AJBell Holdings Limited

A year of consolidation and growth

Annual Report & Financial Statements 2013

Company registration number 04503206


56%
81%

Contents

About us

Over
86,000 customers trust us with their investments

This year we celebrated our 18th birthday - an important milestone for a business that has truly come of age in the past 12 months.

Guiding principles

The key to our success is our guiding principles. More than just a wish list of desirable attributes, our principles define us and the way we do business. The following statements genuinely reflect the people we employ and the way our customers experience these values in our service.

Intelligent

We know our stuff.

We are experienced, knowledgeable, thoughtful and aware.

Principled

We do the right thing.

We don't sell, we help. We are open and honest. We care and speak up for our customers.

Personal

We are human. Not corporate.

We treat people as people and put customers at the heart of our business. We talk, listen and take notice, respect other people and each other.

Over

£20 billion of assets under administration

Once known as a small company that punched above its weight, today AJ Bell is firmly established as one of the largest, most influential investment platforms and stockbrokers in the UK.

Over

500 employees at three UK offices

Our combination of wide investment choice, great service and market-leading prices continues to attract advisers and DIY investors from across the UK. As a result, we have continued to grow in 2013 - despite a challenging economic environment.

Focussed

We give customers what they need.

Not what they don't.

We offer great service and value. We are specialists and good at what we do. We pay attention to detail and aim to get it right, first time.

Straightforward

We make it easy and accessible.

We are down-to-earth, speak plain English and simplify the complex.

Energetic

We never stand still.

We have a can-do attitude. We turn ideas into reality. We are restless, enthusiastic and always looking for ways of doing things better.

Awards

Once again, we have received a number of prestigious industry awards this year. Some of these accolades are awarded by judging panels of industry experts, others are voted for by the people who use our services each day.

Best Online service
Investment Life & Pensions Moneyfacts Awards 2013

Leading platform-enabled retirement proposition
Aberdeen UK Platform Awards 2013

Best low-cost SIPP provider
Moneywise Pensions Awards 2013

Best low-cost SIPP provider
Your Money Awards 2013

Gold service rating – SIPP service
Money Marketing Service Ratings survey 2013

5 Stars – Life and Pensions Provider
FTAdviser.com Online Service Awards 2013

Best SIPP provider
The City of London Wealth Management Awards 2013

Best low-cost SIPP provider of the year
Investors Chronicle and Financial Times Investment Awards 2012

Best full SIPP provider of the year
Investors Chronicle and Financial Times Investment Awards 2012

4 Stars – Life & Pensions Provider
Financial Adviser Service Awards 2012

Best SIPP provider
Shares Awards 2012

Sponsorship and brand awareness

In 2013 we began a journey to increase our brand awareness by entering into a number of sponsorship deals. We were looking for opportunities that reflected our own strong connection with Manchester, as well as our national reach. Crucially, any sponsorship deal would also have to provide significant exposure to an audience that closely matched our customer base.

The first deal to be completed was with Lancashire County Cricket Club, where we secured naming rights to the AJ Bell Players & Media Centre at Emirates Old Trafford. The deal also includes branding opportunities at many other locations throughout the ground. As a result of this our branding has already been seen by a huge TV audience, thanks to the Ashes Test Match that was held at the ground this summer.

In the autumn we sponsored the AJ Bell World Squash Championship, which was contested in Manchester. Our branding featured in all promotions associated with this high profile event, and the AJ Bell logo was front-and-centre on the main championship court. Again, our branding reached a wide TV audience, as well as coverage in the online and print media.

Our third deal was with Sale Sharks Rugby Club, whose home ground is now officially known as the ‘AJ Bell Stadium’. Standing in a prime location by the M60, this landmark venue is seen by millions of passing motorists, not to mention the many sports fans who visit the ground or watch the matches held there on TV.

Lancashire County Cricket Club

AJ BELL WORLD SQUASH CHAMPIONSHIP MANCHESTER 2013

SALE SHARKS

Corporate Social Responsibility

Fund raising activity

Our commitment to helping good causes remains strong, with our Social Committee organising a number of events to raise money for Comic Relief, Macmillan Cancer Support and Children in Need in 2013. We also continue to support staff members' individual fund raising activities through our Matched Donations Scheme.

Lakes Adventure Race

We entered a team of seven staff members into the Invesco Perpetual Lakes Adventure Race this year. By covering over 60km of mountainous terrain on foot and by mountain bike, the team managed to raise in excess of £4,000 for the Youth Adventure Trust during the gruelling two-day race. The final figure raised included a contribution from AJ Bell.

Voluntary work

As well as offering financial assistance to good causes, we are also keen to offer practical support in the community where possible. In November we encouraged several members of staff to take a paid day away from work to volunteer at Ronald McDonald House, which provides accommodation for families while their children are treated in the Royal Manchester Children's Hospital.

Maggie's Stand

As part of our long-term stadium naming rights deal with Sale Sharks Rugby Club, we have helped raise awareness of the cancer support charity Maggie's. The charity is raising funds to build a new centre at The Christie in Manchester, however it still remains relatively unknown by the public in the North West. For this reason we agreed that the North Stand of the AJ Bell Stadium will be known as 'Maggie's Stand'.

The AJ Bell Trust

The AJ Bell Trust continued its work to improve and advance the lives of young people who find themselves in need as a result of their youth, financial hardship, sickness, poor health, lack of opportunity, disability or other disadvantage. AJ Bell continues to provide financial support to the AJ Bell Trust in carrying out its objectives.

The AJ Bell Trust has made donations to a number of organisations with similar charitable objectives in 2013, including the Prince's Trust, The Christie, Wigan Youth Zone, the NSPCC and the Candlelighters Trust.

Highlights

Key business and financial information

Total assets under administration

£20.4bn

17% ↑

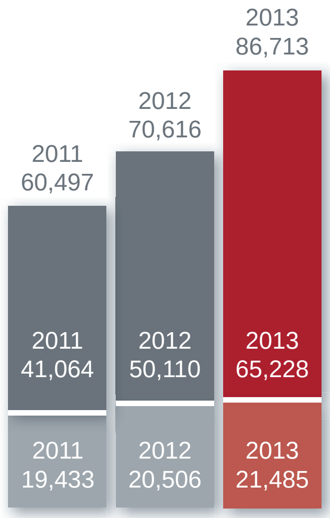
Platform assets under administration

Non-platform assets under administration

Total number of retail customers

86,713

23% ↑



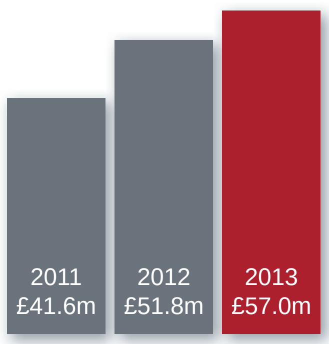
Platform retail customers

Non-platform retail customers

Revenue

£57.0m

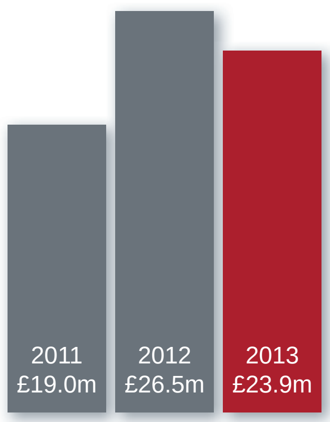
10% ↑



Profit before tax

£23.9m

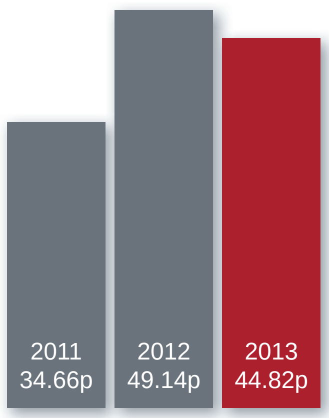
10% ↓



Diluted earnings per share

44.82p

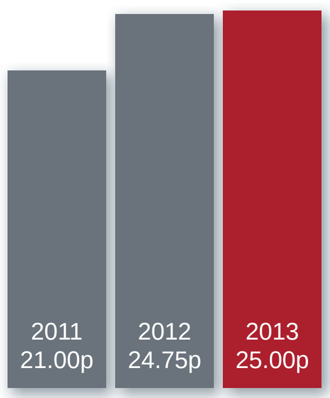
9% ↓



Total ordinary dividend

25.00p

1% ↑



Chairman's statement

I am pleased to present the annual report for the year ended 30 September 2013, which details another strong set of financial results.

Financial performance and shareholder returns

Revenues for the year are a record £57.0m, representing an increase of 10.0% against £51.8m last year. Revenue from MSM contributed £2.3m but the increase in revenue is mainly attributable to the growth in platform business, where both customer numbers and AUA grew by record amounts in the year.

Profit before tax of £23.9m is down by 9.8% in the year, which is due to a reduction in income generated from cash deposits.

This reduction in interest income was referred to in our 2012 report and is caused by a combination of low base rates and tight LIBOR spreads. These conditions are expected to persist throughout 2014 and will place downward pressure on earnings again in the next financial year.

