AJBell Holdings Limited

A year of progress and challenge

Annual Report & Financial Statements 2012

Company registration number 04503206

Contents

A year of progress and challenge

Despite considerable challenges, this has undoubtedly been a year of real progress for A J Bell. The ability to turn potential problems into opportunities is due, in no small part, to our willingness to continually evolve and adapt all aspects of the business.

Currently, that process of evolution can be seen in the branding review we are undertaking. As part of this review, our branding agency recently interviewed our customers, advisers and staff in an effort to understand the true nature of A J Bell. Here is what they learned:

We know our stuff. We are experienced and knowledgeable.

We do the right thing. We care and speak up for our customers.

We do not sell. We help.

We listen and respond.

We give our customers what they need and not what they don't.

We are open, honest and down-to-earth.

We are personal and friendly. Service is key.

We respect other people and each other. We are human, not corporate.

We are solid, substantial and successful; trusted and keen to retain our small company attitude.

We are energetic, we never stand still and are always looking how to do things better.

We take pride in what we do, how we behave and what we have achieved.

We offer great value. We are low-cost, if not always cheapest, but we do not cut costs at the expense of service.

We are straightforward, making investment easy and accessible for everyone.

We will be unveiling all the fruits of this branding review during 2013. Right now though, it is time to look in more detail at the progress we have made, and the challenges we have faced, in the year.

We have embraced some major changes

When the FSA announced its Retail Distribution Review, it set in motion a process of change that has touched most parts of the UK financial services distribution chain. In response to this challenge, we undertook a thorough review of the Sippcentre proposition. The result is a completely new charging structure that industry commentators have already described as 'groundbreaking' and 'game-changing'.

In addition to the unprecedented external challenges posed by the regulator, we also set ourselves some ambitious internal goals too. In order to meet the challenge of making our systems even more efficient and scalable, we made a significant investment in new technology throughout the business. With that investment, we will build on our enviable reputation for market-leading propositions in terms of price, service and functionality.

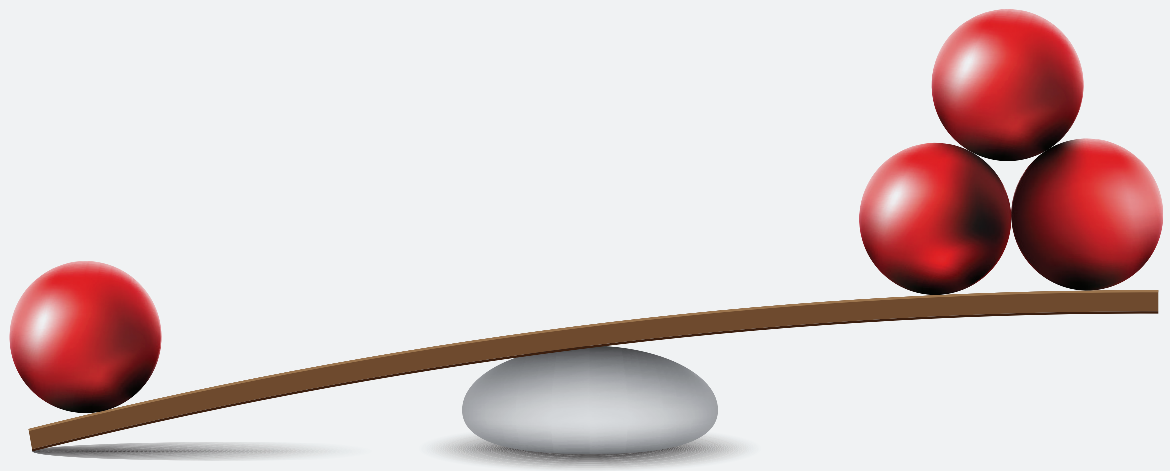
Finally, there is the ongoing challenge of ensuring that our services stay relevant and competitive in today's market. By listening closely to our customers' needs and devising innovative solutions to fulfil them, we have managed once again to meet that challenge head-on. Prime examples of this approach include the introduction of Sippcentre's new bulk dealing and portfolio modelling service, and the new mobile dealing application for Sippdeal.

We campaigned for fairness

As a major player in the UK financial services industry, A J Bell is in the privileged position of being able to campaign hard on behalf of its customers. This is a responsibility we never shy away from.

Since early 2011 we have been lobbying for a change to the income drawdown limits that have, since changes were introduced in 2011, greatly reduced retirement incomes for thousands of people. We have recently stepped that campaign up a gear, bolstering our lobbying by orchestrating a campaign to encourage pension savers to write to their Members of Parliament, which they have done in their hundreds.

Our campaigning has also extended to other areas, such as championing the bringing together of Child Trust Funds and Junior ISAs, the re-introduction of a permitted investment list for SIPPs and the creation of a long-term savings commission to be responsible for policy on issues such as allowances and tax reliefs.



We supported those facing their own challenges

A J Bell has always supported a number of worthwhile charities, but in the last financial year the scale of our contribution rose to new levels. Our principal vehicle for charitable donations is the A J Bell Trust, which supports a range of worthy causes.

We supported a number of charities this year, including The Prince's Trust, Epilepsy Action, The Christie Hospital, the British Heart Foundation, Demelza House, Zoe's Place, the Cancer & Polio Research Fund and Prostate Cancer UK.

We did it all as a team

We now have more employees than ever. They are the people behind every one of our success stories, and the reason why A J Bell continues to go from strength to strength. For that reason, we are very keen to ensure they feel valued, and that they stay with us.

Employee engagement and involvement are hugely important in this respect, so we work hard to keep our people properly informed about the matters that affect them, as well as the performance of the Group as a whole. Since June 2005 our employee share schemes have led to even wider staff involvement in the Group.

By nurturing talent and striving to create an environment in which everyone can excel, we are helping to ensure our continued progress - whatever challenges the future throws up.

An award winning service philosophy

A J Bell is used to winning a clutch of industry awards each year, and 2011/12 was no exception. Some recent successes are listed below:

Best New Platform – The Aberdeen UK Platform Awards 2012 (highly commended)

Leading Platform-Enabled Retirement Proposition – The Aberdeen UK Platform Awards 2012 (highly commended)

Best Newcomer – Investment Adviser Platform Awards 2012 (highly commended)

Best Junior ISA – Investment Life & Pensions Moneyfacts Awards 2012 (highly commended)

Best SIPP Provider – Investment Life and Pensions Moneyfacts Awards 2012 (highly commended)

Low Cost SIPP Provider – Moneywise Pension Awards 2012 (highly commended)

Best Comprehensive SIPP Provider – Moneywise Pension Awards 2012

4 Stars – Life & Pensions Provider – FTAdviser.com Online Service Awards 2012

Best Online SIPP Provider – MoneyAM Awards 2012

Best SIPP Provider – City of London Wealth Management Awards 2012

4 Stars – Financial Adviser Service Awards 2011

Best SIPP Provider – Shares Awards 2011

Low Cost SIPP Provider Of The Year – Investors Chronicle Awards 2011

Key business and financial information

Assets under administration

£17.5bn ▲ 17%

Number of retail customers

70,616 ▲ 17%

Revenue

25% ▲ Increase of £10.2 million

Profit before tax

39% ▲ Increase of £7.5 million

Diluted earnings per share

42% ▲ Increase of 14.48p

Total ordinary dividend

18% ▲ Increase of 3.75p

Jim Martin
Chairman

Andy Bell
Chief Executive

We are pleased to present our annual report and accounts for the year ended 30 September 2012, detailing another set of record results for A J Bell.

Revenue increased to £51.8 million, up 25% from £41.6 million last year. Profit before tax increased by 39% to £26.5 million, with diluted earnings per share up 42% to 49.14 pence. We are pleased to declare a final dividend of 15.25 pence, taking the total dividend for the year to 24.75 pence, an 18% increase year-on-year.

Although we continue to exercise tight control over our cost base, our strong financial performance was principally a result of strong revenue growth. This increase was driven by the continued growth in our customer base and the value of assets that we administer on our customers' behalf. The number of retail customers using our services increased by 17%, from 60,497 to 70,616, with the value of their assets under administration growing 17% to £17.5 billion, up from £15.0 billion last year. This growth in assets under administration compares favourably with an increase of 13% in the FTSE All-Share index.

Business Review

The business review has been split between platform and non-platform business, with the emerging IMAS activity now being included as part of our platform business. Prior year non-financial information has been re-analysed to make it comparable with this year's presentation.

Platform business

There has been excellent growth in our platform business with the number of customers increasing by 22%, from 41,064 to 50,110, and assets under administration up by 32%, from £7.3 billion to £9.6 billion.

Platform business includes Sippcentre, Sippdeal and IMAS. Further information on each area is shown below.

Sippcentre: *"A low-cost investment platform with significant online functionality, distributed via UK financial advisers. The platform provides access to a SIPP, ISA and General Investment Account."*

This has been the first full year for our adviser platform and we are pleased with the positive response we have received from our supporting advisers. Our Sippcentre proposition, with its reputation for price, service and functionality, has placed us at the forefront of this exciting, growing and competitive market.

In the first half of the year we introduced regular investment and withdrawal facilities, as well as a Junior ISA. In the second half of the year we launched bulk dealing and model portfolio tools, which will help advisers continue to drive efficiencies into their business models. We will continue to develop our proposition, based on adviser feedback and demand.

The first phase of the RDR will be implemented on 31 December 2012, with the second phase due a year later. We have taken the opportunity to address some of the proposals in the second phase a year early. The main change is in relation to pricing and we have now announced our unbundled pricing structure that will apply from 31 December 2012. This involves us charging an explicit custody charge rather than receiving revenue from fund management groups. Whilst our new charging structure is designed to be revenue neutral, it has been recognised by industry commentators as one of the best-value propositions available. We have also taken the opportunity to introduce additional discounts to our SIPP administration fees where customers use our in-house Funds & Shares Service. Out of thirty adviser platforms in the UK, we were encouraged to achieve second place on an independent, industry-recognised leaderboard, which uses a wide range of criteria including charges, functionality, financial strength and momentum.

Our focus will continue to be on encouraging advisers who have historically recommended us for SIPPs, to utilise our new products for their customers' non-pension assets. We will be introducing a wide range of new features this year for our supporting advisers which will include enhanced illustration capabilities; new investment tools, including portfolio x-ray and performance monitoring; model portfolios selected and managed by discretionary fund managers and improved links to adviser back office software systems.

