engaged. Our strong employer brand and culture will enable us to attract and retain quality staff.

**AJ Bell is a FTSE 250 company**

**Number of employees**: 1,065

**Office locations**: Manchester, London & Bristol
AJ Bell enjoyed another successful year. We delivered strong financial results, demonstrating the strength and robustness of our business model.

OVERVIEW

Our focus has continued to be on the wellbeing of our staff, whilst maintaining a high-quality service to our customers and delivering positive outcomes for all our stakeholders.

Over the 12 months customer numbers increased by 87,449 to 382,754 and we delivered £6.4bn net inflows of assets under administration (AUA), ending the year with total AUA of £72.8bn. Our range of investment solutions was popular with customers, attracting £1.2bn of net inflows, with assets under management (AUM) closing at £2.2bn, an increase of 17% from the previous year.

This excellent performance demonstrates the robustness of our business.

We continue to enhance our platform product propositions to meet customers’ changing needs. During the year, we began to invest in the development of two new simplified platform propositions, one serving the adviser market and another serving the direct-to-consumer market, with a view to launching each in the coming year.

Our clear and succinct purpose, to help people to invest, is embedded within our strategy while our governance framework, strengthened by a number of recent appointments, ensures we remain focused on achieving our long-term strategic goals.

“The Board plays a vital role in shaping and embedding a strong and healthy culture through the promotion of the core values and principles of the Group and this continued to be a focus throughout the year.”

GOVERNANCE

The Board remains focused on applying high standards of corporate governance and ensuring these principles are embedded into our culture.

We believe effective stakeholder engagement is key to the long-term success of our business and we aim to proactively engage with our key stakeholders and understand what is most important to them. The Board approved several key decisions during the year including the acquisition of Adalpha, the development of two simplified platform propositions and a long-term hybrid working arrangement for our people. Such decisions required the consideration of our wider stakeholders, as outlined in our Section 172 statement on pages 28 to 29.

The events of the past couple of years have accelerated public interest in sustainability, and environmental, social and governance (ESG) considerations increasingly form part of our decision-making processes. We strive to behave responsibly with a focus on our responsible propositions, being a responsible employer, supporting our local communities, and environment awareness. During the year we undertook a detailed review to determine our key ESG priorities, which will now form the basis of developing a full ESG framework that will be embedded into our business strategy.

Further details on ESG can be found in our responsible business section on pages 30 to 42.

The Board continues to provide strong support and appropriate challenge to the Executive Management Board (EMB) to ensure the Group’s strategy is appropriate, achievable and ultimately delivered. Full details of the work of the Board and its Committees are set out in the Corporate Governance report on page 66.

Our FULL GOVERNANCE REPORT INCLUDING DETAILS OF OUR COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018 IS SET OUT ON: p66–74

Board Changes and Succession

It is important to have the appropriate resource and expertise on the Board as we embark on the next phase of the Group’s strategy as a listed business, and during the year three new appointments were made to increase the level of non-executive presence on the Board.

As previously announced, after serving 13 years on the Board and eight years as Chair, I will be stepping down at our 2022 Annual General Meeting (AGM). Baroness Helena Morrissey, joined us as Chair-Designate in July and will take over as Chair when I step down in January 2022. Helena brings a great deal of relevant knowledge and experience, having spent over 30 years in the financial services sector, and I am very confident in the future of the business under her stewardship.

Two further Board appointments were made during the year, with Evelyn Bourke and Margaret Hassan joining the Board as Non-Executive Directors on 1 July 2021 and 1 September 2021 respectively. Both appointments bring exceptional experience gained both at an Executive and Non-Executive Director level and together will strengthen the Board’s diversity and range of skills.

Laura Carstensen will also step down from the Board at the 2022 AGM. On behalf of the Board, I would like to thank Laura for her valuable contribution to the Group and we wish her well for the future.

Further details on all Board changes can be found in the Nomination Committee report on pages 75 to 78.

Our Culture and Our People

The Board plays a vital role in shaping and embedding a strong and healthy culture through the promotion of the core values and principles of the Group and this continues to be a focus throughout the year.

We recognise the importance of an engaged workplace and it was pleasing to see that this year’s staff survey reported an annual employee engagement score of 70%, up from 69% in 2020.

The preservation of our culture and our staff’s health and wellbeing remain a priority for the Board. Regular updates and feedback on employee engagement are provided to the Board, including the review and discussion of the bi-annual culture dashboard to ensure our people strategy remains focused. Our Employee Voice Forum has run this year and is proving to be an invaluable platform for facilitating discussion and ideas with a high level of engagement from each cohort. We were delighted to receive presentations and feedback from the year’s Employee Voice Forum representatives, outlining how we can continue to support and promote the physical, mental and emotional wellbeing of our staff both in and outside of the workplace. Through the Forum, we have gained some valuable insights and we are progressing with several initiatives to enhance our employee well-being offering.

Our Future Workplan is now out to the right of the post-pandemic working arrangements for our staff and our business. Our HR team hold a series of workshops and discussions with managers and senior leaders as well as the wider workforce.

The Board considered the potential benefits to a wide range of stakeholders when making the decision to adopt a hybrid working model, further details of which can be found on page 28. The new model will come into effect from 1 January 2022 and as we transition to this new way of working, we have created guidelines to ensure staff receive the support they need, enabling us to uphold our strong culture and ensure it continues to be aligned with our purpose.

LEARN MORE ABOUT OUR CULTURE AND PEOPLE p34–37

Dividend

The Board considers it appropriate to adopt a 65% pay-out ratio of profit after tax (PAT) with a view to returning any further surplus capital to our shareholders periodically. The Board reviewed the Group’s financial position at 30 September 2021, considering the planned growth of the business, subsequent investment needs, ongoing ordinary payments and future regulatory capital and liquidity requirements and concluded that £21.5m of capital should be returned to shareholders in the form of a special dividend. As a result, the Board is pleased to announce both an ordinary dividend of 4.50p and a special dividend of 5.00p per share which will take the total dividend for the year to 11.96p. This will increase the total ordinary dividend for the financial year compared with the prior year by 13%, and including the special dividend will represent an increase of 14%.

This enhanced dividend payment reflects the financial strength of the Group, the Board’s commitment to a progressive dividend policy and its positive outlook for the long-term prospects of the business.

Both the special dividend and the final ordinary dividend will be paid, subject to shareholder approval at our AGM on 26 January 2022, to shareholders on the register at the close of business on 7 January 2022.

Total dividend

11.96p per share

(FY20: 6.16p per share)

Looking Back

Since joining the Board in 2008, the business has continued to develop and evolve, whilst maintaining the same simple purpose, to help people to invest.

It has been a privilege to chair the Group over the last eight years, and I would like to extend my gratitude to Andy, it has been a pleasure to work closely with him as he has led AJ Bell to become one of the UK’s largest investment platforms and an established FTSE 250 listed business. As the business has evolved we have always preserved our strong, cohesive culture, which is underpinned by our core values and principles.

I would like to thank all our people for their outstanding work and commitment not just over the last 12 months but throughout my tenure.

Looking Ahead

The UK investment platform market continues to grow at pace. Our strong platform proposition, supported by our robust, scalable and efficient operating model make us well placed to capitalise on opportunities as they arise.

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 about the long-term prospects of the business.

Les Platts

Chairman

1 December 2021
Our easy-to-use award-winning platform propositions attracted a record number of new customers during the year. We continue to provide a high-quality service at a low cost, which is key to the attraction and retention of new customers. The growth in the customer base has enabled the business to enjoy another year of double-digit percentage growth in profits.

**OVERVIEW**

Retail customer numbers increased by 87,449 during the year to a total of 382,754 (FY20: 295,305). This increase reflects the strong growth in our two flagship platform propositions, AJ Bell Investcentre and AJ BellYouinvest, with customer numbers for each growing by 17% and 40% respectively and our platform customer retention rate remaining high at 95.0% (FY20: 95.5%).

We delivered record net AUA inflows of £6.4bn, which had underlying net inflows of £7.0bn, resulting in a total dividend payment for the year of £1.65 per share including the special dividend, an increase of 94% compared with the prior year. This is testament to our resilient business model and strong financial position, and reflects the Board’s confidence in the future prospects of the business.

**Investing for the future**

We have invested in two new product developments during the year, both of which are focused on the next generation of customers and advisers and are expected to launch in the first half of 2022. Dodl by AJ Bell (Dodl) is a new low-cost D2C investment app. Touch by AJ Bell (Touch) is also app-based, but will only be available via an adviser.

Both propositions share a number of features such as a simplified and intuitive on-boarding and investment journey along with a streamlined investment range that will appeal particularly to those who are new to investing. Charges for both will be extremely competitive.

The elevated customer dealing activity trends in funds and shares, triggered by the UK lockdown during the 2020/21 winter, contributed to a significant increase in transactional revenue during the first half of the financial year. As expected, customers gradually returned to a normalised pattern of dealing activity in the second half of the year, as the Government’s lockdown restrictions eased.

Profit before tax (PBT) increased broadly in line with revenue by 1.9% from £48.6bn to £55.1bn, whilst we invested significantly in our platform propositions, supporting our position as a market leader in terms of ease of use and value for money. We have also made significant progress in our ambition to develop our next generation of low-cost mobile-focused platform propositions.

I am pleased to announce the Board is recommending the payment of a special dividend of 5.0p per share to our shareholders at the AGM on 26 January 2022, in line with our stated policy to periodically return surplus capital to shareholders. This is in addition to our final ordinary dividend of 4.5p per share, resulting in a total dividend payment for the year of 11.56p per share including the special dividend, an increase of 94% compared with the prior year. This is testament to our resilient business model and strong financial position, and reflects the Board’s confidence in the future prospects of the business.

**Strong financial performance**

Total revenue increased by 15% during the period from £126.7m to £145.8m, driven by a significant growth in the customer base and AUA, with the macroeconomic backdrop having a mixed impact on the results.

A marked improvement in investor sentiment was reflected in global asset prices recovering close to or exceeding pre-pandemic highs, which resulted in a favourable impact on recurring ad-valorem revenue. However, this was partially offset by the adverse impact of the UK base interest rate remaining at a historic low throughout the year, reducing the rate earned on customer cash balances.

**Number of retail customers**

382,754
(30 September 2020: 295,305)

**Customer retention rate**

95.0%
(30 September 2020: 95.5%)

We have also made significant progress in our ambition to develop our next generation of low-cost, mobile-focused platform propositions.”

“We value the importance of our brand and have seen improved awareness of our business since our IPO in 2018, which has helped to deliver our strong organic growth. During the year we have continued to invest in our brand, sponsoring events such as the AJ Bell Tour of Britain, the AJ Bell Women’s Tour and the AJ Bell World Triathlon Leeds.

We have also recently launched AJ Bell Money Matters, a new initiative designed to help women engage with investing in order to close the gender investment gap. Our research shows that, on average, women in the UK have half the level of savings and investments that men do. As a company that is passionate about helping people to invest, that is a statistic that we want to see change. AJ Bell Money Matters is our programme designed to help achieve this, through a range of initiatives including dedicated website content, a regular podcast, monthly newsletters, webinars and social media interaction all supported by a number of live events.

**BUSINESS UPDATE**

**Advised propositions**

Customer numbers grew by 18,009 in the year to 126,900 (FY20: 108,911), an increase of 17%. Net inflows of £3.8bn and favourable market movements of £1.7bn in the year resulted in AUA closing at £45.8bn (FY20: £36.1bn).

During the year we continued to develop our investment proposition, maintaining our focus on ease of use and value for money. We made a number of enhancements to our proposition including improvements to our adviser website, with improved user journeys for regular dealing functionality and cash management tools.

We also introduced additional flexibility within ISA accounts, and we further expanded our third-party Discretionary Fund Manager service, which gives advisers and their customers access to our Managed Portfolio Service (MPS) from a range of eight external providers.

**HELPING WOMEN INVEST**

The AJ Bell Money Matters campaign is a range of initiatives designed to encourage women to engage with investing and close the gender investment gap.

Findings from a major new study of 5,000 UK adults suggests that the average level of savings and investments held by women is £49,000, less than half the average amount held by men of £144,000. Extrapolating this £65,000 difference in savings and investments between the sexes across the UK population puts the UK’s gender investment gap at a staggering £16.5 trillion.

The research highlights the gender pay gap as the biggest cause of this discrepancy, but it also shows that women are less confident when it comes to investing and less comfortable with the risks that come with investing.

The ultimate result is that only around a third of women (37%) are confident in their ability to invest and less comfortable with the risks that come with investing.

The campaign is designed to give women the information and inspiration they need to become more confident investors.

It aims to get women talking about money and investing via a new podcast series, monthly newsletters, webinars, in-person events, video and Instagram account (ajbellmoneymatters).
It was pleasing to be recognised as the ‘Best Platform’, ‘Best Retirement Provider’ and ‘Provider of the Year’ at the recent Money Marketing Awards. Our advised platform proposition was also named the ‘-leading retirement proposition’ at the UK Platform Awards 2021, with judges commending the range of available asset classes, low charges and functionality of the platform.

Financial advisers increasingly need a variety of solutions to meet the diverse range of customers’ needs and portfolio sizes. We continue to develop, adapt and simplify where appropriate our propositions for the benefit of our customers and their advisers.

Our Retirement Investment Account (RIA), launched in January 2021, continues to be a popular choice for customers with pensions worth less than £250,000 and this contributed to the growth of advised customers and AUA.

We are progressing well with the development of Touch, our new mobile-focused platform proposition, following the acquisition of AdaLife during the year. This will complement our existing advised proposition and further broaden our offering to financial advisers, providing clients with access to the entire breadth of our investment solutions.

Following the lifting of lockdown restrictions in the summer we were pleased to resume our On the Road’ seminars, which were delivered across eight UK venues in October 2021 and November 2021. This was the largest and most attended investment conferences for advisers in the UK. Due to positive feedback and ongoing demand from advisers, we also continued to provide online content via monthly ‘Off the Road’ webinars which generated over 22,000 views.

D2C propositions

Customer numbers grew by 68,862 in the year ended 31 October 2021 (FY20: 172,183), an increase of 40%. Net inflows of £3.2bn and favourable market movements of £2.8bn in the year resulted in closing AUM of £19.5bn (FY20: £13.4bn).

Our easy-to-use platform, simple investment solutions and cost-effective, high-quality service is attracting a broad customer base in terms of age, AUA and approach to investing. We continue to receive applications from a new generation of customers, seeking to engage with their finances and generate better than cash-like returns. The quality of our propositions ensures that we will only maintain a sustainable retention rate, but that our customers set-up additional accounts for themselves or family members through a family linking facility.

During the year, we further developed our platform journey by streamlining online processes. Following the successful launch of live portfolio pricing on our website in January, we extended this functionality to our mobile application in July, allowing users to view real-time prices for UK shares in their portfolio, during market hours.

We experienced high levels of customer engagement throughout the year across all channels. In particular, dealing in international equities was high in the first half of the year, gradually reducing in recent months, although remaining above pre-pandemic levels.

During the year we introduced Saturday opening for customer services and now open for US trading on UK bank holidays.

Our new app-only platform proposition, Dodd, is due to launch in the first half of 2022. The new service will compete with the new breed of simplified offerings in the market, with an annual charge of 0.15% and no commission for buying or selling investments and no tax wrapper charges.

Dodd will be an easy-to-use, jargon-free investment app to help people invest for their long-term goals. It will offer ISA, LISA and pension and General Investment Accounts and will give investors access to a simplified investment range with options to cater for the vast majority of investment risk appetites.

Dodd will also be aligned to our existing D2C platform proposition AJ Bell Younique and will provide great value investment platform options for retail investors, catering for all levels of experience and investment needs. We are pleased to have been recognised as a WHICH? recommended provider for the third consecutive year, in addition to winning a further 13 TVM industry awards during the year.

AJ Bell Investments

We continue to see significant growth across our range of investment solutions, with net inflows of £2.8bn in the year resulting in closing AUM of £12.8bn (FY20: £9.2bn).

AJ Bell Investments provides simple, transparent, low-cost investment management solutions for customers at all stages of their investing lifecycle, catering for a wide range of risk appetites.

All our products and services utilise modern, innovative investment techniques. As a market leader on charge bases, we have continued to share efficiency gains with our customers as they have been achieved, by reducing charges. As we have grown, our increased buying power has generated economies of scale, which have enabled us to significantly reduce our ongoing charges figure (OCF) over the past five years, in keeping with the Financial Conduct Authority’s (FCA’s) drive to deliver value for money for investors.

Our range of AJ Bell Funds (Funds) is available through our platform propositions and a number of external platforms. Our Funds offer growth, income and sustainable outcomes and are managed with risk targets in mind so that investors can choose the one that best fits their needs. Our performance has been consistently strong, with 100% of our Funds ranked in the first or second quartile of their respective Investment Association sectors over the three years ending September 2021.

We also offer a broad range of risk-targeted model portfolios via our AJ Bell MIPs, which are managed by an experienced team of professionals and can be accessed on the AJ Bell Investcentre platform. Our AJ Bell MIPs has also recently been launched on a small number of selected platforms. Given the consistent approach to how we manage customers’ investments, the performance of our MIPs has increased in March 2022 to reflect the returns on our range of Funds.

Almost one in thirty of our D2C customers took up a position in our AJ Bell Responsible Growth Fund, which was launched in November 2020, and we continue to see an increasing level of demand for investment solutions which place a greater emphasis on environmental, social and governance (ESG) factors. In March 2021 we expanded our range of responsible investment options with the addition of our AJ Bell Responsible MIPs range.

INVESTMENT IN TECHNOLOGY

We continue to invest in technology to support our strategic aim to become the easiest and most trusted platform. Our focus remains resilient as we commercialise our technology.

Our hybrid technology model is a blend of user interfaces developed in house, and core back-office systems outsourced to industry expert software providers.

During the year we have progressed our ongoing transition to a cloud-based technology framework. This will provide a more efficient environment to accelerate the delivery of our change programme and ensure our platform remains scalable. Our ongoing investment in the infrastructure is to ensure our platform is scalable for growth in the business and resilient in customer activity spikes.

A number of systems and process changes have been implemented during the year to enhance controls as part of our ongoing operational resilience work and which are intended to prevent any recurrence of the operational issues we encountered in November 2020 when there was an exceptional spike in customer activity across our market.

We welcome and wholeheartedly support the FCA’s new rules and guidance around operational resilience which came into force on 31 March 2022 that will ensure firms are better able to prevent, adapt to, respond to, recover from and learn from operational disruptions.

At AJ Bell, we are proud of our reputation as a high-quality service provider, and we will continue to invest in our staff, training and technology to ensure that we can continue to provide a high-quality service to our customers.

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 three-star accreditation in the ‘100 Best Companies to Work For’, representing the highest standard of workplace engagement, for the third consecutive year.

We are also pleased to have been named the North West regional winner of ‘Large Employer of the Year’ at the National Apprenticeship Awards 2021. The awards highlight the benefits that apprenticeships bring to individuals, businesses, and local communities.

During the year, we maintained our training and personal development programmes and put systems in place to ensure employees feel secure and supported both in the office and whilst working at home. Our investment in technology has enabled the vast majority of our people to work remotely since the start of the pandemic and we have demonstrated that we can operate effectively with a balance of both home and office working across the business. Our ‘future of work’ project was set up to find the right post-pandemic operating model for AJ Bell, consulting the wider workforce, and balancing the needs of our staff and business operations.

The findings from this work, have enabled the development of a new hybrid working model which will come into effect from 1 January 2022. As well as providing health and wellbeing benefits to our staff, it will also enable us to utilise our current office space more efficiently, creating new areas for collaboration and ensuring colleagues remain connected.

We are committed to creating an inclusive workplace and prioritising employee wellbeing, to establish an environment where all employees feel valued and supported. This year’s Employee Voice Forum has focused on promoting health and wellbeing in and outside of the office. We relaunched the onsite gym in our Exchange Quay office and extended the range of online fitness services on offer to staff based in any location, as well as providing further support through nutrition and lifestyle advice.

Throughout the year we continued to support our community with a range of volunteering and fundraising activities. In previous years, the Group donated a percentage of profits to the AJ Bell Trust to help local and national charitable causes. In addition, we recently distributed the last of the funds raised by our Wage War on COMD campaign. The campaign raised a total of £361,000 in support of those negatively impacted by the pandemic and we have demonstrated that we can operate effectively with a balance of both home and office working across the business.

The business has a clear and focused strategy and the Board and EMB appointments made during the year will strengthen our senior leadership teams as we move to the next stage in our growth journey.”

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We also made a number of changes to strengthen our executive management team.

I am pleased to welcome Karen Goodman to the Board as Non-Executive Director. Karen joined us as a member of the EMB in September having spent a number of years within the financial services sector. In addition, we made three internal promotions: Kevin Doran, AJ Bell Investments Managing Director, Liz Carrington, HR Director and EK McKay, AJ Bell Investments Managing Director, all joined the EMB on 1 October 2021. Their considerable experience and knowledge of the business will enable them to make a strong contribution, and I look forward to working closely with the newly expanded leadership team in the year ahead.

Michael Summersgill, who has held the position of Chief Financial Officer since 2011, was appointed Group Finance Director (Deputy CEO). In this newly created role, Michael will support me with the development and execution of our strategy, which will drive the future growth of the business.

Roger Stott was appointed to the newly created role of Head of Operating Officer (COO). Previously Group Finance Director, Roger has had a broad range of responsibilities at AJ Bell, in his new role Roger will have responsibility for the Group’s operational functions, ensuring the business remains scalable and continues to deliver a great service to customers and advisers as AJ Bell continues to grow.

Following these changes, we have recently completed an external search for a new Chief Financial Officer to join the Board. Further details can be found on page 77.
Fergus Lyons retired from his role as Managing Director of AJ Bell Investrade and as a member of the executive management team at the end of September 2021. During his 23 years with the Group, Fergus has operated as an executive member of the senior management team throughout overseeing many areas of the business during his time, including Commercial, Operations and Technology Services in addition to AJ Bell Investrade. Fergus has had a significant impact on developing and maintaining our culture, consistently putting the customer at the heart of everything we do, as the business has evolved and grown. He leaves AJ Bell Investrade in a very strong position and my personal thanks go to him for the considerable contribution he has made to the business. Fergus will continue to work with us on the launch and development of Touch by AJ Bell.

I would also like to take the opportunity to express my sincere thanks to Les Platts who will be stepping down from the Board as Chairman at the 2022 AGM. As well as being an incredibly valuable mentor, Les has provided excellent stewardship of the Group since joining as a Non-Executive Director in 2008 and later becoming Chairman in 2014, and we wish him well for the future.

REGULATORY UPDATE

There has been a significant volume of regulatory activity in the latter part of the year. We continue to lobby the Government and regulators in the key areas we believe will have the most impact on our customers and the wider investment market. Our focus is always on campaigning for simplicity and fairness with the ultimate aim being good customer outcomes.

I have recently written to the Treasury and Department for Work & Pensions, DWP, to express my concerns regarding the approach to raising the normal minimum pension age from 55 to 57 in 2028. We understand and do not object to the reasons for the increase, however, the current proposals are unnecessarily complex and out of step with government and regulatory initiatives such as the Pensions Dashboard. A far simpler solution would be to adopt the same approach as when the normal minimum pension age increased from 50 to 55 back in 2010.

Both the FCA and DWP have published draft regulations on how a ‘stronger nudges’ to Pension Wise guidance could work for personal and occupational pension schemes respectively. Whilst we support the intention behind the proposals, we have raised concerns that the FCA and DWP are proposing different approaches to implementation which will be confusing for customers and any nudges should be delivered earlier than proposed. We are supportive of the intent behind the FCA’s proposed new consumer duty, but the new proposals overlap with existing rules and principles in many areas and our overarching view is that the FCA must focus on replacing existing rules rather than expanding them and layering new rules on top.

More recently, the DWP introduced new rules to remove the statutory right to transfer a pension. Pension schemes will be required to intervene where there are concerns someone is moving their retirement pot to a scheme linked to scam activity. The DWP consulted effectively on the changes and has found a pragmatist and sensible solution that will help to protect consumers and deliver more positive outcomes.

We also support the joint call for input published in June 2021 by the FCA and the Pensions Regulator on the ‘Pensions customer journey’. This appears to be a genuine effort to understand what customers experience and how the various rules that already exist interact. However, the timing is difficult to comprehend considering the variety of other regulatory interventions which have already begun to be implemented in this area. The joint call for input should have been the starting point, nevertheless we support the collaboration between the two regulators.

OUTLOOK

The long-term structural drivers of growth in the UK investment platform market remain strong and the outlook remains positive as an increasing number of people seek the security and peace of mind that a trusted investment platform can give them. These structural drivers apply to both the D2C and advised segments of this market, which are currently at different stages of their lifecycle. The D2C market continues to develop and grow quickly with lots of new entrants into the market, and whilst demand for advised products remains high, the number of adviser and advice firms remains fairly constant. We remain well positioned in both markets to meet the challenges that may arise and capitalise on the opportunities presented.

As seen in the latter half of the year, we expect that customer dealing activity on our D2C platform will remain at normalised levels following the elevated activity during the lockdown. Conversely, any increase in interest rates is likely to have a favourable impact on recurring ad valorem revenue. Our diversified revenue model ensures we are well placed to deal with the different macroeconomic cycles that may occur.

Our focus remains on investing in our brand and enhancing our propositions to meet the evolving needs of customers, by providing a stable, secure platform, with a wide range of investment solutions and a consistent, high-quality service at a low cost.

The launch of two new platform propositions, Dodd and Touch, during 2022 will complement our existing range of propositions, ensuring we are well positioned to capitalise on the opportunities created by the next generation of customers seeking to use a platform for their investment needs.

The business has a clear and focused strategy and we have had an exciting 2021, which has ensured another successful year for AJ Bell and investors more control, increased flexibility and digital capabilities, however it has proven to be difficult for these platforms to build a trusted brand and achieve sufficient scale to deliver sustainable profits. There is an opportunity for trusted platforms that already operate at scale to embrace the changing technology landscape and capitalise on future growth opportunities in the market. AJ Bell is very well positioned in this respect.

The UK savings and investment market has demonstrated considerable growth in recent years and AJ Bell’s total addressable market is estimated to be worth at least £2.5 trillion.

The overriding theme supporting the market growth is the ever-increasing need for individuals to take greater personal responsibility for their financial future, whether that is self-managed or with the help of an adviser.

A significant proportion of our addressable market comprises assets already held in pensions. Pensions are a strong source of new business given AJ Bell’s heritage in the SIPP market. With people living for longer than ever, defined benefit pensions in steady decline, and a widening UK savings gap, there is an increasing need for individuals to be more financially self-sufficient to ensure a comfortable retirement. These factors, supported by the introduction of auto enrolment in the last decade, have led to significant growth in defined contribution pension schemes, a trend which is expected to continue.

The remainder of our addressable market is held across various products including ISAs, life insurance policies, bonds, with or without enhancements, bank current accounts and deposit accounts. Whether these assets are managed directly or with the help of an adviser, they are all addressable for AJ Bell’s platform, which serves both market segments.

With less than £1 trillion currently held on platforms, most of our addressable market is still held off-platform, often in legacy products held with banks, building societies and insurance companies. Assets held off-platform represent a long-term growth opportunity for platforms such as ours which can offer retail investors more control, increased flexibility and lower costs. Our trusted brand, significant scale and award-winning propositions mean we are well positioned to capture an increasing share of the assets flowing into the platform market.

The UK investment platform market has grown by around 13% per annum since 2012.1 Whilst there have been different tailwinds supporting growth in the advised and D2C market segments, both have grown at similar rates over the past decade, supporting the overall platform market growth.

AJ Bell currently has a 6.4% market share, which has increased steadily over the last few years as our strong propositions have attracted a higher proportion of the new assets flowing into the platform market.

The pandemic has acted as a further catalyst for platform market growth, reinforcing the need for individuals to take more control of their financial affairs. Supported by several long-term structural growth drivers, including the steady flow of assets from non-platform to platform, we expect attractive levels of growth across both advised and D2C market segments to continue over the long term.

CHIEF EXECUTIVE OFFICER’S REVIEW CONTINUED

MARKET OVERVIEW
MARKET OVERVIEW

THE UK ADVISED PLATFORM MARKET
Platform 3 estimated total AUA on adviser platforms to be £666.2bn as at 30 September 2021, up 20% year on year. Our share of the advised market is 6.9%, up from 6.5% in 2020.

Continued growth of the advised market is expected to be driven by:

- The demand for good quality financial advice from new customers, driven by life events such as retirement planning, change of employment, marriages, divorces, inheritance, etc.
- Increases in the personal wealth of existing advised customers which are invested via a platform.
- The impact of pension freedoms increasing the consolidation of off-platform defined contribution assets held by advised customers.
- A steady shift toward defined contribution pensions from defined benefit schemes.

THE UK D2C PLATFORM MARKET
The D2C investment platform market was estimated to be £289.1bn as at 31 March 2021, up 38% year on year.4 Our share of the D2C market is 5.8%, up from 5.0% in 2020.

Continued growth in the D2C market is expected to be driven by:

- Increases in the personal wealth of existing D2C customers.
- The impact of pension freedoms and the consolidation of off-platform defined contribution assets held by D2C customers.
- The mass affluent advice gap continuing to drive previously advised customers to D2C platforms.
- Low rates of return on bank/cash deposits are fuelling demand for effective solutions from customers seeking higher returns for their savings and greater protection against the effect of inflation.
- Continued technological innovation making investing easier and more accessible for a wider range of people, particularly younger and less experienced investors.

BARRIERS TO ENTRY
There are a number of barriers to achieving sustained success in the platform market:

- **Brand** - recognition and trust in a brand are critical in both the D2C and advised markets.
- **Scale** - significant scale is required to achieve profitability in an increasingly cost-conscious market.
- **Technology** - significant investment is required to create and maintain scalable, robust and secure systems.
- **Regulatory** - capital and compliance requirements – as investment platforms have become more mainstream the regulatory focus on them has increased. The complexity of compliance requires significant investment in people, systems and processes.
- **Financial** - cost and value for money are becoming increasingly important for customers and several platform providers have found they are unable to reach a point where they can compete for business effectively and operate profitably.

OUR RESPONSE
AJ Bell was established in 1995 and has grown to service 382,754 customers with AUA of £72.6bn.

We have a strong and trusted brand which attracts and maintains a loyal base of high-quality customers and advisers.

We have a hybrid technology solution, which combines proprietary and third-party systems into a robust, scalable and adaptable platform serving the growing advised and D2C market segments.

We have a strong risk and compliance team, and hold a healthy surplus of capital to meet our regulatory requirements.

We are a highly profitable business, with competitive charging structures, offering our customers value for money. This is demonstrated by our revenue margin, which is 22.2bps per £ of AUA, representing one of the lowest revenue margins in the market.

Our robust, scalable operating model ensures we continue to attract customers and assets to our platform by giving customers what they want; straightforward investment solutions, high-quality service and highly competitive pricing. We operate in both the advised and D2C space and have ambitious organic growth plans to ensure we capitalise on these expanding markets.

OPPORTUNITIES
The growth of both the advised and D2C markets is supported by a number of attractive structural growth drivers.

- **Demographics** - the UK has an ageing population which is both living and working for longer. Increasing life expectancy has led to an increased retirement age, whereby people are extending their working lives in order to fund their retirement.
- **Government policy** - individuals are now expected to take more responsibility for their own retirement provision, both in terms of ensuring sufficient pension savings are made and that they are invested appropriately to provide for their needs in later life, as evidenced by the UK Government’s policies in relation to pension freedoms, auto-enrolment and tax-efficient savings and investments.
- **Technology** - the development of technology through various distribution channels continues to improve accessibility and drive both customer growth and asset flows. Mobile technology has already revolutionised the way people access and manage their savings, opening up the market to younger and less experienced investors who increasingly want simple, intuitive products to help achieve their investment goals.
- **Financial** - there is a growing awareness of the UK savings gap, which is the gap between the level of current savings and that necessary to provide a reasonable standard of living in retirement.

OUR RESPONSE
In 2022 we will be launching two new simplified propositions; Touch by AJ Bell for the advised market and Dodl by AJ Bell for the D2C market. These propositions are designed to meet the changing needs of both advisers and retail investors. They will provide simple, easy-to-use, low-cost propositions to help more people to invest in both market segments.
A profitable and scalable platform with long-term margin expansion opportunities.

WHAT WE DO

Our propositions:
An award-winning platform operating in both the advised and D2C markets

Our two flagship platform propositions, AJ Bell Investcentre an adviser-led investment platform and AJ Bell Youinvest, a D2C investment platform, give access to a wide range of tax wrappers, savings and investments.

HOW WE DELIVER VALUE

HOW WE MAKE MONEY

Our revenue model includes a mix of fixed fees, ad valorem and transactional charges which provide a balance of inflation protection and resilience in the face of economic and capital market fluctuations.

A significant portion of our revenues are recurring, in the form of charges levied on an annual or other recurring basis.

WHAT WE DO IS DRIVEN BY OUR COMPANY PURPOSE, READ MORE IN OUR PURPOSE ON p04–05

REVENUE

Our revenue model includes a mix of fixed fees, ad valorem and transactional charges which provide a balance of inflation protection and resilience in the face of economic and capital market fluctuations.

A significant portion of our revenues are recurring, in the form of charges levied on an annual or other recurring basis.

PROFITS

We have high levels of online customer servicing, straight-through processing and automation.

This enables us to reduce the marginal cost of adding new customers and assets to the platform.

STAKEHOLDER ENGAGEMENT

p24–27

OUR CUSTOMERS AND THEIR ADVISERS:
A strong, secure and trusted platform which enables them to manage their long-term savings with easy-to-use products at a low cost.

Assets under administration:
£72.8bn

OUR PEOPLE:
Our learning and development framework ensures we support and develop our staff to allow them to fulfil their potential and progress their careers.

100 Best Companies to Work For: three-star accreditation

OUR SHAREHOLDERS:
The high customer retention rates and diversified revenue model continue to yield predictable and sustainable revenue streams from the business, which quickly convert into cash, supporting a progressive dividend policy.

Total dividends per share:
11.96p

OUR OTHER STAKEHOLDERS:
We have a strong social conscience and support our local community with a variety of charitable initiatives.

Donations to the AJ Trust:
£272,000

FINANCIAL REVIEW

p43–46

TOTAL DIVIDENDS PER SHARE

11.96p

OUR STRATEGY

p20–21

Our success is built on delivering a high-quality service through the skills and passion of our people.

We deliver to our customers by offering propositions that match their needs: an easy-to-use platform with a high-quality customer service at a highly competitive price.

We operate a hybrid technology model whereby our platform user interfaces are developed in-house, whilst our core back-office systems are outsourced to industry expert software providers. This model provides a number of benefits, including the ability to build adaptable, easy-to-use interfaces and reducing the cost of regulatory compliance.

We grow the business in a sustainable and cost-effective manner, acquiring customers through direct marketing and business development activities, whilst raising brand awareness through a combination of sponsorship, PR, social media and referrals.

We are a materially debt-free business which holds sufficient funds to more than meet our regulatory capital requirements and for supporting ongoing investment in the business.

HOW WE DELIVER VALUE

WE MAKE MONEY

Stakeholder Engagement
The progress made for each of our strategic drivers is shown below.

**OUR STRATEGIC PRIORITIES**

**GROWTH**
We will grow both customer numbers and AUA in a sustainable and cost-effective manner.

**OUR CUSTOMERS**
We help people to invest but will not provide personal recommendations. We will continue to develop our customer propositions, with a focus on ease of use, service and price.

**OUR TECHNOLOGY**
We will deliver scalable technology solutions that are easy to use for both customers and colleagues, appropriate to their needs and adaptable for future change. The security of our technology is of paramount importance.

**FINANCE AND ASSURANCE**
We will preserve our financial security, and our regulatory and reputational standing. We will treat all stakeholders fairly.

**OUR PEOPLE**
We will develop and support our talent to help them achieve their potential. We will strive to ensure our staff are actively engaged. Our strong employer brand and culture will enable us to attract and retain quality staff.

**KPIs**

- AUA
- Number of retail customers

**RISKS**

**PROGRESS IN FY21**

- Strong organic growth in customer numbers (up 33%) and AUA (up 29%), across both our platform propositions, in particular in our D2C offering which has attracted an increasing number of younger and first-time investors.
- AJ Bell Investments business saw significant growth in AUM, up 176%.
- Resumed our “On the Road” seminars in October 2021 and continued to provide online content via monthly “Off the Road” webinars.
- Continued investment in our hybrid cloud-based technology framework to ensure our platform is operationally resilient.
- Expansion of the technology team to facilitate the ongoing development and investment in infrastructure for our new simplified platform propositions.
- Continued focus on staff engagement and development, promoting our culture whilst enhancing our employer brand.

**FUTURE FOCUS**
To grow the platform business by increasing brand awareness and implementing a cost-effective distribution strategy.
We use selected key performance indicators to monitor progress against our strategy.