The Board has declared a final dividend of 15.50p taking the total for the year to 25.00p, an increase of 1% against 24.75p in 2012. This represents a prudent dividend cover of 1.8 times based on earnings per share of 44.82p and very much reflects the Board's positive view of the long-term growth prospects for the business.

Governance and the Board

The Board sets the tone for governance throughout the business, operating in line with the standards expected of a publicly listed company. The Board operates by focussing on the matters reserved for its attention, which are assessed annually as part of a review of governance frameworks in the business. One of its key responsibilities is to agree the strategy with management and regularly review progress during the year. In order to provide the appropriate level of challenge, Board members meet regularly with members of the EMB in addition to receiving comprehensive updates at Board meetings.

The Board composition has remained unchanged throughout the year and all three non-executive directors continued to satisfy the criteria of independence as defined by the UK Corporate Governance Code.

The Board has met ten times during the year and is supported by three sub-committees: Audit & Risk, Remuneration and Nominations. The committees met four, three and two times respectively. I am pleased to report that the Board and its Committees achieved 100% attendance.

New Chairman

It was announced earlier this year that I will be retiring as Chairman of the Board on 31 December 2013. I have thoroughly enjoyed my seven years as Chairman and it has been a pleasure to work with Andy Bell and his outstanding management team. They can take great pride in their achievement of more than trebling revenue and profits since I joined the Board in 2007.

I am delighted to be handing over to Les Platts who has been Senior Non-executive since joining the Board in September 2008. Les is a very able and experienced businessman who will do very well in his new role as Chairman and I wish him every success.

Jim Martin
Chairman

Chief Executive's statement

The year ended 30 September 2013 was another strong year for AJ Bell. Both customer numbers and AUA reached record levels, driving strong financial performance in the year and reflecting our growing reputation as a fully fledged investment platform.

The number of retail customers increased by over 16,000 in the year, a record for the business. This 22.8% increase saw customer numbers rise from 70,616 to 86,713. This in turn fuelled growth in AUA, which increased from £17.5bn to £20.4bn, a 16.6% increase in the year. The vast majority of this growth came from our platform business, which is analysed in more detail in the Strategic Report.

The AJ Bell Way is a framework we have developed to ensure our strategy is driven by our passion to help people invest and is informed by our guiding principles. As part of this framework, each objective we set ourselves in the business falls into one of five areas of strategic focus. As well as delivering substantial growth in the year, we achieved a number of significant objectives we had set ourselves.

Growth

As the service offered by our platform propositions broadened we found ourselves questioning the relevance of our brands that were focused on the provision of specialist pension products. In addition we received feedback from both advisers and potential customers about a lack of clarity in what our brands offered. Although the decision was a difficult one, it was agreed that the Sippcentre and Sippdeal names would be retired, with AJ Bell Investcentre and AJ Bell Youinvest becoming the new names for our flagship platform propositions. The AJ Bell Youinvest name was successfully launched in November 2013, and Sippcentre will become AJ Bell Investcentre in the new calendar year. As well as reflecting the wider appeal of our platform propositions, the new names have also been more closely aligned with the AJ Bell brand and its values.

In the second half of the calendar year we completed a programme of work aimed at raising the profile of the AJ Bell brand. We had two main objectives. Firstly, we wanted to align ourselves with organisations that, like AJ Bell, had a Manchester base and a national reach. Secondly, we wanted to

Chief Executive's statement

ensure the target audience aligned with customers in our key markets. The conclusion of the work was the agreement of long-term strategic partnerships with Lancashire County Cricket Club and Sale Sharks Rugby Club, along with sponsorship of the 2013 World Squash Championships held in Manchester during the Autumn. Although clearly a long-term strategy, early customer feedback and new application levels suggest that we are already starting to benefit from this work.

Our customers and customer services

We are constantly striving to improve the resilience and usability of our websites and completed further important work on this front during the year. In October we completed the first step in a programme of work aimed at improving this element of our customers' experience when we changed the hosting provider for our dealing website. This migration has given us a more resilient environment, improved monitoring and the ability to more actively manage the performance of the site.

The project to update our IT infrastructure and migrate to our new administration system is now drawing to a close, with the final migration of SIPPs scheduled to complete in January 2014. Once complete the project will not only represent a significant milestone for the business, but will also release significant resource to focus on delivering enhancements to our products and targeted improvements to operating efficiency.

The acquisition of MSM was completed in December 2012 and provided AJ Bell with a range of high quality investment content and data. The integration of the business has progressed well and some of MSM's services are gradually being introduced to our platform propositions.

Finance and assurance

The full detail of our financial performance is presented in the financial statements within this annual report. As outlined in the Chairman's statement, the growth of our platform business contributed to record revenues but profitability was adversely impacted by reduced earnings on cash deposits, both trends that look set to continue throughout 2014. Despite the challenges presented by the current economic environment, our financial performance remains very strong and continued growth in our platform business will ensure revenue and profit return to year-on-year growth in the medium term.

Our financial position is a real strength for the business. Our net assets increased by 21.6% during the year and stood at £46.7m at the year-end. Given the increased focus from all stakeholders on the long-term sustainability of platform businesses, our strong balance sheet will increasingly become a source of competitive advantage.

Our people

During the year we completed an exercise to revisit and restate our guiding principles. The work was undertaken as part of the process that saw us rebrand our flagship platform propositions, so it not only included research with members of staff, but also advisers and customers using our services. The correlation between the characteristics our customers attributed to AJ Bell and our guiding principles was extremely strong, showing that these principles run through the whole business. Being true to these guiding principles is one reason AJ Bell is so well respected and is what has seen us build such a strong reputation for delivering a quality service over the years.

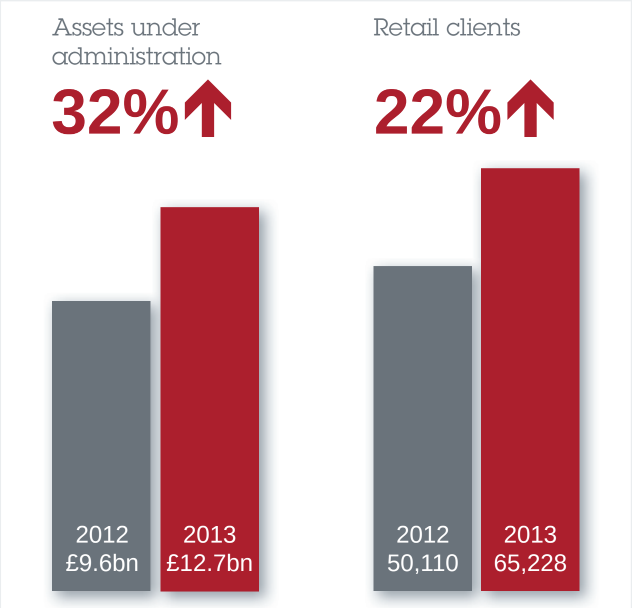
Finally, I would not only like to take the opportunity to thank all of my colleagues for their contribution in the year, but also to extend a special note of thanks to our outgoing Chairman. Jim Martin has made a major contribution to the development and success of AJ Bell. Jim has not only been a strong Chairman for AJ Bell, but also an excellent mentor to me as CEO. On behalf of the business and its shareholders, I would like to thank Jim for his service on the Board and wish him every success in the future.

Andy Bell
Chief Executive Officer

Strategic report

Platform business

Business review



Our platform propositions have been building momentum since we widened our product range to include non-pension products in 2011. The year ending 30 September 2013 has been our strongest year to date in this market, as evidenced by the growth in both AUA and customer numbers.

During the year AUA increased 32.3%, reaching £12.7bn by the end of the year. Although some of this increase was down to favourable market conditions the vast majority was driven by transfers in, contributions and subscriptions, with over £2.7bn being added to the platform by new and existing customers alike. Most of the new AUA came from new business, with over 15,000 new customers joining one of our platform propositions in the year. This flow of new business saw total platform customer numbers increase from 50,110 to 65,228.

Over the long term the average value of new customers in the market will decline, as developing platform propositions move from being targeted at high net worth individuals to being suitable for a much broader customer base. This trend was evident in the year, however it is masked somewhat by two important factors. Firstly, contributions by, and additional product sales to, existing customers contributed to the increase in AUA. Although the take-up of non-pension products increased in the year there are still over 80% of our platform customers who only use us for a single product, meaning there is still great potential to increase AUA further by attracting additional assets from existing customers. Secondly, favourable market conditions led to increased portfolio values. Over the course of the financial year the FTSE All-Share index increased by 14.8%.

Key developments and outlook

Our platform business consists of three distinct propositions, each serving a different segment of the platform market. A review of each is presented below:

Sippcentre (to be renamed AJ Bell Investcentre in 2014)

Distributed only by UK financial advisers, Sippcentre offers an award-winning SIPP, ISA, Junior ISA and GIA with a highly competitive charging structure.

Advised platforms in the UK have approximately £250bn of AUA. The Sippcentre platform is one of the largest and fastest growing platforms in this segment of the market.