Sippdeal: *"A low-cost, online investment platform that provides execution-only investors with access to a SIPP, ISA and Dealing Account."*

Having launched in April 2011, the platform's ISA and Dealing Account products gained real traction with existing customers during the current financial year. At the year-end, 20% of Sippdeal customers were using one of the platform's non-pension products.

As the impact of the RDR takes effect, there will be many savers who choose an execution-only investment solution as an alternative to being advised. This will be most prevalent among those with only modest sums to invest. Industry estimates for this group range from two million to in excess of five million new non-advised customers. This new type of customer will have different needs to the typical execution-only customer we have served in the past. Meeting this demand is a key focus for us as we develop our product proposition.

We have revitalised our marketing strategy and continue to increase spend in this area, ensuring that our cost per acquisition is managed tightly across all channels.

Our mobile dealing application will be launched in early 2013 and will be available for iPhone, iPad and android mobile devices.

In our most recent customer survey, 92% of respondents said that they were so pleased with our service that they would recommend Sippdeal to their friends and family. We listen carefully to the feedback we get from our customers and this informs future product development. Guided investments is a facility that we expect to deliver in the coming year, which will allow customers to choose from a range of model portfolios designed to match their risk profile and investment aspirations.

IMAS: *"A fully integrated investment administration and custody solution for wealth managers."*

The very nature of this service means that client take-on can be a lengthy process. Having said that, it was a solid year for IMAS and we have continued to build on the steady progress made since launch in 2010. We increased our corporate client numbers from three at the start of the year to five at the year-end, with one more new client added since then.

Non-platform business

Our Platinum SIPP, Platinum SSAS, Sippdealxtra and white-labelled products continued to perform well, with customer numbers and assets under administration up overall. It was a stable year for our traditional institutional stockbroking service, with a modest increase in assets under administration. Our non-platform business remains profitable and is an important part of our overall strategy.

IT infrastructure and administration systems

The project to update our IT infrastructure and migrate to our new administration system continues, with the first major migration of data having been successfully completed shortly after the year-end. Further migrations will occur throughout the year, with the project being concluded in this coming financial year.

Governance and management team

The activities of the Board of Directors (see page 19) and the Executive Management Board (see page 20) continue to complement each other well. The executives and non-executives work closely together to develop and deliver our strategy, whilst allowing the non-executives to maintain the independence that allows them to effectively challenge the executives and hold them to account.

The Board of Directors met on ten occasions throughout the year, with the Audit & Risk Committee having four meetings, the Remuneration Committee three and the Nominations Committee holding its single annual meeting. There was full attendance by Directors at all of these meetings.

During the year we introduced an enhanced product governance framework. This framework assigns specific responsibility for each of our platform and non-platform propositions to an individual member of the Executive Management Board. The new structure will ensure that all future developments focus even more closely on the varying needs of the retail customers served by each of our product propositions.

There were some exciting additions to our management team in the year. Our sales and marketing teams were strengthened by the addition of Mike Morrison and Tony Kane. Mike joined from a leading insurance Company to become our head of Platform Marketing, with Tony coming on board to lead our direct marketing operation. Bruce Robinson joined us on 1 October 2012 as Group Legal Services Director and Company Secretary. Bruce was already well known to the business, having been the Company's external legal adviser for over ten years. Peter Taylor's appointment as Business Change Director also occurred just after the financial year-end. Peter joined the Group from a large online claims handling business and will lead our Project and IT departments. All have made an immediate impact and we are sure they will contribute significantly in the years ahead.

Outlook

We enjoy a constructive dialogue with the regulator and continue to engage with them on matters affecting the SIPP, platform and stockbroking markets. Our preference is for a consistent and stable regulatory environment.

The RDR is now upon us, and all business conducted on or after 31 December 2012 will need to comply with the new requirements. However, this is not the only piece of regulation that will impact on the range of investments available to platform customers in the year ahead. The FSA's recent paper on the promotion of UCIS to retail investors stopped short of a ban, but the direction of travel in the area of 'non-mainstream pooled investments' is clear. The additional requirements placed on intermediaries facilitating sales of such products to retail investors will almost certainly lead to a decline in investment flows into these products.

The FSA has increased its focus on the SIPP market, issuing a number of papers which seek to address issues presented by SIPPs and the firms that operate them. In October 2012, the regulator published the findings of their thematic review into SIPP operators. This review was closely followed by the publication of proposed changes to the disclosure requirements imposed on SIPP operators and a consultation on the regulatory capital that SIPP operators must hold.

There are a number of key areas that the FSA have highlighted in these recent papers. The consultation on SIPP disclosure and illustrations is an attempt to make consumers better informed, though the sheer volume of information presented to customers may lead to less, not more, customer engagement. In the consultation on regulatory capital the FSA has rightly, in our opinion, linked capital requirements to the liquidity and wider risks associated with certain asset classes that may be held within SIPPs. We support the principles behind this consultation and will make our views known on the areas of detail that we disagree with. An inevitable outcome of this shift will be higher charges for administering these illiquid and esoteric assets within SIPPs. Our priority is to ensure that the reputation of the wider market is not tarnished by the actions of a small number of niche SIPP operators.

Another issue raised by the focus of recent regulatory activity is the need for consistency in adjacent markets. Currently, operating a platform is not a regulated activity. Given the lessons learned from the SIPP market, overseeing all platform operators under a common regulatory regime would help to avoid asymmetry in the market and should guard against any future industry-wide issues.

In general, we advocate a simple and stable legislative environment, providing the certainty necessary for retail investors to make decisions on their long-term saving plans. However, there are some areas of outdated legislation that result in long-term savers being unnecessarily disadvantaged. In such instances, we campaign on behalf of our customers for a legislative framework that meets their expectations.

We have been at the forefront of a campaign to change the income drawdown rules, appealing for a relaxation of the limits on the amount of income that can be drawn by pension savers. In the 2012 Autumn statement the Chancellor announced that maximum drawdown limits are to be increased back up to 120% of the equivalent annuity rate. This welcome announcement will hopefully be the start and not the end of a journey towards income drawdown rules that are fair, simple and sustainable. The Chancellor also announced reductions in the annual allowance from £50,000 to £40,000 and the lifetime allowance from £1.5 million to £1.25 million, to take effect on 6 April 2014. This puts further focus on our campaign to depoliticise long-term savings policy and to prevent successive governments from meddling with the tax reliefs and rules that underpin the confidence of long-term savers.

Joint statement from the Chairman and Chief Executive

One area where the UK savings market has benefited from legislative change is the introduction of Junior ISAs. After their successful launch it can only be a matter of time before the Child Trust Fund and the Junior ISA are combined, allowing parents and guardians with a Child Trust Fund to transfer and subscribe to a Junior ISA.

The continuing difficulties faced by the UK banking sector resulted in unusually high LIBOR rates in the first half of 2012. This temporarily boosted the financial performance of the Group's investment administration services in the year, as income from cash deposits increased. However, in the latter part of the financial year, initiatives such as the Funding for Lending Scheme injected liquidity into the banking system and LIBOR rates fell sharply. This trend has continued since the year-end and, in combination with a historically low base rate, this will place downward pressure on both revenue and profit in the forthcoming year.

The Sippdeal and Sippcentre brands have been in existence for over ten years now and have served us very well. With the extension of these propositions into the investment platform arena, we have instigated a thorough review of our branding and we will be able to report on the outcome as part of next year's interim report.

Conclusions

The year ended 30 September 2012 has been extremely successful. Despite the challenging economic conditions, we are confident that the business will continue to grow in the year ahead, although we are unlikely to achieve the same level of year-on-year growth.

The RDR will unquestionably change the UK savings market, though the pace of this change remains to be seen. Irrespective of the impact of the RDR, all of the conditions exist for long-term growth in the key markets in which we operate. In order to ensure that we succeed in these markets, we will continue our strategy to continually develop our propositions, ensuring they are market-leading in terms of price, service and functionality. We will do this without compromising our founding principles of not offering financial advice or actively managing our customers' money.

The contribution from our staff in the year, as ever, has been outstanding. In a period of significant change for the business, their award winning service to our customers has been a crucial constant. The quality of their work is the main reason that we have such a loyal customer base. We place huge emphasis on the continued development of our propositions, which would not be possible without the expertise and ambition of our team.

Jim Martin
Chairman

Andy Bell
Chief Executive Officer

Board of Directors

Jim Martin
Non-executive Chairman

Jim joined the Group in February 2007, having held several board appointments across various sectors during his career, including retail and house building, as well as various non-commercial and charitable involvements. Jim was CEO of N Brown Group plc from 1993 until he retired in 2002, at which point he became non-executive Deputy Chairman - a position he held until 2005. During the last ten years, Jim has been a non-executive Chairman of a number of private, equity-backed and listed companies in a range of sectors.

Andy Bell
Chief Executive Officer

Andy co-founded A J Bell in 1995, having spent a number of years working within the financial services sector. Graduating 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 A J Bell into one of the largest providers of low-cost, online investment platforms and stockbroker services in the UK. Andy is the principal driving force behind the business, though his focus is increasingly on future strategy and growth opportunities.

Michael Summersgill
Chief Financial Officer

Michael joined A J Bell in July 2007 and was appointed to the Board as Chief Financial Officer in June 2011. He is responsible for the Group's control functions, overseeing Finance, Compliance and Risk Management. Michael graduated from the University of Sheffield with a degree in Economics, and began his career as a Chartered Certified Accountant in public practice, gaining experience with a broad portfolio of clients.

Les Platts
Non-executive Director

Les joined A J Bell in September 2008 having retired as an Audit Partner and practice Senior Partner for the north-east with international professional services firm Deloitte. Over a period of 33 years with Deloitte, Les gained extensive UK and international experience across all industry sectors, including FTSE 100, FTSE 250, smaller listed PLCs, large private companies and private equity investments. He advised at board level on a wide range of financial, commercial and governance issues. He is also a non-executive Director of Leeds Building Society.

Bob Gullett
Non-executive Director

Bob joined A J Bell in September 2011, having retired as Director of Investment Management at Newton Investment Management. In a financial career spanning 40 years, Bob has gained valuable experience in the insurance, investment banking and equity research sectors, with various blue-chip companies such as American Express, SG Warburg & Co and Fox-Pitt Kelton. Originally from the United States, Bob also fulfils a current non-executive role with Tenax Capital Limited, an affiliate of the Italian Generali Insurance Group.