<table>
<thead>
<tr>
<th>KPI</th>
<th>WHY IT IS IMPORTANT</th>
<th>LINK TO STRATEGY</th>
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</thead>
<tbody>
<tr>
<td><strong>NUMBER OF RETAIL CUSTOMERS</strong></td>
<td>The number of retail customers is the number of customers who have at least one funded account with an AJ Bell product at 30 September 2021. The number of retail customers can be used as a measurement to determine the success of our propositions, customer service and marketing.</td>
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<tr>
<td>382,754</td>
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<td>30%</td>
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<tr>
<td><strong>ASSETS UNDER ADMINISTRATION (AUA)</strong></td>
<td>AUA is the value of assets for which AJ Bell provides an administration, custodian or transactional service. AUA is a measurement of the growth of the business and is the primary driver of ad valorem revenue, which is the largest component of Group revenue.</td>
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<tr>
<td>£72.8bn</td>
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<td>29%</td>
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<tr>
<td><strong>CUSTOMER RETENTION RATE</strong></td>
<td>The customer retention rate is the average number of funded platform customers during the financial year that remain funded at 30 September 2021. Customer retention is a measurement of customer satisfaction.</td>
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<tr>
<td>95.0%</td>
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<td>-0.5 ppts</td>
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<td><strong>REVENUE</strong></td>
<td>Our revenue is the total income generated by the Group’s activities, comprising recurring ad valorem, recurring fixed and transactional revenue. Revenue provides a measurement of the financial growth of the Group.</td>
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<tr>
<td>£145.8m</td>
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<td>15%</td>
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<tr>
<td><strong>REVENUE PER £AUA</strong></td>
<td>Revenue per £AUA is the total revenue generated during the year expressed as a percentage of the average AUA in the year. Revenue per £AUA provides a simple measurement to facilitate comparison of our charges with our competitors.</td>
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<tr>
<td>22.2 bps 21 bps</td>
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<td><strong>PBT</strong></td>
<td>PBT is the profit generated by the Group before Corporation Tax is paid. PBT is a measurement of the financial performance of the Group. Profits can be used to strengthen the capital base, invest within the business or be returned to investors.</td>
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<tr>
<td>£55.1m</td>
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<td>13%</td>
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<td><strong>PBT MARGIN</strong></td>
<td>PBT margin is calculated as PBT divided by total revenue. PBT margin is a measurement of the efficiency of the Group’s business model in converting revenue into profits.</td>
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<tr>
<td>37.8%</td>
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<td>-0.6 ppts</td>
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<td><strong>DILUTED EPS</strong></td>
<td>Diluted EPS represents profit after tax divided by the weighted average number of shares and unexercised options in issue during the period. EPS provides a measurement of profit per share to determine the value created for shareholders.</td>
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<tr>
<td>10.67p</td>
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<td>13%</td>
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* Our KPIs include alternative performance measures (APMs), which are indicated with an asterisk. APMs are not defined by International Financial Reporting Standards (IFRS) and should be considered together with the Group’s IFRS measurements of performance. We believe APMs assist in providing greater insight into the underlying performance of the Group and enhance comparability of information between reporting periods. For definitions, see page 162.
We believe effective stakeholder engagement is a key element in driving a successful, sustainable business, built for the long term.

**OUR CUSTOMERS AND THEIR ADVISERS**

Our customers include retail investors, financial advisers and wealth management companies. Our success is dependent on our ability to understand our customers’ needs and develop appropriate products to meet those needs.

**WHAT ARE THEIR NEEDS AND MATERIAL INTERESTS?**

- An investment platform for our customers and advisers that:
  - is secure, reliable and easy to use;
  - provides a high-quality service and is low cost;
  - and helps them meet their long-term financial objectives.

**HOW HAVE WE ENGAGED AND CONSIDERED THEIR NEEDS AND MATERIAL INTERESTS?**

**Customer services and websites**

Our Investcentre and Youinvest teams have ongoing engagement with our customers and their advisers through telephone contacts, meetings, organised events and forums, newsletters and written communications.

Our proposition websites are also an important medium to communicate with our customers and their advisers and obtain feedback on our products and services. Our Investcentre website provides the tools for our advisers to help manage their retail customers’ portfolios, whilst our Youinvest site assists customers at all stages of their investment cycle providing guidance and solutions through our AJ Bell funds, ready-made portfolios and favourite funds.

**Surveys**

Customer and adviser surveys are conducted on an annual basis with the results analysed and reviewed at Board level. Specific user groups also perform beta testing to provide further insight and feedback for us. This engagement and feedback informs the way in which we can best serve our customers and their advisers, both now and in the future.

**OUTCOMES AND HIGHLIGHTS**

- On the Road seminars resumed and hosted the Investival event
- Development of simplified propositions; Touch and Dodd
- Launch of the AJ Bell Responsible Growth Fund and the AJ Bell Responsible MPS range
- Launch of AJ Bell Money Matters Initiative

**OUR PEOPLE**

Our people are at the heart of our success. Our success is built on delivering a high-quality service through the skills and passion of our people who bring our values to life across the business.

**WHAT ARE THEIR NEEDS AND MATERIAL INTERESTS?**

A working environment for our people that:

- facilitates their engagement at all levels;
- provides them with development and progression opportunities;
- promotes their physical and mental wellbeing;
- promotes diversity and inclusion;
- rewards them appropriately; and
- encourages flexible working practices.

**HOW HAVE WE ENGAGED AND CONSIDERED THEIR NEEDS AND MATERIAL INTERESTS?**

**Surveys, staff communications and feedback**

We have an open, collaborative and inclusive management structure and engage regularly with our staff. We do this in a number of ways including our annual staff survey, the appraisal process, our intranet site, company presentations, leadership lunches and our wellbeing programme.

Our CEO hosts regular ‘town hall’ talks for all our staff and provides an opportunity for staff to ask questions. In addition, we have regular email updates on the business from the CEO.

We also take feedback from our talent development, apprenticeship and training courses and as a result look to improve future training and development programmes.

We have a designated Non-Executive Director, Laura Carstensen who chairs our ‘Employee Voice Forum’. Our third Employee Voice Forum met this year with a focus on what we could do to support and promote staff health and wellbeing as we looked forward to the easing of COVID restrictions. Baroness Helena Morrissey will take over the role of designated Non-Executive Director following the 2022 AGM.

**Company share scheme**

We continue to encourage employee share ownership through our BAYE scheme (see page 142) to engage our workforce in the performance of the Company and to align employee and shareholder interests.

**OUTCOMES AND HIGHLIGHTS**

- 3% Best Companies
- 93% response rate from 2021 annual survey
- Online staff wellbeing and togetherness hub launched
- Over 120 internal promotions
- 13 new apprentices taken on this year
- Announced our new hybrid working model
- Relaunch of our on-site gym and online fitness offerings
- Launch of a new Senior Manager Talent Development pathway
Our shareholders include both institutional and retail investors, including AJ Bell customers and employees. Delivering on our long-term strategic objectives is dependent on our shareholders’ support.

WHAT ARE THEIR NEEDS AND MATERIAL INTERESTS?
Our shareholders want to invest in a business that:
• delivers on its investment case; and
• provides long-term sustainable returns.

HOW HAVE WE ENGAGED AND CONSIDERED THEIR NEEDS AND MATERIAL INTERESTS?
Ongoing investor relations programme
Through our investor relations programme, which includes regular trading updates, management roadshows, investor and analyst meetings, attendance at investor conferences, and our AGM, we ensure that shareholder views are brought into the boardroom and considered in our decision making.

All investor engagement was conducted virtually during the year due to the COVID-related restrictions. We hosted an online Q&A webinar for retail investors following the publication of our annual results and regularly met with investors throughout the year.

Due to COVID restrictions we adopted a hybrid format for the 2021 AGM under which the Chair, CEO and Company Secretary attended the meeting physically and shareholders were able to view the AGM proceedings and ask questions online via a chat function. Ahead of our 2021 AGM, Les Platts, Chair, and Laura Carstensen, Senior Independent Director, had calls with several of our shareholders to discuss how diversity was being considered in the search for new Board members.

Corporate broker updates
Our corporate broker and sell-side analysts also provide us with valuable feedback and market insight. Our corporate broker delivers updates on market dynamics and representatives are regularly invited to attend Board meetings.

OUTCOMES AND HIGHLIGHTS
• Reported quarterly on our performance
• 13% increase in dividend
• 5.00p special dividend
• All resolutions passed at the AGM with a majority of more than 80%.
• Improved our Board gender diversity

Other stakeholders represent the local communities in which we operate as well as the wider environment, our suppliers and our regulators.

As a socially responsible business, we believe we have a responsibility to our local communities, wider society and our suppliers.

We operate in a highly regulated environment and engage with our regulators constructively.

WHAT ARE THEIR NEEDS AND MATERIAL INTERESTS?
Our other stakeholders want us to:
• act as a responsible corporate citizen in all respects; and
• conduct our business with integrity.

HOW HAVE WE ENGAGED AND CONSIDERED THEIR NEEDS AND MATERIAL INTERESTS?
Engaging with our suppliers
We continue to maintain and develop our business relationships, meeting key suppliers to present to our Board and EMB. In addition to our normal due diligence processes, we ensure members of the management team have regular feedback sessions with representatives from our key suppliers. We ensure our payment terms are fair and in compliance with payment practices.

Engaging with our regulators
We regularly engage with the FCA and DWP on consultation papers and industry issues. In addition, we actively seek to lobby via public consultation and with policymakers where we see unfairness or unnecessary complexity. We have continued to engage with the regulator this year, including on the approach to raising the normal minimum pension age and draft regulations on how a ‘stronger nudge’ to Pension Wise guidance could work for personal and occupational pension schemes respectively.

We engage with regulators in an open and collaborative way. Our compliance team is primarily responsible for ensuring our regulatory compliance in all respects.

Engaging with our communities and wider society
We have a strong social conscience and look to support the communities in which we operate as well as encouraging our staff to give something back through charitable and volunteering activities. We have a strong history of engaging with our communities through a variety of activities, donations and promoting volunteering days. This year we completed the distribution of our Wage War on COVID fund.

We are mindful of our impact on the environment and recognise our responsibility to conserve and protect the environment as far as possible across the business.

OUTCOMES AND HIGHLIGHTS
• 30 day payment terms
• £272,000 donated to the AJ Bell Trust
• Completed the distribution of the Wage War on COVID fund

Our section 172 statement for the year ended 30 September 2021 is on pages 28 to 29 and demonstrates how our stakeholders influenced some of the principal decisions by the Board during FY21.
SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 (s172) requires Directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so, have regard amongst other matters to:

a. the likely consequences of any decisions in the long term;

b. the interests of the Company’s employees;
c. the need to foster the Company’s business relationships with suppliers, customers and others;
d. the impact of the Company’s operations on the community and environment;
e. the desirability of the Company maintaining a reputation for high standards of business conduct; and

f. the need to act fairly between shareholders and the Company.

We set out below some of the examples of how the Board has had regard to the duties under s172 when considering specific matters, and how it has considered the interests of our key stakeholders in those decisions. Further detail on how the Board operates, including the matters it discussed and debated in the year, having regard to its s172 duties, are contained within the Corporate Governance Report on pages 66 to 74.

The Board seeks to understand and carefully consider each of our key stakeholders’ interests, priorities and views. The Board recognises that each decision can have a different impact and relevance to each key stakeholder, and so having a good understanding of their priorities is important. Where stakeholder priorities conflict, the members of the Board exercise independent judgement when balancing those competing interests in order to determine what it considers to be the most likely outcome to promote the long-term sustainable success of the Company.

Although the Board engages directly with some stakeholders, engagement also takes place at different levels within the business. The output from engagement below Board level is reported back to the Board and Board Committees and helps to inform both Board and other business-level decisions.

Further information about how we engage with our stakeholders and their needs can be found on pages 24 to 27.

ACQUISITION OF ADALPHA AND DELIVERY OF TOUCH

During our annual business planning process in the previous financial year, the Board approved a high-level proposal for the development of a simplified, app-only D2C investment proposition designed to meet the needs of customers determined by the relative complexity of existing investment platforms. The aim of the app was to support our long-term growth strategy and extend our customer reach by attracting a new generation of customer. The Board was mindful of the potential for the development to negatively impact existing stakeholders, principally customers and their advisers, as regards the ability to continue to deliver a high-quality service to them. As a consequence, at that stage the Board agreed that the diversion of resource away from existing services would be minimised.

This decision resulted in us commencing a project, to define the target market, produce a more detailed product specification, determine the approach to branding and marketing, and prepare a related business case. This was presented to the Board for approval in January 2021. In consideration of the concern around diversion of key resources, we identified a third party mobile app developer with which we proposed to partner to deliver the related technology. As part of the initial work we undertook consumer research in order to better identify the related customer needs and have since then undertaken further research to confirm that the app we are developing meets those needs.

In May 2021, following further refinement of the business case in response to Board challenge, the Board approved proposals for the development of a new app-based simplified investment proposition designed to help D2C customers invest with the ease of use they are used to in the other areas of their lives. The app is designed to meet the needs of both the next generation of investors, as well as existing investors, who are looking for an easy to use and low-cost solution and will only be available via smartphones and tablets.

The app is scheduled for launch in the first half of 2022.

Further information about the acquisition and Touch can be found on pages 130 and 131.

CONSIDERATIONS:

When considering the merits of the acquisition the Board took account of a wide range of factors, including the impact on wider stakeholders, and not just the potential benefits for shareholders. This included:

• the benefits for customers and their financial advisers which would be derived from the delivery of the simplified advised investment proposition which Adalpha was developing;

• the benefits for existing and prospective employees, including those employees of Adalpha who would migrate to employment in the business as a consequence of the acquisition, from being part of a more diverse business model.

The Board also took account of:

• the track record of the Adalpha senior management team of having successfully delivered previous in-house financial services related technology solutions; and

• that the new simplified advised investment proposition would support the ongoing delivery by the business of a high quality and competitively priced product proposition and service.

During our annual business planning process in the previous financial year, the Board approved the first acquisition which has been made by the business since it listed in December 2018. Although the long-term strategy of the business is founded on organic growth, the Board indicated at the time of the listing that it may in the future consider acquisitions if it was possible to identify suitable targets.

The Board was supportive of the acquisition of Adalpha, a fintech business developing a mobile-focused investment proposition for financial advisers and their customers. The acquisition was clearly aligned with our purpose of helping people to invest, as it will enable financial advisers to provide simplified investment services to a wider base of clients.

The service will be delivered solely through an app which will only be available via smartphones and tablets under a new brand, Touch by AJ Bell. The aim is for the service to enable advisers to service digitally, amongst others, the needs of those potential customers who presently fall within the ‘advice gap’.

The expected ‘soft’ launch date for ISA and General Investment accounts is the first half of 2022, with SIPP and Junior ISA accounts to follow later in 2022 and during 2023.

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Further information about the acquisition and Touch can be found on page 12.

One other key decision which we made during the year, as part of our annual business planning process, was about how we would build on the success of the hybrid working model introduced in response to COVID. The aim being to put in place longer-term working arrangements which would enable us to realise a number of the potential benefits of hybrid working for the business, our people, our shareholders and the environment.

To help inform this work, our HR team held discussions with managers and senior leaders across the business, and also engaged regularly with our wider workforce, using various communication channels, including updates posted on our staff intranet, leadership videos, and our CEO’s town hall talks.

When determining our approach to hybrid working in the longer term, we needed to take account of competing stakeholder interests, principally, those of our people who would welcome a greater proportion of time working from home, and the needs of our customers and their financial advisers, which necessitate the continued provision of some core office-based services. Account was also taken of the Board’s desire to maintain the culture of the business and to ensure sufficient resource and staff are in place to operate a fully functioning office environment.

Consideration was also given to the potential financial benefits for shareholders of more efficient use of our offices as we continue to grow and the environmental benefits of the reduction in the need for our people to commute into the office.

The outcome of the future of work project was the approval by the Board to implement a hybrid working arrangement for the business with effect from 1 January 2022. A series of guidelines will be set for hybrid working that we believe strikes the right balance between working from home and the office.

Further information about the future of work at AJ Bell can be found on pages 134 and 35.
We have always been committed to behaving responsibly. Driven by our purpose, we operate in a way that creates long-term value for our customers, people, and communities whilst being mindful of the impact we have on the environment.

As a responsible business, we consider our role in society to be to create value for all our key stakeholder groups, whilst also playing our part in the transition to a low-carbon economy. Our purpose and culture mean we are well positioned to fulfil this role operating within a market that has significant growth opportunities.

We define our purpose in a very straightforward manner: we help people to invest. Our product propositions help to address the growing societal need for individuals to take personal responsibility for their financial future, by enabling people to take control of their own investments, be that directly or with the help of a financial adviser.

Many aspects of ESG have been a focus for the AJ Bell plc Board for a long time and are regarded as established strengths of the business by our stakeholders. This is evidenced by our AA MSCI ESG rating, which measures a company’s resilience to long-term, industry material ESG risks and how well they manage those risks relative to peers. During the year we completed the distribution of the Wage War on COVID fund, providing support over the last 18 months to those in our local communities who were in need due to the pandemic. We also undertook our ‘Future of Work’ project, engaging with staff across the business to define a new hybrid working model. This will bring benefits to both our people and the business; enabling us to continue to attract the best talent, and provide a high-quality service to our customers.

We are committed to fully embedding ESG into our business strategy over the course of the next year and have set a number of ESG-related objectives for FY22 which are linked to executive and senior management remuneration. We believe there are plenty of opportunities to enhance our work in this area and add further value to our stakeholders, as we grow the business.

In 2022 our focus will be to:

- Continue embedding ESG into our business strategy;
- Define metrics for our ESG focus areas; and
- Enhance the level of our ESG reporting and publish our inaugural Taskforce on Climate-related Financial Disclosures (TCFD) report.

Our approach to responsible business

We behave in a responsible manner with a focus on our propositions, our people, our communities, and the environment. We believe this is important for the long-term sustainability of our business.

The Board is responsible for the conduct of AJ Bell’s business and the development of its strategy, as well as promoting the long-term sustainable success of the business. This includes how we embed our approach to behaving responsibly across the business and promote a healthy corporate culture. Further details on our corporate governance framework are detailed on pages 66 to 74.

The Board provide oversight and select Michael Summersgill, Deputy Chief Executive Officer and Chief Financial Officer, as the executive director responsible for our approach to responsible business.

Individual objectives have been assigned to EB members and a cross-functional ESG working group has been established for the coordination of day-to-day activities.

OBJECTIVES

Following a detailed review of our ESG priorities, we have agreed several objectives for FY22. We will report on our progress against these objectives in FY22 as we enhance the level of our ESG reporting and produce our inaugural TCFD report.

OUR RESPONSIBLE BUSINESS PILLARS:

- RESPONSIBLE PROPOSITIONS
- RESPONSIBLE EMPLOYER
- SUPPORTING LOCAL COMMUNITIES
- ENVIRONMENTAL AWARENESS

OUR PURPOSE:
WE HELP PEOPLE TO INVEST

WHO IT IMPACTS

Customers and their advisers, wider society

Employees

Local communities

Customers and their advisers, wider society

WHY IT IS IMPORTANT

Our aim is to make investing easier and empower people to invest for their financial future.

Pivotal to fulfilling our role in society is offering propositions which enable more people to invest.

Our people are at the heart of our success.

Our success is built on the passion of our people and the commitment they have to our customers.

We have a strong social conscience and we are committed to making a positive contribution to the communities in which we operate.

We recognise the importance of societal action to reduce global emissions and are committed to playing our part.

OUR 2021 HIGHLIGHTS

Achieved strong employee engagement

Response rate: 91% (2020: 89%)

Finalised the distribution of the Wage War on COVID fund

Launched the AJ Bell Responsible Growth fund

Retained our Carbon Neutral status
At the heart of our business is a clear and succinct purpose – we help people to invest. This purpose guides our product philosophy and provides a clear boundary for the types of products and services we offer to our customers: both in our platform propositions and our investment management offerings.

**OUR PLATFORM PRODUCT PHILOSOPHY**
We provide mainstream products that we believe will help our customers manage their investments for the long term. Our core products are SIPP, ISA and Dealing Accounts, SIPP and ISA enable customers to invest for the long term in a Government approved, tax advantageous way and we also offer variations of these products, such as the Lifetime ISA and Junior products, ensuring that we cater for a wide range of customer requirements.

We want to help our customers to achieve their financial goals. Our platform is open architecture in nature with investment solutions from market leading providers and our own AJ Bell Funds and MPS, which cater for a wider range of risk appetites.

**CAMPAIGNING ON BEHALF OF RETAIL INVESTORS**
We actively seek to lobby the Government and regulators via public consultation and with policymakers where we see unfairness or unnecessary complexity. Our focus is always on campaigning for simplicity and good customer outcomes. Details of our activities in the year are set out on page 14 of our CEO’s review.

**RESponsible INvESTMENT EASY**
The increased prevalence of ESG factors has elevated the level of interest and customer demand for responsible investment options.

We have therefore taken steps to make it easier for customers to invest responsibly through our platform propositions.

**SUSTAINABILITY RATINGS**
Customers can view Morningstar’s Sustainability Rating when researching funds on our platform. This rating enables investors to evaluate funds based on the sustainability profile of their underlying holdings.

**AJ BELL RESPONSIBLE GROWTH FUND**
In October 2020, we launched the AJ Bell Responsible Growth fund, a well-diversified portfolio focusing on companies with strong ESG credentials. The fund provides a low-cost, easy-to-understand responsible investing option for both our advised and D2C customers.

**AJ BELL RESponsible MANAGED PORTFOLIO SERVICE**
We launched the AJ Bell Responsible MPS range in March 2021, providing financial advisers with a highly competitive ESG solution for their clients. AJ Bell Investments created six new responsible portfolios, offering varying degrees of risk for clients who want to achieve long-term capital growth through ethical investing.

**AJ BELL INVESTMENTS’ INTEGRATION OF ESG INTO INVESTMENT MANAGEMENT**
We integrate ESG considerations throughout our investment management processes in various ways, both in our dedicated set of responsible portfolios which are managed with an ESG mandate and in our standard range of portfolios. By doing this, we can deliver to our customers by acting as responsible stewards of the investments that we manage on their behalf.

For our responsible range of managed portfolios, we operate within a consistent framework to ensure that ESG credentials are embedded. Where possible, we invest in Exchange Traded Funds (ETFs) that track an MSCI Socially Responsible Index (SRI), which gives a robust range of values-based exclusions and ensures that we target companies with high ESG rankings to invest in. A series of exclusions removes companies from certain industries, such as tobacco, nuclear weapons, and adult entertainment. Then, a “best-in-class” ranking system means that, of the remaining companies, only those that score highly on ESG credentials are included. This multi-layered approach ensures that customers can feel confident that their principles are consistently being considered within the investment process.

In our standard range of portfolios, we will prioritise more responsible funds where it is the better choice, based on our usual selection criteria, relative to standard options in the market. Before inclusion in any of our portfolios, a key component of investment analysis is the robustness and sustainability of the management team and the strength of their governance process. It is our policy to only invest in products offered by managers who comply with the principles outlined in the UK Stewardship Code, or who can provide a robust explanation as to why they do not comply.

**MAKING RESPONSIBLE INVESTMENT EASY**
The increased prevalence of ESG factors has elevated the level of interest and customer demand for responsible investment options.

We have therefore taken steps to make it easier for customers to invest responsibly through our platform propositions.

**2021 HIGHLIGHTS**
- Launched the AJ Bell Responsible Growth fund and Responsible MPS.

**2022 PRIORITIES**
- Launch of Touch and Diddi, broadening our reach in both the advised and D2C markets to enable more people to invest.
Our people are at the heart of our continued growth and success. We take pride in their career development, and we support and empower them to drive the business forward.

We focus on creating a highly collaborative culture where people feel motivated, valued and supported. Our guiding principles and simple purpose drive responsible behaviour and ensure that staff are fully engaged with our continued growth and success. We support and empower them to continue to deliver innovation and improvements to our platform propositions. Our people contribute to our success in many ways. They develop our products, provide excellent customer service, and help us to grow our business.

Our strategy is to continue to develop and support our talent to help them achieve their potential. We will strive to ensure our staff are actively engaged. Our strong employer brand and culture will enable us to attract and retain a diverse and talented workforce.

2021 HIGHLIGHTS

- Maintained our three-star accreditation in the Best Companies survey.
- Completed our future of work project. Reopened the AJ Bell gym and extended the range of online fitness services. Named ‘YouthWest Large Employer of the Year’ in the 2021 National Apprenticeship Awards.

2022 PRIORITIES

- Continue to focus on staff engagement and development. Establish a framework and agree metrics for measuring progress on the diversity of our people.
- Embed our new hybrid working model. Hires new coach to guide and support the transition.
- Ensure our people continue to be supported and engaged.
- Build on our extended hybrid working model.
- Implement the suggestions from our third cohort of the Employee Voice Forum.

FUTURE OF WORK

Defining our new hybrid working model

The pandemic has fundamentally changed the work of AJ Bell – as a business we moved quickly at the start of the pandemic to successfully migrate the vast majority of our people to work from home and implement social distancing measures for those working in the office. Our flexible IT infrastructure ensured our staff had the right systems and processes to work effectively from home, which had previously been an exception but for a small number of staff.

During the year we initiated our future of work project to find the right post-pandemic way of working.

Our new hybrid working approach will come into effect on 1 January 2022, offering a blend of working at home and working in the office in a way that balances the needs of our people and business operations. To support our new working model, we have invested in a cloud-based HR system, which will ensure managers have the right tools to be able to manage their teams effectively.

As well as providing health and wellbeing benefits to our staff, we will also enable us to utilise our current office space more efficiently, creating new areas for collaboration and ensuring colleagues remain connected. Fundamentally, our hybrid working model is designed to ensure that we can maintain excellent customer service and remain operationally resilient whilst being able to continue to deliver innovation and improvements to our platform propositions.

PROMOTING HEALTH AND WELLBEING

We place a great deal of importance on the health and wellbeing of our staff. We invest in a wide range of benefits that we continually review and update to offer staff the best possible support.

We recognise the challenges the last 18 months have presented and we have taken steps to ensure that our people continue to be supported.

We launched a new wellbeing and togetherhub to make it easier for staff to access the provisions available and make use of additional interactive resources.

Our dedicated team of Mental Health First Aiders is available to support colleagues that are experiencing mental health issues and delivers regular workshops to all staff, on mental health in the workplace. This is further complemented by our Employee Assistance Programme, which gives our people access to independent confidential advice and support should they need it.

This summer we were delighted to relaunch our onsite AJ Bell gym at our Manchester office. Dedicated to supporting the health and wellbeing of our people, it was clear from suggestions to our Employee Voice Forum that staff wanted the gym to be as inclusive as possible, acting as a health and wellbeing ‘hub’ for everyone. Consequently, we have extended the fitness offerings to staff based in any location by live streaming gym classes, as well as providing advice on diet and nutrition and 1-2-1 check-ups. For staff who are not based in our Manchester head office, we also offer free membership at the gym nearest to where they work.

EMPLOYEE ENGAGEMENT

Our staff engagement framework focuses on the eight measures used within the Best Companies survey.

- Best Companies is an independent workplace engagement specialist that works with organisations like ours to measure, improve and recognise workplace engagement and compile the ‘Best Companies to Work For’ list.
- This year we were delighted to not only maintain our status as a three-star company, but to also make it into the top five financial services companies in the UK to work for.

Our annual engagement survey for 2021 continues to show very high levels of engagement. In particular, our scores in relation to staff wellbeing and support from managers remain high and are above the average score relative to other companies that received the highest three-star rating. This reflects the support given to staff throughout the pandemic and highlights the strength of our managers. We recognise the importance of an engaged workforce and look to continually broaden our approach based upon the feedback and insight we receive.

ENGAGEMENT SCORES 2021

Overall engagement: 91% (2020: 89%)

Wellbeing:

- AJ Bell: 5.79
- 3 Star Companies: 5.55

(My manager: 5.85)

We will continue to work closely with our Employee Voice Forum, which has been our designated Non-Executive Director since inception, working with the forum and helping to empower them to present ideas to the EMB and the Board.

Helena Morrisey will replace Laura as our nominated employee engagement director with effect from the end of the 2022 AGM.

We offer our staff a comprehensive employee benefit package which is regularly benchmarked and reviewed to ensure our employees are fairly rewarded and offered a wider range of core benefits, with a continued focus on health and wellbeing.

We strongly believe in the importance of our staff building a sense of ownership and sharing in the success of the business. In the year 32% of our staff actively participated in our Buy as You Earn (BAYE) scheme which enables employees to buy shares in the company monthly in a tax-advantageous way. We can join at any time and manage their own monthly contributions, up to £50 per month

Social activities form an important part of our culture. As a result of the pandemic with most staff working from home, we had to reduce the number of face-to-face events and moved many activities online. We are planning to restart many of our social events as soon as it is safe and practicable to do so.
TALENT MANAGEMENT
Attracting, retaining and developing the right people
The quality of our people is essential to drive the business forward and help us deliver further growth over the long term. Our aim, therefore, is to attract and retain talent across the business and provide them with opportunities for personal growth that will help us to deliver our goals and them to fulfil their potential.
We believe it is important for all our people to be given the opportunity to enhance and broaden their skills. We actively encourage people to invest in their personal growth, career, and future with AJ Bell through taking ownership of their own personal and professional development. Our in-house Learning and Development team also provide extensive training and support to enable our staff to realise their potential.

Building a robust talent pipeline for the future is key to delivering our growth strategy.

Talent programmes
Our HR and learn and Development teams work closely with our people throughout the business, helping to progress both professionally and personally at whatever stage of career they are at. Our apprenticeship employer provider status allows us to achieve this, by delivering a more bespoke, high-quality programme in-house by our qualified Learning and Development team. This status is recognised by the Chartered Management Institute (CMI), Education Skills Funding Agency (ESFA) and Ofsted.

Our Talent Development Programme looks to develop staff identified as being potential future leaders and managers at AJ Bell. It enables those successfully completing the programme to obtain an approved management qualification and the opportunity to put the skills they have learned into practice to help further their career.

This year we also launched a new Senior Management Talent Development Pathway. This framework is specifically tailored to develop those high performing employees who wish to progress to Head of Department, Director and Executive level roles across the business.

Apprenticeship programmes
As a fast-growing business, it is important that we attract and maintain a diverse and talented workforce. Our apprenticeship scheme plays an important role in that by bringing intelligent and enthusiastic people into the business, and giving them the training, experience and support they need to forge a career in investments or technology.

EMPLOYEE VOICE FORUM
Last year, the second cohort of representatives presented ideas to the Board and EMB on how we ensure our unique AJ Bell culture and strong staff engagement are maintained as we move to a new way of working. As well as being supportive of the future of work project, the forum highlighted the importance of leadership visibility and communication. During the year, we increased the number of leadership videos and updates posted on the AJ Bell Exchange and hosted several online engagement activities in response to feedback received.

In September 2021, our third Employee Voice Forum met to feedback on what we could do to support and promote staff health and wellbeing post-pandemic.

Staff provided a wealth of ideas and suggestions, which the forum collated and presented to the EMB and Board under several key themes. These included new ideas for social activities to appeal to an inclusive audience, and how we could further leverage the potential of the AJ Bell gym to include additional health benefits for all. The Board and EMB were delighted to see how well thought out and achievable the suggestions were, and are looking to reflect all of them in our people strategy for FY22.

Diversity and inclusion
At AJ Bell, we value diversity and believe in building a culture that attracts, values and retains people from all backgrounds, regardless of age, caring responsibilities, disability, ethnicity, gender, religion or sexual orientation. We strive to promote an inclusive workforce where our people feel valued, respected as individuals, and empowered to flourish in their chosen career path.

Our commitment to diversity and inclusion is a continuous process, which is embedded by our existing human resource policies, including the Diversity and Inclusion Policy contained within our Employee Handbook.

We supported a number of initiatives in the year, which included hosting an event to celebrate International Women’s Day. This year’s theme was ‘Choose to Challenge’ and our panellists – made up of female staff from across the business – discussed if and how they had chosen to challenge stereotypes. The event also gave staff the opportunity to hear career journeys and experiences and also participate in a question-and-answer session.

We also continued to support the LGBTQ+ community through our Pride at AJ Bell week.

This included hosting manager and staff awareness training on intersex identity and fundraising activities for Manchester-based charity, LGBT Foundation, who support the needs of those who identify as LGBTQ+.

Gender pay gap reporting
We publish gender pay information annually.

Our most recent gender pay report details the progress we have made in supporting a diverse and inclusive workplace. For example, we have recently welcomed three female Non-Executive Directors to our Board, further strengthening its diversity and skillset.

Following these changes to the Board, we also strengthened the diversity of our executive team with the addition of two new female EMB members. We were also delighted to announce the appointment of several female staff to senior management roles in Customer Services, Sales, and Marketing.

Looking forward, we have set an FY22 objective to establish a framework and agree metrics that will enable us to effectively monitor our progress on the diversity of our people and the success of the initiatives we run.

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Looking forward, we have set an FY22 objective to establish a framework and agree metrics that will enable us to effectively monitor our progress on the diversity of our people and the success of the initiatives we run.
We ensure that our communities share in our business success and the passion of our people.

At AJ Bell we have a strong social conscience and encourage our staff to give something back through charitable and voluntary activities. We support our staff through paid time off for volunteering and through our matched funding programme, ensuring that good causes close to their hearts receive extra support.

Whether taking part in a sponsored walk, sleeping out to raise money for homeless causes, collecting donations for a local food bank, or volunteering within our communities, we are proud of the efforts our staff make to give something back to their local communities. Despite the impact of COVID restrictions during the first half of the year and continued social distancing in our offices leading to a reduced charity calendar, our staff continued to volunteer at Cash for Kids and FareShare among others during the year.

In addition to volunteering days, our staff continued to volunteer at Cash for Kids and leading to a reduced charity calendar, our staff

2021 HIGHLIGHTS

Final distribution of the Wage War on COVID fund. Donated £372,000 to the AJ Bell Trust.

2022 PRIORITIES

Increase staff participation in volunteering activities. Develop a new framework for charitable and community initiatives, more closely aligning with our wider business strategy.

We were keen to continue our support for our LGBTQ+ colleagues and communities through Pride in AJ Bell week in August. Linking with the LGBT Foundation, we organised several events and educational sessions over the course of a week, to both raise funds and continue to highlight the importance of a highly inclusive culture that embraces diversity in all its forms.

We also continued to support our people to give blood. Donated blood is a lifeline in an emergency and for people who need long-term treatments. In addition, this year we hosted a lunch and learn for staff with DKMS, a charity committed to helping people with blood cancer and blood disorders.

The Group donates a percentage of its profits on an annual basis to the AJ Bell Trust, a registered charity of which Andy Bell and his wife Tracey Bell are trustees, together with two further independent trustees. This year, the Group made donations of £272,000 to the Trust.

The aim of the Trust is to help disadvantaged people to advance in life, with a particular focus on young people. It makes donations to a range of national and local causes and also funds its own charitable initiatives. The main focus of the Trust during the year has been on distributing the Wage War on COVID fund.

The AJ Bell Wage War on COVID

During the year, we completed the distribution of our Wage War on COVID fund under the umbrella of the AJ Bell Trust, a UK registered charity. We pride ourselves on our commitment to support and give something back to our communities, and we were proud to support those in our local communities directly affected by the pandemic.

A total of £382,926 was raised which included the donation of salaries made by members of the AJ Bell Board and senior management, along with donations from many staff members across the business and the donations of customers, advisers and the general public. The funds were distributed to over 40 charities across multiple causes.

TOTAL MONEY RAISED

£382,926

Food Poverty:

£52,000

Receiving charities included FareShare UK, Salford CVS, Newton Community Fridge, Wythenshawe Foodbank, Chelwood Foodbank Plus, Muswell Hill Foodbank, Salford Foodbank, Emerge 3Rs, and the AJ Bell Easter Eats initiative.

Mental health:

£60,000

The funds will support Stop.Breathe.Think North West in providing free mental health and counselling services to young people in the region, launching in January 2022.

Supporting the community:

£136,915

Staff members were given the opportunity to nominate local charities that were providing a service directly supporting those impacted by COVID in their community. Applications were reviewed by a committee and subsequently donations were made to 36 charities such as Maggie’s Manchester, Manchester Youth Zone, Well Women Centre Leigh and many more.

We also sponsored the ‘AJ Bell Technology Award’, awarded to the best performing students across the university’s computing degrees. The winners of the awards were invited to our Manchester office to meet our team and see first-hand the crucial role technology plays in our business. We are proud to sponsor these awards and to help build the next generation of technology talent in our local community.
ESG

CHIEF EXECUTIVE’S STATEMENT

AJ Bell recognises the importance of societal action to reduce global emissions and are committed to playing our part.

ENVIRONMENTAL INITIATIVES

As a financial services business, our main environmental impacts are primarily through the consumption of resources and emissions at our business premises, together with employee travel. We look to reduce waste where possible and minimise the environmental impact of our business and activities as far as we can through sensible policies and initiatives.

We continue to keep energy efficiency across our offices under review, from lighting and water usage to investing in more efficient IT equipment and the use of video conferencing facilities. As we move into our hybrid working model, we will see further benefits in reducing our environmental impact with a higher proportion of our employees working from home and less travel required.

Over the past few years we have reviewed the use of paper across our offices and have made several improvements to our own processes to reduce the reliance on paper, including our communications with customers and documentation associated with our advised platform. However, we at AJ Bell, and our industry more generally, still have room for improvement in eliminating paper.

Throughout the business we recycle 100% of our confidential waste. In addition, we send 100% of our general waste from EQ4 to be recycled, none of which goes to landfill. This is sorted off-site at a waste recovery facility, by a waste management company who report on their recycling activity on our behalf.

We continue to progress our paperless initiatives.

We look to reduce waste where possible and minimise the environmental impact of our business premises together with employee travel. We look to reduce waste where possible and minimise the environmental impact of our business premises together with employee travel.

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ENVIRONMENTAL AWARENESS

2021 HIGHLIGHTS

- Promoted the use of online collaboration to reduce business travel
- Retained our carbon neutral status.

2022 PRIORITIES

- Embed and report on the recommendations of the TCFD
- Continue to progress our paperless initiatives
- Assess the environmental impact of our new hybrid working arrangements.

REGULATORY DEVELOPMENTS

TCFD

We note the TCFD recommendations for disclosures on climate risk in annual reports relating to governance, risk management and the metrics used to manage climate-related risks and opportunities.

We are integrating the recommendations of the TCFD into our governance and risk management framework, and taking the steps required to ensure readiness to report against the recommendations in full for our year ending 30 September 2022.

Net-zero reporting

At the 26th United Nations Climate Change Conference of the Parties (COP26), the UK Government announced proposals for the reporting of detailed public plans on how firms will move to a low-carbon future by 2033 – in line with the UK’s 2050 net-zero target. We await further details on the proposals and despite our low carbon footprint, we will seek to develop our strategy to include targets to reduce greenhouse gas emissions and the steps which we will take to take to get there.

Our greenhouse gas emissions inventory is calculated for the Group under the financial control approach and in accordance with the GRI G4 standards using the 2021 conversion factors developed by DEFRA and BEIS. The inventory is independently calculated by Carbon Footprint Limited.

Under the GRI guidelines, scope 1 and 2 emissions are key mandatory areas to report, illustrating the environmental impact of the Group for activities where we have direct control, i.e. operations of our business premises. We have also chosen to report emissions per FTE as our intensity measure as we believe this is the best indicator for the Group.