Investment options and tools

One of the key themes of the RDR has been a move to a transparent charging structure for investments on platforms and in funds. Following the introduction of our market-leading unbundled pricing structure in January 2013 we have seen significant asset flows into ‘clean’ share classes and at the end of the financial year they represented 30% of all investments in funds on the platform. This is a trend that will accelerate in the new year, driven in part by further regulatory change which comes into force in April 2014. To ensure our customers continue to have the broad range of investment options they expect from Sippcentre, we have been working hard to expand our universe of clean share classes and now have over 3,500 available on the platform, in addition to nearly 1,400 investment trusts and over 600 ETFs. As highlighted in our 2012 report, the move to clean share classes is broadly profit neutral for the business.

The changes the RDR imposed on the market have the potential to lead to even lower costs of active fund management for customers, be it through ‘superclean’ share classes or unit rebates. However, there is uncertainty throughout the industry about exactly how unit rebates will operate and we are in dialogue with both the regulator and fund management groups to ensure this does not adversely affect our customers.

Strategic report

Following feedback from advisers on the potential for a wider range of customers to benefit from our low charges and broad investment universe, we broadened the functionality of our GIA earlier in the year. Our GIAs can now hold assets for trusts, charities and private companies on the platform, whilst also catering for individuals who wish to hold assets in joint names. Demand for this new service has been high following its launch and it has made a pleasing contribution to the growth in AUA.

In the second half of the year we extended the range of investments available through our Regular Investment Service, adding 70 ETFs and investment trusts to a service that now includes over 6,300 different investments. Looking ahead to next year, we will further develop our model portfolio solution by adding model portfolios managed by discretionary fund managers. These developments to the platform will boost regular contributions and ensure that customers benefit from a wide range of investment options, designed to meet different levels of need as efficiently as possible.

During the year we updated our illustration tools and added a new research centre. Looking ahead to the new calendar year we will be enhancing the links between our platform and popular back office systems used by advisers. This will improve operational efficiency for both the financial advisers and for us, helping to keep cost low for them and customers.

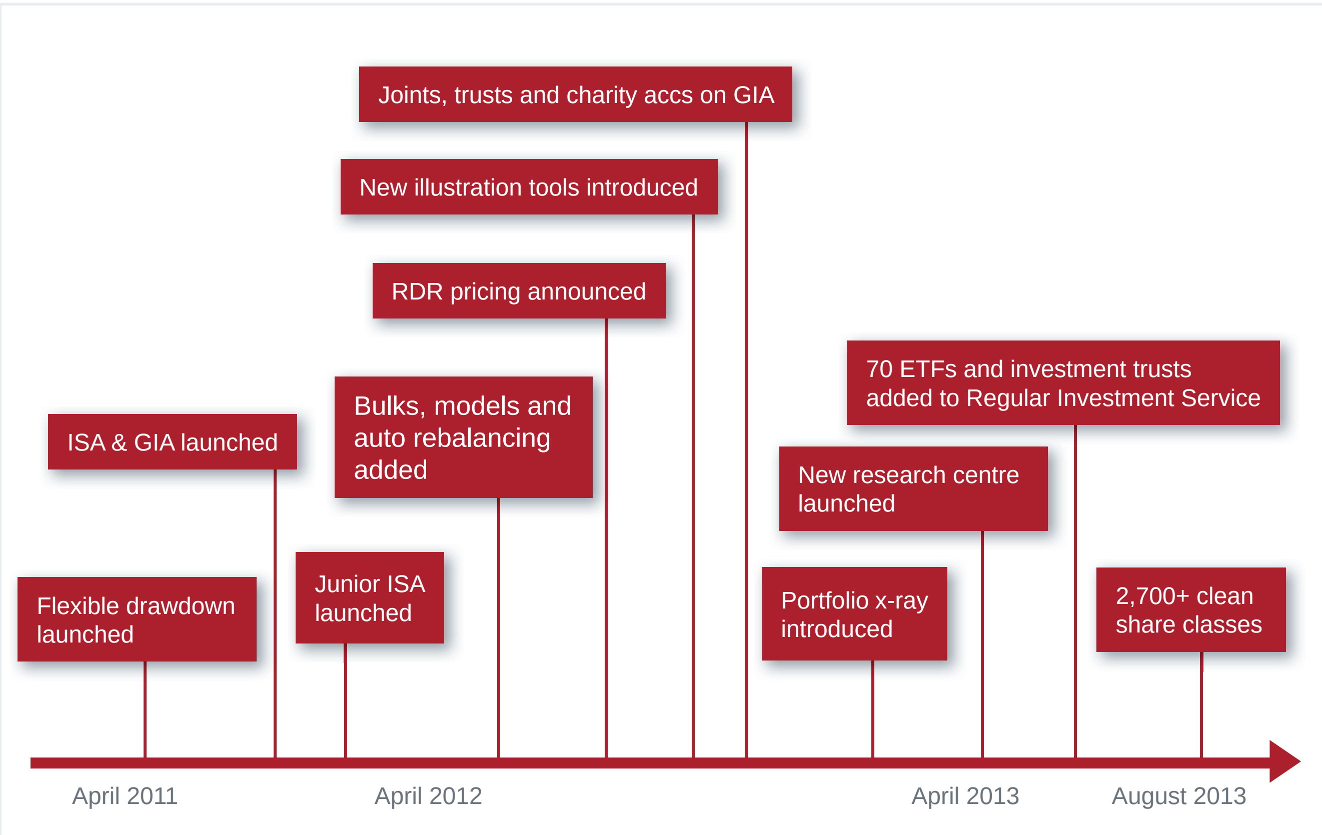
Investment and technical content

The availability of high quality investment content and technical updates is increasingly a point of key differentiation between Sippcentre and other investment platforms.

The acquisition of MSM provides AJ Bell with a wealth of investment content, supplementing the technical expertise already present within the business. By leveraging the content available within MSM, the acquisition has allowed us to provide a wealth of relevant content to advisers using the Sippcentre platform, with no additional cost to their underlying customers. As part of our increased focus in this area we began issuing weekly newsletters on key investment themes, produced our first World Economic Outlook and held our inaugural Investment Conference in central London, this in addition to the quarterly News and Views publications. Our increased efforts in this area have been well received and the quality of the content commended, which has resulted in some advisers requesting additional content for distribution to their customers.

In order to ensure our technical updates are delivered to advisers as efficiently as possible we added a new Infocentre to the Sippcentre website. The Infocentre provides a one-stop shop to keep advisers up-to-date with all our key announcements and technical updates.

Development of the Sippcentre platform



Strategic report

AJ Bell Youinvest (formerly Sippdeal)

A platform designed to provide an easy and cost-effective way for DIY investors to take control of their investments. The platform includes a SIPP, ISA, Junior ISA and Dealing Account, with each offering a wide range of investments and access to our comprehensive research centre.

Direct platforms in the UK have over £100bn of AUA. The AJ Bell Youinvest platform is one of the fastest growing platforms in this segment of the market.

Pricing

We announced our new unbundled pricing structure for AJ Bell Youinvest on 28 November 2013. The new pricing structure will be implemented from 1 January 2014.

The new pricing structure sees the introduction of an explicit custody charge, levied on clean fund holdings at a rate of 20 bps and capped at £200 per annum per account. As with the repricing of Sippcentre, this will replace the payments we have previously received from fund managers.

The new pricing structure also sees the introduction of an explicit charge for the custody service provided to our SIPP customers, ranging from £20 per annum to £100 per annum. The cost of delivering this service has grown each year, evidenced by the workforce in our stockbroking business increasing from approximately 30 people at the date of acquisition to over 110 by 30 September 2013. The cost of providing this service had previously been subsidised by payments from fund management groups and revenue from cash deposits, but regulatory changes and economic pressures substantially reduced both revenue lines.

Although there are still a number of platforms which have not yet announced their new pricing, we believe that our new charging structure will remain one of the most competitive in the direct platform market post-April 2014. For many groups of investors we remain the market leader on price, and the DIY Investor platform comparison tool shows that for most types of investor we are in the top three in the market, ensuring price remains an area of competitive advantage.

Investment options and tools

The development of AJ Bell Youinvest as a fully fledged investment platform has continued apace in the year to 30 September 2013. Strong ISA sales in the lead up to the 2013 tax year-end, combined with the first full year for Junior ISAs, saw sales of non-pension products reach record levels. By the end of the financial year almost 40% of our customers were using a non-pension product on the platform.

One of the key features of the AJ Bell Youinvest platform is the broad range of investments made available to customers. The number of significant IPOs and new bond issues on the London Stock Exchange increased in the year, and we worked hard to ensure our customers were able to participate in these key investment events. Combined with a buoyant equity market, this commitment to present a broad range of investment opportunities to our customers contributed to the 72% increase in dealing volumes seen in the 2013 financial year.