Executive Management Board

The EMB is the decision-making body that is responsible for the execution of the strategy agreed with the Board of Directors. It is charged with the day-to-day management of the Group, this within the confines of the matters reserved to the Board of Directors. The EMB meets regularly to review the performance of the Group and to agree corrective action where issues arise. The EMB consists of the Chief Executive Officer, the Chief Financial Officer and the following members of senior management:

Fergus Lyons
Group Commercial Director

Fergus joined A J Bell in August 2000, having previously been employed at a major bank for over 20 years. Fergus has overall responsibility for our Sippcentre platform and the commercial management of relationships with key investment partners and external financial institutions.

Richard Taylor
Chief Operating Officer

Richard joined A J Bell in October 2005, with over 25 years' experience in the financial services industry. He is responsible for all operational aspects of the Group's business, including client services and the Projects, IT, HR and Legal teams. In the past, before joining A J Bell, Richard held senior legal, marketing and strategy roles with a number of leading insurance companies. For many years he worked for a company specialising in the SSAS and SIPP market, leading its legal, pensions technical and compliance teams.

Charles Galbraith
Managing Director – A J Bell Securities

Charles joined A J Bell Securities in 2006 as Managing Director. He has worked in a number of stockbroking firms over the past 20 years, concentrating on both private and institutional clients. Previously he was Managing Director of Lloyds TSB Stockbrokers Limited, and was also responsible for Lloyds TSB's stocks and shares ISA business. Charles has overall responsibility for our institutional stockbroking business and our Sippdeal platform.

Roger Stott
Chief Risk Officer

Roger qualified as a Chartered Accountant in 1990 with KPMG, and has worked in retail stockbroking since 1999. He spent seven years as Finance Director at a well-known stockbroker, joining the company at start-up and seeing it through an MBO and sale. With A J Bell since 2008, Roger is responsible for co-ordinating the assurance functions - Risk, Compliance and Internal Audit - as well as overseeing the finance function of the stockbroking business in Tunbridge Wells.

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 2012.

Principal activities and business review

A J Bell Holdings Limited is the parent company of a Group of companies which, between them, offers the following services to both its retail platform and non-platform customers:

- investment administration;
- dealing and custody services.

These services are underpinned by the Group's actuarial background, investment administration expertise and membership of the London Stock Exchange. Further details of the Group's business activities can be found in the Chairman and Chief Executive's joint statement on pages 13 to 16.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 4 to the Company's separate financial statements.

The directors are required by the Companies Act 2006 to set out in this annual report a fair review of the business of the Group during the financial year ended 30 September 2012, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group ("Business Review"). The information that fulfils the requirements of the Business Review can be found within the Chairman and Chief Executive's joint statement on pages 13 to 16 and in the Principal risks and uncertainties section of this report.

Directors

The directors, who served throughout the year, are disclosed on page 19.

Directors' interests

The directors who held office at 30 September 2012 had the following interests in the share capital of the Company:

	Ordinary		A ordinary non-voting	
	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011
Jim Martin	160,000	160,000	-	-
Andy Bell	12,764,019	12,764,019	40,968	-
Michael Summersgill	-	-	42,937	7,500
Les Platts	30,000	30,000	-	-
Bob Gullett	20,000	-	-	-
Total	12,974,019	12,954,019	83,905	7,500

No director held Ordinary non-voting shares at 30 September 2012, 30 September 2011 or at any time during the period between these dates.

Directors' share options

At 30 September 2012, the directors who held office held the following share options:

Director	Number	Exercise price £	Date of grant of option	Earliest date of exercise
M Summersgill	10,000	1.90	1 Aug 09	1 Jul 13
M Summersgill	2,500	3.00	1 Oct 10	1 Jul 14
M Summersgill	1,000	3.50	19 Dec 11	1 Jul 15

There are no performance criteria attaching to any of the three tranches of share options.

No options were exercised by the directors during the year, or during the previous year.

FSA Remuneration Code

A J Bell Securities Limited, as a BIPRU firm, is subject to the requirements of the FSA Remuneration Code. More information about A J Bell Securities Limited and the company's Pillar III disclosure is available to view at www.ajbellsecurities.co.uk.

We have taken the decision to apply the Code to the Group and we do so on the basis of A J Bell Securities Limited's status as a Level 3 firm, under the FSA's guidance on proportionality. We maintain remuneration policies and practices in accordance with the applicable principles of the Remuneration Code, which are overseen by the Remuneration Committee, comprised of the non-executive directors of the Board. Material decisions in relation to the remuneration of staff whose actions have a material impact on the risk profile of the firm and in relation to individuals in control functions are overseen by the Remuneration Committee. Our remuneration policies provide for variable remuneration to be linked to performance.

Dividends

The Company has declared a final dividend of 15.25p (2011: 13.00p) per share, to be paid on 14 December 2012. This, together with the interim dividend of 9.50p (2011: 8.00p) paid on 15 June 2012, makes a total dividend in respect of the financial year ended 30 September 2012 of 24.75p per share (2011: 21.00p).

Capital management

The Group is not currently subject to any consolidated regulatory capital requirements. However, two subsidiaries, A J Bell Management Limited and A J Bell Securities Limited, are regulated by the FSA and are therefore subject to regulatory capital requirements.

The capital in both of these companies comprises of share capital, share premium and retained earnings. The directors ensure that the level of capital held in these two subsidiary entities:

- meets the regulatory capital requirements;
- provides a strong base for ongoing trading activities;
- is sufficient to support the Group's long-term strategy.

At 30 September 2012, A J Bell Management Limited held 338% (2011: 231%) and A J Bell Securities Limited held 225% (2011: 243%) of their respective regulatory capital requirements.

Principal risks and uncertainties

The Board is committed to a continual process of improvement and enhancement to the risk management framework within the Group. This is to ensure that the business identifies both existing and emerging risks and develops appropriate mitigation strategies.

The directors believe that there are a number of potential risks to the Group that could hinder the successful implementation of their strategy. These risks may arise from internal and external events, acts and omissions. The directors are proactive in identifying, assessing and managing all risks facing the business.

The Internal Audit function carries out a rolling programme, reviewing key business areas throughout the Group. These reviews have been focused on areas where the directors believe they require further assurance on controls and risk mitigation. This, along with the Compliance, Quality Assurance and Risk Management functions within the Group, comprises the "Assurance Framework". The appropriateness and effectiveness of the Assurance Framework is assessed and documented separately within the Group's Combined Assurance Model, Annual Assurance Plans and Target Operating Models.

The directors present below the principal risks and uncertainties facing the Group that could pose a threat to the delivery of their strategy. No analysis is included to differentiate between a risk and an uncertainty. Uncertainties create risks and the directors consider both with equal importance.

Industry risks

Regulatory risk

The Group operates within an increasingly regulated environment such that new or revised legislation or regulation may have a materially adverse effect on it. The Group retains a substantial cash surplus to provide additional regulatory capital to its regulated subsidiaries if the need arises. The Group also works to ensure FSA best practice and, in particular, Treating Customers Fairly principles are embedded into the entire business and followed consistently. Specifically, conduct risk and individual consumer outcomes risks are assessed, monitored and reported on an ongoing basis.

The Group closely monitors all regulatory developments. This enables an assessment to be made of their impact on the Group's businesses and for steps to be taken to mitigate any regulatory risks. Furthermore, it enables the Group to ensure it continues to operate in line with regulatory best practice.

A significant number of changes resulting from the FSA's Retail Distribution Review will come into force on 31 December 2012. The Group has undertaken extensive work to ensure that its business model will be fully compliant with these changes and does not anticipate any significant adverse impact on its financial or operational performance.

The Group contributes to the debate on regulatory issues affecting its markets. It does this through its memberships with the Association of Member-directed Pension Schemes (AMPS) and the Association of Private Client Investment Managers and Stockbrokers (APCIMS), as well as through direct responses to Government and FSA consultation.

Taxation law change risk

Changes to tax legislation may reduce the attractiveness of tax-advantaged savings wrappers offered by the Group as a means of saving for retirement. The Government recently simplified the limits on the amount which can be paid into a pension in each tax year. At the same time it limited the amount which can be contributed in respect of an individual tax year, whilst reintroducing the ability to sweep up unused tax relief from earlier tax years. Both ISA and Junior ISA subscription limits will increase in line with the CPI figure for September 2012. Overall the directors remain optimistic about the prospects for continued growth in saving into tax-advantaged wrappers.

Competitor and market risks

The Group operates in a highly competitive and dynamic industry which constantly improves the services and products available to customers. This may impact the Group such that its products become either obsolete or uncompetitive when compared to other offerings in the marketplace. The Group reviews continually its product range and prices against competitors and actively seeks new income streams, whilst enhancing its existing portfolio.

The Group has continued to expand its product range with the addition of Junior ISAs to Sippcentre and Sippdeal in early 2012, complementing the introduction of ISAs and Dealing Accounts to these platforms in 2011. The Group has also added regular investment, bulk dealing and portfolio modelling functionality to its retail savings platforms. Such investment will enable the Group to offer its customers a more extensive range of products and services at highly competitive prices. Furthermore, their introduction will also reduce the Group's reliance on pension products and help to tackle the competition risk posed by the growing number of platform providers.

The launch of a frequent dealing offer for its Sippdeal customers has enabled the Group to maintain its competitive advantage and ensure that its execution-only customers are using one of the most cost effective investment platforms available in the industry.

Evolving technology risk

The reliance on evolving technology remains crucial to the Group's effort to develop its services and enhance products. The risk exists that either the Group's technology fails to operate correctly in some way or that the Group fails to take advantage of any emerging technologies. The directors have acknowledged that a scalable operating system is paramount to the continued success of the Group and significant investment continues to be made in a project to renew the IT and administration infrastructure. Since the year-end, the Group's Sippdeal customers have been successfully migrated on to this infrastructure and work continues to facilitate the migration of the Group's other retail customers in 2013.

A project of this significance does itself carry a number of risks, including failure to deliver on time and within budget leading to a loss of business, reduction in service quality and reputational harm. To mitigate these risks, a robust project governance structure has been created with responsibility for delivery held by a steering committee, including members of the senior management team of the Group. This team, through the project sponsor, reports regularly to the directors who monitor progress against the approved budget and project plan.

Economic risk

In the event that the economy falls into a prolonged recession, this may impact contribution levels and confidence generally in the savings and investment markets. The directors believe that the Group's overall income levels and in particular the balance between the different types of assets and transactions from which that income is derived, provide a robust defensive position against any economic downturn.

Capital market fluctuations risk

Capital market fluctuations can have an effect on customer transactional activity and the value of assets under administration. The Group has a variety of transactional and recurring revenue streams, some of which are monetary amounts while others are ad valorem. This mix of revenue types helps to limit the Group's exposure to capital market fluctuations.