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Our simple business model means our total greenhouse gas emissions and emissions per full time equivalent employee are low within our industry. Our total scope 1 and 2 emissions per FTE are higher than the prior year, driven by increased use of our offices as COVID restrictions eased.

Greenhouse gas emissions

The table below summarises our greenhouse gas (GHG) emissions for the year ended 30 September 2021:

<table>
<thead>
<tr>
<th>Scope</th>
<th>Greenhouse gas emissions source</th>
<th>Tonne of CO2e 2021</th>
<th>Tonne of CO2e 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1:</td>
<td>Direct emissions</td>
<td>286.1</td>
<td>174.7</td>
</tr>
<tr>
<td>Scope 2:</td>
<td>Indirect emissions</td>
<td>142.3</td>
<td>164.5</td>
</tr>
</tbody>
</table>

Total: 428.4

Emissions per full time employee-equivalent (FTE)

<table>
<thead>
<tr>
<th>Energy usage</th>
<th>kWh 2021</th>
<th>kWh 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy consumption in the UK</td>
<td>2,104,758</td>
<td>1,655,479</td>
</tr>
</tbody>
</table>

We seek to minimise waste and our impact on the environment. We will assess the impact that climate change could have on our business and respond to those risks and opportunities.
The Group delivered another strong set of financial results following a year of significant growth. Revenue increased 15% from £126.7m to £145.8m and PBT was up 13% to £55.1m (FY20: £48.6m).

The two key drivers of our performance, customer numbers and AUA, grew by 30% and 29% respectively in the 12-month period. The Group achieved net inflows of £6.4bn, with AUA breaking the £70bn milestone, closing at £72.8bn as at 30 September 2021.

The business is attracting new business at an impressive rate. Notwithstanding this strong performance, we have chosen to accelerate our investment in the long-term growth of the business by developing new product propositions in the year and this is reflected in cost increases that are higher than we have seen in recent years.

MICHAEL SUMMERSGILL
DEPUTY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

BUSINESS PERFORMANCE

Customers

Customer numbers increased by 87,449 during the year to a total of 382,754 (FY20: 295,305). This growth has been driven by our platform propositions, in particular our D2C platform which saw a 40% increase in customer numbers to 241,045 as at 30 September 2021. In addition, our platform customer retention rate remained high at 95.0% (FY20: 95.5%).

<table>
<thead>
<tr>
<th>Reporting requirement</th>
<th>Some of our relevant policies and standards</th>
<th>Where to read more in this report about our impact</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental matters</td>
<td>• Environmental Policy</td>
<td>Environmental awareness</td>
<td>40 - 41</td>
</tr>
<tr>
<td>Employees</td>
<td>• Employee handbook</td>
<td>Responsible employer</td>
<td>34 - 37</td>
</tr>
<tr>
<td></td>
<td>• Health and Safety Policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Diversity and Inclusion Policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Recruitment and Selection Policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Whistleblowing Policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Safety and Security Policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social</td>
<td>• Supporting our local communities</td>
<td></td>
<td>38 - 39</td>
</tr>
<tr>
<td></td>
<td>• Training Customers Fairly</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• CSR policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human rights</td>
<td>• Human Rights Policy</td>
<td></td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>• Modern Slavery Statement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anti-corruption and anti-bribery</td>
<td>• Anti Bribery and Corruption Policy</td>
<td>Anti-bribery and corruption</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>• Anti-Money Laundering Policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Gifts and Hospitality Policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Market Abuse Policy</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional information

<table>
<thead>
<tr>
<th>Reporting requirement</th>
<th>Some of our relevant policies and standards</th>
<th>Where to read more in this report about our impact</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business model</td>
<td>• Our business model</td>
<td></td>
<td>18 - 19</td>
</tr>
<tr>
<td>Principal risks and how they are managed</td>
<td>• Principal risks and uncertainties</td>
<td></td>
<td>10 - 14</td>
</tr>
<tr>
<td>Non-financial KPIs</td>
<td>• Key performance indicators</td>
<td></td>
<td>22 - 23</td>
</tr>
</tbody>
</table>

FINANCIAL REVIEW

The Group delivered another strong set of financial results following a year of significant growth.

Revenue increased 15% from £126.7m to £145.8m and PBT was up 13% to £55.1m (FY20: £48.6m).

BUSINESS PERFORMANCE

Customers

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<table>
<thead>
<tr>
<th>Year ended 30 September 2021</th>
<th>Year ended 30 September 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advised platform</td>
<td>120,920</td>
</tr>
<tr>
<td>D2C platform</td>
<td>241,045</td>
</tr>
<tr>
<td>Total platform</td>
<td>367,965</td>
</tr>
<tr>
<td>Non-platform</td>
<td>5,780</td>
</tr>
<tr>
<td>Total</td>
<td>382,754</td>
</tr>
</tbody>
</table>

Assets under administration

Year ended 30 September 2021

<table>
<thead>
<tr>
<th></th>
<th>Advised platform £m</th>
<th>D2C platform £m</th>
<th>Total platform £m</th>
<th>Non-platform £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 October 2020</td>
<td>30.3</td>
<td>12.4</td>
<td>42.7</td>
<td>0.2</td>
<td>42.9</td>
</tr>
<tr>
<td>Underlying inflows</td>
<td>6.3</td>
<td>4.6</td>
<td>10.9</td>
<td>0.2</td>
<td>11.1</td>
</tr>
<tr>
<td>Outflows</td>
<td>(2.5)</td>
<td>(1.4)</td>
<td>(3.9)</td>
<td>(0.8)</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Net inflows/outflows</td>
<td>3.8</td>
<td>3.2</td>
<td>7.0</td>
<td>(0.6)</td>
<td>6.4</td>
</tr>
<tr>
<td>Market and other movements</td>
<td>5.7</td>
<td>2.9</td>
<td>8.6</td>
<td>1.3</td>
<td>9.9</td>
</tr>
<tr>
<td>As at 30 September 2021</td>
<td>41.8</td>
<td>15.5</td>
<td>57.3</td>
<td>1.5</td>
<td>58.8</td>
</tr>
</tbody>
</table>

Year ended 30 September 2020

<table>
<thead>
<tr>
<th></th>
<th>Advised platform £m</th>
<th>D2C platform £m</th>
<th>Total platform £m</th>
<th>Non-platform £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 October 2019</td>
<td>33.8</td>
<td>11.1</td>
<td>44.9</td>
<td>7.4</td>
<td>52.3</td>
</tr>
<tr>
<td>Underlying inflows</td>
<td>4.6</td>
<td>3.0</td>
<td>7.4</td>
<td>0.4</td>
<td>7.8</td>
</tr>
<tr>
<td>Outflows</td>
<td>(1.6)</td>
<td>(0.9)</td>
<td>(2.5)</td>
<td>(0.8)</td>
<td>(3.3)</td>
</tr>
<tr>
<td>Net inflows/outflows</td>
<td>3.0</td>
<td>2.1</td>
<td>4.9</td>
<td>(0.7)</td>
<td>4.2</td>
</tr>
<tr>
<td>Market and other movements</td>
<td>10.0</td>
<td>0.2</td>
<td>(0.1)</td>
<td>0.4</td>
<td>(0.7)</td>
</tr>
<tr>
<td>As at 30 September 2020</td>
<td>36.3</td>
<td>13.4</td>
<td>49.7</td>
<td>8.1</td>
<td>57.8</td>
</tr>
</tbody>
</table>
FINANCIAL REVIEW
CONTINUED

We continued to see significant growth in the level of AUA inflows across both our advised and D2C platform propositions, with total net platform inflows increasing by 4.9% to £10.8bn, compared to £4.9bn in the previous year.

Net inflows to the advised platform of £3.8bn increased by 36% and were mostly driven by inflows from new customers. The high uptake of our RIA resulted in slightly lower average inflows per customer, which was expected as this product is aimed at customers with smaller portfolios.

D2C platform inflows increased by 52% to £3.2bn (FY20: £2.1bn) with high levels of inflows from both new and existing customers. Average inflows per customer increased for both new and existing customers, with the majority of inflows being in SIPP and ISA as customers focus on building long-term, tax-efficient investment portfolios.

Non-platform net outflows of £0.6bn in the year were primarily triggered by the decision to close the institutional service from 31 December 2021, which represented £2.2bn of AUA at 30 September 2021.

The strong performance across global markets contributed £9.9bn to asset values with AUA closing at £72.8bn, an overall increase of 29% in the year.

## Assets under management

<table>
<thead>
<tr>
<th></th>
<th>Year ended 30 September 2021</th>
<th>Year ended 30 September 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advised</td>
<td>£bn</td>
<td>£bn</td>
</tr>
<tr>
<td>Closing AUM</td>
<td>1.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Non-platform</td>
<td>0.8</td>
<td>0.4</td>
</tr>
<tr>
<td>Total</td>
<td>2.2</td>
<td>0.8</td>
</tr>
</tbody>
</table>

AJ Bell Investments has seen a significant increase in AUM across both our advised and D2C platform propositions, including a one-off platform inflow of £0.3bn and underlying net platform inflows of £0.9bn in the year (FY20: £0.5bn). Market and other movements contributed £0.2bn to asset values with AUM closing at £2.2bn. This represented an underlying increase of 14% from the previous year, excluding the one-off platform inflow in the year.

## FINANCIAL PERFORMANCE

### Revenue

<table>
<thead>
<tr>
<th></th>
<th>Year ended 30 September 2021</th>
<th>Year ended 30 September 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring fixed</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Recurring advised</td>
<td>28,598</td>
<td>26,618</td>
</tr>
<tr>
<td>Transactional</td>
<td>77,955</td>
<td>72,422</td>
</tr>
<tr>
<td>Total</td>
<td>145,826</td>
<td>126,740</td>
</tr>
</tbody>
</table>

Revenue increased by 15% to £145.8m (FY20: £126.7m).

Recurring fixed revenue saw an increase of 7% to £28.6m (FY20: £26.6m). This was primarily driven by increased pension administration revenue from our advised platform customers.

Recurring advised revenue grew by 8% to £78.6m (FY20: £72.4m). The key driver of the growth in advised revenue was the increase in average AUA, which grew significantly in the year. However, the reduction in the UK base rate during the previous financial year, from 0.75% to 0.1%, provided a significant headwind and caused a substantial reduction in the interest earned on customer cash balances.

Transactional revenue grew by 42% to £39.3m (FY20: £27.7m). This increase was driven by the strong growth in D2C customers, in addition to significantly elevated levels of customer dealing and a higher proportion of deals placed in international equities in the first half of the year.

Revenue margin fell by 1.7bps from 23.9bps to 22.2bps in the year, primarily caused by the reduction in the UK base rate during the previous financial year, as noted above.

### Administrative expenses

<table>
<thead>
<tr>
<th></th>
<th>Year ended 30 September 2021</th>
<th>Year ended 30 September 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution</td>
<td>11,095</td>
<td>10,245</td>
</tr>
<tr>
<td>Technology</td>
<td>25,765</td>
<td>20,027</td>
</tr>
<tr>
<td>Operational and support</td>
<td>53,115</td>
<td>45,646</td>
</tr>
<tr>
<td>CSR initiative</td>
<td>1,596</td>
<td>1,496</td>
</tr>
<tr>
<td>Total</td>
<td>89,775</td>
<td>77,313</td>
</tr>
</tbody>
</table>

Administrative expenses increased by 16% to £90.0m (FY20: £77.5m).

Distribution costs increased by 8% from £10.2m to £11.3m. This increase was predominantly driven by the increase in headcount in our platform marketing and business development teams. We recognise the importance of investing in our brand, and while some of our planned spend was paused as a result of the pandemic, we see more opportunities to invest in this area in the future.

Technology costs increased by 29% to £25.8m (FY20: £20.0m), predominantly driven by an increase in headcount and the investment in the development of our two new simplified platform propositions, Dodl and Touch. Included in this amount is a £2.8m share-based payment charge in relation to the earn-out on the acquisition of Adalpha (see note 25).

Operational and support costs increased by 16% to £53.1m (FY20: £45.6m). Excluding the costs associated with elevated levels of customer dealing activity this year, the underlying year-on-year increase was 10% which included investment in a HR technology solution to assist in the delivery of our new hybrid working model. The increase in operational and support costs compares to a 30% increase in customer numbers and a 29% increase in AUM and demonstrates the efficiency of our business model.

Our prior year share-based payment expense included a one-off charge of £1.6m relating to the CSR initiative announced in December 2019.

### Profitability and earnings

PBT rose to £5.5m (FY20: £4.6m), an increase of 13% compared with the prior year and our PBT margin remained at 38% (FY20: 38%). The increase in profitability is due to the strong growth in our customer base and AUA.

The effective rate of tax for the year was 20.4% (FY20: 20.0%), slightly higher than the standard rate of UK Corporation Tax of 19.0%, as a result of disallowable charges relating to the earn-out arrangement.

Basic earnings per share increased by 13% to 10.71p. Diluted earnings per share (DEPS) increased by 13% to 10.67p.
FINANCIAL REVIEW CONTINUED

FINANCIAL POSITION

The Group’s balance sheet remains strong, with net assets totalling £130.7m (FY20: £109.5m) at 30 September 2021 and a return on assets of 34% (FY20: 39%). We have no significant borrowings with the exception of the lease liability that arose on adoption of IFRS 16 as noted in the prior year.

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. We manage our financial resources prudently and have maintained a healthy surplus over our regulatory capital requirement throughout the year.

### Financial data

<table>
<thead>
<tr>
<th></th>
<th>Year ended 30 September 2021</th>
<th>Year ended 30 September 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total shareholder funds</td>
<td>130,708</td>
<td>109,466</td>
</tr>
<tr>
<td>Less: unregulated business capital</td>
<td>(4,722)</td>
<td>(3,708)</td>
</tr>
<tr>
<td>CRD consolidation group – CET1 capital</td>
<td>120,986</td>
<td>105,763</td>
</tr>
<tr>
<td>Less: provision for dividend</td>
<td>(88,912)</td>
<td>(19,050)</td>
</tr>
<tr>
<td>Less: non-qualifying assets</td>
<td>(11,469)</td>
<td>(4,109)</td>
</tr>
<tr>
<td>Total capital resources</td>
<td>55,605</td>
<td>82,604</td>
</tr>
<tr>
<td>Less: capital requirement</td>
<td>(40,525)</td>
<td>(35,439)</td>
</tr>
<tr>
<td>Surplus capital</td>
<td>15,080</td>
<td>47,165</td>
</tr>
<tr>
<td>Net capital resource requirement held</td>
<td>187%</td>
<td>253%</td>
</tr>
</tbody>
</table>

Our regulatory requirement increased to £40.5m (FY20: £35.4m) which results in surplus capital of £13.1m (FY20: £14.2m). After making appropriate deductions, including our ordinary and special dividend, our total capital resources at 30 September 2021 were £75.6m (FY20: £82.6m).

Cash balances increased by 12% from £86.4m to £97.1m. Our short working capital cycle means that profits are quickly converted into cash, and we maintain sufficient financial resources to support the liquidity requirements of our growing operation.

The Investment Firm Prudential Regime (IFPR) will come into effect from 1 January 2022, focusing prudential requirements on the potential harm the firm itself can pose to consumers and markets whilst introducing a basic liquidity requirement for all investment firms. This is not expected to have a material impact on our capital requirements.

Acquisition of Adalpha

On 18 March 2021, AJ Bell plc acquired Adalpha, and is progressing well with the development of our new mobile-focused platform proposition, Touch by AJ Bell.

On acquisition, the Group recognised an intangible asset of £1.1m, relating to the development of the simplified advised platform proposition, and goodwill of £1.3m. Further details can be found within note 6.

Costs incurred in the year relate primarily to technology costs for the development of the simplified advised platform proposition. Costs capitalised to our intangible asset are found in note 8.

Dividends

The Board has proposed a final dividend of 4.50p per share (FY20: 4.66p per share), resulting in a total ordinary dividend of 6.96p (FY20: 6.16p) and equating to a dividend pay-out ratio of 65% of statutory profit after tax.

In addition, the Board reviewed the Group’s financial position at 30 September 2021, considering the payment of the ordinary dividend, planned growth of the business, subsequent investment needs and future regulatory capital and liquidity requirements and has proposed a special dividend of 5.00p per share which will take the total dividend for the year to 11.96p, an increase of 94% on the prior year.

This enhanced dividend payment reflects the financial strength of the Group, the Board’s commitment to returning surplus capital to shareholders in an appropriate form and at an appropriate time and the positive outlook for the long-term prospects of the business.

Michael Summersgill

Deputy Chief Executive Officer and Chief Financial Officer

1 December 2021

RISK MANAGEMENT

The Group defines its risk appetite as representing the amount and type of risk it is prepared to seek, accept or tolerate at any point in time in the context of its business model and in the course of achieving its strategic objectives.

### Risk management framework

The Board is ultimately responsible for the Group’s risk management framework (RMF), but has delegated certain responsibilities to the Risk and Compliance Committee (RCC), a sub-committee of the Board. The governance framework for risk management is detailed below.

### Risk appetite

Risk appetite is integrated into the business via the Group’s business planning, capital planning and the RMF. These enable the Board to set the overarching parameters for the Group’s risk appetite and to monitor their performance. The process streams are illustrated below.

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**Principal components of AJ Bell combined assurance framework**
RISK MANAGEMENT CONTINUED

The objective of the Group’s risk appetite framework is to ensure that the Board, EMB and senior management are properly engaged in agreeing and monitoring the Group’s appetite for risk and setting acceptable boundaries for business activities and behaviours. The Group’s high-level risk appetite statement provides a means of expressing senior management’s attitude to risk (a top-down process) which can then be communicated throughout the Group as part of promoting a risk-aware culture (a bottom-up process). This in turn forms the basis of a framework for risk decision-making and for the allocation of risk management resources, tolerances and capital where applicable.

The Group defines its risk appetite as representing the amount and type of risk it is prepared to seek, accept or tolerate at any point in time in the context of its business model and in the course of achieving its strategic objectives.

The Group has defined a number of key statements (risk appetite statements) which detail the general approach to risk management and can be used both internally and externally as appropriate.

The Group risk management policy provides the mechanism to define our risk appetite. The Group has generally adopted an overall conservative approach to achieving controlled growth which is reflected in its risk appetite statements and in our overall approach to risk management.

RISK APPETITE CATEGORIES AND RISK APPETITE STATEMENTS

The Group’s RMF is based on a defined set of risk appetite categories. These are the high-level enterprise-wide risk categories the Group manages. Each risk appetite category has a defined risk appetite statement.

<table>
<thead>
<tr>
<th>Risk appetite category</th>
<th>Rationale</th>
<th>Risk appetite statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic, business or market risk</td>
<td>Largely external risks that can impact the Group</td>
<td>The Group is willing to accept same risk in the pursuit of its strategic goals within agreed tolerances.</td>
</tr>
<tr>
<td>Operational risk including a) Technology b) People c) Process d) Change e) Information security and data f) Business continuity/Disaster recovery g) Financial Crime h) Conduct i) Legal/Regulatory/Litigation j) Financial control environment k) Third-party environment</td>
<td>Largely internal risks undertaken as part of the fulfilment of Group strategy.</td>
<td>The Group is willing to accept such operational risks in the pursuit of its strategic goals within agreed tolerances but has no appetite for unrepairable consequences or material breaches of regulations arising from systemic failures.</td>
</tr>
<tr>
<td>Credit</td>
<td>Specific and limited credit risks strictly within the context of the Group strategy.</td>
<td>The Group has a strictly limited appetite to take credit risk in the pursuit of revenue or profit.</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Specific and limited liquidity risks strictly within the context of the Group strategy.</td>
<td>The Group’s liquidity risk appetite is to maintain its liquidity resources in excess of its liquidity resource requirement.</td>
</tr>
<tr>
<td>Capital</td>
<td>Prudential risk-taking capacity of the Group.</td>
<td>The Group’s risk appetite is to maintain its capital resources in excess of the Group’s ICAP capital resource requirement.</td>
</tr>
</tbody>
</table>

TOP-DOWN MEASUREMENT AND REPORTING OF RISK APPETITE

The Group adopts both a quantitative and qualitative approach to measuring risks against its risk appetite, incorporating both absolute and relative measurements of risks within each of the categories.

Where the Group has assessed that it faces a significant individual risk, it seeks to set appropriate individual quantitative tolerance levels. In cases where such risks have crystallised materially in the past, the Group performs a review of the amount and distribution of past losses, or uses other techniques, and sets an appropriate tolerance level in the context of the overall risk appetite.

The Board and EMB have identified key risks that, should they crystallise, could impact the Group’s ability to meet its strategic objectives. These risks are referred to as the high-impact top risks (HiTR).

The Risk team collates the underlying Key Risk Indicators (KRI) mapped to the HiTR and highlights any breaches of tolerances to the Chief Risk Officer (CRO) and through onwards reporting to the Risk Management Committee (RMC), Executive Management Assurance Committee (EMAC) and Board.

AMENDMENTS TO RISK APPETITE STATEMENTS

The risk appetite statements are reviewed by the EMB and R&CC and approved by the Board on an annual basis in line with the Internal Capital Adequacy Assessment Process (ICAAP) and the Group business planning process. Accordingly, the risk appetite is reviewed and updated in line with the Group’s evolving strategy, operating model, financial capacity, business opportunities, regulatory constraints and any other internal or external factors.

RISK IDENTIFICATION AND ASSESSMENT OF RISKS

The Group adopts a top-down and a bottom-up approach to the identification of risks. The EMB and the Board have identified the HiTR that could impact the ability of the business to meet its strategic objectives and these are reviewed, against the Group’s risk appetite statements, on an ongoing basis by the RMC, EMAC and R&CC. They are also reviewed as part of the ICAAP and business planning process each year.

In addition to the HiTR, the Group maintains a risk register of bottom-up risks.

RISK REPORTING

The Group adopts two methodologies for the purpose of risk reporting.

A summary of all risks recorded on the risk registers, including both quantifiable and non-quantifiable risks or uncertainties, is reported to the RMC (together with any relevant KRI with significant changes or risks outside of appetite presented to the EMAC and R&CC). As referred to above, these risks are reported in the context of the qualitative comparison to risk appetite, and for those risks outside of appetite, progress is reported as to the actions required to bring the risk back within appetite.

For significant quantifiable risks (e.g. operational losses), individual tolerance levels are set in the context of the Group’s risk appetite. Actual results are reported against tolerance levels to the Risk team, the EMB and the Board on a monthly basis. In the event that tolerance levels are breached, the appropriate remedial action may be taken immediately.
The principal risks and uncertainties facing the Group are detailed below, along with potential impacts and mitigating actions.

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 short or longer term.

The Group has continually reviewed its risk management and internal control systems during the pandemic, to identify any areas that required further attention or action. Whilst the level of inherent risk for some of the Group’s principal risks and uncertainties has increased, the Group’s controls continue to mitigate this increase in risk.

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

### PRINCIPAL RISKS AND UNCERTAINTIES

#### STRATEGIC RISK

- **Competition and market risk:**
  - The Group faces competition from both existing and emerging competitors, and there is a risk that the Group may lose market share or that competitors may enter the market.
  - The Group regularly tracks market trends and customer behaviour to ensure it remains competitive.

- **Regulatory, compliance & legal risk:**
  - The Group is subject to a number of regulatory requirements and there is a risk that it may fail to comply with these requirements, which could result in fines or other penalties.
  - The Group is committed to ensuring compliance with all applicable regulations and laws.

#### OPERATIONAL RISK

- **Operational risk:**
  - The Group is dependent on a number of critical IT systems and there is a risk that these systems may fail or become unavailable, resulting in operational losses.
  - The Group has implemented a range of controls to ensure the reliability of its IT systems.

- **Data risk:**
  - The Group handles a significant amount of data and there is a risk that this data may be compromised.
  - The Group has implemented a number of data security measures to protect its data.

#### Information security and data risk

<table>
<thead>
<tr>
<th>Risk</th>
<th>Potential impact</th>
<th>Mitigations</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Group faces a risk of a vulnerability in its IT infrastructure</td>
<td>Could result in the Group's systems being compromised</td>
<td>The Group regularly reviews its products and systems for vulnerabilities, and implements patches to address these risks.</td>
</tr>
<tr>
<td>The Group faces a risk of potential customer detriment as customers are at risk of losing funds or personal data</td>
<td>This could result in financial impact through increased regulatory fines and loss of service from a third-party technology provider</td>
<td>The Group monitors the adequacy of its internal data governance framework via the Data Stewarding Group.</td>
</tr>
</tbody>
</table>

### STRATEGIC REPORT

- **Governance:**
  - The Board is proactive in identifying, assessing and managing all risks facing the business.
  - The Group maintains a strong compliance culture and regularly engages with the FCA and other regulatory bodies.

- **Financial statements:**
  - The Group has implemented a range of controls to ensure the reliability of its financial statements.

- **Other information:**
  - The Group is committed to maintaining the confidentiality, integrity and availability of its network and data.

- **Directors’ report:**
  - The Board is committed to a continual process of improvement and embedment of the risk management framework within the Group.

- **Audit committee report:**
  - The Group has implemented a range of controls to ensure the reliability of its audit and financial statements.

- **Remuneration report:**
  - The Group has implemented a range of controls to ensure the reliability of its remuneration report.

- **Risk management:**
  - The Group has implemented a range of controls to ensure the reliability of its risk management framework.

- **Capital management:**
  - The Group has implemented a range of controls to ensure the reliability of its capital management framework.

- **Other information:**
  - The Group is committed to maintaining the confidentiality, integrity and availability of its network and data.
PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

<table>
<thead>
<tr>
<th>Risk</th>
<th>Potential impact</th>
<th>Mitigations</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT system performance, capacity and resilience risk</td>
<td>The reliance on evolving technology remains crucial to the Group’s effort to develop its services and enhance products. Prolonged underinvestment in technology will affect our ability to serve our customers and meet their needs. Failing to deliver and manage a fit-for-purpose technology platform could have an adverse impact on customer outcomes and affect our ability to attract new customers. IT failures may lead to financial or regulatory penalties, and reputational damage.</td>
<td>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 underlying 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.</td>
</tr>
<tr>
<td>Operational resilience risk</td>
<td>The risk that the Group does not have an adequate operational resilience framework to prevent, adapt, respond to, recover and learn from operational disruptions.</td>
<td>The Group is in the process of developing a comprehensive operational resilience framework, under the direction of the Operational Resilience Committee (ORC), a sub-committee of the Executive Management Board (EMB). The Group is on track to implement the operational resilience regulatory requirements set out in the FCA policy statement (PS) 21/2, which are: Identify important business services. Undertake core mapping. Set impact tolerances. Undertake scenario testing. Board sign-off on a self-assessment.</td>
</tr>
<tr>
<td>Operational capability risk</td>
<td>The risk that, due to unexpectedly high volumes and/or levels of change activity, the Group is unable to process work within agreed service levels and/or to an acceptable quality for a sustained period.</td>
<td>A decline in the quality of work will have a financial impact through increased operational losses. Unexpectedly high volumes coupled with staff recruitment and retention issues could lead to poor customer outcomes and reputational damage. The Group focuses on increasing the effectiveness of its operational procedures and, through its business improvement functions, aims to improve and automate more of its processes. This reduces the need for manual intervention and the potential for errors. There is an ongoing programme to train staff on multiple operational functions. Diversifying the workforce enables the business to deploy staff when high work volumes are experienced. Causes of increased volumes of work, for example competitor behaviour, are closely monitored in order to plan resource effectively. The Group maintains succession plans for key members of management and has also sought to mitigate this risk by facilitating equity ownership for senior employees through various share schemes and the development of a staff engagement strategy.</td>
</tr>
<tr>
<td>Financial control environment risk</td>
<td>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.</td>
<td>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 lost income. 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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk</th>
<th>Potential impact</th>
<th>Mitigations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail conflicts/conduct risk</td>
<td>The risk that the fair treatment of customers is not central to the Group’s corporate culture.</td>
<td>Poor conduct could have a negative effect on customer outcomes, impacting the growth of our business. Reputational damage resulting from poor levels of customer service. Additional regulatory scrutiny and financial loss.</td>
</tr>
<tr>
<td>Investment risk</td>
<td>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.</td>
<td>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.</td>
</tr>
<tr>
<td>Economic and capital markets fluctuation risk</td>
<td>The risk that a significant and prolonged capital market or economic downturn has an adverse effect on customer confidence, asset values and interest rates.</td>
<td>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 26 to the consolidated financial statements.</td>
</tr>
<tr>
<td>PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### PRINCIPAL RISKS AND UNCERTAINTIES

<table>
<thead>
<tr>
<th>Risk</th>
<th>Potential impact</th>
<th>Mitigations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counterparty credit risk</td>
<td>• Unintended market exposure.</td>
<td>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 holds an appropriate amount of capital against the materialisation of this risk.</td>
</tr>
<tr>
<td></td>
<td>• Customer detriment.</td>
<td>The Group carries out initial and ongoing due diligence on the market counterparties and banks that it uses, and regularly monitors the level of exposure. The Group holds an appropriate amount of capital against the materialisation of this risk.</td>
</tr>
<tr>
<td></td>
<td>• Increased future capital requirements.</td>
<td>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 26 to the consolidated financial statements.</td>
</tr>
</tbody>
</table>

### LIQUIDITY RISK

Liquidity risk is the risk that the Group suffers a 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 continue to meet its obligations as they fall due can only secure such resources at excessive cost.

- Repudiation risk.
- 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 11 of the UK Corporate Governance Code 2018, the Board has assessed the viability of the Group, considering a four-year period to September 2025. 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 on pages 50 to 54. 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, a continual assessment is undertaken by the Group to identify and quantify its principal risks and uncertainties through the ICAAP, a process that uses a combination of techniques including stress-testing and scenarios to consider severe but plausible events to determine the capital and liquidity requirements for the Group.

The estimated capital and liquidity requirements from the crystallisation of risks arising from the Group’s business activities are assessed and compared with the rules-based quantitative requirements from the new prudential regime to inform the Group’s regulatory requirements for the next 12 months. The estimated capital required for the crystallisation of risks arising from the wider macroeconomic environment is used to determine if the Group is able to maintain sufficient financial resources over its regulatory capital and liquidity requirements over the four-year assessment period.

The Board approved four-year financial forecasts assumes the business continues to grow customer numbers and AUA through investment in our brand, product propositions, technology and people. It is assumed that the Bank of England base interest rate remains flat at 0.10% during the financial forecasts and there are no significant market movements in underlying asset values based on the position at the point the projections were approved by the Board.

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

1. **Macroeconomic (Economic and capital markets fluctuation risk)** – a significant reduction in equity market values, modelled on the 2008-09 global financial crisis. Asset values fall by 47% in year 1, recovering to 12% below the level they were prior to the fall in year 2, and remain flat in years 3 and 4.

2. **Macroeconomic (Economic and capital markets fluctuation risk)** – Bank of England base interest rate reduced from 0.10% to -0.10% throughout the assessment period.

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

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

**The results have confirmed that the Group would be able to withstand the adverse financial impact of these three scenarios occurring simultaneously over the four-year assessment period. This assumes that dividends are paid in line with the recommendation made in the 30 September 2021 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 2021. 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 2025.

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CHAIR’S INTRODUCTION

“Our strong corporate governance structure has served the business well during our journey to becoming a FTSE 250 company, especially during the pandemic. Our focus is now on building on those strong foundations to further enhance our governance as we embark on the next phase of our growth as a listed company. We aim to continue to deliver long-term value for our shareholders and satisfy increasing stakeholder demands and expectations.”

DEAR SHAREHOLDER

I am pleased to introduce our Corporate Governance report which gives an overview of the governance structure and the oversight which has been maintained by the Board during the financial year which ended on 30 September 2021. This will be my last report as Chair, because, as previously reported, it is my intention to step down from the Board at the 2022 AGM.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

I am pleased to report that, having considered the provisions of the UK Corporate Governance Code 2018 (the “2018 Code”), our Board is satisfied that we have complied with the 2018 Code, throughout the financial period which ended on 30 September 2021, except as a consequence of my remaining in office for more than nine years from the date of first appointment to the Board. As explained below, I stepped down from the Board at the 2022 AGM, when Helena Morrissey will be put forward as my successor.

The UK Corporate Governance Code 2018 is available on the Financial Reporting Council website at www.frc.org.uk. Details of how we have applied the main principles of the 2018 Code and further information can be found on page 66.

BOARD, COMMITTEE AND EMB CHANGES

Our Board succession plans bore fruit during the year, initially with the appointments of Baroness Helen Morrissey and Evelyn Bourke, who both joined the Board as Non-Executive Directors on 1 July 2021, with Helena being my designated successor as Chair, subject to the approval of shareholders at the AGM. Then, subsequently, Margaret Haddow was appointed as an additional Non-Executive Director with effect from 1 September 2021. I would like to take this opportunity to formally welcome them all to the Board.

In order to further strengthen the Board at executive level, with effect from 1 October 2021 our Chief Financial Officer, Michael Summerrall, was appointed as Deputy Chief Executive Officer, and Roger Stott, our Group Finance Director, joined the Board as Chief Operating Officer. Roger has gained detailed knowledge of the business from the wide range of roles which he has performed during the 13 years he has been with us. In order to facilitate those changes, we also announced the planned external recruitment of a new Chief Financial Officer.

Following the above changes, the Board comprised myself as Chair, six Non-Executive Directors, all of whom were considered to be independent, and three Executive Directors. It is pleasing to see we have achieved 49% female representation on the Board, which exceeds the Hampton-Alexander Recommendation for at least one-third of the Board to be female. Since then, Laura Carstensen, our Senior Independent Director and the Chair of our Remuneration Committee, has decided not to seek re-election at the AGM, but we will still meet that requirement after that change, with 37.9% female representation. As recently announced, the intention is for Evelyn Bourke to become our Senior Independent Director and Margaret Haddow the Chair of the Remuneration Committee, with effect from the end of the 2022 AGM.

As a Board we are conscious of the benefits that wider diversity brings and that we still do not have a member who is ethnically diverse, as required to meet the Parker Review recommendation for all FTSE 250 companies by the end of 2024. Details of the action planned by the Nomination Committee to address that recommendation are set out in the Nomination Committee report on page 77.

The increase in the size of the Board, has also allowed us to diversify the membership of our Nomination Committee, Remuneration Committee, Audit Committee, Nomination Committee (believe this will further strengthen our corporate governance framework with an additional level of independent oversight.)

The Board structure will also ensure the right level of work is delegated to each Committee, allowing the Board to focus on the key strategic and risk matters.

Some of the changes are set out in the individual Committee reports set out later in this report.

In addition, at executive management level, Ferguson Lyons, our AJ Bell Investments Managing Director, stepped down from his role with effect from 30 September 2021, after 21 years with the business, and was replaced by an internal candidate, Billy McCullogh, our AJ Bell Investments product and advised platform investment, and so was ideally placed to take on that role.

Further changes were also made to strengthen the executive management team and in September 2021, an external recruit, Karen Goodman, joined us as Chief Risk Officer and a member of the EMB. We also made two further internal promotions, with Liz Carrington, our HR Director, and Kevin Doran, our AJ Bell Investments Managing Director, joining the EMB with effect from 1 October 2021.

Following the above changes, 20% of the members of the EMB were female and two members were ethnically diverse. As a Board we are conscious of the need to do more to increase the diversity of our senior management team and details of the action planned by the Nomination Committee to address that issue as a part of our succession planning are set out in the Nomination Committee report on pages 71 to 77.

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Our Board succession plans bore fruit during the year, initially with the appointments of Baroness Helen Morrissey and Evelyn Bourke, who both joined the Board as Non-Executive Directors on 1 July 2021, with Helena being my designated successor as Chair, subject to the approval of shareholders at the AGM. Then, subsequently, Margaret Haddow was appointed as an additional Non-Executive Director with effect from 1 September 2021. I would like to take this opportunity to formally welcome them all to the Board.

In order to further strengthen the Board at executive level, with effect from 1 October 2021 our Chief Financial Officer, Michael Summerrall, was appointed as Deputy Chief Executive Officer, and Roger Stott, our Group Finance Director, joined the Board as Chief Operating Officer. Roger has gained detailed knowledge of the business from the wide range of roles which he has performed during the 13 years he has been with us. In order to facilitate those changes, we also announced the planned external recruitment of a new Chief Financial Officer.

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INDUCTION AND ON BOARDING

All Directors undertake a comprehensive formal induction programme when they are appointed to the Board, which involves meetings with the Chair, Executive Directors and other members of the senior management team, the provision of background reading and access to our electronic meeting system in respect of certain past Board and Committee meetings.

In addition, this year, given the time lag between the announcement of their appointments and them taking up office, both Helena Morrissey and Evelyn Bourke attended a number of Board and Committee meetings.

Further information on both the selection process before they joined the Board.

The recruitment process involved a formal, rigorous and transparent assessment of the independence of the candidate as well as an evaluation of their experience, knowledge and diversity to ensure the correct balance is maintained.

NEW BOARD MEMBERS

SELCTION PROCESS

During the year, we welcomed Baroness Helena Morrissey, Evelyn Bourke and Margaret Hazzard to the Board. The Group has a formal, rigorous and transparent selection process for the appointment of new Directors. The Nomination Committee is responsible for identifying and nominating all Board candidates. The recruitment process involved a formal assessment of the independence of the candidate as well as an evaluation of their experience, knowledge and diversity to ensure the correct balance is maintained.

LEARN MORE ABOUT OUR SELECTION PROCESS

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In addition, this year, given the time lag between the announcement of their appointments and them taking up office, both Helena Morrissey and Evelyn Bourke attended a number of Board and Committee meetings by invitation as observers as part of their induction process before they joined the Board.

Further information on both the selection process and induction programmes for Helena, Evelyn and Margaret can be found on page 76.

LEARN MORE ABOUT OUR INDUCTION AND ON BOARDING

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APPOINTMENT DETAILS

Appointee

Appointment date

Skills and expertise

LES PLATTS

CHAIRMAN

September 2008

Les, who is a Chartered Accountant, joined the Board as an independent Non-Executive Director in September 2008 and was appointed Chairman in January 2014. He had a 30 year executive career with Deloitte LLP, where he was an audit partner, the practice senior partner in the North East and a UK board member. His clients included FTSE 100 and FTSE 250 companies in a range of sectors, and he advised on strategic, financial, governance and risk matters.