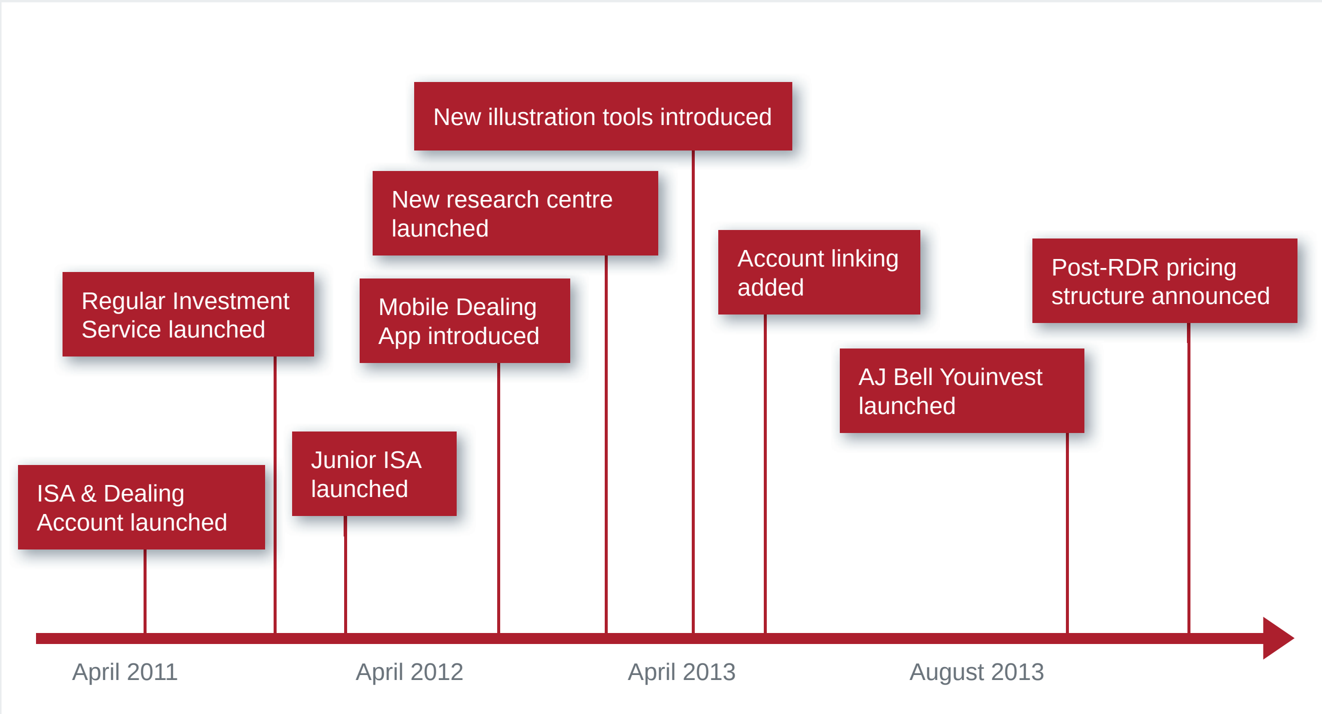
As part of our drive to make investing easier for our customers we launched our all-new research centre in March 2013. As well as providing research and data for over 8,000 investments available through the AJ Bell Youinvest platform, the research centre also added a number of tools. These new tools include the ability to set stock-specific alerts, which ensures customers are automatically notified of all relevant regulatory news announcements and predetermined trade volumes or price movements. The new tools have been extremely well received, with a minimum of 25% of all AJ Bell Youinvest customers logging on to access the new research centre each month since its launch.

Investment content

As highlighted earlier in this report, the acquisition of MSM has allowed the addition of quality investment content to our platform propositions. During the second half of the financial year daily market roundups were introduced together with weekly analysis videos from our Investment Research Director Russ Mould and we published our World Economic Outlook for 2014.

Strategic report

Development of the AJ Bell Youinvest platform



IMAS

A fully integrated investment custody administration solution that allows wealth managers to focus on delivering a high quality service without the distraction of administration.

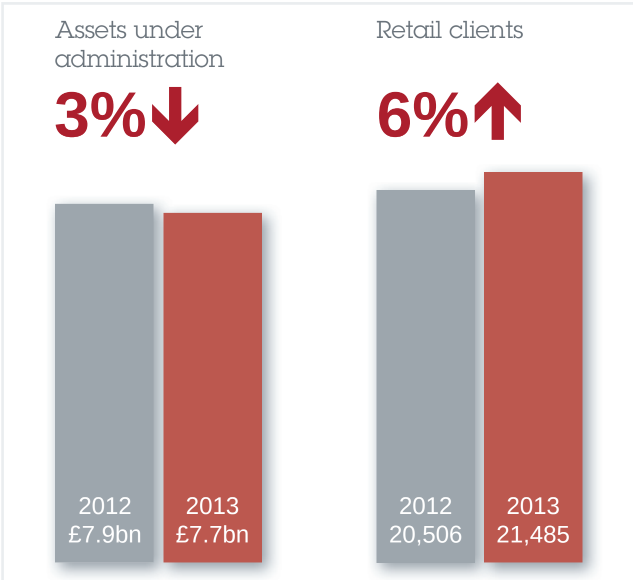
IMAS has grown steadily since its launch in 2010 and the year to 30 September 2013 was a strong year for the service. We now have eight corporate customers using the platform at the financial year-end.

Customers and AUA saw strong growth in the year, with the number of retail customers on the platform increasing threefold and AUA increasing over 140%.

In 2014 we are looking to enhance our customer reporting capabilities to improve presentation and flexibility, a development that will help our IMAS offering appeal to a wider range of corporate customers.

Non-platform business

Business review



Our profitable non-platform business continued to make a valuable contribution to our financial performance. We saw steady growth in customer numbers for our SIPP-only services, which increased by 4.8% in the year to 21,485. AUA across our non-platform business was broadly flat at £7.7bn.

Strategic report

Key developments and outlook

The FCA's consultation on the capital requirements for SIPP providers is still on-going. Although there were elements of the proposals with which we disagreed, on the whole we are largely supportive of the work. Financially we are one of the strongest SIPP providers in the market and we will comfortably meet the new requirements if they are introduced as detailed in the consultation paper.

Principal risks and uncertainties

The Board is committed to a continual process of improvement and embedment of the risk management framework within the Group. This 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 FCA best practice and, in particular, Treating Customers Fairly principles are embedded into the entire business and followed consistently. Specifically, conduct and 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.

Following the changes resulting from RDR which came into force on 31 December 2012, the Group has continued to monitor both its operational processes and industry developments, to ensure that it remains fully compliant and in line with industry best practice. The Group will continue to monitor developments in terms of pricing and the movement to clean funds. The FCA's policy statement PS13/1, published in April 2013, set out the final rules that will apply to platforms with effect from April 2014. The Group has been monitoring the FCA developments in this area for some time and will be making the necessary changes to ensure compliance with the transitional and final rules.

The Group contributes to the debate on regulatory issues affecting its markets. It does this through its membership of the Association of Member-directed Pension Schemes (AMPS) and the Wealth Management Association (WMA), as well as through direct responses to Government and FCA consultation.

Taxation law change risk

Changes to tax legislation may reduce the attractiveness of tax-advantaged saving wrappers offered by the Group as a means of saving for retirement. The Government has announced that the amount which can be paid into a pension each tax year, whilst still receiving tax relief, is being reduced from 1 April 2014. The amount which an investor can accumulate in a pension scheme without incurring additional tax charges when drawing benefits is also being reduced from 1 April 2014. Both ISA and Junior ISA subscription limits will increase in line with the CPI figure for September 2013. 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 RDR placed certain demands on the Sippcentre platform, with this in mind the Group has embraced the opportunity to make a number of enhancements. These included the introduction of a new pricing structure with a low annual custody charge of 5-20 bps, dependent on the customer's fund size. A new research centre was also launched in order to strengthen the research capability available to users, while the range of investments on offer was increased to include more than 3,500 clean share class funds, and an even larger choice of ETFs and investment trusts.

There have also been significant developments on the AJ Bell Youinvest platform, including the launch of a dealing app in response to the growing demand for mobile technology.

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. During the year the Board has approved new strategies for IT, Change, Software Development and Technology which will be implemented over the next few years. These changes have triggered an investment in new personnel and skills supporting the Group's IT assets as they grow in scale and complexity. The strategies increase our focus on system performance, capacity and security planning controls.

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. During the last year, the Group's AJ Bell Youinvest customers have been successfully migrated on to this infrastructure and work continues to facilitate the migration of the Group's other retail customers in the upcoming financial year. 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.

Conduct risk

Conduct risk is the risk that detriment is caused to the Group or its customers as a result of inappropriate execution of the Group's business activities. During the year the Group has focussed on continued enhancements to its Product Governance Framework, including the design, sales & marketing and operation of its principal product lines and on the development of appropriate Conduct Risk MI to mitigate this risk. 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.

Strategic report

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, FCA-registered and approved staff in all its key FCA-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.

Bruce Robinson
Company Secretary

11 December 2013

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 AJ 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 AJ 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, and his focus is increasingly on future strategy and growth opportunities.

Michael Summersgill
Chief Financial Officer

Michael joined AJ 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, Risk Management and HR. 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 AJ 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 has advised at board level on a wide range of financial, commercial and governance issues, and is also a Non-executive Director of Leeds Building Society.