Operational risks

Group reputation risk

Damage may be sustained to the Group's reputation or to one of its leading brands because of either the actions of an unassociated third party or the misconduct of an employee. The security procedures within the Group remain robust and are well communicated to ensure any risk of fraudulent access to customer accounts is minimised. Thorough controls and checks are in place to ensure the appropriate calibre of individual is recruited into the Group and training is ongoing to ensure employees maintain technical competency in fulfilling their role within the Group along with awareness of risks.

Damage may be sustained to the Group's reputation if there is a significant deterioration in service standards. The level of service provided to customers is monitored on an ongoing basis to ensure any weaknesses are identified and remedial action taken where required.

Third party reliance risk

The Group undertakes its dealing, custody, settlement and administrative activities in-house and is therefore exposed to risk as a consequence of its reliance on third party software suppliers.

To mitigate the risk posed by third party software suppliers, the Group maintains a strong partnership relationship with all of them and monitors their performance to ensure their continued commitment to service, financial stability and viability. Where possible, the Group has had, or will have, software code from these suppliers placed into escrow so that access can be gained to that code in the event of the supplier's failure.

Where a regulatory breach or a failure in service supply could be caused by an external supplier, the Group performs extensive due diligence on that supplier prior to entering into the commercial relationship. The Group secures the ability to audit that supplier at regular intervals during the term of the relationship.

Operational processing risk

There is a risk that the Group's operational processes are subject to error, causing both a reduction in earnings and damage to the Group's reputation. The Group focuses on increasing the effectiveness of all its operational procedures and aims to achieve straight-through processing wherever practical. Certain operational processes are subject to manual intervention. Examples include dealing on the basis of a customer's verbal instruction, processing of certain corporate actions and trade and settlement of certain transactions on behalf of customers.

The Group has incorporated a high level of operational resilience within its day-to-day operations. It has documented procedures with pre-set, specified management authorisation limits for all relevant operational processes. The Group employs experienced, FSA-registered and approved staff in all its key FSA-regulated activities. In addition to regular performance

targets, the Group sets tolerance limits for operational errors which are applied from Board level down to the relevant operational department.

Litigation risk

There is a risk of liability related to litigation from customers or third parties. The Group has robust systems and controls and maintains an appropriate level of professional indemnity insurance cover against these potential liabilities.

Business continuity management risk

There is a risk of disruption to the Group's business in the event of a loss of access to any of the Group's properties or in the event of a catastrophic systems failure. The Group has agreements in place with specialist suppliers for geographically remote disaster recovery facilities for all of its operations, including separate offsite IT recovery facilities. There is an extensive, rolling programme of testing of all business continuity plans.

Key personnel risk

The loss of key personnel within the Group or an inability to find new or replacement employees, appropriately qualified, particularly in periods of sustained growth, may have a material adverse impact on the Group's performance. The Group has sought to mitigate this risk by facilitating equity ownership for employees within the organisation through various share schemes. Furthermore, the Group has developed a succession plan for key members of management across the whole business.

Financial risks

Interest rate risk

As at the year-end, the Group had no borrowings and therefore was not exposed to interest rate risk related to debt.

The Group's income levels are affected by prevailing interest rates. In a low interest rate environment, cash balances tend to decline and the revenue the Group earns on cash deposits reduces. The Group maintains good relationships with its banking partners and is able to access competitive rates due to the large value of deposits it places. This, along with the ability to control the interest rate on client balances, enables the Group to mitigate this risk effectively.

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 clients. The Group is a highly cash generative business and maintains sufficient cash and standby banking facilities to fund its foreseeable trading requirements. Where clients' funds are deposited on a term basis with banks, the Group's policy ensures that funds are available on client demand.

Credit and bank default risk

The Group's credit risk extends to its principal financial assets. These are cash balances held with banks and trade and other receivables.

As regards trade receivables, 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 directors continue to monitor the strength of the banks used by the Group. The banks used by the Group are Bank of Scotland plc, HSBC Bank plc, The Royal Bank of Scotland plc, Brown Brothers Harriman & Co. and Bank of Ireland (UK) plc.

Bank of Scotland plc, the Group's principal banker, is substantial and is 100% owned by Lloyds Banking Group in which the UK Government has a significant strategic stake. The degree of state ownership is closely monitored by the Group. All of the banks currently used by the Group have long-term credit ratings of at least A (Fitch) or A3 (Moody's), apart from the Bank of Ireland (UK) plc, which currently has ratings of BBB (Fitch) and Ba1 (Moody's). 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.

Charitable donations and political contributions

During the year the Group made charitable donations of £317,082 (2011: £58,923), all to UK registered charities.

There were no political contributions in the current year or prior year.

Directors' report

Disabled employees

Applications for employment by disabled persons are considered bearing in mind the aptitude of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate facilities and training are arranged. It is the policy of the Group that the training, career development and promotion of disabled persons must, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees. It has continued to keep them informed on matters affecting them as employees and arising from the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and internal publications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Employee share schemes have operated since June 2005. These schemes have promoted wider employee involvement in the Group.

The directors believe that the incentivisation of senior management and key employees by equity participation is an important factor in the continuing success of the Group. This policy aligns the interests of management with those of the wider shareholder base.

Internal control

The Board has overall responsibility for the maintenance of the internal control system established by the Group and places considerable reliance on a strong control environment. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. Compliance with internal control procedures is monitored by the directors through the Executive Management Assurance Committee which is responsible for overseeing the Group's Risk Management, Compliance and Internal Audit functions.

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of the payment and abide by those terms. Trade creditors of the Group at 30 September 2012 were equivalent to 17 (2011: 19) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Going concern

The consolidated financial statements have been prepared on a going concern basis. After making enquiries, the directors believe that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The going concern basis of preparation is discussed in note 2.1 of the consolidated financial statements.

Auditor

Each of the persons who are 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 he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Pursuant to section 487 Companies Act 2006, the auditor will be deemed to have been re-appointed and KPMG Audit Plc will continue in office.

By order of the Board

Bruce Robinson
Company Secretary

12 December 2012

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of A J Bell Holdings Limited

We have audited the financial statements of A J Bell Holdings Limited for the year ended 30 September 2012 set out on pages 31 to 71.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at

www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 branches not visited by us; or
- the parent company financial statements 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.

Richard Gabbertas (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS

12 December 2012

Consolidated income statement

For the year ended 30 September 2012

	Notes	2012 £'000	2011 £'000
Revenue	4	51,765	41,570
Administrative expenses	5	(25,405)	(22,630)
Operating profit		26,360	18,940
Investment revenue	8	169	119
Finance costs	9	(28)	(13)
Profit before tax		26,501	19,046
Taxation	10	(6,702)	(5,164)
Profit for the financial year attributable to equity holders of the parent company		19,799	13,882
Earnings per ordinary share:			
Basic (pence)	12	49.39	34.82
Diluted (pence)	12	49.14	34.66

The notes and information on pages 35 to 64 form part of these consolidated financial statements. All income, profit and earnings are in respect of continuing operations.

There were no other components of recognised income or expense in either year and consequently no Statement of Other Comprehensive Income has been presented.

Consolidated statement of financial position

As at 30 September 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets:			
Goodwill	13	420	420
Other intangible assets	14	8,439	6,440
Property, plant and equipment	15	919	850
		9,778	7,710
Current assets:			
Trade and other receivables	17	7,969	7,190
Client and market receivables	17	17,785	22,209
Cash and cash equivalents	17	29,120	18,813
Clients' settlement cash balances	17	10,033	9,981
		64,907	58,193
Total assets		74,685	65,903
Liabilities			
Current liabilities:	20		
Trade and other payables	20	(4,674)	(4,127)
Client and market payables		(27,471)	(31,754)
Current tax liabilities	19	(3,397)	(2,144)
Obligations under finance leases	21	(48)	(23)
Provisions		(121)	(86)
		(35,711)	(38,134)
Non-current liabilities:			
Obligations under finance leases	19	(121)	(27)
Provisions	21	(280)	(136)
Other payables	20	(10)	(14)
Deferred tax liability	18	(156)	(38)
		(567)	(215)
Total liabilities		(36,278)	(38,349)
Net assets		38,407	27,554
Equity			
Share capital	22	40	40
Share premium		617	573
Retained earnings		37,750	26,941
Total equity attributable to equity holders of the parent company		38,407	27,554

The notes and information on pages 35 to 64 form part of the consolidated financial statements.

The financial statements were approved by the Board of directors on 12 December 2012 and were signed on its behalf by:

Michael Summersgill
Director

Consolidated statement of changes in equity

For the year ended 30 September 2012

	Notes	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2010		39	243	581	19,793	20,656
Transfer between reserves		-	-	(581)	581	-
Total comprehensive income for the year:						
Profit for the financial year		-	-	-	13,882	13,882
Transactions with owners, recorded directly in equity:						
Issue of share capital		1	330	-	-	331
Share forfeiture		-	-	-	-	-
Dividends	11	-	-	-	(7,387)	(7,387)
Credit to equity in respect of share-based payments	26	-	-		73	73
Deferred tax effect of share-based payments	10	-	-	-	(303)	(303)
Tax relief on exercise of share options	10	-	-	-	302	302
Total transactions with owners		1	330	-	(7,315)	(6,984)
Balance at 30 September 2011		40	573	-	26,941	27,554
Total comprehensive income for the year:						
Profit for the financial year		-	-	-	19,799	19,799
Transactions with owners, recorded directly in equity:						
Issue of share capital	22	-	52	-	-	52
Share repurchase	22	-	(8)	-	-	(8)
Dividends	11	-	-	-	(9,024)	(9,024)
Credit to equity in respect of share-based payments	26	-	-	-	13	13
Deferred tax effect of share-based payments	10	-	-	-	11	11
Tax relief on exercise of share options	10	-	-	-	10	10
Total transactions with owners		-	44	-	(8,990)	(8,946)
Balance at 30 September 2012		40	617	-	37,750	38,407

The notes and information on pages 35 to 64 form part of the consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 September 2012

	Notes	2012 £'000	2011 £'000
Net cash from operating activities	24	22,292	13,773
Investing activities			
Purchase of other intangible assets		(2,728)	(3,321)
Purchase of property, plant and equipment		(353)	(117)
Proceeds from disposal of other intangible assets		-	4
Interest received		169	119
Net cash used in investing activities		(2,912)	(3,315)
Financing activities			
Payment of obligations under finance leases		(41)	(29)
Proceeds from issue of share capital	22	52	331
Repurchase of own shares	22	(8)	-
Dividends paid	11	(9,024)	(7,387)
Net cash used in financing activities		(9,021)	(7,085)
Net increase in cash and cash equivalents		10,359	3,373
Cash and cash equivalents at beginning of year		28,794	25,421
Total cash and cash equivalents at end of year		39,153	28,794
Comprising:			
Cash and cash equivalents		29,120	18,813
Clients' settlement cash balances		10,033	9,981
Total cash and cash equivalents at end of year		39,153	28,794

The notes and information on pages 35 to 64 form part of the consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 30 September 2012

1. General information

The Company is incorporated and registered in England and Wales. The address of the registered office is given on page 74. The nature of the Group's operations and its principal activities are set out on pages 21 to 26.