Les was influential in the development of listed plc level corporate governance policies and procedures at AJ Bell (which it was still a private company. As Chairman, he ensures that the Board operates effectively and that there is both a constructive relationship with, and appropriate challenge to, the executive team. He believes that governance works best when the interests of all stakeholders are considered in strategic development and major decisions.

In addition to his work at AJ Bell, Les was a director and vice chairman of Lewis Building Society until December 2018 and is the honorary treasurer of Lancashire County Cricket Club. Les was appointed as acting chair of Lancashire County Cricket Club during the year and stepped down from the role on 3 November 2020.

The 2018 Corporate Governance Code, which applied to AJ Bell with effect from 1 October 2019, provides that the chairman should not remain in post beyond nine years from their first appointment to the Board. This matter is addressed on pages 16 and 17.

ANDY BELL

CHIEF EXECUTIVE OFFICER

co-founded AJ Bell in 1995

Skills and expertise

Andy co-founded AJ Bell in 1995, after having spent a number of years working within the financial services sector. Having graduated from Nottingham University in 1987 with a first-class degree in mathematics, he qualified as a Fellow of the Institute of Actuaries in 1993 and has built AJ Bell into one of the UK’s largest online investment platforms.

Andy’s early career shaped his thinking about the importance of developing propositions that truly meet customer needs, spending much of his time working closely with customers and their financial advisers. His involvement in the pricing of insurance and long-term savings products informed his view that value for money is a key ingredient of any financial services proposition.

As AJ Bell has grown, Andy’s focus has gravitated to developing strategy, managing the business and crucially, ensuring that AJ Bell’s primary purpose, vision and culture are engrained in the business.

Andy believes that a strong and effective governance framework is one of the most important foundations on which to successfully grow a business. This approach to governance has stood the test of time as AJ Bell has grown from being a small enterprise to a FTSE 250 listed company.

Andy wrote The DIY Investor, which is now in its third edition and set up a charitable trust, the AJ Bell Trust in 2011.

MICHAEL SUMMERSGILL

DEPUTY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

May 2011

Skills and expertise

As Deputy CEO, Michael’s primary focus is the development, agreement and execution of the Group’s strategy. Michael is responsible for ensuring the Group has the optimal organisational structure and for overseeing the delivery of key change initiatives.

Until a new CFO is in place, Michael will also maintain responsibility for the financial management of the business and leading engagement with the Group’s key shareholders.

Michael joined AJ Bell in 2007 and was appointed as Chief Financial Officer in 2011. Michael studied economics at the University of Sheffield, completed the Transition to General Management programme at INSEAD business school and is a Fellow of the Association of Chartered Certified Accountants.

LAURA CARSTENSEN

SENIOR INDEPENDENT DIRECTOR

March 2018

Skills and expertise

Laura became a Non-Executive Director of AJ Bell in March 2018 and was appointed as Senior Independent Director in April 2018. Laura had been an equity partner in Slaughter and May, a leading City law firm, until 2004 and has since held numerous national level public appointments and gained boardroom experience as a Non-Executive Director and Chair of both listed and private companies. Currently she is chair of AIM listed financial services business, Appreciate Group plc., formerly Park Group plc.

Previous roles have included serving as a non-executive director and chair of the values and ethics committee of The Co-operative Bank plc, as deputy chair of the Competition Commission (now Competition and Markets Authority) and as a Commissioner of the Equality & Human Rights Commission.

This diversity of experience – spanning the City, the public sector and corporate boardrooms – has provided an unusually rich mix of experience, approaches and networks.

Laura is adept at developing strategy in complex operating environments and has developed particular expertise in relation to values-driven branding, strategic external engagement and business-embedded corporate social responsibility, all of which provides valuable insights.

Other appointments

• Non-Executive Director of Appreciate Group plc

READ ABOUT BOARD EMPLOYEE ENGAGEMENT ON

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READ ABOUT KEY BOARD ACTIVITIES ON

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READ ABOUT BOARD ROLES AND RESPONSIBILITIES ON

p71
Simon has impressive broad experience, initially as a senior executive and, subsequently, for 18 years as a non-executive director.

In his executive career, Simon was the Managing Director of Philips Consumer Electronics in the UK and group Managing Director at Droitwich Retail for over ten years with wide responsibility in the UK and Europe. These roles have given him strong insights into process change resulting in, not just lower costs, but a much-improved customer experience, and given him a passion for improving customer service.

As an non-executive director, he has previously served on the boards of Yorkshire Building Society, where he chaired the remuneration committee, and Ulster Irish Banks UK, where he was deputy chair of the risk committee. Simon also served on the audit committee of both boards. This gave him strong insights into governance issues within the financial services sector. Although not a risk specialist by training, Simon has strong insights into all governance issues within the financial services sector.

This experience has proven to be invaluable in his roles as non-executive director of AJ Bell, where he joined in March 2018, and as Chair of the risk committee. Simon also served on the boards of ‘UK plc’.

Simon’s strong insights into all governance issues within the financial services sector, and given him a passion for improving customer service.

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Simon’s strong insights into all governance issues within the financial services sector, and given him a passion for improving customer service.
The management expertise and experience of each of the members of the Executive Management Board, other than the Chief Executive Officer, Andy Bell and the Deputy Chief Executive Officer and Chief Financial Officer, Michael Summersgill, is set out below:

FERGUS LYONS
MANAGING DIRECTOR, AJ BELL INVESTCENTRE

Skills and expertise
Fergus worked at Bank of Ireland for over 20 years before joining AJ Bell in September 2010. Since then he has worked in many areas of the business, including Commercial, Operations and Technology Services, and is currently the Managing Director of AJ Bell Investcentre. Fergus is also responsible for AJ Bell’s investment and Platinum SIPPs and SSAs products.

His experience at AJ Bell and before has led to a strong belief in the power of focus on exceptional customer service – he believes in truly putting the customer at the heart of what AJ Bell does. He also brings a deep understanding of the UK advised platform market and plays a key hands-on role in developing and maintaining key adviser relationships.

CHARLES GALBRAITH
MANAGING DIRECTOR, AJ BELL YOUINVEST

Skills and expertise
Charles has over 30 years’ experience in stockbroking and investment platform businesses in both the retail and institutional arenas. Before joining AJ Bell, he held a range of advisory, marketing and operational roles in various City stockbroking firms and was the managing director of Lloyds Bank Stockbrokers Limited, which included responsibility for the bank’s retail stocks and shares ISA business.

He joined AJ Bell in 2001, when the business he was running as Managing Director, Laxeshare (now AJ Bell Securities), was acquired by AJ Bell. Following the full integration of the stockbroking business within AJ Bell, Charles’s primary focus in his current role as the Managing Director of AJ Bell Youinvest has been on developing the scope and size of the Group’s D2C retail opportunity.

He is also responsible for AJ Bell Media and from 1 October 2021, AJ Bell Investments.

He brings deep experience of the UK investment platform market, customer requirements and business opportunities within a regulated environment.

MO TAGARI
CHIEF TECHNOLOGY OFFICER

Skills and expertise
Mo has 20 years of global industry experience, predominantly within large investment banks in London, Mumbai, Hong Kong and Singapore.

Mo brings hands on and in-depth technical experience within the financial services sector including building and sustaining large global, diverse teams driving digital, engineering and cultural transformation across multiple business lines.

Mo started his career in Cambridge at CMS-EBI (averaging his BS in Genetics and MS in Software Engineering). Mo moved into financial services in 2004 at Morgan Stanley London, building out platforms for a global operations user base within Prime Brokerage which led to opportunities in Mumbai and Hong Kong where he built out and managed the Securities Lending platform.

He subsequently moved to Singapore as the APAC Head of Equity Finance and Synethetics IT at Barclays Capital, before returning to Hong Kong as the Head of APAC Prime Brokerage Technology. Immediately prior to joining AJ Bell, Mo served as Asia CTO for Wealth Management at JP Morgan Hong Kong.

EMB MEMBERS WHO SERVED IN THE YEAR:

Louis Petherick – Chief Risk Officer to 2021

Louis was appointed to the EMB on 1 July 2017 and stepped down on 25 June 2021.

EMB MEMBERS APPOINTED AFTER THE YEAR END:

Kevin Doran – Managing Director of AJ Bell Investments

Billy, Liz and Kevin were all appointed to the EMB on 1 October 2021.

KAREN GOODMAN
CHIEF RISK OFFICER

Skills and expertise
Karen is an experienced financial services leader, with diverse and varied experience of establishing and developing second and third line of defence activities.

Karen’s comprehensive knowledge of the financial services regulatory environment was initially gained through Financial Services Authority roles in conduct risk, retail banking related thematic projects, and the relationship supervision of a portfolio of investment management firms.

This was then complemented by time spent leading a regulatory assurance team at PwC in Manchester, where she supported organisations to mature and develop their compliance and risk capabilities.

More recently, Karen has spent 5 years at Yorkshire Building Society, initially as head of the Compliance Monitoring function and then as Director of Compliance, roles which included holding the money laundering reporting and data protection officer responsibilities.

Karen adopts a practical approach and applies her energy and enthusiasm to engage and influence key stakeholders and maintain a customer-centric outlook which provides the best outcomes for both customers and the business.

BRUCE ROBINSON
GROUP LEGAL SERVICES DIRECTOR AND COMPANY SECRETARY

Skills and expertise
Bruce joined AJ Bell in October 2012 as Group Legal Services Director and Company Secretary, having previously acted as one of AJ Bell’s external legal advisers for around ten years. Before joining AJ Bell, Bruce spent 20 years in private practice as a corporate and commercial lawyer, initially with Nase & Jones, and then following their merger in 2011, with Weightmans LLP.

Bruce specialises in private company mergers and acquisitions, group reorganisations, joint ventures, share option schemes and shareholder investment and collaboration agreements. During his time in private practice Bruce developed a broad range of corporate and commercial legal knowledge, including company law and constitutions, as well as specific knowledge of the corporate and commercial aspects of the AJ Bell business.

This included advising on the reorganisation of the business which resulted in the establishment of what is now AJ Bell plc as the holding company of the group in 2004, the acquisition of AJ Bell Securities Limited in 2007 and the establishment of the Group’s Initial share incentive schemes.

While at AJ Bell he has developed a more in-depth knowledge of the business, including its internal corporate governance structures, so is well placed to advise the Board on governance related matters.

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While at AJ Bell he has developed a more in-depth knowledge of the business, including its internal corporate governance structures, so is well placed to advise the Board on governance related matters.
The Board oversees the setting of objectives for the members of the ERM which are aligned with the Group’s high level strategy and long term vision and monitors progress with their delivery at Board meetings during the course of the year.

There are certain powers and financial limits sitting alongside those powers, which are reserved to the Board because their exercise is considered to be of overriding importance and significance to the Group. Those reserved powers, details of which are set out on the website at www.abpl.co.uk, are reviewed each year by the Board.

Although a wide range of the Board’s powers and authorities are delegated to the CEO, the Board retains ultimate responsibility and authority for their exercise. Each member of the Board acts in a way which they consider to be in the best long-term interests of the Group and in compliance with their duties under sections 170 to 177 of the Companies Act 2006.

All of the members of the Board are expected to attend all meetings of the Board, the Board Committees or informal meetings as and when required. They are given the opportunity to provide feedback on the matters under consideration via the Chair of the relevant body in advance of the Board meeting. They are also expected to devote such time to the affairs of the Group as is necessary to enable them to perform their duties as Directors. The Company Secretary attends the Board meetings as and when required. The Board acts in a way which they consider to be in the best long-term interests of the Group and in compliance with their duties under sections 170 to 177 of the Companies Act 2006.

The Board receives a variety of information in a timely manner. It holds regular meetings of the Board and the Board Committees, both in person and by means of telecommunications. It is the Board’s intention that they will be reinstated during 2022, or if that is not possible for any reason, that alternative ways of engaging with our people will be put in place.

One physical event which was attended by the Chair and the Non-Executive Directors this year was a knowledge sharing/networking event which took place after the COVID restrictions had been lifted. At the event, a number of our people made back-to-back five minute presentations to the Board and EMB on their roles within the business.

The extent to which the Chair and the Non-Executive Directors could each spend time on-site meeting with management and other employees in a manner which they would normally do, by attending our annual managers’ day, lunchtime briefings and other staff social events and sitting in on some day-to-day business meetings, was restricted again this year by the impact of COVID. As these activities provide the Board with valuable insight into the operation and culture of the business and this has a positive impact on the quality of discussions at Board meetings and decision-making generally, it is the Board’s intention that they will be reinstated during 2022, or if that is not possible for any reason, that alternative ways of engaging with our people will be put in place.
All other significant commitments and potential conflicts of interest which a Director may have are required to be disclosed before appointment and on an ongoing basis, and arrangements are put in place, as and when it is considered appropriate, to manage conflicts, including any which result from significant shareholdings. As part of the appointment process, the Nomination Committee reviewed the other significant commitments and potential conflicts of interest of Helena Morrissey, Evelyn Bourke and Margaret Hassard and was satisfied that they were not significant in terms of commitment and they did not have any potential personal conflicts of interest. Any additional external appointments require prior approval.

During the year the Board approved one new external non-executive appointment for Eamonn Flanagan, which was not considered to be significant in terms of commitment or shareholding. Evelyn Bourke also took up an additional external non-executive appointment after the announcement of her appointment as a member of the Board, but before her joining date, which had been approved by the Board and was not considered to be significant in terms of commitment or shareholding.

Except as stated in note 29 of this report, no Director has, or has had, any material interest in any contract or arrangement with the Group during the year.

The Group maintains what the Board considers to be appropriate insurance cover in respect of legal action against the Directors.

The Board has delegated responsibility for the oversight of whistleblowing to the Risk and Compliance Committee. Details of the related oversight arrangements are set out in the Committee’s report on page 84. The Board also reviewed the Group’s anti-bribery and corruption policy and modern slavery policy during the year.

**Relations with stakeholders**

Our business strategy document, which is reviewed by the Board each year as part of the annual business planning process, identifies our key stakeholders with whom the Board endeavours to engage so the Board is aware of their views and can take them into account as part of its decision-making processes.

**OUR STAKEHOLDER GROUPS**

The Board has identified four key stakeholder groups:

- Our Shareholders
- Our Customers and Their Advisers
- Our People
- Our Stakeholders
- Our Other Stakeholders
- Our Advisers
- Our Advisors
- Our Stakeholders
- Our Customers and Their Advisers
- Our People

See more on our stakeholder engagement activities on pages 24 to 27.

**WORKFORCE ENGAGEMENT**

In line with the requirements of the 2018 Code, we established our Employee Voice Forum as the primary engagement mechanism between the Board, EMB and the wider workforce. The forum comprises between 10 and 12 employee representatives from across the business who gather ideas and suggestions from our people on a specific topic which affects the Group. The forum is chaired by Laura Carstensen, our designated Non-Executive Director responsible for engagement with our workforce. Ordinarily, the forum meets twice a year, but as a consequence of the impact of the COVID-19 restrictions, the forum met only once this year. The question posed at the forum was: “A key priority for us is the health and wellbeing of our staff, especially as we come out of lockdown and look to restart many of the activities we’ve had to pause as a result of COVID. What opportunities can we identify to support and promote our health and wellbeing both in and outside the office, what challenges do you think we’ll face and what actions can we take to address them?”

Following the meeting nominated members of the forum presented their findings to both the Board and EMB. Further details of the presentations and feedback are set out in the Strategic report on pages 35 and 36.

As well as the Employee Voice Forum, the Board and EMB also engaged with the wider workforce during the year via existing channels, including our CEO’s bi-annual ‘town hall’ talks, which this year were presented remotely, and regular business email updates, leadership videos posted on our intranet and informal open forums such as virtual lunch briefings with other members of our senior management team as referenced on page 67, a physical knowledge sharing and networking event was held during the year, at which a number of our people made back-to-back five minute presentations to the Board and EMB on their roles within the business. Once again, this proved to be a valuable engagement event which the Board will look to build on next year.

Whistleblowing arrangements are in place to enable our staff to raise concerns in confidence. As stated above, the Risk and Compliance Committee monitors the operations of the whistleblowing arrangements, with the ability to escalate matters to the Board if considered necessary. The Board reviews the operation and effectiveness of these arrangements annually.

The Board recognises the importance and benefits of engaging with shareholders and other stakeholders, and has a strong history of doing so. This year, as a consequence of the impact of COVID, the Board has in some cases had to engage with its stakeholders in different ways. Our key stakeholders and the principal engagement activities undertaken by, or on behalf of, the Board during the year are set out within the Strategic Report on pages 24 to 27.

Since the year end, as part of our post-COVID restrictions re-engagement strategy, the Chair, Les Platts, and Chair Designate, Helena Morrissey, met with representatives of a number of institutional shareholders in order to give them the opportunity to provide direct feedback on matters of their choice.

**Relations with shareholders**

The Board is committed to proactive and constructive engagement with the Company’s investors and is keen to ensure that shareholder views are understood.

The Board was appointed this year not to be able to welcome shareholders in person to the 2021 AGM due to the COVID restrictions, which were in place at the time, as normally the AGM provides the Board with an opportunity to communicate directly with, and answer questions from, both retail and institutional shareholders.

The hybrid format we adopted instead, under which the Chair, Chief Executive Officer and Company Secretary attended the meeting physically and shareholders were able to view the AGM proceedings and ask questions online via a chat function, did not give shareholders the opportunity to participate virtually.

As things presently stand, we intend to welcome shareholders back to a physical meeting in January 2022 with all of the Board members in attendance; whilst still retaining the flexibility to alter our approach if circumstances change and social distancing restrictions are re-introduced.

In addition to providing regular trading updates to the market, during the year the Company provided a virtual comprehensive investor relations programme to ensure that the market, including sell-side analysts, investors and proxy voting advisers, understood the Company’s investment case, strategy and performance.

This shift to virtual engagement enabled us to continue engaging directly with investors, ensuring that the Board continued to be informed of their views during the year.
DIVISION OF RESPONSIBILITIES

There is a clear division of responsibilities between the Chair, Les Platts, who was considered to be independent upon appointment, and the CEO, Andy Bell. This is set out in writing in their respective terms of reference which have been approved and are reviewed annually by the Board.

At the year end, the Board comprised the Non-Executive Chair, two Executive Directors and six Non-Executive Directors. A formal review of the independence of the (i) three new Non-Executive Directors was undertaken as part of the related appointment process and (ii) three existing Non-Executive Directors was undertaken during the year, which in each case considered relevant issues, including the number and nature of their other appointments, any potential conflicts of interest which they had identified and, if applicable, their length of service.

The outcome of the review was that they were considered to be independent in character and judgement and, as a consequence, the Board continued to comprise a majority of independent Non-Executive Directors.

As discussed within the Nomination Committee report, the succession plans for the Board came to fruition during the year with the appointment of Helen Morrissey as a Non-Executive Director and Chair Designate, and Evelyn Bourke and Margaret Hassall as additional Non-Executive Directors. Following the end of the year, the Board was further strengthened at executive level by the appointment of Michael Summersgill, as Deputy CEO, and Roger Stott as Chief Operating Officer, with effect from 1 October 2021, and we have also recently completed an external recruitment process for a new Chief Financial Officer. The Board believes the structure of the Board’s appropriate, and will remain so following these changes, and that no single individual or group dominates the decision-making process.

The Board is satisfied that the Chair and each of the Non-Executive Directors devote sufficient time to their duties.

The terms and conditions of appointment of each of the Chair and the Non-Executive Directors are available for inspection during normal business hours at the Company’s registered office and at the AGM for 15 minutes before and during the meeting.

Board Committees

The Board has five main committees: the Nomination Committee, Remuneration Committee, Audit Committee, Risk and Compliance Committee and the Disclosure Committee. The terms of reference for each committee are available on the Group’s website at www.ajbell.co.uk.

Details of the roles and responsibilities of the Committees, other than the Disclosure Committee, are set out in the sections following this report. The Disclosure Committee is responsible for the review and implementation, on an ongoing basis, of the Group’s disclosure policy to ensure it addresses our ongoing compliance with the Disclosure Guidance and Transparency Rules, Listing Rules and Prospectus Rules and the Market Abuse Regulation. It is also responsible for ensuring that the disclosure policy is properly communicated within the business. The Disclosure Committee meets as and when required.

The day-to-day management of the Group is delegated by the Board to the CEO, who is supported by the EMB, which he chairs. The day-to-day management of operations is delegated to the EMB. The CEO and the EMB exercise their respective delegated responsibilities within the confines of the risk and control framework set by the Board. We consider that this simplified management structure more effectively enables the Board to ensure that its governance responsibilities are properly discharged.

EXECUTIVE MANAGEMENT BOARD

Chair: Simon Turner

Chief Financial Officer: Hassan Hassall

Other Executive Directors: Michael Summersgill, Roger Stott

Board support and the role of the Company Secretary

The Board and Board Committees receive accurate, clear and up-to-date information in sufficient time for them to review it before each meeting and are provided with sufficient resources to discharge their respective duties.

The Directors have access to independent professional advice at the Group’s expense, as well as to the advice and services of the Company Secretary, Bruce Robinson, who advises the Board on corporate governance matters.

The role of the Company Secretary is to ensure that all Board and Board Committee procedures are complied with and to advise on corporate governance and related regulatory compliance. In addition, the Company Secretary is responsible for the provision of legal advice and support to all of the members of the Board as and when required. The Company Secretary is also responsible for ensuring that Board and Board Committee members receive clear and accurate information and papers in a timely manner and that the minutes of meetings clearly record the discussions held and the reasons for decisions.

Role of the Chair

The Chair is responsible for the leadership and overall effectiveness of the Board. The Chair sets the agenda for each meeting of the Board in conjunction with the Company Secretary, in line with the annual workplan agreed by the Board. The Chair manages the meeting timetable, promotes open and effective discussion and challenge at meetings and creates an environment in which all of the participants feel comfortable. Although the extent to which the Chair met regularly with the Senior Independent Director and Non-Executive Directors and separately with the CEO outside of formal meetings was limited this year due to the impact of the COVID restrictions, plans are in place to re-invigorate that engagement now those restrictions have been lifted.

Role of Executive Directors

The CEO, Andy Bell, is responsible for the leadership and management of the business within the scope of the authorities delegated to him by the Board. The CEO must exercise those authorities to achieve the strategic objectives set by the Board, implement Board decisions and ensure that the Group complies with all of its regulatory and legal obligations. The CEO is also responsible for communicating the views of the senior management team on business issues to the non-executive members of the Board.

The role of the Chief Financial Officer, Michael Summersgill, as the other Executive Director who was a member of the Board during the year, was to add a commercial and internal perspective to communications held and the reasons for decisions.

Role of Non-Executive Directors

The Non-Executive Directors, Helena Morrissey, Laura Carstensen, Eamonn Flanagan, Simon Turner, Evelyn Bourke and Margaret Hassall, help to set the strategy for the business, offer specialist advice, constructively challenge the Executive Directors and scrutinise the performance of the EMB in relation to the delivery of that strategy and the personal objectives which are set for the individual members of the EMB, the implementation of Board decisions and compliance with the Group’s regulatory and legal obligations.

Role of the Senior Independent Director

The Senior Independent Director, Laura Carstensen, provides a sounding board for the Chair and, if necessary, acts as an intermediary for the other Non-Executive Directors. The Senior Independent Director is also available for communication with stakeholders where normal lines of communication via the Chair, CEO and Chief Financial Officer are not successful or where it is considered more appropriate. The Senior Independent Director also leads the annual appraisal of the Chair by the Non-Executive Directors. When Laura steps down from the Board at the end of the AGM, Evelyn Bourke will take up this role.

ROLES AND RESPONSIBILITIES
The executive management team had a number of changes during the year, including the recruitment of Karen Goodman, who joined us as Chief Risk Officer and a member of the EMB on 20 September 2021 and the AJ Bell Investment Manager, Fergus Lyons, stepped down from his role with effect from 30 September 2021. Fergus’ successor is an internal candidate, Billy Mackay, our AJ Bell Investment Marketing Director.

The EMB was further strengthened following the year end with the internal promotions of our HR Director, Liz Carrington, and the AJ Bell Investments MD, Kevin Doran with effect from 1 October 2021.

The EMB sub-delegates certain authorities to the:
- Executive Management Assurance Committee (EMAC), which has oversight responsibility for all the assurance functions within the Group, including regulatory compliance and risk management, but excluding external and internal audit.
- Investment Committee, which has delegated responsibility for the investment products manufactured by the Group and associated investments services.
- Treasury Committee, which has delegated responsibility for the management of cash funds held on behalf of customers, as well as the Group’s corporate funds and the approval of eligible counterparties, including those on the panel for our Cash savings hub.
- Operational Resilience Committee, which has oversight responsibility for our operational resilience strategy, which includes monitoring and managing the operational resilience of important business services in line with set impact tolerance levels. This Committee was established during the year partly in response to the Incidents on 9 November 2020 and partly in response to the final rules and guidance on new requirements to strengthen operational resilience in the financial services sector which were issued by the FCA during the year.

COMPOSITION, SUCCESION AND EVALUATION

Role of the Nomination Committee

The Board has established a Nomination Committee, which has delegated responsibility for reviewing the leadership needs of the business to ensure it can continue to succeed in the marketplace. Further details of the work of the Committee are set out on pages 73 to 78.

Succession planning

This falls within the scope of the responsibilities of the Nomination Committee. This was a particularly busy year for the Committee in light of the number of changes which were made at both Non-Executive and Executive level. Further details of the work of the Committee in that regard are set out on pages 76 to 77.

Length of service of the Chair and Non-Executive Directors

Under the provisions of the 2018 Code, the Chair should not remain in post beyond nine years from the date of their first appointment to the Board. That period can, however, be extended for a limited time to facilitate effective succession and the development of a diverse board, if the Chair was an existing Non-Executive Director on appointment. As Lis Platt was appointed to the Board as a Non-Executive Director on 15 September 2008 and assumed the role of Chair on 1 January 2014, the Group is not currently compliant with that provision. As previously reported, a succession plan for Lis Platt was put in place last year and it has now come to fruition with the appointment of Helena Morrissey as a Non-Executive Director and Chair designate. The intention is that Helena, subject to shareholder approval, will replace Lis as Chair with effect from the end of the 2022 AGM when Lis will step down from the Board. Following which, the Group will be compliant with that requirement of the 2018 Code.

Evaluation of the performance of the Board and Directors

As explained in the Chair’s introduction on page 9, this year an externally facilitated review of the performance of the Board was undertaken by Steve Wizgell of Praesta Partners LLP in line with the requirement under the 2018 Code for an external review to be undertaken at least every three years. Further details of the evaluation are set out in the Nomination Committee report on pages 77 and 78.

Each of the Board’s Committees undertook an annual review of its own performance in line with the requirements of the 2018 Code during the year. That process involved the members of the relevant Committee and, where appropriate, other key individuals involved in its workings, providing feedback to the Chair of the Committee. The Chair then collated the feedback provided and presented the findings to the relevant body and, where applicable, details of any approved recommendations were presented at a meeting of the Board.

Following discussion of the findings and recommendations, a number of actions were agreed, the implementation of which will be overseen by the Board.

The Chair evaluated the performance of the Non-Executive Directors. The Non-Executive Directors, led by the Senior Independent Director, evaluated the performance of the Chair during the year.

Overall, the outcome of the externally facilitated review of the Board’s performance, the internal reviews of the performance of each of the Board’s Committees and the reviews of each Director’s individual performance, was that the Board and its Committees operate effectively and that each Director continues to contribute effectively and demonstrate commitment to the role.

Board induction, training and development

All Directors undertake a comprehensive formal induction programme when they are appointed to the Board, which involves meetings with the Chair, Executive Directors and other members of the senior management team, the provision of background reading and access to our electronic meeting system in respect of certain past Board and Committee meetings. In addition this year, given the time lag between the announcement of their appointments and them taking up office, both Helena Morrissey and Evelyn Bourke attended a number of Board and Committee meetings by invitation as observers as part of their induction process before they joined the Board.

The Nomination Committee report on pages 75 to 77 provides further details on the procedures for the appointment of new Directors and succession planning.

All Directors are kept informed of changes in relevant legislation and regulations and changes in financial and commercial risks. If considered appropriate, external advisers are engaged to provide training for members of the Board. During the year, the Board received external presentations on competition law, cybersecurity, the new prudential regime for regulatory capital and takeover code compliance.

As part of their annual appraisal process, the personal and professional development needs of the Executive Directors are considered and agreed. During the annual appraisal process for the Non-Executive Directors, the Chair reviews and agrees their training and personal development requirements. Non-Executive Directors are also encouraged to attend external seminars on topics which they consider appropriate for their professional development needs.

Re-election of Directors

All of the Directors are subject to annual re-election and, with the exception of the Chair, Lis Platt, and Senior Independent Director, Laura Cantensbo, who will both retire following the conclusion of the AGM, intend to submit themselves for re-election at the 2022 AGM.

Includes directors who joined the Board after 30 September 2021.
CORPORATE GOVERNANCE REPORT CONTINUED

AUDIT, RISK AND INTERNAL CONTROL

The statement of Directors’ responsibility for preparing the Annual Report and Financial Statements is set out on page 101. Within this, the Directors have included a statement that the Annual Report and Financial Statements present a fair, balanced and understandabe assessment of the Group’s position and prospects.

The Board has established an Audit Committee, the role of which is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the integrity of the financial and narrative statements and other financial information provided to shareholders, the Group’s system of internal controls, the internal and external audit process and auditors and the processes for compliance with related laws, regulations and ethical codes of practice. Further details of the work of the Committee are set out on pages 79 to 83.

With the support of the Audit Committee, the Board has reviewed the 2021 Annual Report and Financial Statements and considers that, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group’s position and performance, the Board’s business model and strategy.

Please see:

• details of the review work carried out by the Audit Committee in relation to the 2021 Annual Report and Financial Statements on pages 84 and 82; and

• the description of the business model and strategy for delivering the objectives of the Group on pages 180 to 21.

Viability statement

The Directors have assessed the viability of the Group over a period that exceeds the 12 months required by the going concern provision. Details of that assessment are set out on page 55.

Risk management and internal controls

In accordance with the 2018 Code, the Board is required to monitor the Group’s risk management and internal control systems on an ongoing basis and to carry out a review of their effectiveness. Details of the Group’s ongoing process for identifying, assessing and managing the principal risks faced by the Group are contained in the risk management section on pages 47 to 49, together with details of those principal risks and their related mitigating factors. Whilst the Board retains overall responsibility for the Group’s risk management and internal control systems, it has delegated oversight to the Audit and Risk and Compliance Committees.

The Risk and Compliance Committee assists the Board in fulfilling its oversight responsibilities, by reviewing and monitoring the Group’s attitude to and appetite for risk and its future risk strategy, the Group’s risk management framework, how risk is reported both internally and externally and the processes for compliance with related laws, regulations and ethical codes of practice and prevention of fraud. Further details of the work of the Committee are set out on pages 84 to 87.

The Board confirms that, through the activities of the Risk and Compliance Committee, a robust assessment of the principal risks facing the Group, including those that would threaten its business model, performance, solvency and liquidity has been carried out. In accordance with the 2018 Code, the Board has also considered the Group’s longer-term viability, which can be found within the viability statement on page 55.

The Board has delegated responsibility for the annual review of the Group’s internal control systems to the Audit Committee, assisted by the Risk and Compliance Committee (responsible for the Group’s risk management framework). Further details of the review and monitoring procedures can be found within the Audit Committee report on page 82.

In satisfying the requirements to ensure that the Group has adequate risk management and internal control systems, the Audit Committee has:

• monitored the Group’s internal control systems on an ongoing basis; and

• reviewed an annual effectiveness assessment of the Group’s risk management and internal control systems.

REMUNERATION

Role of the Remuneration Committee

The Board has established a Remuneration Committee, which has delegated responsibility for determining the policy for executive remuneration and setting remuneration for the Chair of the Board, CEO and other senior executives. When doing so, the Remuneration Committee takes account of wider workforce remuneration and related policies and the alignment of incentives and rewards with culture. Further details of the work of the Committee are set out on pages 88 to 90 and page 93.

Remuneration policy

A summary of the executive remuneration policy and details of the remuneration packages of individual directors are set out on pages 91 to 103. During the year no individual director was involved in deciding their own remuneration.

ANNUAL GENERAL MEETING

The AGM will be held on 26 January 2022 at 10 am at AJ Bell, 4 Exchange Quay, Salford Quays, Manchester M5 3EE. We are currently planning to hold the 2022 AGM as an open meeting with all shareholders being invited to attend in person or by proxy. Further details about how shareholders can view the AGM proceedings online, ask questions and vote by proxy will be set out in the notice of the 2022 AGM.

As an additional means of engagement with our shareholders, a questions and answers video on our full year results with Andy Bell, our Chief Executive Officer, and Michael Summerrigg, our Deputy Chief Executive Officer and Chief Financial Officer, will be published on our website at www.ajbell.co.uk/investor-relations/agm on 2 December 2021. During the video they will answer questions about the results for the year ended 30 September 2021 and the outlook for 2022.

The Board will, however, continue to monitor developments in case the position changes. It does, and as a consequence the Board does not consider it safe for all shareholders to attend in person, we will notify shareholders of any changes in our plans both by a Regulatory News Service announcement and via our website. Further details will be set out in the notice of the 2022 AGM.

ROLE AND RESPONSIBILITIES

The Nomination Committee is responsible for reviewing the leadership needs of the business to ensure it can continue to succeed in the marketplace. This includes succession planning, considering and making recommendations to the Board in respect of appointments to the Board, the Board Committees, EMB and the chairmanship of the Board Committees. The Committee is responsible for keeping the structure, size and composition of the Board and the other governance bodies under regular review, and for making recommendations to the Board with regard to any changes necessary, taking into account the skills and expertise required to deliver the Group’s strategy.

The Board considers the current balance of skills, knowledge and experience on the Board or EMB, as applicable, when determining the capabilities and time commitment required for any new role. Succession plans for Executive and Non-Executive Directors and senior management, in particular for the key roles of Chairman of the Board and CEO, are considered by the Remuneration Committee.

The role and responsibilities of the Committee are set out in its formal terms of reference, a copy of which can be viewed on the Group’s website www.ajbell.co.uk.

COMMITTEE ATTENDANCE

The Committee meets at least once a year and may meet at other times as agreed by the Chair or at the request of another member of the Committee.

Member

Position

Eligible meetings

Attended meetings
Les Platts

Chairman

1

1
Helena Morrissey

Chair Designate

1

1

Les Platts

Chairman

1

1

Laura Cardenssen

Senior Independent Director

10

10

Eamonn Flanagan

Non-Executive Director

9

9

Simon Turner

Non-Executive Director

9

9

Helena Morrissey**

Chair Designate

1

1

* Eamonn Flanagan and Simon Turner stepped down from the Committee on 8 September 2021.
** Helena Morrissey was appointed to the Committee on 8 September 2021.

It has been a particularly busy year for the Committee, with the focus primarily having been on Board and EMB recruitment and succession planning, including my successor as Chair, and the composition of the Board and the Board Committees.

DEAR SHAREHOLDER

As Chair of the Nomination Committee, I am pleased to present the Committee’s report for the year ended 30 September 2021.

It has been a particularly busy year for the Committee, with the focus primarily having been on Board and EMB recruitment and succession planning, including my successor as Chair, and the composition of the Board and the Board Committees.

Further information on the activities of the Nomination Committee is set out below.

MEMBERSHIP

Appointments to the Committee are made by the Board on the recommendation of the Nomination Committee, in consultation with the Committee Chair. Following a review of the membership of the Board Committee this year, Helena Morrissey joined and Eamonn Flanagan and Simon Turner stepped down from the Committee with effect from 8 September 2021.

The Committee comprises a majority of independent Non-Executive Directors in Les Platts, Helena Morrissey and Laura Cardenssen. The current Chair of the Committee is the Chair of the Board, Les Platts, who was considered independent on appointment. The intention is for Helena Morrissey to replace Les as Chair of the Committee when he steps down from the Board at the end of the 2022 AGM, and for the Committee to then comprise two members.

Appointments to the Committee are for a period of up to three years, which may be extended for two further periods of three years provided the majority of Committee members remain independent.

The Company Secretary acts as secretary to the Committee. The Chief Executive Officer, Chief Financial Officer, members of the senior management team and external advisers are invited to attend the Committee’s meetings as and when appropriate.

An annual review is conducted of the time required for Non-Executive Directors to fulfil their Group responsibilities and compliance with any applicable FCA requirements in relation to their total number of directorships.

LES PLATTS

CHAIR OF THE NOMINATION COMMITTEE

1 December 2021

AJ BELL PLC ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

AJ BELL PLC ANNUAL REPORT AND FINANCIAL STATEMENTS 2021
Nomination Committee Report—Continued

Main Activities During the Financial Year
The Committee met ten times during the year and a summary of the work undertaken is presented below:

Activity | Nov | Dec | Jan | Feb | Mar | May | Jun | Jul | Sep
--- | --- | --- | --- | --- | --- | --- | --- | --- | ---
Board recruitment and succession planning | | | | | | | | | |
Committee evaluation | | | | | | | | | |
Board committee structure | | | | | | | | | |

Board recruitment
We reported last year that work had commenced on the formal recruitment process for a new Chair and new Non-Executive Directors. The process was led internally by Laura Carstensen, the Senior Independent Director, with the support of an external search consultancy, Warren Partners. Warren Partners is an independent party with no other connection with the Company or any individual director.

We are pleased to report that the outcome of the recruitment process was that Helena Morrissey joined the Board as a Non-Executive Director and Chair Designate on 1 July 2021, and, subject to shareholder approval, will join the Board as Chair at the AGM in January 2022.

In addition to Helena’s appointment, the recruitment process resulted in the appointment of two additional Non-Executive Directors, Evelyn Bourke, who joined the Board on 1 July 2021, and Margaret Hassall, who joined the Board on 1 September 2021.

All three new Non-Executive Directors bring a wide range of financial services experience and a diverse range of professional and sector experience to the Board. Their appointment has added to the diversity of skills and experience in the financial services sector.

Succession planning
In relation to succession planning for the other members of the Board and EMB, the Nomination Committee undertook a review at the start of the year which culminated in the Committee recommending to the Board that the following changes be made with effect from the beginning of the new financial year on 1 October 2021.