Bob Gullett
Non-executive Director

Bob joined AJ 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 non-executive roles with Tenax Credit Opportunities Fund, motor insurer Equity Red Star DGB and Equity Syndicate Management.

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
Managing Director, Sippcentre

Fergus joined AJ Bell in August 2000, having previously been employed at a major bank for over 20 years. Over the years Fergus has worked in virtually all areas of the business. In addition to his current role as Managing Director of Sippcentre, Fergus has overall responsibility for our Platinum SIPP/SSAS products, and the commercial management of relationships with key investment partners and external financial institutions.

Richard Taylor
Chief Operating Officer

Richard joined AJ 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 the Customer Services, Business Change and Legal teams. Before joining AJ 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, AJ Bell Youinvest

Charles joined AJ 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, our AJ Bell Youinvest platform and media business.

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 AJ Bell since 2008, Roger is responsible for co-ordinating the assurance functions - Risk, Compliance and Internal Audit.

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 2013.

Directors

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

Directors' interests

The directors who held office at 30 September 2013 had the following interests in the share capital of the Company:

	Ordinary		A non-voting	
	30 Sept 2013	30 Sept 2012	30 Sept 2013	30 Sept 2012
Jim Martin	160,000	160,000	-	-
Andy Bell	12,764,019	12,764,019	70,757	40,968
Michael Summersgill	-	-	50,032	42,937
Les Platts	30,000	30,000	-	-
Bob Gullett	20,000	20,000	-	-
Total	12,974,019	12,974,019	120,789	83,905

No director held Ordinary non-voting shares at 30 September 2013, 30 September 2012 or at any time during the period between these dates.

Directors' share options

At 30 September 2013, 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 14
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.

FCA Remuneration Code

AJ Bell Securities Limited, as a BIPRU firm, is subject to the requirements of the FCA Remuneration Code. More information about AJ 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 AJ Bell Securities Limited's status as a Level 3 firm, under the FCA'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.

Directors' report

Dividends

The Company has declared a final dividend of 15.50p (2012: 15.25p) per share, to be paid on 13 December 2013. This, together with the interim dividend of 9.50p (2012: 9.50p) paid on 24 May 2013, makes a total dividend in respect of the financial year ended 30 September 2013 of 25.00p per share (2012: 24.75p).

Capital management

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

The capital in both of these companies comprises 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 2013, AJ Bell Management Limited held 329% (2012: 338%) and AJ Bell Securities Limited held 219% (2012: 225%) of their respective regulatory capital requirements.

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 customer balances, enables the Group to mitigate this risk as far as it is practicable to do so.

Liquidity risk

This is the risk that the Group may be unable to meet its liabilities as and when they fall due. These liabilities arise from the day-to-day activities of the Group and from its obligations to customers. The Group is a highly cash generative business and maintains sufficient cash and standby banking facilities to fund its foreseeable trading requirements. Where customers' funds are deposited on a term basis with banks, the Group's policy ensures that funds are available on customer 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 currently 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.

Directors' report

Charitable donations and political contributions

During the year the Group made charitable donations of £182,688 (2012: £317,082), all to UK registered charities.

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

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.

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.

Our auditors, KPMG Audit Plc have instigated an orderly wind down of business. The Board has decided to put KPMG LLP forward to be appointed as auditors and resolution concerning their appointment will be put to the forthcoming AGM of the Company.

By order of the Board

Bruce Robinson
Company Secretary

11 December 2013

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 AJ Bell Holdings Limited

We have audited the financial statements of AJ Bell Holdings Limited for the year ended 30 September 2013 set out on pages 30 to 70. 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 Directors' Responsibilities Statement 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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 Strategic 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

11 December 2013

Consolidated income statement

For the year ended 30 September 2013

	Notes	2013 £'000	2012 £'000
Revenue	4	57,043	51,765
Administrative expenses		(33,318)	(25,405)
Operating profit		23,725	26,360
Investment revenue		228	169
Finance costs	7	(51)	(28)
Profit before tax		23,902	26,501
Taxation	8	(5,738)	(6,702)
Profit for the financial year attributable to equity holders of the parent company		18,164	19,799
Earnings per ordinary share:			
Basic (pence)	10	45.08	49.39
Diluted (pence)	10	44.82	49.14

The notes and information on pages 34 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 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets:			
Goodwill	11	1,957	420
Other intangible assets	13	9,090	8,439
Property, plant and equipment	14	816	919
		11,863	9,778
Current assets:			
Trade and other receivables	16	9,730	7,969
Client and market receivables	16	21,054	17,785
Cash and cash equivalents	16	32,506	29,120
Clients' settlement cash balances	16	20,618	10,033
		83,908	64,907
Total assets		95,771	74,685
Liabilities			
Current liabilities:			
Trade and other payables	19	(5,495)	(4,674)
Client and market payables	19	(40,075)	(27,471)
Current tax liabilities		(2,739)	(3,397)
Obligations under finance leases	18	(43)	(48)
Provisions	20	(68)	(121)
		(48,420)	(35,711)
Non-current liabilities:			
Obligations under finance leases	18	(104)	(121)
Provisions	20	(315)	(280)
Other payables	19	(29)	(10)
Deferred tax liability	17	(225)	(156)
		(673)	(567)
Total liabilities		(49,093)	(36,278)
Net assets		46,678	38,407
Equity			
Share capital	21	40	40
Share premium		639	617
Retained earnings		45,999	37,750
Total equity attributable to equity holders of the parent company		46,678	38,407

The notes and information on pages 34 to 64 form part of the consolidated financial statements.

The financial statements were approved by the Board of directors on 11 December 2013 and were signed on its behalf by:

Michael Summersgill
Director

Consolidated statement of changes in equity

For the year ended 30 September 2013

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance at 1 October 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		-	52	-	52
Share repurchase		-	(8)	-	(8)
Dividends	9	-	-	(9,024)	(9,024)
Credit to equity in respect of share-based payments	24	-	-	13	13
Deferred tax effect of share-based payments	8	-	-	11	11
Tax relief on exercise of share options	8	-	-	10	10
Total transactions with owners		-	44	(8,990)	(8,946)
Balance at 30 September 2012		40	617	37,750	38,407
Total comprehensive income for the year:					
Profit for the financial year		-	-	18,164	18,164
Transactions with owners, recorded directly in equity:					
Issue of share capital		-	22	-	22
Dividends	9	-	-	(9,982)	(9,982)
Credit to equity in respect of share-based payments	24	-	-	27	27
Deferred tax effect of share-based payments	8	-	-	22	22
Tax relief on exercise of share options	8	-	-	18	18
Total transactions with owners		-	22	(9,915)	(9,893)
Balance at 30 September 2013		40	639	45,999	46,678

The notes and information on pages 34 to 64 form part of the consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 September 2013

	Notes	2013 £'000	2012 £'000
Net cash from operating activities	22	27,454	22,292
Investing activities			
Purchase of other intangible assets		(1,404)	(2,728)
Purchase of property, plant and equipment		(314)	(353)
Net cash paid to acquire subsidiary	12	(1,979)	-
Interest received		228	169
Net cash used in investing activities		(3,469)	(2,912)
Financing activities			
Payment of obligations under finance leases		(54)	(41)
Proceeds from issue of share capital	21	22	52
Repurchase of own shares		-	(8)
Dividends paid	9	(9,982)	(9,024)
Net cash used in financing activities		(10,014)	(9,021)
Net increase in cash and cash equivalents		13,971	10,359
Cash and cash equivalents at beginning of year		39,153	28,794
Total cash and cash equivalents at end of year		53,124	39,153
Comprising:			
Cash and cash equivalents		32,506	29,120
Clients' settlement cash balances		20,618	10,033
Total cash and cash equivalents at end of year		53,124	39,153

The notes and information on pages 34 to 64 form part of the consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 30 September 2013

1. General Information

The Company is incorporated and registered in England and Wales. The address of the registered office is given on page 73. The nature of the Group's operations are set out in the Strategic report on pages 14 to 20 and the Directors' report on pages 24 to 26.

The consolidated financial statements for the Company and its subsidiaries were approved by the Board on 11 December 2013.

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 34 to 42.

The consolidated financial statements of AJ 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 66 to 70.

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

IFRS 10	Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
IFRS 13	Fair Value Measurement (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 2014)
IAS 28 (Reissued)	Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)
IAS 36 Amendment	Recoverable amount disclosure for non-financial assets (effective for annual periods beginning on or after 1 January 2014)
IFRIC 21	Levies (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.

Notes to the consolidated financial statements

For the year ended 30 September 2013

2.1 Going concern

The Group's business activities, together with its financial position and the factors likely to affect its future development and performance are set out in the Strategic report on pages 14 to 20 and the Directors' report on pages 24 to 26. Within the Directors' report, the Financial risks section on page 25 includes the Group's 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 directors have performed a number of stress tests on capital and liquidity and these provide assurance that the Group has sufficient capital to operate 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, for goods sold and services provided in the year.

Administration and custodian fees are 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 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 are recognised when receivable in accordance with the date of the underlying transaction.

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.