The consolidated financial statements for the Company and its subsidiaries were approved by the Board on 12 December 2012.

2. Significant accounting policies

Basis of accounting

The consolidated financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on the historical cost basis and the principal accounting policies applied in the preparation of these financial statements are set out on pages 35 to 43.

The consolidated financial statements of A J Bell Holdings Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The directors have elected to prepare the parent company's financial statements in accordance with UK GAAP and as permitted by Section 408 of the Companies Act 2006, no profit and loss account is presented for the Company; the notes and information for the Company are presented on pages 67 to 71.

At the date of issue of these financial statements, the following standards and interpretations were in issue, but not yet effective:

IFRS 7 Amendment	Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013)
IFRS 9	Financial Instruments – Classification and Measurement (effective for annual periods beginning on or after 1 January 2015)
IFRS 10	Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)
IFRS 11	Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013)
IFRS 13	Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
IAS 1 Amendment	Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)
IAS 12 Amendment	Deferred Tax – Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012)
IAS 19 Amendment	Defined Benefit Plans (effective for annual periods beginning on or after 1 January 2013)
IAS 27 (Reissued)	Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)
IAS 28 (Reissued)	Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013)
IAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the consolidated financial statements.

Accounting policies as shown below have been consistently applied throughout the current and prior financial year.

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. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. They cease to be consolidated from the date that the Group no longer has control.

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

A list of the significant investments in subsidiaries, including the name, country of incorporation, principal activities and proportion of ownership interest is given in note 4 to the Company's separate financial statements.

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 Chairman and Chief Executive's joint statement and the directors' report on pages 13 to 26. Within the directors' report, the Principal risks and uncertainties section on pages 23 to 25 includes the Group's objectives, policies and processes for managing exposure to credit and liquidity risk. The Group's forecasts and objectives, taking into account a number of potential changes in trading performance show that the Group should be able to operate at adequate levels of both liquidity and capital for the foreseeable future. The Group has also considered a number of stress tests on capital and liquidity and these provide assurance that the Group is adequately capitalised and is capable of operating under stressed liquidity conditions.

Consequently, after making reasonable enquiries, the directors are satisfied that the Group has sufficient resources to continue in business for the foreseeable future and therefore have continued to adopt the going concern basis in preparing the financial statements.

2.2 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is measured as 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 acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable tangible and intangible assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

2.3 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary, associate or jointly-controlled entity at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill that is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to one or more of the Group's CGUs expecting to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are reviewed annually or more frequently when there is an indication that the goodwill relating to that CGU may have been impaired. If the recoverable amount from the CGU is less than the carrying amount of the assets present on the consolidated statement of financial position forming that CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the assets forming that CGU and then to the assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.4 Revenue recognition

In recognising revenue, the directors follow the principles contained in IAS 18 "Revenue" to determine appropriate revenue recognition policies. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group.

Revenue is measured at the fair value of the consideration received or receivable net of discounts, VAT and other sales related taxes.

Rendering of services

Income is recognised in the period in which the service is rendered using the percentage completion method. The extent to which a service is complete is determined by the different work activity profiles of the associated individual services. Services rendered at the inception of a fixed-term contract are recognised over the life of that contract.

Asset-based commissions

Asset-based commissions are accrued on a time basis by reference either to the principal and effective interest rate or the due date for payment.

Transaction-based commissions

Transaction-based commissions are recognised when receivable in accordance with the date of the underlying transaction.

Investment revenue

Investment revenue comprises interest income receivable on the Group's bank deposits. Interest income is recognised in the income statement as it accrues, using the effective interest rate method.

2.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rental payments under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.6 Finance costs

Finance costs comprise interest payable and finance charges on finance leases. Finance costs are recognised in the income statement using the effective interest rate method.

2.7 Foreign currencies

The individual financial statements of each company in the Group are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each company in the Group are expressed in pounds sterling, which is the functional currency of the Company and the chosen presentation format for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on that date. There are no non-monetary items that are denominated in foreign currencies.

All currency movements creating losses or gains relate exclusively to customers. For the avoidance of doubt, the Group has no exposure to exchange rate losses or gains in its ordinary course of business.

2.8 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 to a maximum of 3% of their salary. 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 Sippdeal SIPP, if they wish, instead of the stakeholder pension.

2.9 Taxation

The tax expense represents the sum of current tax and deferred tax costs. 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

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

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 (other than in a business combination) from:

- The initial recognition of goodwill; or
- investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future; or
- the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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.

2.10 VAT

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable in whole or in part from the taxation authority.

Where the sales tax is not recoverable in whole or in part from the taxation authority, it is expensed through the income statement, except in the case of a capital asset where the irrecoverable proportion is capitalised as part of the capital cost of that asset.

2.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is provided, where material, on all property, plant and equipment 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	4 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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.

Where an asset is under construction at the end of a reporting period, the costs involved that meet the relevant recognition criteria are disclosed as a separate class of asset. As these assets are not available for use by the business they are not depreciated, instead they are reviewed for impairment.

2.12 Intangible assets (excluding goodwill)

Intangible assets comprise computer software, acquired non-contractual customer relationships and the Group's key operating system. These are stated at cost or fair value less amortisation and any recognised impairment loss. Amortisation is provided, where material, on all intangible fixed assets excluding goodwill 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:

Computer software	4 years
KOS	10 years
KOS enhancements	Over the remaining life of the KOS
Non-contractual customer relationships	10 years

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.

Where an asset is under construction at the end of a reporting period, the costs involved that meet the relevant recognition criteria are disclosed as a separate class of asset. As these assets are not available for use by the business they are not amortised, instead they are reviewed for impairment.

2.13 Internally-generated intangible assets

An internally-generated asset arising from work performed by the Group is recognised only if all the following conditions are met:

- An asset is created that can be identified (such as software);
- it is probable that the asset created will generate future economic benefits; and
- the development costs of the asset can be measured reliably.

Where such an asset is under construction at the end of a reporting period, the costs involved that meet the relevant recognition criteria are disclosed as a separate class of asset. As these assets are not available for use by the business they are not depreciated or amortised, instead they are reviewed for impairment. Typically, such projects consist of a mixture of tangible and intangible components and these are disclosed separately in the financial statements.

2.14 Impairment of tangible and intangible assets (excluding goodwill)

At each date of the consolidated statement of financial position the directors review the carrying amount of the Group's tangible and intangible 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.

Recoverable amount

The recoverable amount of a tangible or intangible asset 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 cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or the present value of the discounted net cash flows of the CGU in which the asset sits is estimated to be lower than the asset's carrying value, then the carrying amount is reduced to the recoverable amount. An impairment loss is recognised immediately in the income statement as an expense.

Reversals of impairment

An impairment loss is reversed on tangible and intangible assets 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.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents also includes client money held in accordance with the FSA's client money rules in the course of settlement. Where appropriate, bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position. For the purposes of the consolidated cash flow statement, cash and cash equivalents are defined as above, net of outstanding bank overdrafts.

2.16 Financial instruments

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

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

All financial assets are classified as loans and receivables.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at fair value, less any impairment. No interest income is recognised as all loans and receivables are short-term receivables and the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each date of the consolidated statement of financial position. These assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets objective evidence of impairment could include:

- Default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as the observable changes in national or local economic conditions that correlate with default on receivables.

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.

2.17 Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets in which the investment is made after deducting all of its liabilities.

Financial liabilities

All financial liabilities are classified as other financial liabilities.

Other financial liabilities, including any borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating the interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Treasury shares

When the company purchases its own equity share capital, the consideration paid (including directly attributable costs) is deducted from total shareholders' equity and is shown separately as 'Treasury shares' until they are reissued or cancelled. Where such shares are reissued, any consideration received is credited to the share premium account.

2.18 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. Provisions are measured at the directors' best estimate of the consideration required to settle that obligation at the date of the consolidated statement of financial position and are discounted to present value where the effect is material.

2.19 Share-based payments

The Group applies the requirements of IFRS 2 "Share-based Payment". For the purposes of this financial information, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2006.

The Group issues equity-settled share-based payments to certain employees. These are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the directors' estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Where a grant of equity-settled share-based payments is not subject to vesting conditions, the fair value determined at the grant date is expensed immediately.

Fair value is measured by use of the Black-Scholes model. The expected life applied in the model has been adjusted based on the directors' best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. As the Company's shares are not listed on a recognised stock exchange and therefore no readily available market price exists for the shares, the share price has been estimated using a generally accepted business valuation method. Share price volatility has been estimated as the average of the volatility applying to a comparable group of listed companies.

Notes to the consolidated financial statements

For the year ended 30 September 2012

2.20 Dividends

Dividend distributions to the Company's shareholders are recognised in the period in which the dividends are paid. Final dividends declared after the reporting period are not included as a liability in the financial statements but are disclosed in the notes to the financial statements.

3. Critical accounting judgements 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.

Critical judgements in applying the Group's accounting policies

The following critical judgements have been made by the directors in applying the Group's accounting policies.

Impairment reviews of non-current assets

At each reporting date, the Group's non-current assets are reviewed for impairment where there are indicators of impairment or a review is specifically required by IAS 36. As it is not possible to test the Group's assets for impairment on an individual basis, impairment reviews are carried out on a CGU basis. In order to determine an asset's recoverable amount, the directors review the expected future cash flows of the CGU to which the asset is allocated.

There are a number of estimations that the directors have used to forecast the expected future cash flows of the CGUs that have been reviewed. Key judgements in arriving at these estimations include:

(i) The revenue generated by the future demand for the Group's products and services;

(ii) the anticipated future costs attributable to the supply of the Group's products and services; and

(iii) the level of ongoing maintenance expenditure required on the Group's assets in order to generate the expected level of cash flows.