Exterior Board Recruitment Process

1. agreeing the skills, experience and knowledge required
2. approving the applicable role specification
3. identifying and appointing an independent recruitment consultant, Warren Partners
4. preparing a long list of potential external candidates, which was then reviewed by Warren Partners and supplemented with additional external candidates
5. the utilisation of a dedicated micro-site to identify additional external candidates
6. reviewing the revised long list of candidate profiles prepared by Warren Partners and, with the benefit of insights provided by them, creating a shortlist of diverse candidates for review
7. reviewing the shortlisted candidates and selecting those for interview
8. conducting a two-stage interview process, with the initial stage involving interviews with the Senior Independent Director and two independent Non-Executive Directors who were members of the Committee, and the second stage involving interviews with the Chair, CEO and CFO
9. selecting a preferred candidate and obtaining professional references
10. undertaking a final review for the purposes of confirming the preferred candidate before making a unanimous decision to recommend one candidate to the Board for appointment. This review included a formal assessment of the independence of the candidate, a review of potential conflicts of interest and other time commitments

Board changes
1) The appointment of Michael Summerville to the newly created role of Deputy Chief Executive Officer. Michael previously held the position of Chief Financial Officer since 2011 which included responsibility for the finance and operations functions. In his new role, Michael will support the Group Chief Executive Officer Andy Bell with the development and execution of the Company’s strategy for driving the future growth of AJ Bell’s platform propositions.
2) The appointment of Roger Scott to the newly created role of Chief Operating Officer and as a member of the Board. Roger previously held the position of Group Finance Director and had a broad range of other responsibilities in his thirteen years at AJ Bell. In his new role Roger has assumed responsibility for the operations functions and ensuring the business remains scalable and continues to deliver a great service to customers and advisers as AJ Bell continues to grow.

As a result of Michael Summerville’s appointment as Deputy CEO, the Committee began and completed an external recruitment process for a new Chief Financial Officer to join the Board, with the support of an external search consultancy, Ridgeway Partners. Ridgeway Partners is an independent party with no other connection with the Company or any individual director.

EMB changes
1) The recruitment of an external candidate, Karen Goodman, as Chief Risk Officer and a member of the EMB, with effect from 26 September 2021.
2) The appointment of Billy Mackay, the AJ Bell Investments Marketing Director, with effect from 1 October 2021, as the AJ Bell Investments Managing Director, in the place of Fergus Lyons, who stepped down from the role after 21 years with the business.
3) The appointments of Liz Carrington, our HR Director, and Kevin Doran, our AJ Bell Investments Managing Director, as additional members of the EMB with effect from 1 October 2021.

Composition of Board Committees
Following the increase in the size of the Board during the year, the Committee reviewed the existing membership of all of the Board Committees. Prior to the changes the structure had involved all of the members of the Board also being members of each Committee, with the exception of Les Platts not being a member of the Audit Committee. The outcome of that review was that the Committee recommended a number of changes, which the Board accepted, for the purposes of diversifying the membership of the Board Committees.

The Committee considered that the changes would further strengthen the existing corporate governance framework by providing a further level of independent non-executive challenge.

Diversity
It is the Board’s policy for all appointments to be made on merit, in the context of the skills, experience and knowledge which the business as a whole requires to be effective. Selection processes take into account wider elements of diversity, to ensure the composition of the Board is appropriately balanced to support the strategic direction of the Group. Diversity has been a key area of focus for the Committee in the work it has undertaken during the year.

Following the Non-Executive Director appointments in the year, female representation on the Board increased to 44%. Although it is pleasing to see that we satisfy the Hampton-Alexander Review requirement for at least 33.3% female representation, we acknowledge that it was six months after the deadline of the end of 2020. We will continue to meet that requirement after Les Platts and Laura Carstensen step down from the Board, with those and the other recent changes we will still have 37.5% female representation.

We are committed to implementing the Parker Review recommendations for all FTSE 250 companies to have at least one Board member who is ethnically diverse in advance of the 2024 deadline. With that in mind, it’s our intention that, after allowing time for the existing changes to become embedded, we will start the recruitment process for an additional Non-Executive Director during the current financial year. The requirement has not already been met.

We also recognise that there is more that we need to do at senior management level to improve diversity. Following the changes made during the year, it was encouraging to see 12.5% female representation on the EMB, increasing to 20% after the appointments on 1 October 2021. This will remain a key area of focus, in relation to natural succession changes, as and when they occur.

During the year the Committee reviewed and updated our existing diversity policy in order to ensure that it still remained relevant to the changing needs of the business. The objective of the policy is to set out our commitment at Board level to improving diversity.

Further information on the gender balance of those in senior management and their direct reports is included within the strategic report on page 37.

Board gender diversity

<table>
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<th>Female</th>
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Includes directors who joined the Board after 30 September 2021.

Re-Election of Directors
The Committee was satisfied that the Board continued to be effective and has therefore recommended the re-election at the 2022 AGM of all of the members of the Board. The changes made during the year are putting themselves forward.

Committee Evaluation
For the first time unisonic in December 2018, in accordance with the Code requirement for a FTSE 350 company to carry out an externally facilitated evaluation of the Board at least every three years, the Board evaluation process this year was externally led by Steve Wizgell of Praestia Partners LLP. Steve Wizgell is an independent external consultant with experience of evaluating and making recommendations to enhance the Board effectiveness of a number of listed and other companies. Neither Steve Wizgell nor Praestia Partners LLP has any connection with AJ Bell or any of the members of the Board.
The focus of the independent evaluation was on the compound question: ‘Does the Board do the right work, on the right agenda, using the right information, with the right people operating the right culture?’

The review was based on data collected between March and May 2021, including:

• structured one-to-one interviews with all Board members, two newly appointed independent Non-Executive Directors who formally joined the Board on 1 July 2021, including the Chair Designate, the Chief Internal Auditor (Deloitte) and a colleague who also attends the Risk and Compliance Committee, the Chief Risk Officer and the Company Secretary.

• analysis of two electronic questionnaires completed by Board directors and EMB members who are not directors.

One questionnaire compared how the Board currently spends its time and energy with how it would like to spend it in the future. The other looked at the role and culture of the Board and, for directors only, included an element of self-assessment.

• remote attendance at one Board meeting and one meeting of each of the Nomination Committee, Remuneration Committee, Audit Committee and Risk and Compliance Committee, in order to assess at first hand the dynamics and effectiveness of each meeting.

• a desk top review of the past 12 months’ Board and Committee meeting papers, agendas and minutes.

The findings were a combination of a synthesis of the documentary observation, questionnaire and interview data which used the 2018 UK Corporate Governance Code and Guidance on Board Effectiveness, the Institute of Internal Auditors’ 2020 Internal Audit Code of Practice and the UK Government’s 2021 policy paper ‘Restoring trust in audit and corporate governance’ as points of reference.

Overall the results of the review concluded that the Board had oversaw and guided AJ Bell effectively since it became a publicly listed company. It was also noted there was an open, constructive culture, and the Non-Executive Directors were independently minded and exercised independent judgment. The plans which have been put in place for ensuring the Board’s effectiveness in response to, and anticipation of, sustained business growth and increasing stakeholder expectations and demands, were well in hand.

The draft evaluation was discussed with the Chair prior to finalisation. There were no significant changes made to the report before it was then issued to the members of the Board and presented by Steve Wizgall at the July Board meeting. Following that presentation, the Board discussed and considered the content of the report and, in particular, the main recommendations. It was acknowledged that there would always be a need for and the potential for further improvement, with the Board continuing to evolve and change over time in order to support the ongoing growth of the business. The Board noted that a number of the recommendations were already being implemented and then agreed an action plan that took account of the main recommendations.

The main recommendations identified in the review to enhance the Board’s effectiveness included:

• using Board time differently to give greater focus to external matters, such as horizon scanning and changing stakeholder requirements, and internal matters, such as operational performance and resilience;

• as the COVID restrictions fall away, recalibrating the scope and nature of the Board’s engagement with our people;

• getting the Committees to play a fuller part in carrying out the work of the Board;

• anticipating future growth and complexities when considering the kind of support the Board and its Committees need;

• creating space for informal, regular Non-Executive Director only meetings;

• as the COVID restrictions fall away, engaging with stakeholders, looking to the future, sharing observations and insights from that engagement and recalibrating the scope and nature of the Board’s engagement accordingly.

A number of the recommendations were in relation to actions already in train, including the changes to the composition of the Board and EMB and the structure of the Board’s Committees. We will report on our progress with the implementation of the other actions in next year’s Committee report.

In addition, each Board Committee carried out a self-assessment of its own performance, which where relevant, took account of the output from Steve Wizgall’s review, details of which are set out in the respective Committee reports.

The Committee’s own evaluation found that it is strong at planning and executing succession plans for both Non-Executive Director and Executive Director roles and has a good oversight of talent management. One area which was identified for further consideration was setting diversity and inclusion targets for the Group.

The performance of the Chair was reviewed by the Board led by the Senior Independent Director. Following the review, the SID considered and discussed with the Chair the comments and feedback that had been received from the other Directors, as part of the Chair’s evaluation and was able to confirm that the performance of the Chair remained effective and that he continued to demonstrate appropriate commitment to his role. In line with previously announced Board succession plans, the Chair will step down from the Board at the end of the 2022 AGM and, subject to approval by shareholders, be replaced by Helena Morrissey.

**NOMINATION COMMITTEE PRIORITIES FOR 2021/22**

Our main priority for next year is the consideration of what other action needs to be taken in order to further support ongoing business growth, increasing stakeholder expectations and demands and the need to continue to improve diversity.

Signed on behalf of the Nomination Committee:

Les Platts
Chair of the Nomination Committee 1 December 2021

**ROLE AND RESPONSIBILITIES**

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the:

• integrity of the Group’s financial and narrative statements and other financial information provided to shareholders;

• Group’s systems of internal controls;

• Group’s internal and external audit processes and auditors; and

• Group’s processes for compliance with laws, regulations and ethical codes of practice.

Full terms of reference for the Committee are reviewed annually and are available on the Group’s website: www.ajbell.co.uk.

The Committee members receive regular training regarding matters relevant to their role and responsibilities.

**COMMITTEE ATTENDANCE**

The Committee meets at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. The Committee comprises independent Non-Executive Directors.

<table>
<thead>
<tr>
<th>Member</th>
<th>Position</th>
<th>Eligible meetings</th>
<th>Attended meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eamonn Flanagan</td>
<td>Chair</td>
<td>4</td>
<td>4</td>
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<tr>
<td>Laura Cattermole</td>
<td>Senior Independent Director</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Simon Turner**</td>
<td>Non-Executive Director</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Angela Broughton</td>
<td>Non-Executive Director</td>
<td>3</td>
<td>3</td>
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<tr>
<td>Margaret Hassall</td>
<td>Chief Executive Director</td>
<td>3</td>
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</tr>
</tbody>
</table>

* Simon Turner stepped down from the Committee on 15 September 2021
** Evelyn Bourke and Margaret Hassall were appointed to the Committee on 8 September 2021

“Eamonn Flanagan
Chair of the Audit Committee

This year’s report provides insight into our work over the year, and details how we have discharged the responsibilities delegated to us by the Board.”

DEAR SHAREHOLDER

As Chair of the Audit Committee, I am pleased to present the Committee’s report for the year ended 30 September 2021. The report provides insight into our work over the year, and details how we have discharged the responsibilities delegated to us by the Board.

During 2021 the Committee continued to focus on its key responsibilities of assisting the Board in monitoring the Group’s financial reporting statements, the effectiveness of the internal controls and providing oversight and governance around the integrity of the Group’s external and internal audit processes, including assessing the independence and objectivity of the external auditors.

Following changes to the composition of the Audit Committee this year, I would like to thank Simon Turner for his invaluable contribution during his time on the Audit Committee. The Committee also welcomed Evelyn Bourke and Margaret Hassall as members on 8 September 2021. Evelyn’s and Margaret’s expertise and wealth of experience in the financial services sector will add to the Committee’s skill set and further enhance the quality of its work on behalf of stakeholders.

Further information on the activities of the Audit Committee is provided below.

MEMBERSHIP

Membership of the Committee is reviewed annually by the Chair of the Committee as part of its annual performance evaluation. Recommendations for new appointments are considered with the Nomination Committee, prior to Board approval.

The Board is satisfied that the Chair of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the business sector in which the Group operates. Biographical information on each member is set out on pages 60 to 63.

The Company Secretary is secretary to the Committee. The Chairman, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Group Finance Director and other senior members of the Finance team are routinely invited to attend Committee meetings. The external auditor attended all meetings during the year and the internal auditor attended specific meetings in relation to the planning and presentation of reports.
The Chair has regular meetings with the Group Finance Director, external audit partner and internal audit partner to discuss key audit-related topics ahead of each Committee meeting. In addition, the Committee also meets privately with the external audit partner and Deloitte, the internal auditor, at least once a year.

**MAIN ACTIVITIES DURING THE FINANCIAL YEAR**

The Committee has an annual cycle of work to ensure that all responsibilities are met over a calendar year. The Committee met four times during the year, the list below summarises the key items considered by the Committee during the year ended 30 September 2021.

<table>
<thead>
<tr>
<th>November</th>
<th>December</th>
</tr>
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<tbody>
<tr>
<td>Review of financial statements</td>
<td>Review of financial statements</td>
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<tr>
<td>Review of financial statements</td>
<td>Review of financial statements</td>
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<td>Review of financial statements</td>
<td>Review of financial statements</td>
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<tr>
<td>Review of financial statements</td>
<td>Review of financial statements</td>
</tr>
</tbody>
</table>

**Key**

- Review and approval of interim report and accounts
- Assessment of annual report and accounts being fair, balanced and understandable
- Statement of viability and going concern
- Review of investor presentation

**September**

- Review of the Committee’s report on non-audit services policy
- Review of the draft Audit Committee report for year end
- Consideration of regulatory developments

**Internal audit and controls**

- Annual report and conclusions for 2021
- Internal audit update

- Review of key judgements and estimates for year end
- Review of the Committee’s terminal reference
- Annual review of non-audit services policy

**External auditor**

- Review and approval of external auditor independence

**Governess**

- Meeting with external auditor without Executive Directors
- Meeting with internal auditor without Executive Directors
- Meeting with CRO and GDPR without Executive Directors
- Recommendation to Board on external auditor reappointment
- Review of Committee annual agenda

**FINANCIAL REPORTING**

**Financial statements**

One of the core responsibilities of the Committee is to ensure the integrity of the Group’s financial reporting which includes overseeing the effectiveness of the control environment.

During the financial year, the Committee:

- Reviewed the interim and Annual Report and Financial Statements, and the preliminary announcements and recommended approval by the Board.
- Reviewed the clarity and completeness of financial reporting disclosures.
- Reviewed reports from management, considered all significant financial reporting judgements for the financial statements and reviewed any related disclosures.
- Assessed the application and appropriateness of significant accounting policies in the year, and, reviewed the Group’s going concern assumptions and viability statement.

**Accounting judgements and significant issues**

The Committee assessed and challenged the appropriateness of the judgements and estimates applied by management in the preparation of the interim and Annual Report and Financial Statements. As part of their review, the Committee considered the following.

**Revenue**

- The Committee reviewed management’s paper to support the carrying amount of intangible assets held by the Group. The review is supported by Board-approved forecasts and the sensitivities applied concluded that no impairment was required. The Committee was satisfied with the conclusion.

**Goodwill and intangible assets**

- The Committee considered the impairment review carried out by management. This included assumptions on the underlying calculation of the value-in-use of the Cash Generating Unit (CGU) tested for impairment. The underlying cash flow assumptions are supported by Board-approved forecasts. The main assumptions, discount rate and sensitivities are included within note 14 of the Financial Statements. The Committee was comfortable with the assumptions and judgements made, concluding that the carry value of goodwill within the Financial Statements is appropriate.

**Deferred tax asset**

- The Committee reviewed the approach to the recognition of deferred tax assets, with particular reference to the impact of the share incentive schemes. No concerns were raised and the recognition and disclosure appears appropriate.

**Share-based payments**

- The Committee reviewed the key assumptions used for the valuation of options granted under the Company’s share-based incentive schemes, with particular reference to the earn out arrangement following the acquisition of Adalpha in the year. The basis of accounting and disclosures made were also considered appropriate and consistent with the external auditor’s findings. The Committee was satisfied that the assumptions used, including the performance period over which fair values are recognised, were appropriate.

**Provisions**

- The Committee reviewed management’s paper presenting the assumptions and calculation methodologies applied in determining provisions. In addition to considering the appropriate application of IFRS and the recognition principles, the Committee was satisfied that the procedures performed by management to estimate and quantify provisions were sufficiently robust.

**Acquisition**

- The Committee reviewed the accounting treatment in relation to the Adalpha acquisition. This included review of the assumptions made by management in respect of the identification and valuation of goodwill and intangible assets, together with the treatment of the consideration as post-combination remeasurement.

- The Committee agreed with management’s approach and was satisfied the acquisition was appropriately accounted for under IFRS 3.

**Going concern and viability**

- The Committee reviewed the detailed paper presented by management setting out the assumptions underlying the going concern assessment and viability statements.

- The paper covered the Group’s expected future profitability, capital position and liquidity. The Committee also considered additional stress test scenarios covering a significant reduction in equity markets, negative Bank of England base interest rates and an idiosyncratic stress relating to a scenario whereby prolonged IT issues cause a reduction in revenue and cash flows. The Committee also considered management actions that could be taken in the event that the modelled scenarios crystallise.

The Committee recommended to the Board that it was appropriate for the Group to adopt the going concern basis of accounting in preparing the Annual Report and Financial Statements for the year ended 30 September 2021 and that based on current information they could make the viability statement on page 55.
AUDIT COMMITTEE REPORT CONTINUED

Fair, balanced and understandable assessment
At the request of the Board, the Committee considered whether the 2021 Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders and other stakeholders to assess the Group’s position and performance, business model and strategy.

The Committee considered the procedures around the preparation, review and challenge of the Annual Report and Financial Statements; the information and reporting it received from management and the external auditor; and the discussions, that took place during the year. The Committee also considered the narrative sections of the reports to ensure there was consistency in the information reported; that appropriate weight had been given to both positive and negative aspects of business performance and that key messages had been presented coherently.

Following its review, the Committee is satisfied that the Annual Report and Financial Statements are fair, balanced and understandable and provide the information necessary for shareholders and other stakeholders to assess the Group’s position and performance and has advised the Board accordingly.

The Directors’ statement on a fair, balanced and understandable Annual Report and Financial Statements is set out on page 107.

CASS
The Committee reviewed the reasonable assurance reports and limited assurance reports in relation to CASS for all regulated entities, within the Group. The Committee also challenged management as required on the content and procedures surrounding those reports.

INTERNAL CONTROLS
Together with the Risk and Compliance Committee, the Audit Committee is responsible for monitoring, and reviewing the effectiveness of the Group’s internal control and risk management systems. The Group’s systems of internal control and risk management are designed to identify, evaluate and manage risk rather than eliminate the risk of not achieving business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Through monitoring the effectiveness of its internal controls, the Committee is able to maintain a good understanding of Business performance, key judgemental areas and management’s decision-making processes.

During the financial year the Committee:

- reviewed the adequacy and effectiveness of the Group’s internal controls and internal control systems;
- reviewed the adequacy and effectiveness of financial reporting;
- considered and approved the internal audit plan for the year;
- considered reports from the internal auditor, challenged the robustness of findings and agreed actions;
- monitored progress in management’s responsiveness to resolving audit issues raised;
- assessed the effectiveness of the internal auditor;
- reviewed and approved the internal controls and risk management statements in the Annual Report and Financial Statements.

The internal control systems have been continually monitored during the period whilst the level of inherent risk for some of the Group’s principal risks and uncertainties has increased, the Group’s internal controls have continued to mitigate this increase in risk.

The Committee is satisfied that the Group had appropriate procedures in place throughout the year and to the date of signing, which accord with the FRC’s guidance on risk management, internal control and related financial and business reporting.

The Board’s statement on internal control and risk management can be found on page 74.

INTERNAL AUDIT
The provision of internal audit services is outsourced to Deloitte LLP.

The internal audit plan for the upcoming year is approved annually in advance by the Committee. A rolling three-year plan is maintained to ensure all critical areas of the business are covered over this period. This is overseen by a risk assessment to determine the prioritisation of the internal audit plan for the coming year.

The Committee reviews all internal audit reports in order to assess the effectiveness of mitigating controls and proposed actions by management to address any issues found. The Committee ensures that all management actions arising are tracked to completion.

During the year, eight reviews were undertaken by internal audit, seven of which were delivered in line with the approved audit plan. These covered areas such as liquidity management, portfolio management and cloud security. An additional review was also commissioned during November to assess the Group’s platform and share trading operational resilience as part of the continued focus on operational resilience and compliance with the latest FCA rules and guidance.

EXTERNAL AUDIT
Tenure
This is BDO’s second year as the Group’s external auditor following a formal tender process during 2019 and subsequent appointment at the 2020 AGM. Neil Fung-On has fulfilled the role of lead audit partner for a second year.

The Committee confirms that the Group has complied with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year under review. Under these requirements a tender for the external audit must be undertaken no later than 2020.

Oversight of external audit
The Committee oversees the relationship with and work undertaken by the external auditor, BDO. The Committee’s responsibilities include making a recommendation on the appointment, reappointment and removal of the external auditor and overseeing their effectiveness and independence. The Committee assesses the qualifications, expertise, resources and independence of the external auditor and the effectiveness of the audit process.

During the year the Committee approved the audit plan, the proposed audit fee and terms of engagement for 2021. The Committee also reviewed and challenged reports from BDO which outlined its risk assessments and audit plans, together with audit findings and management responses.

The Chair of the Committee has regular contact with the external audit partner outside of Committee meetings and without the management of the business present.

The Committee considered the effectiveness of the audit process and the external auditor performance as part of an annual performance review. Feedback was sought from both Committee members and key internal stakeholders and focused on the quality and experience of the audit partner and key audit team, quality of the audit delivery and the extent and nature of challenges demonstrated by BDO in its work and interactions with management. The Committee also reviewed the FRC’s Audit Quality Inspection report and challenged BDO on the FRC’s findings and their response.

The Committee concluded it was satisfied with the performance of BDO during the period and the policies and procedures in place to maintain its objectivity and independence. Following this evaluation, the Committee recommended to the Board a proposal for reappointment of BDO as external auditor at the next AGM.

Non-audit fees
The Committee reviewed and approved the non-audit services policy for the year.

The policy is reviewed annually by the Committee to safeguard the ongoing independence of the external auditor and ensure compliance with the FRC’s Ethical Standard.

The Committee recognises that there are often advantages in using the external auditor to provide certain non-audit services due to their knowledge of the business. In the event that BDO is engaged to provide non-audit services, procedures are in place to ensure that the provision of any such services does not impair the external auditor’s independence and objectivity.

Prior to undertaking any non-audit service, external auditor independence is considered together with the nature of the services and fee levels relative to the audit. The approval of the Committee must be obtained before the external auditor is engaged to provide any permitted non-audit services. For permitted non-audit services that are considered not to be material, the Committee has pre-approved the use of the external auditor for cumulative amounts totaling less than £25,000 on the approval of the Chief Financial Officer and the Chair of the Committee.

Fees for non-audit services paid to the external auditor should not, in aggregate, exceed 70% or more of the average audit fees for the preceding three years. This cap will become effective for the year commencing 1 October 2022 at which point the current external auditors will have been engaged for the previous three years.

As part of the planning, half-year and full-year processes, the Committee also received and reviewed an analysis of all non-audit work provided by BDO in addition to the results of BDO’s own independence confirmation checks.

During 2021, the external auditor undertook non-audit work in relation to other assurance services for the review of the interim results, CASS audit and profit verification work and was paid a total fee of £167,000 (2020: £98,000). Analysis of the fees paid to BDO during the current and prior year can be found in note 7 to the financial statements.

The Committee is satisfied that the external auditor’s independence has not been impaired by their provision of non-audit services.

COMMITTEE EVALUATION
During the year an external evaluation of the Board and its Committees was performed, the process for which can be found on pages 77 and 78. The Committee also conducted its own annual effectiveness review in September 2021, which confirmed the Committee is operating effectively.

AUDIT COMMITTEE PRIORITIES FOR 2021/22
As well as considering the standing items of business, the Committee will focus on the following key areas during the forthcoming year:

- the induction and transition of responsibilities to the new Chief Financial Officer;
- undertaking a review of the provision of internal audit services;
- evolution of the disclosures and metrics for the Group’s ESG strategy and compliance with TCFD for FY22; and
- developments in relation to the future of audit and corporate governance following the rules issued by the Business, Energy and Industrial Strategy Committee in 2021.

Signed on behalf of the Audit Committee:

Eamonn Flanagan
Chair of the Audit Committee
1 December 2021
RISK AND COMPLIANCE COMMITTEE REPORT

DEAR SHAREHOLDER

As Chair of the Risk and Compliance Committee, I am pleased to present the Committee’s report for the year ended 30 September 2021.

During the year, the Committee considered a wide range of existing and emerging risk and compliance matters. Key areas of focus included:

- operational resilience, including reviewing enhancements to the Group’s operational resilience, progression embedding regulatory-operational resilience requirements and the Group’s resilience to cyber attacks;
- conduct and customer outcomes;
- the Group’s risk appetite statements and key risk indicators (KRIs) to ensure the Group risks remain within appetite;
- stress testing and the potential impacts of severe economic scenarios on the Group’s business model and strategy;
- whistleblowing across the Group;
- financial crime, including anti-money laundering;
- regulatory items concerning the platform sector and asset management sector.

The Committee concluded that there is a strong discipline in the management of both emerging and existing risks, and the Committee’s work continues to help support the Group in achieving controlled growth in fast growing markets and providing an acceptable level of return.

ROLE AND RESPONSIBILITIES

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- the Group’s attitude to and appetite for risk and its future risk strategy;
- the Group’s risk management framework;
- how risk is reported both internally and externally; and
- the processes for compliance with laws, regulations and ethical codes of practice and prevention of fraud.

The role and responsibilities of the Committee are set out in formal terms of reference, a copy of which can be viewed on the Group’s website www.ajbell.co.uk.

More detail on the Group’s approach to managing risk is detailed in the risk management framework section of the Annual Report.

COMMITTEE ATTENDANCE

The Committee meets at least four times a year and may meet at other times as agreed by the Chair or as requested by another member of the Committee. The Committee comprises independent Non-Executive Directors.

<table>
<thead>
<tr>
<th>Member</th>
<th>Position</th>
<th>Eligible meetings</th>
<th>Attended meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simon Turner</td>
<td>Chair</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Laura Cartensen**</td>
<td>Senior Independent Director</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Eamonn Flanagan**</td>
<td>Non-Executive Director</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Les Platts</td>
<td>Non-Executive Director (Chair)</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Helena Morrissey**</td>
<td>Chair Delegiate</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Evelyn Bourke**</td>
<td>Non-Executive Director</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

* Laura Cartensen and Eamonn Flanagan stepped down from the Committee on 8 September 2021.
** Helena Morrissey and Evelyn Bourke were appointed to the Committee on 8 September 2021.

MEMBERSHIP

Membership of the Committee is reviewed annually by the Chair of the Committee as part of its annual performance evaluation. Recommendations for new appointments are considered with the Nomination Committee prior to Board approval.

The Company Secretary is the secretary to the Committee. The Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Group Finance Director, Head of Risk and other members of the senior management team are routinely invited to attend Committee meetings.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

The Committee has an annual cycle of work to ensure that all responsibilities are met over a financial year. The Committee met five times during the year, the list below summarises the main activities considered by the Committee during the year ended 30 September 2021.

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>November</td>
<td>Review and approval of Group Risk Management Policy</td>
</tr>
<tr>
<td>March</td>
<td>Review and approval of ICAAP document, including liquidity risk assessments, recovery planning and the wind-down plan</td>
</tr>
<tr>
<td>May</td>
<td>Review of KRIs linked to risk appetite categories and HTR</td>
</tr>
<tr>
<td>July</td>
<td>Review of third-party risk assessment</td>
</tr>
<tr>
<td>September</td>
<td>Review of the CRO report</td>
</tr>
<tr>
<td>ICAAP</td>
<td>Review of the CRD report</td>
</tr>
<tr>
<td>Operational resilience progress update</td>
<td>Review of the CRO report</td>
</tr>
<tr>
<td>Risk reporting</td>
<td>Review of the CRO report</td>
</tr>
<tr>
<td>Risk management framework</td>
<td>Review of the CRO report</td>
</tr>
<tr>
<td>Risk reporting</td>
<td>Review of the CRO report</td>
</tr>
<tr>
<td>Client money and assets</td>
<td>Review of the client money and assets report</td>
</tr>
<tr>
<td>ICAAP</td>
<td>Update on new prudential regime for investment firms</td>
</tr>
<tr>
<td>Emerging risks</td>
<td>Review of emerging risks</td>
</tr>
<tr>
<td>Regulatory items</td>
<td>Review of risk sections in half-year report</td>
</tr>
<tr>
<td>Money laundering</td>
<td>Review of annual report by the Money Laundering Reporting Officer</td>
</tr>
<tr>
<td>ICAAP</td>
<td>Update on new prudential regime for investment firms</td>
</tr>
<tr>
<td>Emerging risks</td>
<td>Review of emerging risks</td>
</tr>
<tr>
<td>Regulatory items</td>
<td>Review of risk sections in annual report</td>
</tr>
<tr>
<td>Other Information</td>
<td>Review of risk sections in annual report</td>
</tr>
</tbody>
</table>

*The Group continues to have strong discipline in the management of both emerging and existing risks, and the Committee’s work continues to help support the Group in achieving controlled growth in fast growing markets and providing an acceptable level of return.*
RISK MANAGEMENT FRAMEWORK

The Chief Risk Officer provided his annual assessment of risk and compliance in November 2020 and confirmed good progress had been made with the delivery of both the risk and compliance plans over the previous financial year. The Committee also approved the annual risk and compliance plans in March 2021 and November 2020. The Committee conducted its annual review of the Group Risk Management Policy in March 2021 and approved the Policy with minor amendments to the Group’s risk appetite statements.

OPERATIONAL RESILIENCE

On 9 November 2020, two significant announcements occurred: a potential vaccine for COVID-19 and clarity on the outcome of the US election. This led to an exceptional spike in activity across the market. This resulted in intermittent service issues over a few hours on that day.

The Group promptly commenced an operational resilience project to address the deficiencies that caused the 9 November 2020 incident. This piece of work concluded in April 2021 (building operational resilience). The Group then reviewed the Group’s operational resilience and confirmed good progress in this area.

RISK REPORTING

The Group has identified key risks that should they crystallise, could impact the Group’s ability to meet its strategic objectives. These risks are referred to as the high impact top risks (HITR). HITRs are linked to the HITR with measurements of performance against a pre-defined target. For each HITR a tolerance threshold is set in addition to a budget or target measure. Relative measurements are based on trend information to provide early warning of any issues that may be emerging.

The HITR are reviewed annually after the Board and its Committees was performed, the Committee monitors at each Committee meeting. The HITR are reviewed annually after the Board and its Committees was performed, the Committee monitors at each Committee meeting.

WHISTLEBLOWING

The Group promotes a culture of openness with its employees and whistleblowing policy is in place which is reviewed annually by the Committee alongside the annual whistleblowing report for consideration.

The Chair of the Committee has been appointed as the whistleblowing champion and will be responsible for overseeing the effectiveness of the regime.

COMBINED ASSURANCE MODEL

The purpose of the combined assurance model (CAM) is to monitor the consistency of approach, completeness of coverage and coordination of activities of the Risk, Compliance and Internal Audit functions. The Committee is responsible for performing a Risk and Control Self-Assessment (RCSA) reviewing this assurance on an ongoing basis and providing an annual RCSA attestation. Depending on this assurance assessment the business area will determine whether action is required to improve the controls to ensure the relevant risk is brought back or remains within appetite. The second (Risk and Compliance) and third (Internal Audit) lines of defence then coordinate their assurance activities across the key areas of risk across the Group. The assurance output has been reviewed by the Committee, in conjunction with the Audit Committee, over the course of the financial year.

CLIENT MONEY AND ASSETS

The Committee reviews a quarterly client money and assets (CASS) report, which includes progress on the Group’s CASS automation and process simplification, which is looking to improve the Group’s CASS processes.

CYBER SECURITY

The Committee monitors the Group’s defences against cyber threats. The Committee has reviewed information from our internal subject matter experts on key cyber threats and the strength of our corresponding key controls. The Committee has also sought out assurance and cyber security threat testing from third-party cyber security companies to ensure the Group’s cyber defences are working appropriately.

MONEY LAUNDERING

The Committee received and reviewed its annual report from the Money Laundering Reporting Officer (MLRO) in March 2021 which confirmed the Group’s anti-money laundering and fraud systems, and controls continue to operate effectively. The Group has continued to invest and develop new anti-money laundering technology and additional resource to further improve its control environment. The Committee monitors the effectiveness of the Group’s anti-money laundering and fraud systems and controls as part of its quarterly risk reporting.

EMERGING RISKS

The Committee receives regular emerging risks updates from the CPO and also external updates from Deloitte. Key items discussed have been regulatory priorities, such as operational resilience and ESG.

REGULATORY ITEMS

The Committee has reviewed ‘Dear CEO’ letters issued by the FCA, including letters on Operational Resilience and a Portfolio letter for SIPP operators and has concluded that all the actions set out in the letters are being addressed by the Group. The Committee has also reviewed the FCA’s Business Plan to ensure that the FCA’s key priorities are aligned with the Group’s key priorities and again no areas of concern have been identified.

COMMITTEE EVALUATION

During the year an external evaluation of the Board and its Committees was performed, the process for which can be found on pages 77 and 78. The Committee conducted its own annual effectiveness review in September 2021, which confirmed the Committee is operating effectively.

RISK AND COMPLIANCE COMMITTEE PRIORITIES FOR 2021/22

The Committee will continue to focus on any emerging risks that may materialise. The Group is on track to embed the required regulatory operational resilience requirements and new prudential-regime requirements for investment firms in 2022 and the Committee will continue to oversee progress made in these areas of focus.

Signed on behalf of the Risk and Compliance Committee:

Simon Turner
Chair of the Risk and Compliance Committee
1 December 2021
LAURA CARSTENSEN
CHAIR OF THE REMUNERATION COMMITTEE

DEAR SHAREHOLDER

As Chair of the Remuneration Committee, I am pleased to present the Committee’s report for the year ended 30 September 2021.

This will be my last report as Chair of the Committee because, as previously announced, I will not be putting myself forward for re-election at the Company’s 2022 AGM. It has been a pleasure to have served on the AJ Bell Board during such a transformative period and I wish the business continued success over the coming years. Margaret Hassan will take over as the new Chair of the Remuneration Committee with effect from the end of the 2022 AGM.

We have again delivered a strong financial performance, with increased revenue and PBT driven by record levels of new customers and significant growth of AUA whilst continuing to invest in our propositions.

BOARD AND SENIOR MANAGEMENT CHANGES

In the year, the Board accepted recommendations made by the Nomination Committee in respect of changes in the composition of the EMB. These changes are in addition to the Board appointments of our Chair designate, Helena Morrissey and two Non-Executive Directors, Evelyn Bourke and Margaret Hassan. All of these changes serve to further strengthen the Board and EMB as we embark on the next stage of our long-term growth plans.

As announced on 18 August 2021, two new Executive Director roles have been created – Deputy Chief Executive Officer and Chief Operating Officer. Both of these roles were filled by internal candidates, Michael Summergill and Roger Stott respectively, who were identified through our internal succession planning process. Both Michael and Roger have been with AJ Bell for over a decade and were the standout candidates for these newly created roles. Their appointments ensure a smooth transition to our new Board structure which will help to support the continued growth of the business.

As a consequence of Michael Summergill’s promotion to Deputy CEO, we have conducted an external search for a new Chief Financial Officer. Michael will retain CFO responsibility until his successor is in place.

EXECUTIVE DIRECTORS’ REMUNERATION

In light of the changes in Executive Director roles and responsibilities, the Committee reviewed market benchmark reference points with the assistance of our remuneration advisers, Deloitte, in order to determine appropriate remuneration packages. We considered:

• A cross-sectoral group of FTSE 250 companies within a 12 month average market capitalisation range of £1.0bn to £2.5bn (compared to AJ Bell’s market capitalisation of £1.6bn as at 30 September 2021);
• A sector comparator group and
• Relationships between Executive Director roles in both FTSE 250 and competitor businesses as well as internal relativities between the Executive Director roles and EMB roles within AJ Bell.

While market data provides a valuable insight into pay levels and structures, the Committee recognises that benchmarking should not be the sole determinant when considering Executive Director remuneration. In line with AJ Bell’s general approach to setting pay, the Committee therefore considered a range of factors alongside benchmarking when reviewing proposed changes to remuneration packages.

The competitive pay positioning for the Executive Director roles was also considered alongside wider workforce remuneration levels and against the backdrop of the continued growth and performance of the business. Since our IPO in December 2018 (as at 30 September 2021):

• Our market capitalisation has increased from a £160m to over £1.6bn;
• Our organic continued growth has seen our customer numbers increase by 93%, annual net inflows increase by 49%,
• Our capitalisation of the business has increased from a £160m to over £1.6bn.

In the normal course of events, increases in Executive Directors’ salaries are made in line with market rates. After careful consideration, the Committee agreed that, with effect from 1 October 2021, the CEO’s salary would increase to £498,613 per annum in line with the standard award given to the wider workforce of 3.9%.

For the Deputy CEO, the level of base salary considered appropriate was £400,000 per annum. Taking into consideration the internal appointment of Michael Summergill to this role and his previous salary level, the Committee decided that this increase should be implemented in two stages with the first increase from £225,504 to £312,752 being made with effect from 1 October 2021 and the second to £400,000 per annum with effect from 1 October 2022. The second increase is subject to the continued strong Group and individual performance.

The CEO base salary has been set at £275,000 per annum. In recruiting the new CFO, we determined a suitable range that fits within this structure to attract the right calibre of external candidates.