Notes to the consolidated financial statements

For the year ended 30 September 2013

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 AJ Bell Youinvest 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, customer contracts and non-contractual customer relationships, website development costs 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
Customer contracts and non-contractual customer relationships	5-10 years
Media website development costs	3 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 reporting 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 CGU in which the asset sits is estimated to be lower than the carrying value, then the carrying amount is reduced to the recoverable amount. An impairment loss is recognised immediately in the income statement as an expense.

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 FCA'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.

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. They 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.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation. 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.

2.18 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.

2.19 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:

- The revenue generated by the future demand for the Group's products and services;
- the anticipated future costs attributable to the supply of the Group's products and services; and
- the level of ongoing maintenance expenditure required on the Group's assets in order to generate the expected level of cash flows.

Capitalisation of internally-generated intangible assets

The Group's accounting policy in relation to internally-generated intangible assets is given at section 2.13 in the notes to the consolidated financial statements.

Management judge whether incremental cash flows attributable to each project can be reliably measured. For projects where it is deemed probable that the asset will generate future economic benefits that can be measured, expenditure is capitalised. Examples of this are the delivery of a new product or service and the development of a new operating system. For projects that do not meet this expenditure criteria, such as the maintenance of an asset or new functionality for an existing product, the cost is expensed to the income statement as incurred.

Notes to the consolidated financial statements

For the year ended 30 September 2013

4. Revenue

	2013 £'000	2012 £'000
An analysis of the consolidated revenue is as follows:		
Investment administration services	44,256	44,416
Dealing and custody services	10,461	7,349
Media services	2,326	-
Total	57,043	51,765

5. Profit for the financial year

	Notes	2013 £'000	2012 £'000
Profit for the financial year has been arrived at after charging:			
Amortisation of intangible assets	13	1,542	728
Depreciation of tangible assets	14	476	443
Loss on disposal of intangible assets		-	1
Loss on disposal of tangible assets		6	1
Operating lease rentals:			
Other assets	23	737	676
Staff costs	6	18,884	15,158
Auditor's remuneration for the audit of the Company's annual financial statements		10	10
Auditor's remuneration for the audit of the Company's subsidiaries pursuant to legislation		61	43
Auditor's remuneration for other services to the Group		30	27

Notes to the consolidated financial statements

For the year ended 30 September 2013

6. Employee benefit costs and employee numbers

	2013 No.	2012 No.
The average number of employees (including executive directors) in the continuing operations of the Group during the year ended 30 September 2013 were:		
Administrative functions	495	416

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

	2013 £'000	2012 £'000
Short term employee benefits	16,535	13,413
Social security costs	1,879	1,453
Retirement benefit costs	404	259
Termination benefits	66	33
Total	18,884	15,158

Remuneration of key management personnel

	2013 £'000	2012 £'000
Key management personnel is represented by the Board of directors as shown on page 22 and the EMB as shown on page 23:		
Short term employee benefits	1,561	1,737
Retirement benefit costs	33	64
Share based payments	3	-
Termination benefits	-	-
Total	1,597	1,801

Remuneration of directors

	2013 £'000	2012 £'000
The following costs relate to the Board of directors as shown on page 22:		
Short term employee benefits	773	930
Retirement benefit costs	11	50
Shared based payments	1	-
Total	785	980

Notes to the consolidated financial statements

For the year ended 30 September 2013

Remuneration of highest paid director

	2013 £'000	2012 £'000
Short term employee benefits	502	637
Retirement benefit costs	-	50
Total	502	687

7. Finance costs

	2013 £'000	2012 £'000
Obligations under finance leases	29	14
Other	22	14
Total	51	28

8. Taxation

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

	2013 £'000	2012 £'000
Current tax	5,691	6,504
Adjustment to current tax in respect of prior period	3	68
Deferred tax		
Origination and reversal of temporary differences	(45)	152
Change in recognised deductible temporary differences	96	(32)
Reduction in tax rate	(7)	10
Tax charge per the consolidated income statement	5,738	6,702

Corporation tax is calculated at 23.5% of the estimated assessable profit for the financial year (2012: 25%).

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

	2013 £'000	2012 £'000
Deferred tax relating to share-based payments (see note 17)	(22)	(11)
Current tax relief on exercise of share options	(18)	(10)
	(40)	(21)

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

	2013 £'000	2012 £'000
Profit before tax	23,902	26,501
Profit before tax multiplied by a pro-rata rate of corporation tax in the UK of 23.5% (2012: 25%)	5,615	6,625
Effects of:		
Expenses not deductible	34	63
Adjustments to current tax in respect of prior period	3	68
Change in recognised deductible temporary differences	93	(51)
Reduction in tax rate	(7)	(3)
Total tax expense in condensed consolidated income statement	5,738	6,702
Effective tax rate	24.0%	25.3%

During the period the Group has reflected the change in the main rate of corporation tax from 24% to 23%. The Group has also reflected the substantively enacted tax rates of 21% and 20%.

9. Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the year ended 30 September 2012 of 15.25p (2011: 13.00p) per share	6,151	5,214
Interim dividend for the year ended 30 September 2013 of 9.50p (2012: 9.50p) per share	3,831	3,810
Ordinary dividends paid on equity shares	9,982	9,024
Proposed final dividend for the year ended 30 September 2013 of 15.50p (2012: 15.25p) per share	6,260	6,129

Dividends are payable on all classes of issued and fully or partially paid up shares as disclosed in note 21.

10. 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.

	2013 £'000	2012 £'000
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent company	18,164	19,799

Number of Shares

	Number of shares 2013	Number of shares 2012
Weighted average number of ordinary shares (for the purpose of basic earnings per share) in issue during the year	40,295,307	40,086,107
Effect of potentially dilutive share options	232,098	203,143
Weighted average number of ordinary shares for the purposes of fully diluted earnings per share	40,527,405	40,289,250

11. Goodwill

	2013 £'000	2012 £'000
Cost		
At 1 October	532	532
Additions	1,537	-
At 30 September	2,069	532
Accumulated impairment losses		
At 1 October	112	112
Charge for the financial year	-	-
At 30 September	112	112
Carrying value at 30 September	1,957	420

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

Goodwill arising on acquisition of AJ Bell Securities Limited

Goodwill of £532,000 recognised in the statement of financial position arose on the acquisition of AJ Bell Securities Limited during the year ended 30 September 2008.

For the purposes of impairment testing, goodwill arising on the acquisition of AJ Bell Securities Limited is allocated to the dealing and custody CGU.

Notes to the consolidated financial statements

For the year ended 30 September 2013

Goodwill arising on acquisition of MSM Media Limited

Goodwill of £1,537,000 recognised in the statement of financial position arose on the acquisition of MSM Media Limited during the year ended 30 September 2013.

For the purposes of impairment testing, £380,000 of goodwill arising on the acquisition of MSM Media Limited is allocated to the investment administration CGU, with the remaining £1,157,000 being allocated to the dealing and custody CGU.

Calculation of value-in-use of CGUs

Dealing and custody CGU

The recoverable amount of the assets contained within the dealing and custody CGU is determined by estimating its value-in-use; the discounted future cash flows attributable to the CGU are projected over the remaining 4-year life of the customer list, which is the most prominent asset in the CGU, based on the most recent forecasts approved by the Board.

Investment administration CGU

The recoverable amount of the assets contained within the investment administration CGU is determined by estimating its value-in-use; the discounted future cash flows attributable to the CGU are projected over the remaining 8-year life of the key operating system, which is the most prominent asset in the CGU, 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

A moderate rate of growth has been used to extrapolate cash flow projections beyond the most recent budget approved by the Board for the investment administration and dealing and custody CGUs.

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 CGUs 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 CGUs.

Based on these key judgements, the estimated value-in-use of the CGUs comfortably supports the carrying values of the assets held within them.

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 CGUs.

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

12. Acquisition of subsidiary

On 20 December 2012, the Group acquired the entire share capital of MSM Media Limited, a specialist financial media business. The acquisition of MSM will enable the Group to support the platform business by providing investment news and data.

In the period between the acquisition and reporting date, MSM contributed revenue of £2.33m and a loss of £0.28m to the Group's results. If the acquisition had occurred on 1 October 2012, the directors estimate that consolidated revenue would have been £57.85m and consolidated profit would have been £18.19m for the year ended 30 September 2013.

Consideration transferred

The consideration transferred for the acquisition was £2.45m, this being made up entirely of cash. As MSM held cash and cash equivalent amounts of £0.48m on the date of acquisition, the net cost arising on the acquisition was £1.98m.

Identifiable assets acquired and liabilities assumed

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Property, plant and equipment	26	-	26
Intangible assets	177	612	789
Trade and other receivables	568	-	568
Cash and cash equivalents	475	-	475
Trade and other payables	(887)	-	(887)
Deferred tax asset/(liability)	87	(141)	(54)
	446	471	917

The fair value adjustment was made for the customer contracts and related customer relationships of MSM. This has been valued using the directors' best estimate of the present value of the future cash flows to be generated by the customer contracts and related customer relationships at the date of acquisition.

The trade receivables include gross contractual amounts of £486,000 which have been reduced by a provision of £31,000 made for those considered to be doubtful debts. The trade receivables less those provided for as a doubtful debt were expected to be collected at the acquisition date.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies any material adjustments to the above amounts, or any additional provisions existed at the acquisition date, then the acquisition accounting will be revised.