4. Revenue

	2012 £'000	2011 £'000
An analysis of the consolidated revenue is as follows:		
Investment administration services	44,416	34,848
Dealing and custody services	7,349	6,722
Total	51,765	41,570

5. Administrative expenses

		2012 £'000	2011 £'000
Additional FSCS levy	(note i)	-	514
Other administrative expenses		25,405	22,116
Total		25,405	22,630

(i) The FSCS is funded by levies on firms authorised by the FSA and is in place to protect customers of failed institutions in the industry. The levy incurred in the prior year was disclosed separately because it was expected to be one-off in nature and amount. It is now apparent that these levies will become more regular as the number of failed firms increases. Therefore, the directors now view the levies as regular operating costs and as such, the costs incurred in the current year have been included within other administrative expenses.

6. Profit for the financial year

	Notes	2012 £'000	2011 £'000
Profit for the financial year has been arrived at after charging/(crediting):			
Amortisation of intangible assets	14	728	705
Depreciation of tangible assets	15	443	406
Loss/(profit) on disposal of intangible assets		1	(1)
Loss on disposal of tangible assets		1	12
Operating lease rentals:			
Other assets	25	676	731
Staff costs	7	15,158	13,692
Auditor's remuneration for the audit of the Company's annual financial statements		10	13
Auditor's remuneration for the audit of the Company's subsidiaries pursuant to legislation		43	44
Auditor's remuneration for other services to the Group		27	22

Notes to the consolidated financial statements

For the year ended 30 September 2012

7. Employee benefit costs and employee numbers

	2012 No.	2011 No.
The average number of employees (including executive directors) in the continuing operations of the Group during the year ended 30 September 2012 was:		
Administrative functions	416	366

The aggregate employee costs for the continuing operations of the Group were as follows:

	2012 £'000	2011 £'000
Short-term employee benefits	13,413	12,046
Social security costs	1,453	1,329
Retirement benefit costs	259	172
Termination benefits	33	145
	15,158	13,692

Remuneration of key management personnel

	2012 £'000	2011 £'000
Key management personnel is represented by the Board of directors as shown on page 19 and the EMB as shown on page 20:		
Short-term employee benefits	1,737	1,446
Retirement benefit costs	64	10
Share-based payments	-	1
Termination benefits	-	145
	1,801	1,602

Remuneration of directors

The following costs relate to the Board of directors as shown on page 19:

	2012 £'000	2011 £'000
Short-term employee benefits	930	771
Retirement benefit costs	50	-
Share-based payments	-	1
Termination benefits	-	145
	980	917

Remuneration of highest paid director

	2012 £'000	2011 £'000
Short-term employee benefits	637	492
Retirement benefit costs	50	-
	687	492

8. Investment revenue

	2012 £'000	2011 £'000
Interest on bank deposits	169	119

9. Finance costs

	2012 £'000	2011 £'000
Obligations under finance leases	14	3
Other	14	10
	28	13

10. Taxation

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

	2012 £'000	2011 £'000
Current tax	6,504	5,006
Adjustment in respect of prior years	68	-
Deferred tax	161	173
Adjustment to deferred tax in respect of prior years	(32)	(26)
Adjustment to deferred tax in respect of share options exercised	(9)	-
Effect of decrease in tax rate on opening asset	10	11
	6,702	5,164

Corporation tax is calculated at 25% of the estimated assessable profit for the financial year (2011: 27%).

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

	2012 £'000	2011 £'000
Deferred tax relating to share-based payments (see note 18)	(11)	303
Current tax relief on exercise of share options	(10)	(302)
	(21)	1

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

	2012 £'000	2011 £'000
Profit before tax	26,501	19,046
Profit before tax multiplied by a pro-rata rate of Corporation Tax in the UK of 25% (2011: 27%)	6,625	5,142
Effects of:		
Expenses not deductible	63	78
Deduction on share options exercised	(22)	(320)
Adjustment in respect of prior year	68	-
Adjustment to deferred tax in respect of prior year	(32)	(26)
Adjustment to deferred tax in respect of share options exercised	(7)	-
Recognised through reserves	10	302
Tax rate decrease	(3)	9
Effects of subsidiary liable at small companies rate	-	(21)
Total tax expense for the year	6,702	5,164
Effective tax rate	25.3%	27.1%

During the period the Group has reflected the change in the substantively enacted tax rate from 26% to 24%. The Government has also indicated that it intends to enact a future reduction in the main tax rate of 1% down to 22% by 1 April 2014. The future main tax rate reduction is not expected to have a material impact on the financial statements.

11. Dividends

	2012 £'000	2011 £'000
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the year ended 30 September 2011 of 13.00p (2010: 10.50p) per share	5,214	4,188
Interim dividend for the year ended 30 September 2012 of 9.50p (2011: 8.00p) per share	3,810	3,199
Ordinary dividends paid on equity shares	9,024	7,387
Proposed final dividend for the year ended 30 September 2012 of 15.25p (2011: 13.00p) per share	6,129	5,203

Dividends are payable on all classes of issued and fully or partially paid up shares as disclosed in note 22.

12. Earnings per share

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

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

	2012 £'000	2011 £'000
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent company	19,799	13,882

Number of shares

	Number of shares 2012	Number of shares 2011
Weighted average number of ordinary shares (for the purpose of basic earnings per share) in issue during the year	40,086,107	39,870,485
Effect of potentially dilutive share options	203,143	176,960
Weighted average number of ordinary shares for the purposes of fully diluted earnings per share	40,289,250	40,047,445

13. Goodwill

	2012 £'000	2011 £'000
Cost		
At 1 October and 30 September	532	532
Accumulated impairment losses		
At 1 October and 30 September	112	112
Carrying value at 30 September	420	420

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

Dealing and custody CGU

The total goodwill recognised in the statement of financial position arose on the acquisition of A J Bell Securities Limited during the year ended 30 September 2008. The directors attributed a substantial proportion of the consideration to the value of the customer list present in the business. The useful life of this customer list was estimated as being 10 years on the date of acquisition.

For the purposes of impairment testing, goodwill is allocated to the dealing and custody CGU. The recoverable amount of the assets contained within this CGU is determined by estimating its value-in-use; the discounted future cash flows attributable to the CGU are projected over the remaining 6-year life of the customer list, based on the most recent forecasts approved by the Board.

The directors have exercised the following key judgements in estimating the future cash flows:

Revenue

Different growth rates have been used across the various services contained within the CGU. The average growth rate used to extrapolate cash flow projections beyond the most recent budget approved by the Board is 17%.

Administrative expenses

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.

Asset maintenance

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

Discount rate

A discount rate of 5% has been applied to the forecast cash flows in order to estimate the value-in-use of the CGU. Based on these key judgements, the estimated value-in-use of the CGU comfortably supports the carrying values of the assets held within it.

In addition to the impairment review carried out as described above, 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. The results of these revised calculations continue to support the carrying values of the assets contained in the CGU.

Following their review of the dealing and custody CGU, the directors are satisfied that goodwill is not impaired.

14. Other intangible assets

	Computer software £'000	Assets under construction £'000	Non - contractual customer relationships £'000	Key operating system £'000	Total £'000
Cost					
At 1 October 2010	4,705	1,815	1,523	-	8,043
Additions	199	3,122	-	-	3,321
Transfer	405	(1,408)	-	1,003	-
Disposals	(4)	-	-	-	(4)
At 30 September 2011	5,305	3,529	1,523	1,003	11,360
Additions	408	2,150	-	170	2,728
Disposals	(3)	-	-	-	(3)
At 30 September 2012	5,710	5,679	1,523	1,173	14,085
Amortisation					
At 1 October 2010	3,798	-	418	-	4,216
Charge for the financial year	507	-	152	46	705
Disposals	(1)	-	-	-	(1)
At 30 September 2011	4,304	-	570	46	4,920
Charge for the financial year	464	-	152	112	728
Disposals	(2)	-	-	-	(2)
At 30 September 2012	4,766	-	722	158	5,646
Carrying value at 30 September 2011	1,001	3,529	953	957	6,440
Carrying value at 30 September 2012	944	5,679	801	1,015	8,439
Average remaining amortisation period	2 years 2 months	N/a	5 years 3 months	8 years 7 months	

Assets under construction

During the year ended 30 September 2010, the Group embarked upon a project to renew its IT infrastructure and administration systems in order to enhance its products and services. This project continued throughout the prior year and current year and remained ongoing at the year-end.

The first phase of the project was completed during the prior year and the asset generated was brought into use. The costs specifically relating to the completed components of the system were approximately £1.4m. These costs were transferred from assets under construction into the appropriate category of other intangible assets on the date that the asset was brought into use.

The costs associated with the continuing part of the project have been classified as assets under construction.

At the date of the consolidated statement of financial position, approximately £5.7m of costs (2011: £3.5m) had been incurred in acquiring intangible assets which have been classified as assets under construction. These costs are a mixture of purchased software, external consultancy costs, other external costs and internal staff costs. The total costs incurred at the reporting date are analysed as follows:

	2012 £'000	2011 £'000
Purchased software	3	-
External consultancy costs	3,650	2,241
Other external costs	20	20
	3,673	2,261
Internal costs	2,006	1,268
Total assets under construction	5,679	3,529

Having reviewed the recoverable amount of the asset, the directors are satisfied that it supports the costs capitalised as assets under construction.

At the date of the consolidated statement of financial position, the Group had a contracted commitment of £76,000 (2011: £82,000). This commitment relates to the ongoing project to renew its IT infrastructure and administration systems, for which the costs to date are disclosed as assets under construction.

15. Property, plant and equipment

	Leasehold improvements £'000	Computer equipment £'000	Office equipment £'000	Assets under construction £'000	Total £'000
Cost					
At 1 October 2010	536	1,539	699	118	2,892
Additions	-	74	97	-	171
Disposals	-	(258)	(9)	-	(267)
Transfers	-	118	-	(118)	-
At 30 September 2011	536	1,473	787	-	2,796
Additions	13	311	189	-	513
Disposals	(6)	(56)	-	-	(62)
At 30 September 2012	543	1,728	976	-	3,247
Depreciation					
At 1 October 2010	308	1,045	442	-	1,795
Charge for the financial year	70	210	126	-	406
Disposals	-	(246)	(9)	-	(255)
At 30 September 2011	378	1,009	559	-	1,946
Charge for the financial year	54	249	140	-	443
Disposals	(6)	(55)	-	-	(61)
At 30 September 2012	426	1,203	699	-	2,328
Carrying amount at 30 September 2011	158	464	228	-	850
Carrying amount at 30 September 2012	117	525	277	-	919

During the year, additions of property, plant and equipment under finance leases totalled £160,000 (2011: £54,000).