The Committee is mindful of the impact of base salary increases on the value of the overall total remuneration package. The changes outlined above show a progression of base salaries and total remuneration packages for our current Executive Directors towards the lower quartile of the market for FY22. Excluding any pension contributions made in respect of an individual under the Company’s salary sacrifice arrangement, neither the CEO nor Deputy CEO receive any other employer pension contributions.

As detailed in previous Directors’ remuneration reports, instead of having an annual bonus and separate long-term incentive plan, we operate a single incentive plan – the Executive Incentive Plan (EIP), which has been designed to promote and reward long-term sustainable Group performance. Whilst the maximum EIP awards under the policy are up to 200% of salary, for FY22, it is proposed that the maximum EIP awards granted will be 187.5% of base salary for the CEO and up to 150% of base salary for the Deputy CEO and CFO. For CFO the maximum opportunity will be in line with the Remuneration Policy.

The majority of the overall Executive Directors’ remuneration package continues to be performance-related. Executives will continue to be assessed against stretching targets in order to determine the extent to which their EIP awards vest, ensuring that variable remuneration rewards strong individual and business performance. This will continue to align shareholders’ interests with those of our executives as we continue to strengthen the Board and EMB as we embark on significant growth of AUA whilst continuing to invest in our propositions.

EXECUTIVE INCENTIVE PLAN

The Executive Incentive Plan (EIP) is a single incentive plan under which performance is assessed over a single financial period based on a balanced scorecard of financial and non-financial measures, but with the deferral of the vesting of a significant proportion (60%) in the case of Executive Directors’ awards. The balanced scorecard and deferred awards promote and reward long-term sustainable Group performance. Albeit performance is assessed over a single financial year, the intrinsic nature of some of the metrics is such as to promote behaviours supportive of long-term goals and a sustainable, successful business (see key performance measure by strategic driver below).

Under the EIP no cash bonuses are paid. Instead, both annual and deferred awards are delivered in shares, thus aligning shareholder and director interests. EIP awards are granted at the start of the financial year and the number of shares subject to the EIP awards is determined based on the share price at the date of grant. This means that executives are exposed to the impact of any subsequent movement in the share price over the performance period, upwards or downwards.

The performance measures set for the EIP awards are divided into financial measures and non-financial measures linked to the KPIs and strategy of the business, with the primary focus being on the drivers of long-term value, such as growth in AUA, customer numbers and retention rates.

We consider that this, together with our clear and robust framework for setting targets and for measuring and assessing performance objectively, ensure we reward executives appropriately for both their own contribution and the performance of the Group.

The Committee retains the discretion to override mechanical assessment ratings, if they consider it appropriate for both their own contribution and the performance of the Group.

The Committee’s summary of the results of this year’s exercises is set out on pages 91 to 92.

The members of the Committee are satisfied that the above changes in the reward packages for the Executive Directors are in line with the terms of the Policy.

EIP OUTCOMES

Our financial results for the year ended 30 September 2021 demonstrate strong growth over the past 12 months. This growth has been driven by a record number of new platform customers during the year.

We achieved strong growth in revenue during the year, up 15% to £145.8m, and we are pleased to report an increase in PBT to £55.1m, representing a 13% growth rate.

In determining Directors’ pay for the year, the Committee considered the results of the key performance measures, external market conditions and an assessment of the movements in share price over the period. Based on this, the extent to which awards under the EIP were vested has been confirmed, the CEO’s awards vested at 79% and the CFO’s at 77%. The Committee did not apply any discretion to the formulaic outcomes. Further details of the outcomes can be found on pages 97 and 98 of the Annual Report on Remuneration.

The Committee is satisfied that our Executive Directors have continued to deliver tangible and substantial benefits for the business and our shareholders and have delivered strong performance against stretching targets, as our results attest.

KEY PERFORMANCE MEASURE BY STRATEGIC DRIVER

<table>
<thead>
<tr>
<th>Finance and</th>
<th>Growth</th>
<th>Our customers</th>
<th>Our technology</th>
<th>Our people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>PBT</td>
<td>Total customers</td>
<td>Customer retention rates</td>
<td>PBT margin</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>Total AUA</td>
<td>Operational performance indicators</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ALIGNMENT WITH WIDER WORKFORCE

The Committee reviews wider workforce remuneration information from the HR team, which is responsible for completing the annual pay review that involves a performance assessment process. Executive remuneration and other employees' salaries are reviewed following the same process and include both fixed and performance related elements.

This includes benchmarking against similar organisations and considers factors such as local recruitment conditions.

The standard base salary increase for the wider workforce for the year ending 30 September 2022 has been set at 3.5%. In addition to our usual benchmarking exercise for the wider workforce, this year we identified several key roles from across the business where base salaries have not kept up with the growth of the business and had become uncompetitive. For approximately 13% of staff below the executive team, higher base salary increases were therefore made to ensure our top talent and critical roles from across the business where base salaries have not kept up with the growth of the business and had become uncompetitive.

All executives are set clear financial and non-financial targets at the start of the year, with minimum, target and maximum thresholds set as shown in our remuneration report.

Our direction for executive remuneration will be aligned to those of our shareholders and wider stakeholders, as well as our purpose, guiding principles and strategy.

We operate a single incentive plan – the EIP, which is designed to promote and reward long-term sustainable Group performance.

ALIGNMENT WITH THE UK CORPORATE GOVERNANCE CODE

In determining our Remuneration Policy the Committee addressed the following six principles, as set out in the UK Corporate Governance Code:

Clarity
- The Remuneration Policy has been designed with a clear and robust framework for setting targets and measuring and assessing performance objectively, aligned to our business model/strategy, to ensure we reward executives appropriately for both their individual contribution and the performance of the Group.

Simplicity
- We operate a single incentive plan – the EIP, which is designed to promote and reward long-term sustainable Group performance.

Risk
- Our approach aims to ensure that remuneration and incentives adhere to the principles of good corporate governance, the FCA Remuneration Code and support good risk management practices.

Malus and clawback provisions apply to executive rewards. Deferred awards are also subject to a performance underpin which is linked to the underlying performance of the Group, risk management, conduct and compliance over the three year deferral period.

The Committee retains discretion to override mechanical assessment ratings in relation to any concerns over risk management.

Policy for Executive Directors

<table>
<thead>
<tr>
<th>Component</th>
<th>Purpose and link to strategy</th>
<th>Key features</th>
<th>Maximum opportunity</th>
<th>Performance measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary</td>
<td>Core element of fixed remuneration reflecting the individual’s role and experience.</td>
<td>The Committee ordinarily reviews base salaries annually taking into account a number of factors including (but not limited to) the value of the individual to the business, the scope of their role, their skills, experience and performance. The Committee also takes into consideration:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- pay and conditions of the workforce generally; - Group profitability and prevailing economic conditions.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO Pay Ratio</td>
<td>The median ratio for the CEO’s salary and total remuneration compared to our employees was 19:1 and 42:1 respectively and further details can be found on page 102 of the Annual Report on Remuneration. A significant proportion of the CEO’s pay is in the form of variable pay through the EIP. CEO pay will therefore vary year-on-year based on company and share price performance, as well as the CEO’s all-employee pay ratio.</td>
<td>The CEO’s pay is subject to a performance underpin.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Through the review, we will engage with staff to seek their views on executive remuneration and also seek to ensure we enhance how we can effectively incorporate environmental, social and governance (ESG) related metrics into our remuneration targets. We also continue to monitor remuneration developments, particularly in light of the ongoing impact of the Investment Firm Prudential Regime.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Signed on behalf of the Remuneration Committee.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Laura Carstensen</td>
<td>Chair of the Remuneration Committee</td>
<td>December 2021</td>
<td></td>
</tr>
</tbody>
</table>
### Policy for Non-Executive Directors

**Component**

<table>
<thead>
<tr>
<th>Purpose and link to strategy</th>
<th>Key features</th>
<th>Maximum opportunity</th>
<th>Performance measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Executive Directors</td>
<td>To provide fees within a market competitive range reflecting the individual responsibilities of the role and the expected time commitment.</td>
<td>Not applicable.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td></td>
<td>To reimburse where appropriate out-of-pocket expenses which are relevant to the requirements of the role.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The fees of the Chair are determined by the Committee and the fees of the Non-Executive Directors are determined by the Board.

Non-Executive Directors (including the Chair) may claim expenses in line with the Company’s expenses policy for out-of-pocket expenses incurred in the fulfilment of their responsibilities.
ADVICE TO THE COMMITTEE
In relation to its consideration of Directors' remuneration during the year, the Committee has received advice from:

- The Chairman, Chief Executive Officer, Chief Financial Officer, HR Director and Company Secretary; and
- Deloitte LLP (Deloitte).

Deloitte is retained to provide independent advice to the Committee as required. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operated under the Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte has provided advice covering annual remuneration report and policy disclosures, market practice and corporate governance updates. Fees for providing remuneration advice to the Committee were £16,000 for the year ended 30 September 2021. The Committee reassesses from time to time whether this appointment remains appropriate or should be put out to tender and takes into account the Remuneration Consultants Group Code of Conduct when considering this.

COMMITTEE EVALUATION
During the year an external evaluation of the Board and its Committees was performed, the process for which can be found on pages 77 and 78. The Committee also conducted its own annual effectiveness review in September 2021, which confirmed the Committee is operating effectively.

IMPLEMENTATION OF THE REMUNERATION POLICY FOR 2020/21
The following table sets out total remuneration for each Director in respect of the year ending 30 September 2021.

<table>
<thead>
<tr>
<th>SINGLE FIGURE OF REMUNERATION FOR THE YEAR ENDED 30 SEPTEMBER 2021 (AUDITED)</th>
<th>Salary and fees (a) £ 000</th>
<th>Benefits (b) £ 000</th>
<th>Executive Incentive Plan (c) £ 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Directors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andy Bell</td>
<td>482</td>
<td>15</td>
<td>320</td>
</tr>
<tr>
<td>Michael Summersgill</td>
<td>226</td>
<td>1</td>
<td>120</td>
</tr>
<tr>
<td>Non-Executive Directors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Les Platts</td>
<td>115</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Laura Carstensen</td>
<td>46</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Eamonn Flanagan</td>
<td>46</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Simon Turner</td>
<td>46</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Margaret Hassall**</td>
<td>4</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

(a) Salary and fees The amount of salary/fees earned in respect of the year. A salary sacrifice pension arrangement is operated by the Company. Directors’ salaries are shown gross of salary sacrifice pension contributions.

(b) Benefits The benefits received by the Executive Directors comprise:
- private medical insurance; and
- life assurance is provided to the CEO.

(c) Executive Incentive Plan Annual award for FY21: the value of the annual award earned in respect of the financial year is based on the share price at vesting of 422.2p. A description of performance against the measures which applied for the financial year is provided on pages 97 and 98. Deferred award for FY21: the value of the deferred award earned in respect of the financial year is based on the share price at initial vesting of 422.2p. A description of performance against the measures which applied for the financial year is provided on pages 97 and 98. Note: a deferred award will normally be released following the end of a deferral period starting on the date on which the performance condition is assessed and ending in the fourth year after the start of the performance period. The values in the single figure of remuneration table are calculated in accordance with the applicable regulations by reference to the share price at vesting. The values of the deferred awards are included in the FY21 table, notwithstanding that the values will not be released to the Directors until the end of the deferral period. In the period between grant and vesting, the share price decreased from 430.5p to 422.2p and is therefore attributable to a c.2% reduction in the award values.

The figures in the single figure tables above are derived from the following:
- (a) Salary and fees The amount of salary/fees earned in respect of the year.
- (b) Benefits The benefits received by the Executive Directors comprise:
  - private medical insurance; and
  - life assurance is provided to the CEO.
- (c) Executive Incentive Plan Annual award for FY21: the value of the annual award earned in respect of the financial year is based on the share price at vesting of 422.2p. A description of performance against the measures which applied for the financial year is provided on pages 97 and 98. Deferred award for FY21: the value of the deferred award earned in respect of the financial year is based on the share price at initial vesting of 422.2p. A description of performance against the measures which applied for the financial year is provided on pages 97 and 98. Note: a deferred award will normally be released following the end of a deferral period starting on the date on which the performance condition is assessed and ending in the fourth year after the start of the performance period. The values in the single figure of remuneration table are calculated in accordance with the applicable regulations by reference to the share price at vesting. The values of the deferred awards are included in the FY21 table, notwithstanding that the values will not be released to the Directors until the end of the deferral period. In the period between grant and vesting, the share price decreased from 430.5p to 422.2p and is therefore attributable to a c.2% reduction in the award values.
- (d) Pension Excluding any pension contributions made in respect of an individual under the Company’s salary sacrifice pension arrangement, none of the Directors received any other employer pension contributions.

EIP options are granted at the start of the performance period and therefore executives are exposed to the impact of any subsequent movement in the share price over the performance period. In the period between grant and vesting, the share price decreased from 430.5p to 422.2p and is therefore attributable to a c.2% reduction in the award values.
BASE SALARY AND FEES
The Executive Directors’ base salaries were reviewed in September 2021. In reviewing base salaries the Committee took into account the new roles of the Executive Directors’ following the board restructure, as well as salaries paid elsewhere across the Group, relevant market data and information on remuneration practices in peer companies.

Payout for performance between threshold and stretch is calculated on a stepped basis. The payout for each individual metric is 33% of maximum at threshold, 67% at target and 100% at stretch.

Details of Chairman and Non-Executive Directors’ fees are detailed below.

Executive Directors’ following the board restructure, as well as salaries paid elsewhere across the Group, relevant market data and information on

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Maximum opportunity</th>
<th>On-target opportunity</th>
<th>Number of shares</th>
<th>Face value at grant</th>
<th>Performance period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andy Bell</td>
<td>187.5% of salary</td>
<td>125% of salary</td>
<td>36,763 Deferred</td>
<td>£361,147</td>
<td>Financial year ended 30 September 2021</td>
</tr>
<tr>
<td>Michael Summersgill</td>
<td>150% of salary</td>
<td>100% of salary</td>
<td>31,176 Annual</td>
<td>£309,841</td>
<td>Financial year ended 30 September 2021</td>
</tr>
</tbody>
</table>

1 For these purposes, the face value of the award is calculated by multiplying the number of shares over which the award was granted by £4.33p, the 5 day average share price prior to grant date.
2 Each award was subject to performance conditions assessed over the financial year ended 30 September 2021 (as described further below). Deferred awards are also subject to a performance underpin for a further three years (to 30 September 2024).

The EIP awards are made up of an annual award and a deferred award (40% and 60% of the total number of shares respectively both granted as nominal cost options. Both the annual and deferred awards are assessed against a balanced scorecard of financial and non-financial measures, linked to the KPIs and strategy of the business, over the financial year ending 30 September 2021 as set out below:

<table>
<thead>
<tr>
<th>Financial and Assurance</th>
<th>Growth</th>
<th>Our customers</th>
<th>Our technology</th>
<th>Our people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Total customers</td>
<td>Customer retention rates</td>
<td>Operational performance indicators</td>
<td>PBT margin</td>
</tr>
<tr>
<td>PBT</td>
<td>Total AUA</td>
<td>CEO: 7.5%</td>
<td>CEO: 7.5%</td>
<td>CEO: 7.5%</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>Total AUA</td>
<td>CEO: 7.5%</td>
<td>CEO: 7.5%</td>
<td>CEO: 7.5%</td>
</tr>
</tbody>
</table>

Payout for performance between threshold and stretch is calculated on a stepped basis. The payout for each individual metric is 33% of maximum at threshold, 67% of maximum at target and 100% of maximum at stretch. The resultant payout for each of the five KPI areas is based on an assessment of each performance measure, in the round, and taking into account outperformance above stretch.
Commentary on achievements
The staff engagement measure is based on a single target (that is either achieved or not), to achieve a 3-star Best Companies survey rating. This is the highest engagement level achievable in the survey and the Committee noted that a 100% payout would only be awarded in the case of exceptional performance, for example placing in the top 10 UK companies to work for.

We maintained a 3-star status in the Best Companies survey this year and therefore this target was met

Payout (as a % of the maximum): 67%

The Committee recognised the strong performance in the year whilst also investing for the future with the development of two new simplified propositions.

In considering the extent to which the Executive Directors’ EIP awards vested, the Committee assessed achievement against the financial and non-financial targets set alongside the findings of the CRO risk report, in which no adverse findings were reported. They also considered relevant external market conditions.

Accordingly, the CEO’s and the CFO’s awards vested at 79% and 77% respectively, as regards both the annual and deferred awards. Further detail is included in the table below.

<table>
<thead>
<tr>
<th>Granted</th>
<th>Vested and released</th>
<th>Initially vested and deferred</th>
<th>Forfeited</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>Annual awards</td>
<td>83,252</td>
<td>65,491</td>
</tr>
<tr>
<td></td>
<td>Deferred awards</td>
<td>124,878</td>
<td>98,237</td>
</tr>
<tr>
<td>CFO</td>
<td>Annual awards</td>
<td>31,176</td>
<td>24,109</td>
</tr>
<tr>
<td></td>
<td>Deferred awards</td>
<td>46,763</td>
<td>36,163</td>
</tr>
</tbody>
</table>

The deferred awards are also subject to performance underpins for a further three years. The underpin conditions are set out below.

<table>
<thead>
<tr>
<th>Underpin</th>
<th>Measure</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grow shareholder value</td>
<td>Measurement of the underlying performance and strength of the Company</td>
<td>No material deterioration in the underlying performance of the Company which is significantly greater than any deterioration in the performance of comparator listed financial services companies.</td>
</tr>
<tr>
<td>Risk, conduct and compliance</td>
<td>Effective individual and Company risk management</td>
<td>No material failure in risk management, conduct or compliance.</td>
</tr>
</tbody>
</table>

The participants are entitled to acquire shares following the assessment of the underpinnings but (other than as regards sales to cover tax liabilities) participants are required to hold acquired shares (and to not dispose of shares) for a further 12 months.

PAYMENTS MADE TO FORMER DIRECTORS AND PAYMENTS FOR LOSS OF OFFICE DURING THE YEAR (AUDITED)
No payments for loss of office and no payments to any former Director of the Company were made in the year.

STATEMENT OF DIRECTORS’ SHAREHOLDING AND SHARE INTERESTS (AUDITED)
The interests of the Directors and their connected persons in the Company’s ordinary shares as at 30 September 2020 and 30 September 2021 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 September 2021</th>
<th>30 September 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andy Bell</td>
<td>93,471,016</td>
<td>96,710,546</td>
</tr>
<tr>
<td>Michael Summersgill</td>
<td>1,145,054</td>
<td>1,480,250</td>
</tr>
<tr>
<td>Non-Executive Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Les Platts</td>
<td>310,517</td>
<td>425,867</td>
</tr>
<tr>
<td>Laura Carstensen</td>
<td>151,090</td>
<td>151,090</td>
</tr>
<tr>
<td>Eamonn Flanagan</td>
<td>265,142</td>
<td>265,142</td>
</tr>
<tr>
<td>Simon Turner</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Helena Morrissey</td>
<td>33,000</td>
<td>n/a</td>
</tr>
<tr>
<td>Evelyn Bourke</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Margaret Hassall</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Roger Stott was appointed as a director on 1 October 2021. At this date, the interests of Roger Stott and his connected persons in the Company’s ordinary shares was 198,567.

There has been no subsequent change in Directors’ shareholdings and share interests since 30 September 2021.

EXECUTIVE DIRECTORS’ SHAREHOLDING GUIDELINES
The Committee has adopted a shareholding guideline for the Executive Directors, which requires a shareholding equivalent to 350% of base salary for the Chief Executive Officer and 300% of base salary for the Chief Financial Officer, as further described in the Directors’ Remuneration Policy. The Executive Directors have significantly exceeded this guideline at 30 September 2021, based on the share price at the end of the financial year.

The shareholding guideline for the new Deputy Chief Executive Officer and Chief Operating Officer roles have also been set at 300%.

Reflecting best practice, the Committee has also adopted a post-cessation shareholder requirement. This requires Executive Directors to retain shares of value equal to the shareholder guideline (or value of their shareholding at cessation if lower) for twelve months and 50% of this guideline for a further twelve months. Shares, which the Executive Director has purchased or which were held at the date of admission to the London Stock Exchange, are not relevant shares for these purposes.
EXECUTIVE DIRECTORS’ INTERESTS UNDER SHARE SCHEMES (AUDITED)

Awards under share plans:

<table>
<thead>
<tr>
<th>Award date</th>
<th>As at 1 October 2020</th>
<th>Granted during the year</th>
<th>Forfeited during the year</th>
<th>Exercised during the year</th>
<th>As at 30 September 2021</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andy Bell</td>
<td>18 Jan 19</td>
<td>214,804</td>
<td>–</td>
<td>–</td>
<td>214,804</td>
<td>Subject to performance underpins</td>
</tr>
<tr>
<td>Annual award</td>
<td>12 Dec 19</td>
<td>71,181</td>
<td>–</td>
<td>–</td>
<td>71,181</td>
<td>Vested and unexercised</td>
</tr>
<tr>
<td>Deferred award</td>
<td>12 Dec 19</td>
<td>106,772</td>
<td>–</td>
<td>–</td>
<td>106,772</td>
<td>Subject to performance underpins</td>
</tr>
<tr>
<td>Annual award</td>
<td>10 Dec 20</td>
<td>83,262</td>
<td>17,761</td>
<td>–</td>
<td>65,491</td>
<td>Vested and unexercised</td>
</tr>
<tr>
<td>Deferred award</td>
<td>10 Dec 20</td>
<td>124,878</td>
<td>26,641</td>
<td>–</td>
<td>98,237</td>
<td>Subject to performance underpins</td>
</tr>
</tbody>
</table>

Michael Summersgill

<table>
<thead>
<tr>
<th>Award date</th>
<th>As at 1 October 2020</th>
<th>Granted during the year</th>
<th>Forfeited during the year</th>
<th>Exercised during the year</th>
<th>As at 30 September 2021</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred award</td>
<td>18 Jan 19</td>
<td>83,675</td>
<td>–</td>
<td>–</td>
<td>83,675</td>
<td>Subject to performance underpins</td>
</tr>
<tr>
<td>Annual award</td>
<td>12 Dec 19</td>
<td>26,655</td>
<td>–</td>
<td>–</td>
<td>26,655</td>
<td>Vested and unexercised</td>
</tr>
<tr>
<td>Deferred award</td>
<td>12 Dec 19</td>
<td>39,983</td>
<td>–</td>
<td>–</td>
<td>39,983</td>
<td>Subject to performance underpins</td>
</tr>
<tr>
<td>Annual award</td>
<td>10 Dec 20</td>
<td>31,176</td>
<td>7,867</td>
<td>–</td>
<td>24,109</td>
<td>Vested and unexercised</td>
</tr>
<tr>
<td>Deferred award</td>
<td>10 Dec 20</td>
<td>46,763</td>
<td>10,600</td>
<td>–</td>
<td>36,163</td>
<td>Subject to performance underpins</td>
</tr>
</tbody>
</table>

CURRENT SERVICE CONTRACTS AND TERMS OF ENGAGEMENT

Executive Directors

The Executive Directors are employed under rolling service contracts that can be terminated by the Executive Director or the Company with six months’ notice. These contracts were dated as follows:

<table>
<thead>
<tr>
<th>Contract date</th>
<th>Andy Bell</th>
<th>Michael Summersgill</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 November 2019</td>
<td>1 November 2019</td>
<td></td>
</tr>
</tbody>
</table>

Non-Executive Directors

The Non-Executive Directors do not have service agreements and are appointed subject to letters of appointment that can be terminated with one month’s notice by either the Non-Executive Director or the Company. The letters of appointment are dated as follows:

<table>
<thead>
<tr>
<th>Contract date</th>
<th>Les Platts (Chairman)</th>
<th>Laura Carstensen</th>
<th>Eamonn Flanagan</th>
<th>Simon Turner</th>
<th>Evelyn Bourke</th>
<th>Margaret Hassall</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 September 2018</td>
<td>15 September 2018</td>
<td>29 March 2018</td>
<td>22 March 2018</td>
<td>1 July 2014</td>
<td>1 July 2021</td>
<td>1 September 2021</td>
</tr>
</tbody>
</table>

PERFORMANCE GRAPH AND HISTORICAL CHIEF EXECUTIVE OFFICER REMUNERATION OUTCOMES

The graph below shows the total shareholder return (TSR) performance of the Company’s shares in comparison to the FTSE 250 for the period from the date of admission, 12 December 2018 to 30 September 2021. The TSR performance of the FTSE 250 index has been selected as it is considered the most appropriate comparator group to AJ Bell. For the purposes of the graph, TSR has been calculated as the percentage change during the period in the market price of the shares, assuming that dividends are reinvested in shares on the ex-dividend date. The graph shows the change in value, up to October 2021, of £100 invested in shares in the Company on the date of admission compared with the change in value of £100 invested in the FTSE 250.

TOTAL SHAREHOLDER RETURN FOR AJ BELL AGAINST THE FTSE 250 INDEX

CEO PAY REMUNERATION

The table below shows details of the total remuneration and EIP vesting (as a percentage of the maximum opportunity) for the Chief Executive Officer.

<table>
<thead>
<tr>
<th>2021</th>
<th>Salary/Fees £’000</th>
<th>Benefits £’000</th>
<th>Annual bonus (£’000)</th>
<th>Total single figure remuneration £’000</th>
<th>Annual EIP award (% of maximum opportunity)</th>
<th>Deferred EIP award (% of maximum opportunity)</th>
</tr>
</thead>
<tbody>
<tr>
<td>£101</td>
<td>79%</td>
<td>79%</td>
<td>79%</td>
<td>1,191</td>
<td>79%</td>
<td>79%</td>
</tr>
<tr>
<td>2020</td>
<td>1,297</td>
<td>79%</td>
<td>79%</td>
<td>1,297</td>
<td>79%</td>
<td>79%</td>
</tr>
<tr>
<td>2019</td>
<td>1,906</td>
<td>65%</td>
<td>65%</td>
<td>1,906</td>
<td>65%</td>
<td>65%</td>
</tr>
</tbody>
</table>

DIRECTORS’ REMUNERATION RATIOS AND PERCENTAGE CHANGE

The table below sets out in relation to salary/fees, taxable benefits and incentives, the percentage change in pay for the Directors compared to the wider workforce from 2020 to 2021. The annual change in salary is based on the salary of employees (on a full time equivalent basis) as at 30 September 2021 and 30 September 2020, and the annual change in bonus excludes employees that are not eligible for a bonus. The average employee change has been calculated by reference to the mean change.

<table>
<thead>
<tr>
<th>2021</th>
<th>Salary/Fees</th>
<th>Benefits</th>
<th>Annual bonus</th>
<th>Total single figure remuneration</th>
<th>Annual EIP award (% of maximum opportunity)</th>
<th>Deferred EIP award (% of maximum opportunity)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5%</td>
<td>(12.0%)</td>
<td>(15.7%)</td>
<td>(43.6%)</td>
<td>2.5%</td>
<td>(44.4%)</td>
<td>(44.4%)</td>
</tr>
<tr>
<td>13.4%</td>
<td>(17.7%)</td>
<td>(44.4%)</td>
<td>(39.3%)</td>
<td>11.5%</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>3.3%</td>
<td>(28.0%)</td>
<td>11.1%</td>
<td>(23.6%)</td>
<td>13.2%</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>11.5%</td>
<td>(n/a)</td>
<td>11.1%</td>
<td>(13.6%)</td>
<td>13.2%</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>3.3%</td>
<td>(28.0%)</td>
<td>11.1%</td>
<td>(23.6%)</td>
<td>13.2%</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

1 The reduction in the annual bonus for the CEO and CFO is based on the awards granted under the EPS which are subject to share price movements. For the FY20 awards, the share price increased from 403.5p to 449.5p in the period between the grant and vesting. For the FY21 awards, the share price decreased from 430.5p to 422.2p.

Wider workforce

As at 1 October 2021, of £100 invested in shares in the Company on the date of admission compared with the change in value of £100 invested in the FTSE 250.
The following table sets out the total remuneration for all employees and the total shareholder distributions:

<table>
<thead>
<tr>
<th>Year</th>
<th>Pay element</th>
<th>Method</th>
<th>25th (Lower quartile)</th>
<th>50th (Median)</th>
<th>75th (Upper quartile)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>Salary</td>
<td>Option A</td>
<td>£23,1</td>
<td>£19,1</td>
<td>£21,1</td>
</tr>
<tr>
<td></td>
<td>Total remuneration</td>
<td>Option A</td>
<td>£52,1</td>
<td>£42,1</td>
<td>£51,1</td>
</tr>
<tr>
<td>2020</td>
<td>Salary</td>
<td>Option A</td>
<td>£24,1</td>
<td>£19,1</td>
<td>£22,1</td>
</tr>
<tr>
<td></td>
<td>Total remuneration</td>
<td>Option A</td>
<td>£59,1</td>
<td>£47,1</td>
<td>£59,1</td>
</tr>
</tbody>
</table>

Remuneration figures used to calculate the above ratio:

<table>
<thead>
<tr>
<th>Year</th>
<th>Pay element</th>
<th>Method</th>
<th>25th (Lower quartile)</th>
<th>50th (Median)</th>
<th>75th (Upper quartile)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>Salary</td>
<td>Option A</td>
<td>£1,390,522</td>
<td>£23,188</td>
<td>£25,272</td>
</tr>
<tr>
<td></td>
<td>Total remuneration</td>
<td>Option A</td>
<td>£1,476,752</td>
<td>£20,349</td>
<td>£25,008</td>
</tr>
<tr>
<td>2020</td>
<td>Salary</td>
<td>Option A</td>
<td>£1,297,056</td>
<td>£22,026</td>
<td>£27,511</td>
</tr>
<tr>
<td></td>
<td>Total remuneration</td>
<td>Option A</td>
<td>£1,331,558</td>
<td>£22,513</td>
<td>£38,956</td>
</tr>
</tbody>
</table>

The calculation methodology used to identify the employees at each quartile for 2021 and 2020 is Option A, as defined in the Regulations. We believe this is the most robust and accurate approach, and in line with shareholder expectations. The median, 25th and 75th percentile colleagues were determined based on calculating total annual remuneration up to and including 30 September. Total full-time equivalent remuneration for employees reflects all pay and benefits received by an individual in respect of the relevant year and has been calculated in line with the methodology for the single figure of remuneration for the CEO, shown on pages 94 and 95. Only employees that were employed at the end of the financial year were included. Annual bonuses of employees are based on the expected pay-out. The reason for this is that the annual bonus results had not been paid at the time of preparing the ratio calculations. The workforce comparison is based on the payroll data for the financial year for all employees (including the CEO but excluding Non-Executive Directors).

A significant proportion of the CEO’s pay is in the form of variable pay through the EIP scheme. CEO pay will therefore vary year on year based on Company and share price performance. The CEO to all employee pay ratio will therefore also fluctuate taking this into account.

The Committee believe that the median pay is consistent with the pay, reward and progression policies for the UK employee population.

### DISTRIBUTION STATEMENT

The following table sets out the total remuneration for all employees and the total shareholder distributions:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total remuneration for all employees</th>
<th>% change</th>
<th>Dividends and share buybacks</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>£47,654</td>
<td>18.6%</td>
<td>£20,132</td>
<td>47.7%</td>
</tr>
<tr>
<td>2020</td>
<td>£40,183</td>
<td></td>
<td>£19,733</td>
<td></td>
</tr>
</tbody>
</table>

1. Total remuneration for all employees represents the underlying staff cost for the Group.
2. Dividends and share buybacks represents the interim and final dividend paid on ordinary shares and shares repurchased from employees during the year.

### IMPLEMENTATION OF THE DIRECTORS’ REMUNERATION POLICY FOR THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2022

Information on how AJ Bell intends to implement the Directors’ Remuneration Policy for the financial year ending 30 September 2022 is set out below:

#### Salary and fees

Details of annual base salaries for Executive Directors are set out below:

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Base salary from 1 October 2021</th>
<th>Base salary at 1 October 2022</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andy Bell</td>
<td>£498,613</td>
<td>£481,752</td>
<td>3.5%</td>
</tr>
<tr>
<td>Michael Summersgill</td>
<td>£312,752</td>
<td>£225,504</td>
<td>38.7%</td>
</tr>
<tr>
<td>Roger Stott</td>
<td>£275,000</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

The CEO’s salary was increased in line with the standard award given to the wider workforce of 3.5%.

The increased salary for Michael Summersgill reflects his appointment as Deputy CEO with effect from 1 October 2021. The basic salary for the Deputy CEO was considered in relation to market data and also relative to that of the CEO and the level of base salary considered appropriate was £400,000 per year. Taking into consideration the internal appointment of this role and his previous salary level, the Committee decided that it should be payable in two stages with the first increase to £312,752 being made with effect from 1 October 2021 and the second to £400,000 with effect from 1 October 2022.

Roger Stott was appointed COO on 1 October 2021. The salary for this role was considered against both external benchmarking data and relative to the other executive Board roles.

Non-Executive Directors’ fees were increased to £50,000 after consideration of external benchmarking data and the additional fee in respect of acting as Chair of the Board was increased to £10,000.

The Chairman’s fee remained at £130,000, whilst the Chair designate’s fee of £90,000 as at 1 October 2021 will increase to £180,000 when appointed as Chair of the Board.

#### Executive Incentive Plan

The maximum incentive opportunity for FY21 will be 187.5% of salary for the CEO, 150% of salary for the Deputy CEO and for the COO. The incentive will be subject to financial and strategic/individual performance measures. The Committee considers the targets are commercially sensitive as they provide competitors with insight into our business plans and expectations and therefore they should remain confidential. However, the Committee intends to disclose the performance targets and performance against them retrospectively in the 2022 Directors’ remuneration report.

#### STATEMENT OF VOTING AT THE AGM

Votes cast by proxy and at the meeting at the AGM held on 27 January 2021 in respect of the Directors’ remuneration report, and at the AGM on 22 January 2020 in respect of the Directors’ Remuneration Policy, were as follows:

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Votes for</th>
<th>% for</th>
<th>Votes against</th>
<th>% against</th>
<th>Total votes cast excluding votes withheld</th>
<th>Votes withheld</th>
<th>Total votes cast including votes withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approve Directors’ remuneration report</td>
<td>331,271,568</td>
<td>99.41</td>
<td>1,982,647</td>
<td>0.59</td>
<td>333,254,215</td>
<td>138,062</td>
<td>333,392,277</td>
</tr>
<tr>
<td>Approve Directors’ Remuneration Policy</td>
<td>220,498,244</td>
<td>96.98</td>
<td>6,665,486</td>
<td>3.02</td>
<td>220,498,244</td>
<td>113,805</td>
<td>220,612,049</td>
</tr>
</tbody>
</table>

#### APPROVAL

This report was approved by the Board on 1 December 2021 and signed on its behalf by:

Laura Carstensen
Chair of the Remuneration Committee
1 December 2021
DIRECTORS’ REPORT

The Directors present their annual report on the affairs of the Group, together with the consolidated financial statements and auditor’s report, for the year ended 30 September 2021.

ADDITIONAL DISCLOSURES

The Strategic report is a requirement of the UK Companies Act 2006 and can be found on pages 4 to 55 of this Annual Report.

The Company has chosen, in accordance with section 414C (11) of the Companies Act 2006, to include details of the following matter in its Strategic report that would otherwise be disclosed in the Directors’ report.

Detail Page(s)
Likely future developments in the business 14
Financial instruments Note 26 to the consolidated financial statements
Research and development 28 to 29
Greenhouse gas emissions 41
Non-financial reporting 42

The Company is required to disclose certain information under Listing Rule 9.8.4 in the Directors’ report or to advise where such relevant information is contained.

Information required to be disclosed by the listing rules, and which is not included in the Directors’ report, can be located as follows:

Listing Rule 9.8.4
Location in the Annual Report and Financial Statements
Details of any long-term incentive schemes Directors’ Remuneration report on page 92 and note 25 to the consolidated financial statements
Current year dividend waiver agreements Note 12 to the consolidated financial statements
Future year dividend waiver agreements Note 12 to the consolidated financial statements
Information regarding controlling shareholders A statement regarding the controlling shareholder is on page 305 of the Directors’ report

PRINCIPAL ACTIVITY

AJ Bell plc (the “Company”) and its subsidiaries (together the ‘Group’) provide an investment platform operating in the advised and DoI3 markets. The Company is registered as a public limited company under the Companies Act 2006 and is listed on the Main Market of the London Stock Exchange.

RESULTS AND FUTURE PERFORMANCE

An overview of the Group’s results and activities is covered within the Strategic report on pages 4 to 55. This incorporates the Chairman’s statement and Chief Executive Officer's review, which include indications of likely future developments.

KEY PERFORMANCE INDICATORS

Key performance indicators in relation to the Group’s activities are continually reviewed by senior management and are presented on pages 22 and 23.

DISTRIBUTIONS

The Board recommends a final dividend of 4.50p per ordinary share for the year ended 30 September 2021. This, together with the interim dividend of 2.46p per ordinary share paid on 2 July 2021, makes a total dividend in respect of the financial year ended 30 September 2021 of 6.96p per ordinary share. The final dividend proposed by the Directors will be subject to approval at the AGM on 26 January 2022. If approved, the Company will pay a final dividend on 4 February 2022 to shareholders on the register at 7 January 2022. The ex-dividend date will be 6 January 2022.

A special dividend declared of 5.00p per share is payable on 4 February 2022 to shareholders on the register on 7 January 2022. The ex-dividend date will be 6 January 2022.

The special dividend is subject to approval by the shareholders at the Annual General Meeting on 26 January 2022 and has not been included as a liability within these financial statements.

The AJ Bell Employee Benefit Trust has elected to waive all dividends on shares held under the Trust relating to AJ Bell plc. Further details can be found in note 12 to the financial statements.

CORPORATE GOVERNANCE

The Corporate Governance report is set out on pages 60 to 74. The information in that section is incorporated into this Directors’ report by reference, is deemed to form part of this report and so fulfils the requirements of the corporate governance statement for the purposes of DTR 7.2.1.

A statement as to the Company’s compliance with the Code and details of where the Code is publicly available can be found in the Chair’s Introduction to Corporate Governance on page 58.

SECTION 172 STATEMENT

Details of how interests of stakeholders are considered in the Board’s decision making can be found in the Section 172 statement on pages 28 to 29.