Goodwill

Goodwill recognised as a result of the acquisition is shown below:

	£'000
Total consideration transferred	2,454
Fair value of identifiable net assets	(917)
Total goodwill recognised	1,537

The goodwill is attributable to the skills and technical talent of the assembled workforce that will allow the Group to support the platform business by providing investment news and data. It has been allocated to the cash generating units that derive revenue from the investment platforms that will benefit from the provision of this content. None of the goodwill recognised is to be deductible for tax purposes.

Notes to the consolidated financial statements

For the year ended 30 September 2013

Acquisition-related costs

The due diligence work was predominantly undertaken by the Group's management team, with some supplementary support provided by external consultants with whom the group had an existing relationship. In addition to management time, acquisition-related costs of £13,000 were included in administrative expenses in the consolidated income statement for the year ended 30 September 2013.

13. Other intangible assets

	Computer software £'000	Assets under construction £'000	Customer contracts and non-contractual customer relationships £'000	Key operating system £'000	Total £'000
Cost					
At 1 October 2011	5,305	3,529	1,523	1,003	11,360
Additions	408	2,150	-	170	2,728
Transfer	-	-	-	-	-
Disposals	(3)	-	-	-	(3)
At 30 September 2012	5,710	5,679	1,523	1,173	14,085
Additions	236	1,168	-	-	1,404
Acquisitions through business combinations	177	-	612	-	789
Transfer	-	(5,276)	-	5,276	-
Disposals	-	-	-	-	-
At 30 September 2013	6,123	1,571	2,135	6,449	16,278
Amortisation					
At 1 October 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
Charge for the financial year	558	-	244	740	1,542
Disposals	-	-	-	-	-
At 30 September 2013	5,324	-	966	898	7,188
Carrying value at 30 September 2012	944	5,679	801	1,015	8,439
Carrying value at 30 September 2013	799	1,571	1,169	5,551	9,090
Average remaining amortisation period	1 year 11 months	n/a	4 years 3 months	7 years 6 months	

Notes to the consolidated financial statements

For the year ended 30 September 2013

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. A number of key phases have been completed in this project but the final part of the project remained on-going at the year-end.

The first phase of the project was completed during the prior year and £1.4m was transferred from assets under construction to intangible assets. During the current year the second phase was completed and the asset generated was brought into use. The costs specifically relating to the completed components of the system were approximately £5.3m. 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 £1.6m of costs (2012: £5.7m) 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:

	2013 £'000	2012 £'000
Purchased software	20	3
External consultancy costs	1,129	3,650
Other external costs	-	20
	1,149	3,673
Internal costs	422	2,006
Total assets under construction	1,571	5,679

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 £Nil (2012: £76,000).

14. Property, plant and equipment

	Leasehold improvements £'000	Computer equipment £'000	Office equipment £'000	Total £'000
Cost				
At 1 October 2011	536	1,473	787	2,796
Additions	13	311	189	513
Transfer	-	-	-	-
Disposals	(6)	(56)	-	(62)
At 30 September 2012	543	1,728	976	3,247
Additions	5	255	96	356
Acquisitions through business combinations	-	25	1	26
Disposals	-	(22)	(85)	(107)
At 30 September 2013	548	1,986	988	3,522
Depreciation				
At 1 October 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
Charge for the financial year	50	289	137	476
Disposals	-	(22)	(76)	(98)
At 30 September 2013	476	1,470	760	2,706
Carrying value at 30 September 2012	117	525	277	919
Carrying value at 30 September 2013	72	516	228	816

During the year, additions of property, plant and equipment under finance leases totalled £42,000 (2012: £160,000).

The carrying amount of the Group's office equipment includes an amount of £134,000 (2012: £164,000) in respect of assets held under finance leases.

At the year-end, the Group had no commitments (2012: £Nil) to purchase any tangible fixed assets.

15. 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.

16. Other financial assets

	2013 £'000	2012 £'000
Trade and other receivables		
Trade receivables	4,577	3,769
Prepayments and accrued income	5,153	4,200
Total trade and other receivables	9,730	7,969

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:

	2013 £'000	2012 £'000
Neither past due nor impaired	4,080	3,542
31 to 60 days	41	12
61 to 90 days	72	31
91 days and over	493	349
	4,686	3,934
Less provision for doubtful debts	(109)	(165)
Trade receivables per consolidated statement of financial position	4,577	3,769

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

	2013 £'000	2012 £'000
At 1 October	165	74
Amounts charged to the income statement as irrecoverable	6	135
Amounts recovered during the year	(62)	(44)
At 30 September	109	165

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

	2013 £'000	2012 £'000
Client and market receivables	21,054	17,785

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.

	2013 £'000	2012 £'000
Cash and cash equivalents		
Cash and cash equivalents	32,506	29,120
Clients' settlement cash balances	20,618	10,033
Total	53,124	39,153

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 AJ Bell Securities Limited in accordance with the FCA'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 £78,755,000 (2012: £60,707,000).

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 currently 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.

17. 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 difference £'000	Unused tax losses £'000	Total £'000
At 1 October 2011	63	117	(218)	-	(38)
Credit/(charge) to the income statement	(213)	9	75	-	(129)
Credit to equity	-	11	-	-	11
At 1 October 2012	(150)	137	(143)	-	(156)
Acquired through business combinations	-	-	(141)	87	(54)
Credit/(charge) to the income statement	(28)	5	64	(78)	(37)
Credit to equity	-	22	-	-	22
At 30 September 2013	(178)	164	(220)	9	(225)

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 2013.

As at 30 September 2013 the Group had unused tax losses of £87,000 (2012: Nil) which have not been recognised as a deferred tax asset. These unrecognised unused tax losses have been charged to the income statement after their acquisition through business combinations in the current year.

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:

	2013 £'000	2012 £'000
Deferred tax asset	173	137
Deferred tax liability	(398)	(293)
Net deferred tax liability	(225)	(156)

Notes to the consolidated financial statements

For the year ended 30 September 2013

18. Obligations under finance leases

Minimum lease payments

	2013 £'000	2012 £'000
Amounts payable under finance leases:		
Within one year	64	64
In the second to fifth years inclusive	121	145
After five years	-	-
	185	209
Less: future finance charges	(38)	(40)
Present value of lease obligations	147	169

	2013 £'000	2012 £'000
Present value of minimum lease payments		
Amounts payable under finance leases:		
Within one year	43	48
In the second to fifth years inclusive	104	121
After five years	-	-
Present value of lease obligations	147	169

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.

19. Other financial liabilities

	2013 £'000	2012 £'000
Trade and other payables		
Trade payables	669	587
Social security and other taxes	984	902
Accruals and deferred income	3,842	3,185
	5,495	4,674

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.

	2013 £'000	2012 £'000
Client and market payables	40,075	27,471

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

	2013 £'000	2012 £'000
Non-current payables		
Other payables	29	10

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
2013					
Fixed rate instruments	40,720	(4)	71	104	40,891
2012					
Fixed rate instruments	27,980	37	89	121	28,227

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

20. Provisions

	FSCS levy £'000	Office dilapidations £'000	Total £'000
At 1 October 2012	121	280	401
Utilised in the year	(101)	-	(101)
Charged in the year	48	35	83
At 30 September 2013	68	315	383
Included in current liabilities	68	-	68
Included in non-current liabilities	-	315	315

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 an expected interim levy for the year ending 31 March 2014.

21. Share Capital

	2013 £	2012 £
Issued, fully-called and paid:		
37,936,378 (2012: 37,927,602) ordinary shares of 0.1p each	37,936	37,928
75,000 (2012: 75,000) ordinary non-voting shares of 0.1p each	75	75
1,909,205 (2012: 1,893,967) A non-voting ordinary shares of 0.1p each	1,909	1,894
	39,920	39,897
Issued, partly-called and paid:		
77,910 (2012: 77,910) A non-voting ordinary shares of 0.1p each – 10% partly-called and paid	8	8
187,100 (2012: Nil) A non-voting ordinary shares of 0.1p each – 0.2% partly-called and paid	1	-
155,739 (2012: 155,739) A non-voting ordinary shares of 0.1p each – 0.3% partly-called and paid	1	1
	10	9
Total value of issued, fully or partly-paid shares	39,930	39,910

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	8,776	16
New issue under OTB	A non-voting ordinary shares of 0.1p each, 0.2% partly-paid	187,100	2
New issue under OTB	A non-voting ordinary shares of 0.1p each	238	1
			22

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.

22. Notes to the statement of cash flows

	2013 £'000	2012 £'000
Profit for the financial year	18,164	19,799
Adjustments for:		
Investment revenue	(228)	(169)
Finance costs	51	28
Income tax expense	5,738	6,702
Depreciation of property, plant and equipment	476	443
Amortisation of intangible assets	1,542	728
Share-based payment expense	27	13
Increase in provisions and other payables	1	175
Loss on disposal of intangible assets	-	1
Loss on disposal of fixed assets	6	1
Operating cash flows before movements in working capital	25,777	27,721
Decrease/(increase) in receivables	(4,462)	3,645
(Decrease)/increase in payables	12,538	(3,736)
Cash generated from operations	33,853	27,630
Income taxes paid	(6,348)	(5,310)
Interest paid	(51)	(28)
Net cash from operating activities	27,454	22,292

23. Operating leases

	2013 £'000	2012 £'000
The Group as lessee:		
Minimum lease payments under operating leases recognised as an expense in the year	737	676

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.