The carrying amount of the Group's office equipment includes an amount of £164,000 (2011: £51,000) in respect of assets held under finance leases.

At the year-end, the Group had no commitments (2011: £Nil) to purchase any tangible fixed assets.

16. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation, and proportion of ownership interest is given in note 4 to the Company's separate financial statements.

Notes to the consolidated financial statements

For the year ended 30 September 2012

17. Other financial assets

Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	3,769	3,687
Prepayments and accrued income	4,200	3,503
Total trade and other receivables	7,969	7,190

The directors consider that the carrying value of trade and other receivables approximates to their fair value.

The maturity profile of the Group's trade receivables was as follows:

	2012 £'000	2011 £'000
Neither past due nor impaired	3,542	3,479
31 to 60 days	12	3
61 to 90 days	31	42
91 days and over	349	237
	3,934	3,761
Less provision for doubtful debts	(165)	(74)
Trade receivables per consolidated statement of financial position	3,769	3,687

The movement in the provision for doubtful debts is as follows:

	2012 £'000	2011 £'000
At 1 October	74	66
Amounts charged to the income statement as irrecoverable	135	43
Amounts recovered during the year	(44)	(35)
At 30 September	165	74

The directors have reviewed the collectability of all receivables and are satisfied that those balances not otherwise provided against are recoverable.

Client and market receivables

	2012 £'000	2011 £'000
Client and market receivables	17,785	22,209

Client and market receivables relate entirely to the stockbroking business and arise during the share settlement process. Client and market receivables are subject to the same valuation methodology as trade and other receivables.

Cash and cash equivalents

	2012 £'000	2011 £'000
Cash and cash equivalents	29,120	18,813
Clients' settlement cash balances	10,033	9,981
Total	39,153	28,794

Cash and cash equivalents comprise cash held by the Company and any of its operating subsidiaries. It also includes short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value. Any client bank accounts in foreign currency have been translated into sterling at the prevailing exchange rate at the statement of financial position date.

Clients' settlement cash balances are those amounts of cash held on behalf of clients by A J Bell Securities Limited in accordance with the FSA's client money rules and arise in the settlement process of share transactions. All other clients' and trustees' cash balances are not included.

Financial assets

Financial assets consist of cash and cash equivalents, trade receivables and client and market receivables and total £60,707,000 (2011: £54,690,000).

Risks arising from financial assets

Credit and bank default risk

The Group's credit risk extends to its principal financial assets. These are cash balances held with banks and trade and other receivables.

As regards trade receivables, 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 directors continue to monitor the strength of the banks used by the Group. The banks used by the Group are Bank of Scotland plc, HSBC Bank plc, The Royal Bank of Scotland plc, Brown Brothers Harriman & Co. and Bank of Ireland (UK) plc.

Bank of Scotland plc, the Group's principal banker, is substantial and is 100% owned by Lloyds Banking Group in which the UK Government has a significant strategic stake. The degree of state ownership is closely monitored by the Group. All of the banks currently used by the Group have long-term credit ratings of at least A (Fitch) or A3 (Moody's), apart from the Bank of Ireland (UK) plc, which currently has ratings of BBB (Fitch) and Ba1 (Moody's). 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.

Embedded derivatives

In accordance with IAS39, 'Financial Instruments: Recognition and Measurement', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. The directors are satisfied that there are no material embedded derivatives held by the Group.

Notes to the consolidated financial statements

For the year ended 30 September 2012

18. Deferred tax

The following are the major deferred tax assets/ (liabilities) recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £'000	Share-based payments £'000	Short-term timing differences £'000	Total £'000
At 1 October 2010	290	416	(283)	423
Credit/(charge) to the income statement	(227)	4	65	(158)
(Charge) to equity	-	(303)	-	(303)
At 1 October 2011	63	117	(218)	(38)
Credit/(charge) to the income statement	(213)	9	75	(129)
Credit to equity	-	11	-	11
At 30 September 2012	(150)	137	(143)	(156)

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 2012.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2012 £'000	2011 £'000
Deferred tax asset	137	180
Deferred tax (liability)	(293)	(218)
Net deferred tax (liability)	(156)	(38)

19. Obligations under finance leases

Minimum lease payments

	2012 £'000	2011 £'000
Amounts payable under finance leases:		
Within one year	64	26
In the second to fifth years inclusive	145	29
After five years	-	-
	209	55
Less: future finance charges	(40)	(5)
Present value of lease obligations	169	50

Present value of minimum lease payments

Amounts payable under finance leases:

	2012 £'000	2011 £'000
Within one year	48	23
In the second to fifth years inclusive	121	27
After five years	-	-
Present value of lease obligations	169	50

It is the Group's policy to lease certain items of office equipment under finance leases. The average lease term is between three and five years. All lease obligations are denominated in sterling. The fair value of the Group's lease obligations approximates to their carrying amount.

20. Other financial liabilities

Trade and other payables

	2012 £'000	2011 £'000
Trade payables	587	485
Social security and other taxes	902	923
Accruals and deferred income	3,185	2,719
	4,674	4,127

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

	2012 £'000	2011 £'000
Client and market payables	27,471	31,754

Client and market payables arise from the settlement process of share transactions in the stockbroking business.

Non-current payables

	2012 £'000	2011 £'000
Other payables	10	14

Financial liabilities

Financial liabilities consist of trade payables, client and market payables and obligations under finance leases.

The following details the Group's remaining contractual maturity for its non-derivative financial liabilities.

	Less than 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Total £'000
2012					
Fixed rate instruments	27,980	37	89	121	28,227
2011					
Fixed rate instruments	32,164	-	98	27	32,289

Risks arising from financial liabilities

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 clients. The Group is a highly cash generative business and maintains sufficient cash and standby banking facilities to fund its foreseeable trading requirements. Where clients' funds are deposited on a term basis with banks, the Group's policy ensures that funds are available on client demand.

21. Provisions

	FSCS levy £'000	Office dilapidations £'000	Total £'000
At 1 October 2011	86	136	222
Utilised in the year	(50)	-	(50)
Charged in the year	85	144	229
At 30 September 2012	121	280	401
Included in current liabilities	121	-	121
Included in non-current liabilities	-	280	280

The Group is contractually obliged to reinstate its two leased properties to their original state and layout at the end of the lease terms. The office dilapidations provision represents the directors' best estimate of the present value of costs which will ultimately be incurred in settling these obligations.

The FSCS levy provision represents an estimate of potential further levies in respect of tariff data resubmissions for the year ended 31 March 2011 and an expected interim levy for the year ending 31 March 2013.

22. Share capital

	2012 £	2011 £
Authorised:		
100,239,482 ordinary shares of 0.1p each	100,239	100,239
900,000 ordinary non-voting shares of 0.1p each	900	900
8,860,518 A non-voting ordinary shares of 0.1p each	8,861	8,861
	110,000	110,000
Issued, fully-called and paid:		
37,927,602 (2011: 37,903,878) ordinary shares of 0.1p each	37,928	37,904
75,000 (2011: 75,000) ordinary non-voting shares of 0.1p each	75	75
1,893,967 (2011: 1,913,681) A non-voting ordinary shares of 0.1p each	1,894	1,914
	39,897	39,893
Issued, partly-called and paid:		
77,910 (2011: 77,910) A non-voting ordinary shares of 0.1p each – 10% partly-called and paid	8	8
155,739 (2011: 10,000) A non-voting ordinary shares of 0.1p each – 0.3% partly-called and paid	1	-
	9	8
Issued, fully-called and partly-paid:		
45,336 (2011: 45,336) A non-voting ordinary shares of 0.1p each – fully-called, 10% partly-paid	4	4
Total value of issued, fully or partly-paid shares	39,910	39,905

The following share transactions have taken place during the year:

Transaction type	Share class	Number of shares	Premium £'000
Exercise of EMI options	A non-voting ordinary shares of 0.1p each	15,000	3
Exercise of CSOP options	A non-voting ordinary shares of 0.1p each	23,724	46
New issue under OTB	A non-voting ordinary shares of 0.1p each, 0.3% partly-paid	145,739	1
New issue under OTB	A non-voting ordinary shares of 0.1p each	286	2
Repurchase and cancellation	A non-voting ordinary shares of 0.1p each	(35,000)	(8)
			44

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

23. Treasury shares

At the date of the statement of financial position, the Company held 45,336 0.1p A non-voting ordinary 10% partly-paid shares (2011: 45,336), pending reissue.

24. Notes to the statement of cash flows

	2012 £'000	2011 £'000
Profit for the financial year	19,799	13,882
Adjustments for:		
Investment revenue	(169)	(119)
Finance costs	28	13
Income tax expense	6,702	5,164
Depreciation of property, plant and equipment	443	406
Amortisation of intangible assets	728	705
Share-based payment expense	13	73
Deferred tax effect of share-based payments	11	(303)
Tax relief on exercise of share options	10	302
Increase in provisions and other payables	175	100
Loss/(Profit) on disposal of intangible assets	1	(1)
Loss on disposal of fixed assets	1	12
Operating cash flows before movements in working capital	27,742	20,234
Decrease/(increase) in receivables	3,645	(7,538)
(Decrease)/increase in payables	(3,736)	5,870
Cash generated from operations	27,651	18,566
Income taxes paid	(5,331)	(4,780)
Interest paid	(28)	(13)
Net cash from operating activities	22,292	13,773

25. Operating leases

	2012 £'000	2011 £'000
The Group as lessee:		
Minimum lease payments under operating leases recognised as an expense in the year	676	731

At the date of the consolidated statement of financial position, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases as shown in the table presented below. The calculations represent the minimum payments up to the next available break point in each of the Group's leases.

	2012 £'000	2011 £'000
Within one year	653	732
In the second to fifth years inclusive	1,902	1,229
	2,555	1,961

Presented below are the minimum lease payments to which the Group would be contractually obligated if all break options were removed:

	2012 £'000	2011 £'000
Within one year	653	732
In the second to fifth years inclusive	2,611	1,722
After five years	4,759	330
	8,023	2,784

Operating lease payments represent rentals payable by the Group for its office properties. At original inception, office property leases are negotiated for an average term of ten to fifteen years and rentals are fixed for an average of five years.

26. Share-based payments

Equity-settled share option schemes

During the year there have been two HMRC-approved share option schemes in operation, an EMI scheme and CSOP. Following amendments to the EMI thresholds, the Group ceased to qualify as an eligible participant and the EMI scheme was closed to new entrants in July 2008. The CSOP was created in July 2009 to replace the EMI scheme, and to ensure that equity ownership for all levels of employees within the organisation continued to be facilitated.