ARTICLES OF ASSOCIATION

The Articles of Association of the Company were adopted by special resolution on 15 November 2008. Any amendments to the Articles of Association may be made in accordance with the provisions of the Companies Act 2006, by way of a special resolution.

DIRECTORS

The Directors of the Group who were in office during the year, are disclosed on pages 60 to 63.

Under the Company’s Articles of Association all of the Directors are required to retire from the Board at the AGM. Accordingly, each of the Directors, being eligible, will offer themselves for re-election by the members of the Company.

The service agreements of current Executive Directors and the letters of appointment of the Non-Executive Directors are available for inspection at the Company’s registered office.

DIRECTORS’ POWERS

Subject to company law and the Company’s Articles, the Directors may exercise all of the powers of the Company and may delegate their power and discretion to committees. The EMB is responsible for the day-to-day management of the Group. The Articles give the Directors power to appoint and replace Directors.

DIRECTORS’ INTERESTS


During the period covered by this report, no Director had any material interest in a contract to which the Company or any of its subsidiaries undertook was a party (other than their own service contract) that requires disclosure under the requirements of the Companies Act 2006.

AUTHORITY TO PURCHASE ITS OWN SHARES

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors. These provisions were for the purposes of section 234 of the Companies Act 2006 and were in force throughout the financial year and remain as at the date of this report.

SHARE CAPITAL

Details of the Company’s authorised and issued share capital, together with details of the movements therein, are set out in note 24 to the financial statements. This includes the rights and obligations attaching to shares and restrictions on the transfer of shares.

The Company has one class of ordinary share which carries no right to fixed income. There are no specific restrictions on the size of the holding nor on the transfer of shares, which are both governed by the general provisions of the Articles and prevailing legislation.

The Directors are not aware of any agreements between holders of the Company’s shares that may result in restrictions on the transfer of securities or on voting rights.

The AJ Bell Employee Benefit Trust was established in order to provide benefits for the Group’s employees and former employees and certain of their relatives. This includes acting as a vehicle for the acquisition and holding of a pool of shares to satisfy share awards under the Company’s employee share plans.

Between 30 September 2021 and 1 December 2021 (the latest practicable date for inclusion in this report), the Company was notified that in accordance with FCA Disclosure and Transparency Rule 5.1.2, that BlackRock, Inc, on 11 November 2021, informed the Company that it had decreased its holding to less than 5% of the Company’s issued share capital.

COUNTRY BY COUNTRY REPORTING

AJ Bell plc is a parent institution of a group regulated by the FCA with a subsidiary, AJ Bell Securities Limited, regulated under CRD and CRR. Regulation requires disclosures of certain financial information on a country by country basis. The following table demonstrates how we comply with the country by country reporting requirements of CRD, by showing where the relevant information can be found within the financial statements. The Company has taken the exemption permitted under CRD to provide this information on a consolidated basis.

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Number of employees</th>
<th>Turnover</th>
<th>Profit (or) loss before tax</th>
<th>Cash tax paid on profit or loss</th>
<th>Public subsidies received</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>See note 8 of the financial statements</td>
<td>See income statement</td>
<td>See income statement</td>
<td>See statement of cash flows</td>
<td>None received</td>
</tr>
</tbody>
</table>

There is a relationship agreement between Andy Bell, Fergus Lyons and the Company to ensure that the independent provisions as set out in the Listing Rules are complied with. The Board confirms that for the year ended 30 September 2021 and in accordance with the Listing Rules:

i) the Company has complied with the independence provisions included in the relationship agreement; and

ii) so far as the Company is aware, the independence provisions included in the relationship agreement have been complied with by the other parties to the relationship agreement and their associates.

CAPITAL MANAGEMENT

The Group is subject to CRD V requirements and therefore has a consolidated regulatory capital requirement. The capital held to meet this requirement comprises share capital, share premium and retained earnings.

The Directors ensure that the level of capital held in the Group:

- meets the regulatory capital requirements;
- provides a strong base for ongoing trading activities; and
- is sufficient to support the Group’s liquidity requirements.

The Group’s regulatory capital requirement and details can be found under our CRD Part Eight (PiP) 3 disclosures, which can be found on the Group’s website at www.ajbell.co.uk.

The Group continues to hold a significant amount of capital above its regulatory capital requirement.
the promoted wider employee involvement in the continuing success of the Group. This policy aligns the interests of management with those affecting their current and future interests. Consulting regularly on a wide range of matters and informal meetings and internal procedures is monitored by the Directors through the Risk and Compliance Committee and the Audit Committee, which are responsible for overseeing the Group’s risk management, compliance and internal audit functions.

MARKET ABUSE REGULATION
The Company has its own internal dealing rules which apply to all staff and which encompass the requirements of the Market Abuse Regulation.

GOING CONCERN AND VIABILITY STATEMENT
The consolidated financial statements have been prepared on a going concern basis. After making enquiries and considering the Group’s financial position, its business model, strategic, financial forecasts and regulatory capital together with its principal risks and uncertainties, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for at least 12 months from the date of signing this report. The going concern basis of preparation is discussed within note 2.1 to the consolidated financial statements.

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a longer period than the 12 months required by the going concern provision. Details of the assessment can be found on page 55.

EVENTS AFTER REPORTING DATE
Details of significant events since the reporting date are contained in note 30 to the financial statements.

DISCLOSURE OF INFORMATION TO AUDITOR
Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company’s auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

AUDITOR
Resolutions to reappoint BDO LLP as auditor of the Company and to authorise the Audit Committee to determine its remuneration will be proposed at the AGM to be held on 26 January 2022.

ANNUAL GENERAL MEETING
The AGM will be held at 10 am on 26 January 2022 and will be held as a physical meeting as detailed in the Corporate Governance report on page 74. Details of the resolutions to be proposed at the AGM are set out in the separate circular which has been sent to all shareholders and is available on the AJ Bell website at www.ajbell.co.uk/investor-relations/agm. Approved by the Board on 1 December 2021 and signed on its behalf by Christopher Bruce Robinson.

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

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 adopted pursuant to Regulation (EC) No 1606/2002 as in applies in the European Union.

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 international accounting standards in conformity with the requirements of the Companies Act 2006, 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;

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 Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;

- the annual report includes a fair review of the development and performance of the business and the financial position of the Group and Parent Company, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy. Approved by the Board on 1 December 2021 and signed on its behalf by Christopher Bruce Robinson.

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

The risk management objectives and policies of the Group are set out within note 26 of the Strategic report.

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a longer period than the 12 months required by the going concern provision. Details of the assessment can be found on page 55.

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 Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

- the annual report includes a fair review of the development and performance of the business and the financial position of the Group and Parent Company, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy. Approved by the Board on 1 December 2021 and signed on its behalf by Christopher Bruce Robinson.
BASIS FOR OPINION
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence
Following the recommendation of the Audit Committee, we were appointed by the Board of Directors in June 2019 to audit the financial statements for the year ending 30 September 2020 and subsequent financial periods. The period of total uninterrupted engagement including reappointment is two years, covering the years ending 30 September 2020 to 30 September 2021. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

CONCLUSIONS RELATING TO GOING CONCERN
In auditing the financial statements, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors’ assessment of the Group and the Parent Company’s ability to continue to adopt the going concern basis of accounting included:

• Review of the forecasts compared to actuals prepared by management and challenges of the key inputs and assumptions included therein based on our knowledge of the business;
• Review of the accuracy of the stress test scenarios carried out by management and consideration of the appropriateness and relevance of these scenarios to the Group based on our understanding of the industry.

Challenge as to whether the stress tests performed by management were sufficiently extreme so as to identify whether a material uncertainty over going concern may plausibly arise based on our understanding of the wider economic environment in which the business is operating; and
• Consideration of the Group’s ability to continue to service its liabilities and meet its regulatory capital requirements in the aforementioned stress tested scenarios.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company’s reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors’ statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Key audit matter
Existence and accuracy of revenue
Acquisition accounting: consideration amount and allocation of consideration across the assets acquired
Share based payments – post acquisition earn out
Acquisition Accounting and share based payments were not applicable to the previous financial year and therefore have only been raised as a KAM for the current year audit.

Materiality
Group financial statements as a whole
£2.7m (2020: £2.4m) based on 5% (2020: 5%) of profit before tax.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group’s system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The group engagement team carried out an audit of all significant and non-significant components in the group.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
Key audit matter
Existence and accuracy of revenue
Please refer to accounting policies in note 2.4 and revenue breakdown in note 5

There is a risk that revenue may be misstated due to errors in system calculations or manual processes. The key risks in AJ Bell Securities Limited and AJ Bell Management Limited is that fees are not calculated in line with agreements in place. We therefore consider the accuracy of revenue to be a significant risk.

There are also various performance incentive schemes in place that mean that management may be incentivised to overstate revenue. We therefore consider the existence of revenue to be a significant risk.

As disclosed in note 5 of the financial statements, management and the Board categorise revenue into three sub-categories:

1. “recurring fee”, which includes the recurring admin fees;
2. “recurring ad valorem”, which includes custody fees and interest income; and
3. “transactional”, which includes dealing fees, FX fees and non recurring admin fees.

Key observations:

From testing we have found no material exceptions in respect of the existence and accuracy of revenue.

How the scope of our audit addressed the key audit matter

For Dealing, Custody and FX fees, we tested a number of controls including controls around the integrity of the key revenue system and controls in place to ensure that fees are calculated accurately and in line with agreements. We also tested controls around ensuring the accuracy of the Accounts Under Administration on which the custody fees are based.

Tests of detail included:

- We tested the accuracy of revenue by performing a recalculation of key income streams including dealing income, FX income and custody income. This was then compared against the amount recognised in the financial statements;
- We agreed a sample of dealing revenue items to the dealing instruction received from the customer and to the deal confirmation received from the market.
- For deals placed over the telephone we reviewed a sample of telephone recordings to verify that the deal was placed in line with the customer’s verbal instructions;
- For a sample of Custody Solutions and Institutional customers, verified that their dealing and custody fees were being calculated in accordance with the underlying agreements.

Our approach to the testing of pension administration fees was as follows:

Tests of detail included:

- Performed a recalculation of the recurring admin fees based on the data extract from the system and compared this to the figures recognised in the financial statements. We agreed a sample of items within the data to supporting documentation in order to gain assurance over the existence and accuracy of the data set; and
- Substantively tested a sample of the non recurring admin fees, agreeing a sample of items to customer instruction and verifying that the associated fee was in line with AJ Bell’s documented fee structure.

Key audit matter
Acquisition accounting: consideration amount and allocation of consideration across the assets acquired Please refer to accounting policy 2.2 “Business Combinations” and note 6

The acquisition of Ad Alpha Solutions Limited completed in March 2021. There is a level of judgement involved in determining the allocation of the purchase price across the assets acquired, including internally generated intangible assets, and goodwill. There is also judgement involved as to whether the post acquisition payments are accounted for as consideration or post acquisition remuneration, and how these should be treated from an employment tax perspective. We therefore considered this area to be a key audit matter.

How the scope of our audit addressed the key audit matter

We have considered whether the post acquisition earn-out is capital or income in nature and are satisfied that the condition of employment associated with it renders it post acquisition remuneration in the context of IFRS 3 rather than consideration. We have consulted with our internal tax experts in order to assess the appropriateness of the tax treatment of the post acquisition remuneration as capital in nature and we are satisfied therefore that employment tax does not need to be accrued in respect of these amounts.

We have considered the nature of the assets and liabilities acquired, and the valuation of the identifiable intangible asset recognised in respect of the new platform proposition. The value of the intangible asset is not materially misstated and that any variance would result in an immaterial reclasification between goodwill and other intangible assets on the consolidated balance sheet.

Key observations:

The allocation of the consideration across the assets acquired does not appear to be materially misstated based on the procedures performed.
We consider materiality to be the magnitude evaluating the effect of misstatements. In planning and performing our audit, and in policy 2.5 and note 25, we have applied performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Component materiality
We set materiality for each component of the Group based on a percentage of 75% of Group materiality which was considered appropriate to the relative scale of the business concerned. Component materiality was set at £2.0m. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £546k (2020: £534k). We also agreed to report differences below this threshold, that, in our view, warranted reporting on qualitative grounds.

Based on our professional judgment, we determined materiality for the financial statements as a whole and performance materiality as follows:

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Group financial statements</th>
<th>Parent company financial statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basis for determining materiality</td>
<td>3% of profit on ordinary activities before taxation</td>
<td>1.5% of total assets of the parent company</td>
</tr>
<tr>
<td>Rationale for the benchmark applied</td>
<td>Profit on ordinary activities before taxation attributable to shareholders has been used as we consider this to be the most significant determinant of the Group’s financial performance</td>
<td>Total assets is considered the most relevant metric to the users of the financial statements given that the company is parent entity of the group and does not earn any income other than dividends from subsidiary entities.</td>
</tr>
</tbody>
</table>

Performance materiality
We have tested the controls in place around the post acquisition earn out and the proportion capitalised appears reasonable based on the benchmark applied.
CORPORATE GOVERNANCE STATEMENT
The Listing Rules require us to review the Directors’ statement in relation to going concern, long-term viability and that part of the Corporate Governance Statement relating to the parent company’s compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and long-term viability
• The Directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
• The Directors’ explanation as to their assessment of the Group’s prospects, the period this assessment covers and why the period is appropriate.

Other Code provisions
• Directors’ statement on fair, balanced and understandable; and
• Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks; and
• The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 74; and
• The section describing the work of the Audit Committee.

OTHER COMPANIES ACT 2006 REPORTING
Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors’ report
In our opinion, based on the work undertaken in the course of the audit:
• the information given in the Strategic report and the Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the Strategic report and the Directors’ report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained during the course of the audit, we have not identified material misstatements in the Strategic report or the Directors’ report.

Directors’ remuneration
In our opinion, the part of the Directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
• adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branch offices not visited by us; or
• the Parent Company financial statements and the part of the Directors’ remuneration report to be audited are not in agreement with the accounting records and returns; or
• certain disclosures of Directors’ remuneration specified by law are not made; or
• we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS
As explained more fully in the Statement of Directors’ Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and the Parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, relevant accounting standards, the Financial Conduct Authority’s regulations and the Listing Rules as well as considerations of required regulatory capital levels and whether there was a risk these might be breached in an extreme downside scenario.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:
• agreement of the financial statement disclosures to underlying supporting documentation;
• enquiries of management regarding instances of non-compliance and contingent liabilities;
• review of correspondence with the regulator;
• review of minutes of board meetings for discussions around potential irregularities throughout the period; and
• considering the effectiveness of the control environment in monitoring compliance with laws and regulations.

We considered which areas of the financial statements might be most susceptible to fraud and irregularities and identified the following areas:
• Existence and accuracy of revenue;
• Acquisition accounting;
• Capitalisation of the share-based payment expense and other staff costs attributable to the development of the Adalpha platform proposition;
• Management override of controls. Our audit response to the areas above is detailed in the Key Audit Matters section.

In respect of the risk of management override of internal controls, including ledgers, journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The engagement team was deemed to collectively have the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
Out our procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Neil Fung-On (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
01 December 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Note
2021 £000
2020 £000
Revenue
9 145,826 126,749
Administrative expenses
8 (89,975) (77,513)
Operating profit
7 55,851 49,236
Investment income
9 23 162
Finance costs
10 (790) (848)
Profit before tax
55,084 48,550
Tax expense
11 (11,262) (9,721)
Profit for the financial year attributable to:
Equity holders of the parent company
43,822 38,829
Earnings per share:
Basic (pence)
13 10.71 9.51
Diluted (pence)
13 10.67 9.47

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.

The notes on pages 123 to 151 form an integral part of these financial statements.
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
### FOR THE YEAR ENDED 30 SEPTEMBER 2021

<table>
<thead>
<tr>
<th></th>
<th>Share capital £000</th>
<th>Share premium £000</th>
<th>Retained earnings £000</th>
<th>Own shares £000</th>
<th>Total equity £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 October 2020</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
<td>43,822</td>
<td>–</td>
<td>43,822</td>
</tr>
<tr>
<td><strong>Transactions with owners, recorded directly in equity:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of shares</td>
<td>–</td>
<td>199</td>
<td>–</td>
<td>–</td>
<td>199</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>–</td>
<td>–</td>
<td>(29,138)</td>
<td>–</td>
<td>(29,138)</td>
</tr>
<tr>
<td>Equity settled share-based payment transactions</td>
<td>–</td>
<td>–</td>
<td>6,330</td>
<td>–</td>
<td>6,330</td>
</tr>
<tr>
<td>Deferred tax effect of share-based payment transactions</td>
<td>–</td>
<td>–</td>
<td>(202)</td>
<td>–</td>
<td>(202)</td>
</tr>
<tr>
<td>Tax relief on exercise of share-options</td>
<td>–</td>
<td>–</td>
<td>231</td>
<td>–</td>
<td>231</td>
</tr>
<tr>
<td>Share transfer relating to EIP (note 24)</td>
<td>–</td>
<td>–</td>
<td>(110)</td>
<td>–</td>
<td>(110)</td>
</tr>
<tr>
<td>Share transfer relating to earn-out arrangement (note 24)</td>
<td>–</td>
<td>–</td>
<td>(297)</td>
<td>297</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total transactions with owners</strong></td>
<td>–</td>
<td>199</td>
<td>(23,186)</td>
<td>–</td>
<td>(22,580)</td>
</tr>
<tr>
<td><strong>Balance at 30 September 2021</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities (31,434)</strong></td>
<td>130,708</td>
<td>109,466</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>130,708</td>
<td>109,466</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Share capital</strong></td>
<td>51</td>
<td>8,459</td>
<td>102,103</td>
<td>(1,147)</td>
<td>109,466</td>
</tr>
<tr>
<td><strong>Share premium</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Retained earnings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Own shares</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2021

<table>
<thead>
<tr>
<th>Note</th>
<th>2021 £000</th>
<th>2020 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>43,822</td>
<td>38,829</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>(23)</td>
<td>(162)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>790</td>
<td>848</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>11,262</td>
<td>9,721</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>3,623</td>
<td>3,574</td>
</tr>
<tr>
<td>Share-based payment expense</td>
<td>4,952</td>
<td>3,364</td>
</tr>
<tr>
<td>(Decrease) / Increase in provisions and other payables</td>
<td>(60)</td>
<td>499</td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>Profit on disposal of right-of-use assets</td>
<td>(3)</td>
<td>–</td>
</tr>
<tr>
<td>Increase in trade and other receivables</td>
<td>(3,835)</td>
<td>(7,644)</td>
</tr>
<tr>
<td>(Decrease) / Increase in trade and other payables</td>
<td>(1,347)</td>
<td>2,485</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>59,185</td>
<td>51,218</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(12,495)</td>
<td>(11,827)</td>
</tr>
<tr>
<td>Interest expense paid</td>
<td>(4)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td>47,729</td>
<td>39,390</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of other intangible assets</td>
<td>15</td>
<td>(2,370)</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>16</td>
<td>(1,174)</td>
</tr>
<tr>
<td>Acquisition of subsidiary, net of cash acquired</td>
<td>6</td>
<td>(3,562)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>Interest received</td>
<td>23</td>
<td>160</td>
</tr>
<tr>
<td><strong>Net cash flows used in investing activities</strong></td>
<td>(6,082)</td>
<td>(8,874)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments of principal in relation to lease liabilities</td>
<td>(1,241)</td>
<td>(3,708)</td>
</tr>
<tr>
<td>Payments of interest on lease liabilities</td>
<td>(789)</td>
<td>(848)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>12</td>
<td>(29,338)</td>
</tr>
<tr>
<td><strong>Net cash flows used in financing activities</strong></td>
<td>(30,369)</td>
<td>(31,478)</td>
</tr>
<tr>
<td><strong>Net cash flows used in investing activities</strong></td>
<td>10,678</td>
<td>17,317</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>21</td>
<td>86,384</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents at end of year</strong></td>
<td>21</td>
<td>97,062</td>
</tr>
</tbody>
</table>

The notes on pages 123 to 151 form an integral part of these financial statements.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

#### 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 Group 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 1 December 2021.

#### 2 SIGNIFICANT ACCOUNTING POLICIES

##### Basis of accounting
The consolidated financial statements of AJ Bell plc have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union.

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.

<table>
<thead>
<tr>
<th>Effective from</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 9</td>
</tr>
<tr>
<td>1 January 2020</td>
</tr>
<tr>
<td>IAS 1 and IAS 8</td>
</tr>
<tr>
<td>1 January 2020</td>
</tr>
<tr>
<td>IFRS 3</td>
</tr>
<tr>
<td>1 January 2020</td>
</tr>
<tr>
<td>Amendments to References to the Conceptual Framework in IFRS Standards</td>
</tr>
</tbody>
</table>

Interpretations and standards in issue but not yet effective

There are a number of amendments to IFRSs that have been issued by the IASB that became mandatory in a subsequent accounting period including:

- IFRS 17 Insurance Contracts and Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The Group has evaluated these changes and none are expected to have a significant impact on these consolidated financial statements.

##### 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 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.1 Going concern

The Group’s business activities, together with its financial position and the factors likely to affect its future development and performance are set out in the Strategic report on pages 4 to 55 and the Directors’ report on pages 104 to 106. Note 26 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 and negative Bank of England base interest rates with 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 on page 55. These 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 completion 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 valves

Recurring ad valves 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 valves 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.

Cash incentives paid to new retail customers are considered to be a reduction in revenue under IFRS 15. In line with IFRS 15, cash incentives to acquire new customers are offset against recurring ad value revenue and spread over a period of 12 months, i.e. the period over which the incentive is earned.

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 options (equity-classified share-based payments) which are measured at the fair value of the equity instrument at the date of grant.

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

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

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

The cost of equity-settled awards is determined by the fair value at the date when the grant is made using an appropriate valuation model or the market value discounted to its net present value, further details of which are given in note 25. 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. Following the listing of AJ Bell plc in December 2018, share price volatility has been estimated as the average volatility applying to a comparable group of listed companies.

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 in relation to the right-of-use assets arising due to the leases of the Group accounted for 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.
2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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,
- 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 that 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 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) expected 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. 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, customer contracts and non-contractual customer relationships and the Group’s Key Operating Systems (KOS). These are stated at cost less amortisation and any recognised impairment losses. Amortisation is provided on all intangible assets excluding goodwill and assets under construction at rates calculated to write-off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful economic life as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software and mobile applications</td>
<td>3–4 years</td>
</tr>
<tr>
<td>KOS</td>
<td>15 years</td>
</tr>
<tr>
<td>KOS enhancements</td>
<td>Over the remaining life of the KOS</td>
</tr>
<tr>
<td>Customer contracts and non-contractual customer relationships</td>
<td>5–10 years</td>
</tr>
</tbody>
</table>

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.

Change in estimate

During the year, the useful life of the KOS was reviewed and subsequently extended from 13 years to 15 years reflecting the recent extension of contract with the host. The planned growth of the business can be supported by the KOS and the change in useful life has been applied prospectively from 1 October 2020, therefore the KOS will be amortised on a straight-line basis over the remaining useful life of the asset.

The effect of this change on the actual and expected future amortisation expense, included in administrative expenses, is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amortisation Expense</th>
<th>Change in Amortisation Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>(281)</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>(281)</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>(281)</td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td>337</td>
<td>337</td>
</tr>
<tr>
<td>2025</td>
<td>337</td>
<td>337</td>
</tr>
<tr>
<td>2026</td>
<td>148</td>
<td>148</td>
</tr>
</tbody>
</table>

2.12 Internally generated intangible assets

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 in 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 provided on all property, plant and equipment, except assets under construction, at rates calculated to write-off the cost, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful economic life as follows:

- Leasehold improvements:
  - Over the life of the lease
  - Office equipment: 4 years
  - Computer equipment: 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
2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

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

At each reporting date, the Group reviews the carrying amount of its intangible assets, property, plant and equipment and leased assets to determine whether there is any indication that those assets have suffered impairment. If such an indication exists then the recoverable amount of that particular asset is estimated.

An impairment test is performed for an individual asset unless it belongs to a CGU, in which case the present value of the net future cash flows generated by the CGU is tested. A CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or of groups of other assets. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of its fair value less costs to sell and its value-in-use. In assessing its value-in-use, the estimated net future pre-tax cash flows are discounted to 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.

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.

An impairment loss is reversed only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment reversal is recognised in the income statement immediately.

2.16 Retirement benefit costs

The Group makes payments into the personal pension schemes of certain employees as part of their overall remuneration package. Contributions are recognised in the income statement as they are payable.

The Group also contributes to employees’ stakeholder pension schemes. The assets of the scheme are held separately from those of the Group in independently administered funds. Any amount charged to the income statement represents the contribution payable to the scheme in respect of the period to which it relates.

Alternatively, the Group will pay contributions to an employee’s AJ Bell Youinvest SIPP. If they wish, instead of the stakeholder pension.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation.

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

2.18 Levies

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

2.19 Financial instruments

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

Financial assets

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

Financial assets at amortised cost

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Impairment of financial assets

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 September 2021 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 expire.

Trade and other payables

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

2.20 Employee benefit trust

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

Shares of AJ Bell plc held by the Trust are treated as ‘own shares’ held and shown as a deduction from equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sales proceeds and original cost being taken to equity.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 SIPP’s, 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 on pages 119 and 120 respectively.

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:

<table>
<thead>
<tr>
<th>Category</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring fixed</td>
<td>25,598</td>
<td>25,188</td>
</tr>
<tr>
<td>Recurring advisor fees</td>
<td>77,955</td>
<td>72,422</td>
</tr>
<tr>
<td>Transactional</td>
<td>39,273</td>
<td>27,709</td>
</tr>
<tr>
<td>Total</td>
<td>145,826</td>
<td>125,249</td>
</tr>
</tbody>
</table>

Recurring advisor 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 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 on pages 147 and 148.

Recurring advisor fees also include retained interest income earned on the level of customer cash balances, which are based on 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 on pages 147 and 148.

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

6 BUSINESS COMBINATIONS

On 18 March 2021, AJ Bell plc acquired the entire issued share capital of AJ Bell Touch Limited (formally ‘Whiztec Limited’) and its wholly-owned subsidiary Ad Alpha Solutions Limited. Ad Alpha Solutions Limited is an early-stage start-up business currently developing a simplified, mobile-focused platform proposition for advisers.

The acquisition will complement the Group’s existing adviser platform business, AJ Bell Investcentre, and will broaden the offering to financial advisers and help them service a wider base of clients.

The consideration for the acquisition of AJ Bell Touch Limited was in the form of an earn-out arrangement, conditional upon completion of a number of operational and financial milestones. The maximum consideration payable is £16.5m and will be satisfied by the issue of shares in AJ Bell plc.

The company has allocated the cost of the acquisition to the Group’s single CGU.

Deferred tax liability (arising on intangible assets) – (217) (217)

Deferred tax liability (arising on intangible assets) – (217) (217)

None of the acquired intangible assets or goodwill is expected to be deductible for tax purposes.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The fair value of the identifiable assets and liabilities of Adalpha as at the date of acquisition was as follows:

<table>
<thead>
<tr>
<th>Fair value on acquisition £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
</tr>
<tr>
<td>Deferred tax liability (arising on intangible assets)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
</tr>
<tr>
<td>Trade and other receivables</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Goodwill</td>
</tr>
<tr>
<td>Total cost of acquisition</td>
</tr>
</tbody>
</table>

Cash inflow on acquisition:

<table>
<thead>
<tr>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for the subsidiary</td>
</tr>
<tr>
<td>Less: cash acquired</td>
</tr>
<tr>
<td>Net cash inflow</td>
</tr>
</tbody>
</table>

Acquisition costs of £344,000 are recognised within administrative expenses in the consolidated income statement.

The goodwill is attributable to the skills and technical talent of the assembled workforce and synergies expected to arise following the acquisition. It has been allocated to the Group’s single CGU.

In addition to the goodwill recognised, the development of the simplified platform proposition obtained through the acquisition met the requirements to be separately identifiable under IFRS 3. A deferred tax liability of £22,000 has been provided in relation to these fair value adjustments.

None of the acquired intangible assets or goodwill is expected to be deductible for tax purposes.

Adalpha has not yet started to trade and therefore has not contributed any revenue to the Group but has contributed a net loss of £3,400,000 for the period from acquisition to 30 September 2021, £2,800,000 of which is a share based payment expense relating to the earn-out arrangement.

If the acquisition had occurred on 1 October 2020, Group revenue and Group profit after tax for the year ended 30 September 2021 would have been an estimated £145,800,000 and £43,100,000 respectively.

The acquisition has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The fair value of the identifiable assets and liabilities of Adalpha as at the date of acquisition was as follows:

<table>
<thead>
<tr>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
</tr>
<tr>
<td>Deferred tax liability (arising on intangible assets)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
</tr>
<tr>
<td>Trade and other receivables</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Goodwill</td>
</tr>
<tr>
<td>Total cost of acquisition</td>
</tr>
</tbody>
</table>

Cash inflow on acquisition:

<table>
<thead>
<tr>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for the subsidiary</td>
</tr>
<tr>
<td>Less: cash acquired</td>
</tr>
<tr>
<td>Net cash inflow</td>
</tr>
</tbody>
</table>

Acquisition costs of £344,000 are recognised within administrative expenses in the consolidated income statement.

The goodwill is attributable to the skills and technical talent of the assembled workforce and synergies expected to arise following the acquisition. It has been allocated to the Group’s single CGU.

In addition to the goodwill recognised, the development of the simplified platform proposition obtained through the acquisition met the requirements to be separately identifiable under IFRS 3. A deferred tax liability of £22,000 has been provided in relation to these fair value adjustments.

None of the acquired intangible assets or goodwill is expected to be deductible for tax purposes.

Adalpha has not yet started to trade and therefore has not contributed any revenue to the Group but has contributed a net loss of £3,400,000 for the period from acquisition to 30 September 2021, £2,800,000 of which is a share based payment expense relating to the earn-out arrangement.

If the acquisition had occurred on 1 October 2020, Group revenue and Group profit after tax for the year ended 30 September 2021 would have been an estimated £145,800,000 and £43,100,000 respectively.
Employee benefit expense for the Group during the year:

<table>
<thead>
<tr>
<th></th>
<th>2021 £000</th>
<th>2020 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>35,516</td>
<td>32,305</td>
</tr>
<tr>
<td>Social security costs</td>
<td>3,918</td>
<td>3,557</td>
</tr>
<tr>
<td>Retirement benefit costs</td>
<td>3,202</td>
<td>2,542</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>66</td>
<td>11</td>
</tr>
<tr>
<td>Share-based payments (note 25)</td>
<td>4,952</td>
<td>1,748</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>47,654</td>
<td>40,183</td>
</tr>
</tbody>
</table>

In addition to the above £454,000 staff costs and £1,378,000 share-based payment expenses (2020: £nil) have been capitalised as an internally generated intangible asset (see note 15).

9 INVESTMENT INCOME

<table>
<thead>
<tr>
<th></th>
<th>2021 £000</th>
<th>2020 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income on cash balances</td>
<td>23</td>
<td>123</td>
</tr>
<tr>
<td>Other income</td>
<td>790</td>
<td>848</td>
</tr>
</tbody>
</table>

10 FINANCE COSTS

<table>
<thead>
<tr>
<th></th>
<th>2021 £000</th>
<th>2020 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on lease liabilities</td>
<td>790</td>
<td>848</td>
</tr>
<tr>
<td>Interest on other financial liabilities</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

11 TAXATION

Tax charged in the income statement:

<table>
<thead>
<tr>
<th></th>
<th>2021 £000</th>
<th>2020 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current taxation</td>
<td>11,629</td>
<td>9,810</td>
</tr>
<tr>
<td>Adjustment to current tax in respect of prior periods</td>
<td>(14)</td>
<td>21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,615</td>
<td>9,831</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Origination and reversal of temporary differences</td>
<td>(328)</td>
<td>(312)</td>
</tr>
<tr>
<td>Adjustment to deferred tax in respect of prior periods</td>
<td>12</td>
<td>23</td>
</tr>
<tr>
<td>Effect of changes in tax rates</td>
<td>(40)</td>
<td>(21)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,262</td>
<td>9,771</td>
</tr>
</tbody>
</table>

Corporation Tax is calculated at 19% of the estimated assessable profit for the year to 30 September 2021 (2020: 19%).
11 TAXATION CONTINUED

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

<table>
<thead>
<tr>
<th>Year</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>202</td>
<td>108</td>
</tr>
<tr>
<td>2020</td>
<td>231</td>
<td>881</td>
</tr>
</tbody>
</table>

Deferred tax relating to share-based payments (note 19)

Current tax relief on exercise of share options

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

<table>
<thead>
<tr>
<th>Year</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>55,084</td>
<td>48,556</td>
</tr>
<tr>
<td>2020</td>
<td>10,466</td>
<td>9,225</td>
</tr>
</tbody>
</table>

UK Corporation Tax at 19% (2020: 19%)

Effects of:

Expenses not deductible for tax purposes

Amounts not recognised

Effect of rate changes to deferred tax

Adjustments to current and deferred tax in respect of prior periods

Effective tax rate 20.4% (2020: 20.0%) following the enactment of the Finance Act 2021 the standard UK corporation tax rate will remain at 19% before increasing to 25% from 1 April 2023 on a tiered basis. Accordingly, the Group’s profits for this accounting year are taxed at 19%.

Deferred tax has been recognised at either 19% or 25% depending on the rate expected to be in force at the time of the reversal of the temporary difference (2020: 19%). A deferred tax asset in respect of future share option deductions has been recognised based on the Company’s share price at 30 September 2021.

12 DIVIDENDS

Amounts recognised as distributions to equity holders during the year:

<table>
<thead>
<tr>
<th>Year</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final dividend for the year ended 30 September 2020 of 4.66p (2019: 3.33p) per share</td>
<td>19,050</td>
<td>13,601</td>
</tr>
<tr>
<td>Interim dividend for the year ended 30 September 2021 of 2.46p (2020: 1.50p) per share</td>
<td>10,068</td>
<td>6,125</td>
</tr>
<tr>
<td>Total dividends paid on equity shares</td>
<td>29,118</td>
<td>19,726</td>
</tr>
<tr>
<td>Proposed final dividend for the year ended 30 September 2021 of 4.50p (2020: 4.66p) per share</td>
<td>18,071</td>
<td>13,086</td>
</tr>
<tr>
<td>Proposed special dividend for the year ended 30 September 2021 of 5.00p (2020: Nil) per share</td>
<td>20,022</td>
<td>–</td>
</tr>
</tbody>
</table>

A final dividend declared of 4.50p per share is payable on 4 February 2022 to shareholders on the register on 7 January 2022. The ex-dividend date will be 6 January 2022. The final dividend is subject to approval by the shareholders at the Annual General Meeting on 26 January 2022 and has not been included as a liability within these financial statements.

A special dividend declared of 5.00p per share is payable on 4 February 2022 to shareholders on the register on 7 January 2022. The ex-dividend date will be 6 January 2022. The special dividend is subject to approval by the shareholders at the Annual General Meeting on 26 January 2022 and has not been included as a liability within these financial statements.

Dividends are payable on all ordinary shares as disclosed in note 24.

AJ Bell Employee Benefit Trust, which held 845,701 ordinary shares (2020: 1,369,428) in AJ Bell plc at 30 September 2021, has agreed to waive all dividends. This represented 0.2% (2020: 0.3%) of the Company’s called up share capital. The maximum amount held by the Trust during the year was 1,369,428.

13 EARNINGS PER SHARE

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

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share of basic and diluted earnings per share being profit attributable to equity holders of the parent company</td>
<td>43,822</td>
<td>38,829</td>
</tr>
<tr>
<td>Number of shares</td>
<td>409,249,186</td>
<td>408,342,783</td>
</tr>
<tr>
<td>Effect of potentially dilutive share options</td>
<td>5,643,911</td>
<td>1,723,941</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares for the purposes of fully diluted EPS</td>
<td>410,893,097</td>
<td>410,065,724</td>
</tr>
</tbody>
</table>

14 GOODWILL

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 four-year period representing the remaining useful economic life of the asset.

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

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 17% (2020: 16%) has been used to assess the expected growth in revenue for the four year forecast period. This is based on a combination of historical and expected future performance.
- economies of scale are expected to be gained in the medium to long term, although there are not expected to be any significant changes to the nature of administrative expenses.
- 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.
### 14 Goodwill continued

Cash flows have been discounted using a pre-tax discount rate of 14.52% (2020: 11.35%).

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 2021 goodwill is not impaired.

### 15 Other intangible assets

<table>
<thead>
<tr>
<th>Key operating system £000</th>
<th>Contractual customer relationships £000</th>
<th>Computer software and mobile applications £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>At 1 October 2019</td>
<td>8,657</td>
<td>2,135</td>
</tr>
<tr>
<td></td>
<td>Additions</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td></td>
<td>At 30 September 2020</td>
<td>8,707</td>
<td>2,286</td>
</tr>
<tr>
<td></td>
<td>Additions</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Disposals</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Arising on acquisition (note 6)</td>
<td>1,142</td>
<td></td>
</tr>
<tr>
<td></td>
<td>At 30 September 2021</td>
<td>11,681</td>
<td>2,135</td>
</tr>
<tr>
<td>Amortisation</td>
<td>At 1 October 2019</td>
<td>6,240</td>
<td>2,135</td>
</tr>
<tr>
<td></td>
<td>Amortisation charge</td>
<td>614</td>
<td></td>
</tr>
<tr>
<td></td>
<td>At 30 September 2020</td>
<td>6,854</td>
<td>2,135</td>
</tr>
<tr>
<td></td>
<td>Amortisation charge</td>
<td>517</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Eliminated on disposal</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>At 30 September 2021</td>
<td>7,191</td>
<td>2,135</td>
</tr>
<tr>
<td>Carrying amount</td>
<td>At 30 September 2021</td>
<td>4,490</td>
<td></td>
</tr>
<tr>
<td></td>
<td>At 30 September 2020</td>
<td>4,490</td>
<td></td>
</tr>
<tr>
<td></td>
<td>At 30 September 2019</td>
<td>4,490</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Average remaining amortisation period</td>
<td>4 years</td>
<td></td>
</tr>
</tbody>
</table>

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

As part of the acquisition of Adalpha in the period, £1,142,000 of intangibles met the requirements to be separately identifiable under IFRS 3.