	2013 £'000	2012 £'000
Within one year	840	653
In the second to fifth years inclusive	2,477	1,902
After five years	3	-
	3,320	2,555

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

	2013 £'000	2012 £'000
Within one year	840	653
In the second to fifth years inclusive	2,977	2,611
After five years	5,035	4,759
	8,852	8,023

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.

Notes to the consolidated financial statements

For the year ended 30 September 2013

24. 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 2013 was £27,381 (2012: £12,754).

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 159,360 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 (£)	4.20
Exercise price of an option (£)	4.20
Expected volatility	25.00%
Expected dividend yield	5.89%
Risk free interest rate	0.42%
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.

Notes to the consolidated financial statements

For the year ended 30 September 2013

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:

	2013		2012	
	Number of options	Weighted average exercise price (£)	Number of options	Weighted average exercise price (£)
Outstanding at beginning of period	414,702	2.05	415,757	1.72
Granted during the period	159,360	4.20	70,597	3.50
Exercised during the period	(23,776)	0.84	(38,724)	1.25
Forfeitures	(12,642)	2.87	(32,928)	1.92
Outstanding at the end of the period	537,644	2.72	414,702	2.05
Exercisable at the end of the period	249,590	1.48	260,866	1.40

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 (2012: 22p) and the highest exercise price was 420p (2012: 350p). The weighted average remaining contractual life of share options outstanding at the end of the period was 7 years and 1 month (2012: 7 years and 1 month).

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 second awards under this scheme were made to members. This consisted of the 159,360 share options granted under the CSOP and the issue of A non-voting ordinary shares as disclosed in note 21. 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.

Notes to the consolidated financial statements

For the year ended 30 September 2013

25. 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 6. 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 6.

Charitable donations

During the year, the Group made donations totalling £177,400 (2012: £309,997) to the AJ Bell Trust, a registered charity of which Mr A J Bell is a trustee.

Included in the above amount is £77,400 (2012: £184,997) 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 AJ Bell Trust. The related donation, totalling £77,400 in September 2013, was approved by the Board.

26. 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 2013

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Investments	4		8,010		5,555
Current assets					
Debtors:					
- due within one year	5	2,507		9,764	
- due after one year	5	7,464		9	
		9,971		9,773	
Cash at bank and in hand		21,065		18,048	
			31,036		27,821
Current liabilities					
Creditors: Amounts falling due within one year	6		(2,182)		(2,665)
Net assets			36,864		30,711
Capital and reserves					
Called-up share capital	7		40		40
Share premium account	8		639		617
Profit and loss account	8		36,185		30,054
Shareholders' funds	9		36,864		30,711

The financial statements of AJ Bell Holdings Limited (registered number 04503206) were approved by the Board of directors and authorised for issue on 11 December 2013. They were signed on its behalf by:

Michael Summersgill
Director

Notes to the Company financial statements

For the year ended 30 September 2013

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 2013 of £16,086,000 (2012: £16,923,000). 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 5 to the consolidated financial statements.

3. Charitable donations

During the year, the Company made charitable donations of £177,400 (2012: £125,000).

Notes to the Company financial statements

For the year ended 30 September 2013

4. Investments

	2013 £'000	2012 £'000
Cost		
At 1 October	5,957	5,957
Additions	2,455	-
At 30 September	8,412	5,957
Accumulated impairment losses		
At 1 October	402	402
Charge for the financial year	-	-
At 30 September	402	402
Carrying value at 30 September	8,010	5,555

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

Name of Company	Country of incorporation	Principal Activity	Holding %
AJ Bell Limited *	England	Investment / Group administration	100
AJ Bell Trustees Limited	England	Dormant	100
Ken Hovers (Pension Consultants) Limited	England	Dormant	100
Ashby London Trustees Limited	England	Dormant	100
AJ Bell Number 2 Limited *	England	Dormant	100
Ashby London Actuarial Services Limited *	England	Dormant	100
AJ Bell Management Limited *	England	Investment administration	100
Sippdeal Trustees Limited	England	Dormant	100
AJ 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
AJ Bell Securities Limited *	England	Dealing and custody	100
Lawshare Nominees Limited	England	Dormant	100
AJ Bell EBT Limited *	England	Dormant	100
MSM Media Limited *	England	Media	100
MoneyAM Limited	England	Media	100

* Held directly by AJ Bell Holdings Limited.

Notes to the Company financial statements

For the year ended 30 September 2013

5. Debtors

	2013 £'000	2012 £'000
Due within one year:		
Trade debtors	1,534	1,873
Amounts owed by Group undertakings	936	7,768
Prepayments and accrued income	37	123
	2,507	9,764

	2013 £'000	2012 £'000
Due after one year:		
Deferred tax asset relating to share-based payments	14	9
Amounts owed by Group undertakings	7,450	-
	7,464	9

Amounts owed by Group undertakings falling due after one year relate to loans issued to AJ Bell Limited by the Company in relation to costs incurred by AJ Bell Limited in renewing IT infrastructure and administration systems in order to enhance products and services for the Group.

6. Creditors – Amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	-	-
Amounts owed to Group undertakings	162	161
Corporation tax	1,992	2,465
Accruals and deferred income	28	39
	2,182	2,665

7. Called-up share capital

The Company's share capital is disclosed in note 21 to the consolidated financial statements.

Notes to the Company financial statements

For the year ended 30 September 2013

8. Reserves

	Share premium £'000	Profit & loss £'000
At 1 October 2012	617	30,054
Retained profit for the financial year	-	16,086
Issue of new shares	22	-
Dividends paid	-	(9,982)
Credit to equity for equity-settled share-based payments	-	27
At 30 September 2013	639	36,185

9. Reconciliation of movement in equity shareholders' funds

	2013 £'000	2012 £'000
Retained profit for the financial year	16,086	16,923
Credit to equity for equity-settled share-based payments	27	13
Dividends	(9,982)	(9,024)
	6,131	7,912
Proceeds from issue of new shares	22	52
Repurchase of own shares	-	(8)
Net addition to shareholders' funds	6,153	7,956
Opening shareholders' funds at 1 October	30,711	22,755
Closing shareholders' funds at 30 September	36,864	30,711

Five-year summary

For the year to 30 September 2013

	IFRS				
	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Results					
Revenue	57,043	51,765	41,570	35,435	38,491
Profit from operations	23,725	26,360	18,940	16,047	16,298
Profit before tax	23,902	26,501	19,046	16,122	16,420
Profits attributable to equity holders of AJ Bell Holdings Limited	18,164	19,799	13,882	11,823	11,538
Assets employed					
Non-current assets	11,863	9,778	7,710	5,767	3,892
Current assets	83,908	64,907	58,193	47,282	59,230
Current liabilities	(48,420)	(35,711)	(38,134)	(32,281)	(45,828)
Non-current liabilities	(358)	(287)	(79)	(30)	(38)
Long-term provisions	(315)	(280)	(136)	(82)	(72)
Net assets	46,678	38,407	27,554	20,656	17,184
Financed by					
Equity	46,678	38,407	27,554	20,656	17,184
Key statistics					
Earnings per share (pence)	45.08	49.39	34.82	29.91	29.33
Fully diluted earnings per share (pence)	44.82	49.14	34.66	29.51	28.71
Dividends paid in year (pence per share)	24.75	22.50	18.50	22.00	10.75
Dividend declared with respect to profits generated in year (pence per share)	25.00	24.75	21.00	18.50	18.25

Definitions

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

AUA	Assets under administration
Board, Directors	The Board of Directors of AJ Bell Holdings Limited
bps	Basis points
Clean share class	A unit of a fund on which a platform does not receive any payment from the fund management group
Company	AJ Bell Holdings Limited
CGU	Cash Generating Unit
CSOP	Company Share Option Plan
EMB	Executive Management Board
EMI	Enterprise Management Incentive
ETF	Exchange-Traded Funds
FCA	Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
Fund	The generic term used to describe unit trusts and Open-Ended Investment Companies
GIA	General Investment Account
Group	AJ Bell Holdings Limited and its wholly-owned subsidiaries
HMRC	HM Revenue and Customs
IPO	Initial Public Offering
ISA	Individual Savings Account
JISA	Junior Individual Savings Account
KOS	Key Operating System
Non-platform business	Includes our SIPP only and institutional stockbroking services
MSM	MSM Media Limited and its wholly-owned subsidiary MoneyAM Limited
OTB	Option to Buy Shares Scheme
Platform business	Includes our Sippcentre, Youinvest (formerly Sippdeal) and IMAS propositions
RDR	Retail Distribution Review
SIPP	Self Invested Personal Pension
SSAS	Small Self Administered Scheme
UK	United Kingdom

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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