All unexercised options granted under the EMI scheme prior to July 2008 are fully vested and remain exercisable. Options granted under the EMI scheme are usually forfeited if the employee leaves the Group before the option expires. There were no unvested EMI scheme options in existence during the current or prior year. Therefore, there was no share-based payment expense in respect of the EMI scheme in either the prior year or current year, nor will there be any expense in future accounting periods.

Options granted under the CSOP vest between three and ten years after the date of grant. They are exercisable at a price determined by the directors but not materially less than the greater of the market value of a share on the date of grant and, in the case of an option which is a right to subscribe for shares, the nominal value of the share. Options granted under the CSOP 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. The expense recognised in the year to 30 September 2012 was £12,754 (2011: £14,004).

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

During the period, a total of 70,597 options were granted under the CSOP. The fair value of these options has been estimated using the Black-Scholes method.

The inputs to that model for this new issue of options are listed below:

Fair value of share from generally accepted business model (£)	3.50
Exercise price of an option (£)	3.50
Expected volatility	25%
Expected dividend yield	6.00%
Risk free interest rate	0.52%
Expected option life to exercise (months)	36

The share price at the date of grant of all options is based on the market value of the shares on that date. As the Company is unlisted, it has no readily available share price and so its share value is calculated using dividend and earnings-based models to determine a range of valuations. The average price indicated by these two valuations is assumed to be the approximate market value at the date of grant and is agreed with HMRC prior to the granting of 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 and 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.

Details of the aggregate share options (EMI and CSOP) outstanding during the year are as follows:

Reconciliation of the movement in the number of share options:

	2012		2011	
	Number of options	Weighted average exercise price (£)	Number of options	Weighted average exercise price (£)
Outstanding at beginning of period	415,757	1.72	801,635	0.80
Granted during the period	70,597	3.50	68,667	3.00
Exercised during the period	(38,724)	1.25	(405,000)	0.22
Forfeitures	(32,928)	1.92	(49,545)	0.92
Outstanding at the end of the period	414,702	2.05	415,757	1.72
Exercisable at the end of the period	260,866	1.40	137,090	0.77

The Company is unlisted; therefore no quoted price is available for its stock.

The lowest exercise price for share options outstanding at the end of the period was 22p (2011: 22p) and the highest exercise price was 350p (2011: 300p). The weighted average remaining contractual life of share options outstanding at the end of the period was 7 years and 1 month (2011: 7 years and 8 months).

Option to buy shares scheme

The Group continues to operate its OTB scheme which was introduced during the year ended 30 September 2011.

During the current year, the first awards under this scheme were made to members. This consisted of the 70,597 share options granted under the CSOP and the issue of A non-voting ordinary shares as disclosed in note 22. The A non-voting ordinary shares were issued at market value and therefore no share-based payment charge was recognised in respect of these shares.

27. Related party transactions

Subsidiaries

The Company has a related party relationship with its subsidiaries. Transactions between the Company and its subsidiaries and between subsidiaries have been eliminated on consolidation.

Key management personnel

The Group has a related party relationship with its directors and members of the senior management team (the "key management personnel"). Remuneration of key management personnel is disclosed in note 7. During the year there were no material transactions or balances between the Group and its key management personnel or members of their close family, other than noted below.

Directors

Remuneration of the directors is disclosed in note 7.

Charitable donations

During the year, the Group made donations totalling £309,997 (2011: £37,000) to the A J Bell Trust, a registered charity of which Mr A J Bell is a trustee.

Included in the above amount is £184,997 (2011: £Nil) which was paid by the Group following the waiving of remuneration by Mr Bell. Mr Bell sacrificed the right to receive performance-related bonuses to which he would have become entitled, requesting that an equivalent amount be instead paid to the A J Bell Trust. The related donations, totalling £164,997 in December 2011 and £20,000 in June 2012, were approved by the Board.

28. Events after the date of the consolidated statement of financial position

At the date of approval of these consolidated financial statements, the directors are not aware of any material events after the date of the consolidated statement of financial position.

Company balance sheet

As at 30 September 2012

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed assets					
Investments	4		5,555		5,555
Current assets					
Debtors:	5				
- due within one year		9,764		7,770	
- due after one year		9		7	
		9,773		7,777	
Cash at bank and in hand		18,048		10,721	
			27,821		18,498
Current liabilities					
Creditors: Amounts falling due within one year	6		(2,665)		(1,298)
Net assets			30,711		22,755
Capital and reserves					
Called up share capital	7		40		40
Share premium account	9		617		573
Profit and loss account	9		30,054		22,142
Shareholders' funds	10		30,711		22,755

The financial statements of A J Bell Holdings Limited (registered number 04503206) were approved by the Board of directors and authorised for issue on 12 December 2012. They were signed on its behalf by:

Michael Summersgill
Director

1. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historic cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The accounting policies that are different to those used in the preparation of the consolidated financial statements are summarised below. They have all been applied consistently throughout the year and the preceding year.

The separate statements have been prepared on a going concern basis. The directors believe that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the date the financial statements are adopted.

Investments

Investments in subsidiary undertakings are shown at cost less provision for impairment.

Taxation

The charge or credit for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2. Profit for the financial year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the year ended 30 September 2012 of £16,923,000 (2011: £15,659,000). 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 6 to the consolidated financial statements.

3. Charitable donations

During the year, the Company made charitable donations of £125,000 (2011: £42,500).

4. Investments

	£'000
Cost	
At 1 October 2011 and 30 September 2012	5,957
Provisions for impairment	
At 1 October 2011 and 30 September 2012	402
Net book value at 30 September 2011 and 30 September 2012	5,555

The Company has investments in the ordinary share capital of the following subsidiaries:

Name of Company	Country of incorporation	Principal activity	Holding %
A J Bell Limited *	England	Investment/Group administration	100
A J Bell Trustees Limited	England	Dormant	100
Ken Hovers (Pension Consultants) Limited	England	Dormant	100
Ashby London Trustees Limited	England	Dormant	100
A J Bell Number 2 Limited *	England	Dormant	100
Ashby London Actuarial Services Limited *	England	Dormant	100
A J Bell Management Limited *	England	Investment administration	100
Sippdeal Trustees Limited	England	Dormant	100
A J Bell (PP) Trustees Limited	England	Dormant	100
Whitehead Trustees Limited	England	Dormant	100
Ashby London (PP) Trustees Limited	England	Dormant	100
Sippdeal Limited	England	Dormant	100
Fi Software Limited *	England	Dormant	100
A J Bell Securities Limited *	England	Dealing and custody	100
Lawshare Nominees Limited	England	Dormant	100

* Held directly by A J Bell Holdings Limited.

5. Debtors

	2012 £'000	2011 £'000
Due within one year:		
Trade debtors	1,873	1,455
Amounts owed by Group undertakings	7,768	6,184
Prepayments and accrued income	123	131
	9,764	7,770

	2012 £'000	2011 £'000
Due after one year:		
Deferred tax asset relating to share-based payments	9	7

6. Creditors - Amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	-	15
Amounts owed to Group undertakings	161	448
Corporation tax	2,465	795
Accruals and deferred income	39	40
	2,665	1,298

7. Called up share capital

The Company's share capital is disclosed in note 22 to the consolidated financial statements.

8. Treasury shares

Details of shares held by the Company at the balance sheet date are disclosed in note 23 to the consolidated financial statements.

9. Reserves

	Share premium £'000	Profit & loss £'000
At 1 October 2011	573	22,142
Retained profit for the financial year	-	16,923
Issue of new shares	52	-
Share repurchase and cancellation	(8)	-
Dividends paid	-	(9,024)
Credit to equity for equity-settled share-based payments	-	13
At 30 September 2012	617	**30,054**

10. Reconciliation of movement in equity shareholders' funds

	2012 £'000	2011 £'000
Retained profit for the financial year	16,923	15,659
Credit to equity for equity-settled share-based payments	13	73
Dividends	(9,024)	(7,387)
	7,912	8,345
Proceeds from issue of new shares	52	331
Repurchase of own shares	(8)	-
Net addition to shareholders' funds	7,956	8,676
Opening shareholders' funds at 1 October	22,755	14,079
Closing shareholders' funds at 30 September	30,711	22,755

Five-year summary

For the year ended 30 September 2012

	IFRS				
	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Results					
Revenue	51,765	41,570	35,435	38,491	24,532
Profit from operations	26,360	18,940	16,047	16,298	9,501
Profit before tax	26,501	19,046	16,122	16,420	9,686
Profits attributable to equity holders of A J Bell Holdings Limited	19,799	13,882	11,823	11,538	6,974
Assets employed					
Non-current assets	9,778	7,710	5,767	3,892	4,202
Current assets	64,907	58,193	47,282	59,230	24,566
Current liabilities	(35,711)	(38,134)	(32,281)	(45,828)	(18,588)
Non-current liabilities	(287)	(79)	(30)	(38)	(453)
Long-term provisions	(280)	(136)	(82)	(72)	(169)
Net assets	38,407	27,554	20,656	17,184	9,558
Financed by					
Equity	38,407	27,554	20,656	17,184	9,558
Key statistics					
Earnings per share (pence)	49.39	34.82	29.91	29.33	17.93
Fully diluted earnings per share (pence)	49.14	34.66	29.51	28.71	17.59
Dividends paid in year (pence per share)	22.50	18.50	22.00	10.75	9.55
Dividend declared with respect to profits generated in year (pence per share)	24.75	21.00	18.50	18.25	10.75

Definitions

The following definitions are used throughout the annual report and financial statements:

Board, Directors	The Board of Directors of A J Bell Holdings Limited
Company	A J Bell Holdings Limited
CGU	Cash Generating Unit
CSOP	Company Share Option Plan
EMB	Executive Management Board
EMI	Enterprise Management Incentive
FSA	Financial Services Authority
FSCS	Financial Services Compensation Scheme
Group	A J Bell Holdings Limited and its wholly owned subsidiaries
HMRC	HM Revenue and Customs
ISA	Individual Savings Account
KOS	Key Operating System
OTB	Option to Buy Shares Scheme
RDR	Retail Distribution Review
SIPP	Self Invested Personal Pension
SSAS	Small Self Administered Scheme

Company information

Company number	04503206
Company Secretary	Bruce Robinson
Registered office	Trafford House Chester Road Manchester M32 0RS
Auditor	KPMG Audit Plc St James' Square Manchester M2 6DS
Principal banker	Bank of Scotland plc 1 Lochrin Square 92-98 Fountainbridge Edinburgh EH3 9QA

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