Additions include an amount of £2,289,000 relating to internally generated assets for the year ended 30 September 2021 (2020: £nil), of which £1,378,000 (2020: £nil) relates to capitalised share-based payment expenses (see note 25).

The net carrying amount of key operating systems, and computer software and mobile applications include £2,974,000 and £467,000 respectively, relating to assets in development which are currently not amortised.

### 16 Property, plant and equipment

<table>
<thead>
<tr>
<th>Leasing improvements £000</th>
<th>Office equipment £000</th>
<th>Computer equipment £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>At 1 October 2019</td>
<td>1,942</td>
<td>950</td>
</tr>
<tr>
<td></td>
<td>Additions</td>
<td>202</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>Disposals</td>
<td>-</td>
<td>(78)</td>
</tr>
<tr>
<td></td>
<td>At 30 September 2020</td>
<td>2,144</td>
<td>942</td>
</tr>
<tr>
<td></td>
<td>Arising on acquisition (note 6)</td>
<td>-</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Additions</td>
<td>48</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Disposals</td>
<td>-</td>
<td>(26)</td>
</tr>
<tr>
<td></td>
<td>Transfers from right-of-use assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>At 30 September 2021</td>
<td>2,192</td>
<td>954</td>
</tr>
<tr>
<td>Depreciation</td>
<td>At 1 October 2019</td>
<td>318</td>
<td>492</td>
</tr>
<tr>
<td></td>
<td>Charge for the year</td>
<td>153</td>
<td>231</td>
</tr>
<tr>
<td></td>
<td>Eliminated on disposal</td>
<td>-</td>
<td>(78)</td>
</tr>
<tr>
<td></td>
<td>At 30 September 2020</td>
<td>471</td>
<td>645</td>
</tr>
<tr>
<td></td>
<td>Arising on acquisition (note 6)</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Charge for the year</td>
<td>184</td>
<td>169</td>
</tr>
<tr>
<td></td>
<td>Eliminated on disposal</td>
<td>-</td>
<td>(22)</td>
</tr>
<tr>
<td></td>
<td>Transfers from right-of-use assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>At 30 September 2021</td>
<td>655</td>
<td>797</td>
</tr>
<tr>
<td>Carrying amount</td>
<td>At 30 September 2021</td>
<td>1,537</td>
<td>157</td>
</tr>
<tr>
<td></td>
<td>At 30 September 2020</td>
<td>1,673</td>
<td>291</td>
</tr>
<tr>
<td></td>
<td>At 30 September 2019</td>
<td>1,449</td>
<td>361</td>
</tr>
</tbody>
</table>

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

At the year end, the Group had no commitments (2020: £nil) to purchase any property, plant and equipment.

Computer equipment includes assets under construction of £71,000 (2020: £5,000) which are currently not depreciated.

The carrying amount above includes assets under construction of £71,000 (2020: £5,000) which are currently not depreciated.
ii) Lease liabilities

<table>
<thead>
<tr>
<th>Year</th>
<th>Current</th>
<th>Non-current</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>1,708</td>
<td>15,594</td>
</tr>
<tr>
<td>2020</td>
<td>1,323</td>
<td>16,345</td>
</tr>
</tbody>
</table>

The undiscounted maturity analysis of lease liabilities is shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total minimum lease payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>19,461</td>
</tr>
<tr>
<td>2020</td>
<td>20,919</td>
</tr>
</tbody>
</table>

The total lease interest expense for the year ended 30 September 2021 was £789,000 (2020: £848,000). Total cash outflow for leases accounted for under IFRS 16 for the year ended 30 September 2021 was £1,341,000 (2020: £1,708,000).

18 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.

19 DEFERRED TAX ASSET

<table>
<thead>
<tr>
<th>Year</th>
<th>Deferred tax asset</th>
<th>Deferred tax liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>1,239</td>
<td>(199)</td>
</tr>
<tr>
<td>2020</td>
<td>1,258</td>
<td>(47)</td>
</tr>
</tbody>
</table>

Deferred tax asset

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Accelerated capital allowances</th>
<th>Share-based payments</th>
<th>Short-term leasing differences</th>
<th>Losses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>(102)</td>
<td>2,083</td>
<td>(17)</td>
<td>49</td>
<td>1,177</td>
</tr>
<tr>
<td>2020</td>
<td>(102)</td>
<td>(104)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>(102)</td>
<td>(104)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>(102)</td>
<td>(104)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 2021.

Acquired deferred tax liabilities of £217,000 have been recognised in relation to the acquisition of Ad Alpha Solutions Limited for the value of intangible assets recognised under IFRS 3 Business Combinations. See note 6 for further details.

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 2021, deferred tax assets have not been recognised on trading losses of £2,809,000 (2020: £1,551,000).
20 TRADE AND OTHER RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>2021 £000</th>
<th>2020 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>2,321</td>
<td>2,001</td>
</tr>
<tr>
<td>Prepayments</td>
<td>5,379</td>
<td>2,004</td>
</tr>
<tr>
<td>Accrued income</td>
<td>2,099</td>
<td>21,132</td>
</tr>
<tr>
<td>Other receivables</td>
<td>12,009</td>
<td>4,624</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,014</td>
<td>28,761</td>
</tr>
</tbody>
</table>

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

Included within accrued income is £978,000 (2020: £919,000) relating to contract assets, a movement of £59,000 (2020: £17,000) during the year due to increased revenues.

The ageing profile of trade receivables was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2021 £000</th>
<th>2020 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current – not past due</td>
<td>882</td>
<td>908</td>
</tr>
<tr>
<td>Past due:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 to 30 days</td>
<td>798</td>
<td>452</td>
</tr>
<tr>
<td>31 to 60 days</td>
<td>125</td>
<td>82</td>
</tr>
<tr>
<td>61 to 90 days</td>
<td>881</td>
<td>859</td>
</tr>
<tr>
<td>91 days and over</td>
<td>2,045</td>
<td>2,740</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,321</td>
<td>2,001</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2021 £000</th>
<th>2020 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening loss allowance as at 1 October</td>
<td>415</td>
<td>303</td>
</tr>
<tr>
<td>Loss allowance recognised</td>
<td>196</td>
<td>137</td>
</tr>
<tr>
<td>Receivables written off during the year as uncollectable</td>
<td>(58)</td>
<td>(8)</td>
</tr>
<tr>
<td>Amounts received during the year</td>
<td>–</td>
<td>(4)</td>
</tr>
<tr>
<td>Unused amount reversed</td>
<td>(29)</td>
<td>(12)</td>
</tr>
<tr>
<td><strong>Balance as at end of year</strong></td>
<td>524</td>
<td>416</td>
</tr>
</tbody>
</table>

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

21 CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>2021 £000</th>
<th>2020 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group cash and cash equivalent balances</td>
<td>97,062</td>
<td>96,384</td>
</tr>
</tbody>
</table>

Cash and cash equivalents at 30 September 2021 and 30 September 2020 are considered to be holdings of less than one month, or those over which the Group has an immediate right of recall.

22 TRADE AND OTHER PAYABLES

<table>
<thead>
<tr>
<th></th>
<th>2021 £000</th>
<th>2020 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>580</td>
<td>918</td>
</tr>
<tr>
<td>Social security and other taxes</td>
<td>2,111</td>
<td>1,586</td>
</tr>
<tr>
<td>Other payables</td>
<td>582</td>
<td>554</td>
</tr>
<tr>
<td>Accruals</td>
<td>7,473</td>
<td>7,514</td>
</tr>
<tr>
<td>Deferred income</td>
<td>2,019</td>
<td>1,796</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,765</td>
<td>12,368</td>
</tr>
</tbody>
</table>

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

Deferred income in the current and prior year relates to contract liabilities. Of the deferred income recognised as at 30 September 2020, £1,788,000 has been recognised as revenue in this financial year. The current year balance all relates to cash received in the current period. Total deferred income as at 30 September 2021 is expected to be recognised as revenue in the coming year.

23 PROVISIONS

<table>
<thead>
<tr>
<th></th>
<th>Office dilapidations £000</th>
<th>Other provisions £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>1,549</td>
<td>1,595</td>
<td>3,144</td>
</tr>
<tr>
<td>2020</td>
<td>–</td>
<td>(15)</td>
<td>(15)</td>
</tr>
<tr>
<td>Additional provisions</td>
<td>–</td>
<td>(47)</td>
<td>(47)</td>
</tr>
<tr>
<td>Provisions used</td>
<td>–</td>
<td>(37)</td>
<td>(37)</td>
</tr>
<tr>
<td>Unused provision reversed</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

At 30 September 2021

|                        | 1,549                     | 1,526                | 3,075      |

Included in current liabilities | – | 1,526 | 1,526 |

Included in non-current liabilities | – | 1,549 | 1,549 |

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. The office dilapidations provision represents management’s best estimate of the present value of costs which will ultimately be incurred in settling these obligations.

Other provisions:

The other provisions relate to the settlement of an operational tax dispute and the costs associated with defending a legal case. 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 but the Group expects that settlement will be within the next 12 months.
24 SHARE CAPITAL

<table>
<thead>
<tr>
<th>Issued, fully-called and paid:</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
</table>

Ordinary shares of 0.0125p each

410,491,708 | 410,168,330 |

51,311 | 51,271 |

All ordinary shares have full voting and dividend rights.

The following transactions have taken place during the year:

Transaction type | Number of shares | Share premium (£) | Share class |
|-----------------|------------------|------------------|-------------|

Exercise of CSOP Positions: Ordinary shares of 0.0125p each

33,376 | 199 |

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.

25 SHARE-BASED PAYMENTS

Company Share Option Plan (CSOP)

The CSOP is a HMRC approved scheme in which the Board, at their discretion, grant options to employees to purchase ordinary shares. Each participating employee can be granted options up to the value of £30,000. Options granted under the CSOP can be exercised between the third and tenth anniversary after the date of grant and are usually forfeited if the employee leaves the Group before the option expires. The expense for share-based payments under the CSOP is recognised over the respective vesting period of these options.

Option To Buy Scheme (OTB) – Growth shares

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

Buy As You Earn plan (BAYE)

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

The Company may grant free shares up to a maximum of £3,600 per employee in a tax year. During the year, no free shares have been issued (2020: nil).

Employees have been offered the opportunity to participate in the partnership plan to enable such employees to use part of their pre-tax salary to acquire shares. The limit to the pre-tax salary deduction is £1,800 or, if lower, 10% of salary each year. The initial plan was an accumulation plan where employees were required to save an amount of their gross salary for a 12 month period. The accumulation plan ended on 6 December 2019 and employees still in the plan at that date, were entitled to purchase shares using the funds saved based on the IPO price of £1.60. From January 2020, the plan entitles employees to use this deduction to buy shares in the Company on a monthly basis at the current market value.

25 SHARE-BASED PAYMENTS

Executive Incentive Plan (EIP)

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

CSR initiative

A CSR initiative was introduced in December 2019 with the intention of giving an additional contribution to charity through the donation of share options should a number of stretching targets be met by the Group. The awards made are equity-settled awards and involved the grant of market value options to the AJ Bell Trust conditional on the achievement of 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. No 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. The full charge of £1,995,000 for the CSR initiative was recognised in the prior year, no further charge has been recognised in the period.

Earn-out arrangement

The acquisition of Adalpha during the period has given 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, expiring on 30 September 2026.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2021
25 SHARE-BASED PAYMENTS CONTINUED

Movements during the year

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

<table>
<thead>
<tr>
<th>Scheme</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CSOP</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding at beginning of the year</td>
<td>1,003,968</td>
<td>1,487,693</td>
</tr>
<tr>
<td>Granted during the year</td>
<td>392,371</td>
<td>1,494,709</td>
</tr>
<tr>
<td>Forfeited during the year</td>
<td>(57,198)</td>
<td>(364,365)</td>
</tr>
<tr>
<td>Exercised during the year</td>
<td>(21,378)</td>
<td>(814,852)</td>
</tr>
<tr>
<td>Outstanding at the end of the year</td>
<td>1,015,763</td>
<td>1,003,968</td>
</tr>
<tr>
<td>Exercisable at the end of the year</td>
<td>10,000</td>
<td>61,827</td>
</tr>
</tbody>
</table>

The weighted average remaining contractual life of CSOP shares outstanding at the end of the period was 8.3 years (2020: 7.7 years).

<table>
<thead>
<tr>
<th>Scheme</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OTB – Growth shares</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding at beginning of the year</td>
<td>3,212,675</td>
<td>3,387,627</td>
</tr>
<tr>
<td>Forfeited during the year</td>
<td>–</td>
<td>(154,545)</td>
</tr>
<tr>
<td>Call option expired</td>
<td>–</td>
<td>(20,407)</td>
</tr>
<tr>
<td>Exercised during the year</td>
<td>(20,407)</td>
<td>(314,545)</td>
</tr>
<tr>
<td>Outstanding at the end of the year</td>
<td>3,192,268</td>
<td>3,212,675</td>
</tr>
<tr>
<td>Exercisable at the end of the year</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

The lowest exercise price for share options outstanding at the end of the period was 52p (2020: 36p) and the highest exercise price was 434p (2020: 394p). The weighted average remaining contractual life of share options outstanding at the end of the period was 8.1 years (2020: 8.7 years).

<table>
<thead>
<tr>
<th>Scheme</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BAYE – Free shares</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding at beginning of the year</td>
<td>263,106</td>
<td>286,038</td>
</tr>
<tr>
<td>Forfeited during the year</td>
<td>(22,994)</td>
<td>(22,932)</td>
</tr>
<tr>
<td>Outstanding during the year</td>
<td>240,112</td>
<td>263,106</td>
</tr>
<tr>
<td>Exercisable at the end of the year</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Free shares are issued to employees for free and therefore do not have an exercise price. The weighted average remaining contractual life of free shares outstanding at the end of the period was 0.2 years (2020: 1.2 years).
25 SHARE-BASED PAYMENTS CONTINUED

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:

<table>
<thead>
<tr>
<th>Grant date</th>
<th>12/12/2020</th>
<th>12/12/2020</th>
<th>12/12/2020</th>
<th>12/12/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares under option</td>
<td>290,873</td>
<td>117,632</td>
<td>171,641</td>
<td>392,371</td>
</tr>
<tr>
<td>Fair value of share option from generally accepted business model (£)</td>
<td>4.24</td>
<td>4.12</td>
<td>4.06</td>
<td>1.60</td>
</tr>
<tr>
<td>Weighted average share price (£)</td>
<td>4.30</td>
<td>4.30</td>
<td>4.30</td>
<td>4.30</td>
</tr>
<tr>
<td>Weighted average exercise price of an option (£)</td>
<td>0.000125</td>
<td>0.000125</td>
<td>0.000125</td>
<td>0.000125</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>65.53%</td>
<td>61.26%</td>
<td>62.89%</td>
<td>61.26%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>1.43%</td>
<td>1.43%</td>
<td>1.43%</td>
<td>1.43%</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>(0.01%)</td>
<td>(0.07%)</td>
<td>(0.06%)</td>
<td>(0.07%)</td>
</tr>
<tr>
<td>Expected option life to exercise (months)</td>
<td>12</td>
<td>36</td>
<td>48</td>
<td>36</td>
</tr>
</tbody>
</table>

Prior to 12 December 2018, the Company’s shares were not listed on a stock exchange and therefore, no readily available market price existed for the shares. Options granted prior to 12 December 2018, share value was calculated using dividend and earnings based models to determine a range of valuations. The average price indicated by these valuations was assumed to be the approximate market value at the date of grant. This was discounted to represent the minority value of one share and was agreed with HMRC prior to granting of the options.

The expected life of the options is based on the minimum period between the grant of the option, the earliest possible exercise date and an analysis of the historical exercise data 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.

Earn-out arrangement

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

During the year, the Group recognised a share-based payment expense of £4,392,000 (2020: £3,364,000), £2,764,000 of which relates to the earn-out arrangement.

The Group capitalised share-based payment costs of £1,378,000 (2020: £nil).

26 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 in accordance with its risk appetite. The Board of Directors has overall responsibility for establishing and overseeing the Group’s RMF 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:

### Financial assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2021 Amortised cost £000</th>
<th>2021 Financial liabilities £000</th>
<th>2021 Carrying value £000</th>
<th>2020 Amortised cost £000</th>
<th>2020 Financial liabilities £000</th>
<th>2020 Carrying value £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>2,321</td>
<td>–</td>
<td>2,321</td>
<td>2,001</td>
<td>–</td>
<td>2,001</td>
</tr>
<tr>
<td>Accrued income</td>
<td>14,699</td>
<td>–</td>
<td>14,699</td>
<td>21,132</td>
<td>–</td>
<td>21,132</td>
</tr>
<tr>
<td>Other receivables</td>
<td>12,009</td>
<td>–</td>
<td>12,009</td>
<td>4,524</td>
<td>–</td>
<td>4,524</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>97,062</td>
<td>–</td>
<td>97,062</td>
<td>86,384</td>
<td>–</td>
<td>86,384</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>126,091</strong></td>
<td>–</td>
<td><strong>126,091</strong></td>
<td><strong>114,041</strong></td>
<td>–</td>
<td><strong>114,041</strong></td>
</tr>
</tbody>
</table>

### Financial liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2021 Trade and other payables £000</th>
<th>2021 Carrying value £000</th>
<th>2020 Trade and other payables £000</th>
<th>2020 Carrying value £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>–</td>
<td>8,095</td>
<td>–</td>
<td>8,469</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>–</td>
<td>–</td>
<td>15,194</td>
<td>15,194</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>–</td>
<td><strong>23,185</strong></td>
<td><strong>23,185</strong></td>
<td><strong>23,185</strong></td>
</tr>
</tbody>
</table>

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 the interest earned is calculated 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 £245,000.

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

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

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ 25bps (0.25%)</td>
<td>5,324</td>
<td>6,341</td>
</tr>
<tr>
<td>- 25bps (0.25%)</td>
<td>(4,901)</td>
<td>(4,746)</td>
</tr>
</tbody>
</table>

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 mix and portfolio size, 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.

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ 10% higher</td>
<td>4,850</td>
<td>3,409</td>
</tr>
<tr>
<td>- 10% lower</td>
<td>(4,850)</td>
<td>(3,409)</td>
</tr>
</tbody>
</table>

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 20.

The Group has implemented procedures that require appropriate credit or alternative checks on potential customers before business is undertaken. This minimises credit risk in this area.

The credit and concentration risk on liquid funds, cash and cash equivalents is limited as deposits are held across a number of major banks. The Directors continue to monitor the strength of the banks used by the Group. The principal banks currently used by the Group are Bank of Scotland plc, Barclays Bank plc, Lloyds Bank plc, Lloyds Bank Corporate Markets plc, HSBC Bank plc, HSBC Global Asset Management, Santander UK plc, MilFG Bank Ltd, Clearstream Banking SA and Qatar National Bank (QFŞC). 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.

<table>
<thead>
<tr>
<th></th>
<th>Due within 1 year</th>
<th>1 to 5 years</th>
<th>After 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>2021</td>
<td>8,095</td>
<td>–</td>
<td>–</td>
<td>8,095</td>
</tr>
<tr>
<td></td>
<td>2,450</td>
<td>8,333</td>
<td>8,678</td>
<td>19,461</td>
</tr>
<tr>
<td>2020</td>
<td>10,545</td>
<td>8,333</td>
<td>8,678</td>
<td>27,556</td>
</tr>
</tbody>
</table>

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 £130,708,000 (2020: £109,466,000).

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 ICAAP, as required by the FCA to assess the appropriate amount of regulatory capital to be held by the Group. Regulatory capital resources for ICAAP are calculated in accordance with published rules.

The ICAAP compares the Group’s financial resources against regulatory capital requirements as specified by the relevant regulatory authorities. Our current financial resources and regulatory capital requirements can be found on page 46.

The Group maintained a surplus of regulatory capital throughout the year. Information under Part Eight (Pillar 3) Disclosure of the Capital Requirements Regulation is available on the Group’s website at www.ajbell.co.uk.
The following table shows the details of unconsolidated structured entities in which the Group has an interest at the reporting date:

<table>
<thead>
<tr>
<th>Year</th>
<th>Type</th>
<th>Number of funds</th>
<th>Net AUM of funds £m</th>
<th>Annual management charge £000</th>
<th>Management charge receivable at 30 September £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>OEIC</td>
<td>9</td>
<td>1,073.2</td>
<td>1,138</td>
<td>266</td>
</tr>
<tr>
<td>2020</td>
<td>OEIC</td>
<td>8</td>
<td>493.1</td>
<td>418</td>
<td>48</td>
</tr>
</tbody>
</table>

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

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

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

### 28 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>1 October 2020</th>
<th>Cash flows</th>
<th>Change in lease liability</th>
<th>Additions</th>
<th>Disposal</th>
<th>30 September 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>2021 Lease liabilities</td>
<td>16,245 (1,241)</td>
<td>42 460 (12)</td>
<td>15,594</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities from financing activities</td>
<td>16,245 (1,241)</td>
<td>42 460 (12)</td>
<td>15,594</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1 October 2019</th>
<th>Cash flows</th>
<th>Change in lease liability</th>
<th>Additions</th>
<th>Disposal</th>
<th>30 September 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>2020 Lease liabilities</td>
<td>18,047 (1,708)</td>
<td>6</td>
<td>16,345</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities from financing activities</td>
<td>18,047 (1,708)</td>
<td>6</td>
<td>16,345</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 29 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 as shown on pages 60 to 63 and the EMB as shown on pages 64 and 65.

The remuneration expense of key management personnel is as follows:

<table>
<thead>
<tr>
<th>2021 £000</th>
<th>2020 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,106</td>
<td>2,059</td>
</tr>
<tr>
<td>35</td>
<td>29</td>
</tr>
<tr>
<td>1,256</td>
<td>1,066</td>
</tr>
<tr>
<td>3,399</td>
<td>3,114</td>
</tr>
</tbody>
</table>

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 on pages 94 to 98.

Dividends totalling £6,766,000 (2020: £4,888,000) were paid in the year in respect of ordinary shares held by the Company’s directors.

No aggregate gains were made by the Directors on the exercise of share options during the year (2020: £547,000).

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 £372,000 (2020: £239,000) to the AJ Bell Trust, a registered charity of which Mr A J Bell is a trustee.

EQ Property Services Limited

The Group is party to three leases with EQ Property Services Limited for rental of the Head Office premises, 4 Exchange Quay, Salford Quays, Manchester, M5 3EE. Mr A J Bell and Mr M T Summersgill are directors and shareholders of both AJ Bell plc and EQ Property Services Limited. Mr C Galbraith, Mr R Stott and Mr F Lyons are members of key management personnel and shareholders of AJ Bell plc and are directors and shareholders of EQ Property Services Limited. The leases for the rental of the building were entered into on 17 August 2016 for terms which expire on 30 September 2031, at an aggregate market rent of £1,825,000 (2020: £1,825,000) per annum.

At the reporting date, there is no payable outstanding (2020: £nil) with EQ Property Services Limited.

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

### 30 SUBSEQUENT EVENTS

There have been no material events occurring between the reporting date and the date of approval of these consolidated financial statements.
### COMPANY STATEMENT OF FINANCIAL POSITION

**AS AT 30 SEPTEMBER 2021**

<table>
<thead>
<tr>
<th>Note</th>
<th>2021 £000</th>
<th>2020 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>6</td>
<td>22,447</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables – due within one year</td>
<td>7</td>
<td>2,477</td>
</tr>
<tr>
<td>Trade and other receivables – due after one year</td>
<td>7</td>
<td>5,241</td>
</tr>
<tr>
<td>Current tax asset</td>
<td></td>
<td>480</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>27,929</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>36,127</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>8</td>
<td>(477)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>(477)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td>58,097</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>10</td>
<td>51</td>
</tr>
<tr>
<td>Share premium</td>
<td></td>
<td>8,658</td>
</tr>
<tr>
<td>Own shares</td>
<td></td>
<td>(740)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>50,128</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>58,097</td>
</tr>
</tbody>
</table>

The financial statements were approved by the Board of Directors and authorised for issue on 1 December 2021 and signed on its behalf by:

Michael Summersgill
Deputy Chief Executive Officer and Chief Financial Officer

AJ Bell plc
Company registered number: 04503206

The notes on pages 154 to 159 form an integral part of these financial statements.

### COMPANY STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDING 30 SEPTEMBER 2021**

<table>
<thead>
<tr>
<th></th>
<th>Share capital £000</th>
<th>Share premium £000</th>
<th>Retained earnings £000</th>
<th>Own shares £000</th>
<th>Total equity £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 October 2020</td>
<td>51</td>
<td>8,459</td>
<td>35,740</td>
<td>(1,147)</td>
<td>43,103</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>–</td>
<td>–</td>
<td>37,574</td>
<td>–</td>
<td>37,574</td>
</tr>
<tr>
<td>Transactions with owners, recorded directly in equity:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of shares</td>
<td>–</td>
<td>199</td>
<td>–</td>
<td>–</td>
<td>199</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>–</td>
<td>–</td>
<td>(29,138)</td>
<td>–</td>
<td>(29,138)</td>
</tr>
<tr>
<td>Equity settled share-based payment transactions</td>
<td>–</td>
<td>–</td>
<td>6,330</td>
<td>–</td>
<td>6,330</td>
</tr>
<tr>
<td>Deferred tax effect of share-based payment transactions</td>
<td>–</td>
<td>–</td>
<td>(202)</td>
<td>–</td>
<td>(202)</td>
</tr>
<tr>
<td>Tax relief on exercise of share options</td>
<td>–</td>
<td>–</td>
<td>231</td>
<td>–</td>
<td>231</td>
</tr>
<tr>
<td>Share transfer relating to EIP</td>
<td>–</td>
<td>–</td>
<td>(110)</td>
<td>110</td>
<td>–</td>
</tr>
<tr>
<td>Share transfer relating to earn-out arrangement</td>
<td>–</td>
<td>–</td>
<td>(297)</td>
<td>297</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total transactions with owners</strong></td>
<td>–</td>
<td>199</td>
<td>(23,186)</td>
<td>407</td>
<td>(22,580)</td>
</tr>
<tr>
<td>Balance at 30 September 2021</td>
<td>51</td>
<td>8,658</td>
<td>50,128</td>
<td>(740)</td>
<td>58,097</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Share capital £000</th>
<th>Share premium £000</th>
<th>Retained earnings £000</th>
<th>Own shares £000</th>
<th>Total equity £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 October 2019</td>
<td>51</td>
<td>7,667</td>
<td>29,787</td>
<td>(1,147)</td>
<td>36,358</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>–</td>
<td>–</td>
<td>21,815</td>
<td>–</td>
<td>21,815</td>
</tr>
<tr>
<td>Transactions with owners, recorded directly in equity:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of shares</td>
<td>–</td>
<td>792</td>
<td>–</td>
<td>–</td>
<td>792</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>–</td>
<td>–</td>
<td>(19,733)</td>
<td>–</td>
<td>(19,733)</td>
</tr>
<tr>
<td>Equity settled share-based payment transactions</td>
<td>–</td>
<td>–</td>
<td>3,364</td>
<td>–</td>
<td>3,364</td>
</tr>
<tr>
<td>Deferred tax effect of share-based payment transactions</td>
<td>–</td>
<td>–</td>
<td>(304)</td>
<td>–</td>
<td>(304)</td>
</tr>
<tr>
<td>Tax relief on exercise of share options</td>
<td>–</td>
<td>–</td>
<td>811</td>
<td>–</td>
<td>811</td>
</tr>
<tr>
<td><strong>Total transactions with owners</strong></td>
<td>–</td>
<td>792</td>
<td>(15,070)</td>
<td>811</td>
<td>(15,280)</td>
</tr>
<tr>
<td>Balance at 30 September 2020</td>
<td>51</td>
<td>8,459</td>
<td>35,740</td>
<td>(1,147)</td>
<td>43,103</td>
</tr>
</tbody>
</table>

The notes on pages 154 to 159 form an integral part of these financial statements.
The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised if the temporary difference arises from items recognised directly in equity, in which case it is recognised in equity. 

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 the consolidated financial statements of AJ Bell plc, a company incorporated in the United Kingdom, whose consolidated financial statements are publically available. Consequently, the Company has taken advantage of FRS 101 disclosure exemptions that would otherwise have been required under IFRS: IAS 7 Presentation of a cash flow statement; IAS 8 Disclosures in respect of new standards and interpretations that have been issued but which are not yet effective; IAS 24 Disclosure of key management personnel compensation and the disclosure of transactions with group companies; IFRS 7 Disclosure in respect of financial instruments, provided that the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated; IFRS 13 Fair Value Measurement paragraphs 91 to 99, provided that equivalent disclosures are included within the consolidated financial statements of the group for which the entity is consolidated; and IFRS 2 Share-Based Payment paragraphs 45 and 46 to 52 provided that equivalent disclosures are included within the consolidated financial statements of the group for which the entity is consolidated.

The accounting policies have been applied consistently to all periods presented in these financial statements, unless otherwise stated. Investments in subsidiary undertakings are shown at cost less provision for impairment. 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. Investments in subsidiary undertakings are shown at cost less provision for impairment.

The Company has set out below where advantage of the FRS 101 disclosure exemptions have been taken. Shareholders were notified of, and did not object to, the use of the disclosure exemptions.

Disclosure exemptions

The Company is included within the consolidated financial statements of AJ Bell plc, a company incorporated in the United Kingdom, whose consolidated financial statements are publically available. Consequently, the Company has taken advantage of FRS 101 disclosure exemptions that would otherwise have been required under IFRS: 

- IAS 7 Presentation of a cash flow statement;
- IAS 8 Disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 Disclosure of key management personnel compensation and the disclosure of transactions with group companies;
- IFRS 7 Disclosure in respect of financial instruments, provided that the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- IFRS 13 Fair Value Measurement paragraphs 91 to 99, provided that equivalent disclosures are included within the consolidated financial statements of the group for which the entity is consolidated; and
- IFRS 2 Share-Based Payment paragraphs 45 and 46 to 52 provided that equivalent disclosures are included within the consolidated financial statements of the group for which the entity is consolidated.

The accounting policies have been applied consistently to all periods presented in these financial statements, unless otherwise stated. Investments in subsidiary undertakings are shown at cost less provision for impairment.

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 liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the future, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from:

- the initial recognition of goodwill; 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.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared on the historical cost basis and a going concern basis in accordance with the Companies Act 2006. These financial statements are presented in sterling, which is the currency of the primary economic environment in which the Company operates, rounded to the nearest thousand. The financial statements are prepared in accordance with Financial Reporting Standard FRS 101 Reduced Disclosure Framework (FRS 101). The Company has set out below where advantage of the FRS 101 disclosure exemptions have been taken. Shareholders were notified of, and did not object to, the use of the disclosure exemptions.

Disclosure exemptions

The Company is included within the consolidated financial statements of AJ Bell plc, a company incorporated in the United Kingdom, whose consolidated financial statements are publically available. Consequently, the Company has taken advantage of FRS 101 disclosure exemptions that would otherwise have been required under IFRS: 

- IAS 7 Presentation of a cash flow statement;
- IAS 8 Disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 Disclosure of key management personnel compensation and the disclosure of transactions with group companies;
- IFRS 7 Disclosure in respect of financial instruments, provided that the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- IFRS 13 Fair Value Measurement paragraphs 91 to 99, provided that equivalent disclosures are included within the consolidated financial statements of the group for which the entity is consolidated; and
- IFRS 2 Share-Based Payment paragraphs 45 and 46 to 52 provided that equivalent disclosures are included within the consolidated financial statements of the group for which the entity is consolidated.

The accounting policies have been applied consistently to all periods presented in these financial statements, unless otherwise stated. Investments in subsidiary undertakings are shown at cost less provision for impairment.

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 liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the future, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from:

- the initial recognition of goodwill; 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.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

4 PROFIT FOR THE YEAR

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The Company reported a profit of £37,574,000 for the year ended 30 September 2021 (2020: £21,815,000). This profit was generated from the Company’s principal activity which is that of a holding company.

The auditor’s remuneration for the audit and other services is disclosed in note 7 of the consolidated financial statements.

5 DIVIDENDS

Details of dividends paid during the year are disclosed in note 12 of the consolidated financial statements.
### 6 INVESTMENTS

<table>
<thead>
<tr>
<th>Name of subsidiary</th>
<th>Principal activity</th>
<th>Country of incorporation</th>
<th>Proportion of ownership (2021)</th>
<th>Proportion of voting rights (2021)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AJ Bell Business Solutions Limited*</td>
<td>Investment / Group administration</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>AJ Bell Management Limited*</td>
<td>Investment administration</td>
<td>England and Wales</td>
<td>100%</td>
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<tr>
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</tr>
</tbody>
</table>

* Indicates direct investment of AJ Bell plc.

The financial statements for the year ended 30 September 2021 of AJ Bell EBT Limited have been exempted from audit under s479C of the Companies Act 2006 by way of parent guarantee from AJ Bell plc.

Adalpha Investments Limited, Adalpha Limited, Adalpha Nominees Limited and Adalpha Trustees Limited, which are dormant entities, are in the process of being struck off the register at Companies House.

The registered office of all subsidiaries is 4 Exchange Quay, Salford Quays, Manchester, M5 3EE.

### 7 TRADE AND OTHER RECEIVABLES

<table>
<thead>
<tr>
<th>Name of subsidiary</th>
<th>Principal activity</th>
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<th>Proportion of ownership (2021)</th>
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</tbody>
</table>

* Indicates direct investment of AJ Bell plc.

Amounts owed by Group undertakings to subsidiaries: £2,451 (2020: £17)

Amounts owed by Group undertakings to shareholders: £26 (2020: £14)

Accrued income: £2,477 (2020: £336)

### 8 TRADE AND OTHER PAYABLES

<table>
<thead>
<tr>
<th>Name of subsidiary</th>
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</tbody>
</table>

* Indicates direct investment of AJ Bell plc.

Amounts owed by Group undertakings to subsidiaries: £990 (2020: £941)

Amounts owed by Group undertakings to shareholders: £4,251 (2020: £1,450)

Amounts owed by Group undertakings to shareholders: £5,241 (2020: £2,391)

The financial statements for the year ended 30 September 2021 of AJ Bell Touch Limited have been exempted from audit under s479C of the Companies Act 2006 by way of parent guarantee from AJ Bell plc.

Adalpha Investments Limited, Adalpha Limited, Adalpha Nominees Limited and Adalpha Trustees Limited, which are dormant entities, are in the process of being struck off the register at Companies House.

The registered office of all subsidiaries is 4 Exchange Quay, Salford Quays, Manchester, M5 3EE.
9 RELATED PARTY TRANSACTIONS

Transactions with key management personnel:
The key management personnel of the Group and the Company are the same. The related party disclosure is given in note 29 of the consolidated financial statements.

Transactions with group companies:
During the year the Company entered into the following transactions with its subsidiaries:

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Receivable £000</td>
<td>Payable £000</td>
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<tr>
<td>Recharges</td>
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<tr>
<td>Dividends received</td>
<td>38,500</td>
<td>-</td>
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<tr>
<td></td>
<td>38,500</td>
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</table>

No capital contribution was made by the Company to AJ Bell Asset Management Limited during the year (2020: £500,000).

The Company’s balances with fellow group companies at the reporting date are set out in notes 7 and 8 of the Company financial statements.

All transactions with fellow group companies are provided on an arm’s length basis and are to be settled in cash. None of the balances are secured and no provisions have been made for doubtful debts for any amounts due from fellow group companies.

Other related party transactions:
Charitable donations:
During the year the Company made donations of £272,000 (2020: £239,000) to the AJ Bell Trust, a registered charity of which Mr A J Bell is a trustee.

10 CALLED-UP SHARE CAPITAL
The Company’s share capital is disclosed in note 24 of the consolidated financial statements.

11 SUBSEQUENT EVENTS
Events after the reporting period are shown in note 30 of the consolidated financial statements.
CONSOLIDATED UNAUDITED FIVE-YEAR SUMMARY
FOR THE YEAR ENDED 30 SEPTEMBER 2021

Results

<table>
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<tr>
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<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
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<td>Revenue</td>
<td>£145,826</td>
<td>£126,749</td>
<td>£104,902</td>
<td>£89,691</td>
<td>£75,576</td>
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<tr>
<td>Profit from operations</td>
<td>£55,851</td>
<td>£49,236</td>
<td>£37,409</td>
<td>£28,256</td>
<td>£21,776</td>
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<tr>
<td>Profit before tax</td>
<td>£55,084</td>
<td>£48,550</td>
<td>£37,695</td>
<td>£28,359</td>
<td>£21,697</td>
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<tr>
<td>Profits attributable to equity holders of AJ Bell plc</td>
<td>£43,822</td>
<td>£38,829</td>
<td>£30,353</td>
<td>£22,646</td>
<td>£17,571</td>
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</tbody>
</table>

Assets employed

- Non-current assets:
  - 2021: £30,621
  - 2020: £121,521
- Current assets:
  - 2021: £131,521
- Current liabilities:
  - 2021: £13,886
- Non-current liabilities:
  - 2021: £18,386
- Long-term provisions:
  - 2021: £1,549

Net assets:

- 2021: £130,708
- 2020: £109,466
- 2019: £86,063
- 2018: £64,036
- 2017: £61,362

Key statistics


1. Reflects the impact of IFRS 16 in 2020
2. Restated to reflect the share reorganisation in 2019
3. Includes a special dividend of 2.03p in 2018
4. Includes a special dividend of 5.00p in 2021
DEFINITIONS

Ad valorem
According to value

AUA
Assets Under Administration

AUM
Assets Under Management

Customer retention rate
Relates to platform customers

Fintech
Refers to a business that uses technology to enhance or automate financial services and processes

Lang Cat
An insight, marketing and communications consultancy business specialising in Financial Services

Listing rules
Regulations subject to the oversight of the FCA applicable to companies listed on a UK stock exchange

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

COMPANY INFORMATION

COMPANY NUMBER
04503206

COMPANY SECRETARY
Mr Christopher Bruce Robinson

REGISTERED OFFICE
4 Exchange Quay
Salford Quays
Manchester
M5 3EE

AUDITOR
BDO LLP
55 Baker Street
London
W1U 7EU

BANKER
Bank of Scotland plc
1 Lochrin Square
92 - 98 Fountainbridge
Edinburgh
EH3 9QA