AJBell
Holdings Limited

Taking the next step

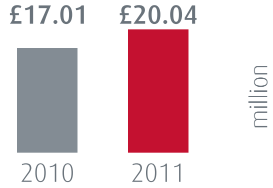
Interim Report 2011

Contents

Highlights to 31 March 2011

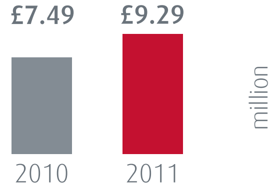
Revenue

Increased by 18%
from £17.01 million to £20.04 million



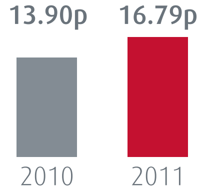
Profit before tax

Increased by 24%
from £7.49 million to £9.29 million



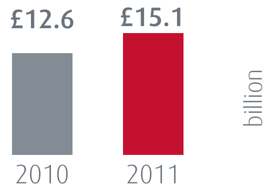
Fully diluted earnings per share

Increased by 21%
from 13.90 pence to 16.79 pence



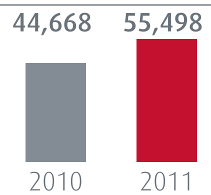
Total assets under administration

Increased by 20%
from £12.6 billion to £15.1 billion



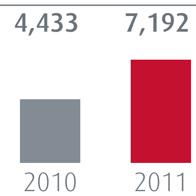
Number of SIPPs administered

Increased by 24%
from 44,668 to 55,498



Net new SIPPs written*

Increased by 62%
from 4,433 to 7,192



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

Joint statement from the Chairman and Chief Executive

Jim Martin
Chairman

Andy Bell
Chief Executive

The first six months of the current financial year have seen record revenue and profits. Revenue has increased by 18%, from £17.01 million to £20.04 million, whilst profit before tax increased by 24%, from £7.49 million to £9.29 million. We are pleased to announce an interim dividend of 8 pence per share, which is the same amount as last year. It should be noted that dividends in the previous financial period were weighted towards the interim payment.

AUA have increased over the first six months by 10%, from £13.7 billion to £15.1billion. The SIPP market continues to expand and is the key driver for our growth. The AUA in our pension business have increased by 14%, from £9.3 billion to £10.6 billion, whilst AUA held on behalf of our institutional stockbroking clients have not materially changed and ended at £4.5 billion.

During the first six months of this financial year, the number of SIPPs that we administer passed the 50,000 mark and by the end of the period had increased by 15%, from 48,306 to 55,498. Net new SIPPs written in the period increased by 62%, from 4,433 last year to 7,192.

There has been a very positive increase in the value of pensions transferred from other pension arrangements into our SIPPs which are significantly up by 26%, from £847 million to £1,066 million.

The successful migration of T D Waterhouse's existing book of SIPPs made a valuable contribution to the increases in both net new SIPPs written and the value of pension transfers received in the period.

SIPP contributions increased by 2% to £173 million compared to £170 million in the comparative period. Government changes to simplify the contribution rules and allow higher rate tax relief on pension contributions up to the new annual allowance of £50,000 from 6 April 2011, with carry forward of unused relief from up to three years previously, should lead to a steady increase in contributions over the next few years.

We introduced a flexible drawdown facility under all of our pension products from 6 April 2011, to enable clients to take advantage of the ability to withdraw more from their pension funds than previously allowed. We were one of only a small number of providers who were able to make the necessary changes to offer this facility from the earliest opportunity. The work to deliver this new facility, alongside the other changes to the pension rules, took up significant resource in the first part of 2011.

We have made some significant progress in the development of our IT platform, including the introduction of additional products. The Sippdeal ISA and Dealing Account products were successfully launched in April supported by a redesigned website, and this will be followed shortly by the launch of equivalent products for Sippcentre. These new products represent our first steps, outside of pensions, into the wider retail savings and investment market and will enable us to compete effectively in the growing platform sector. We will continue to focus on SIPPs but these new products are complementary to, and share many of the attractive features of, our existing SIPP products.

As part of our continuing programme of sharing our economies of scale and efficiency gains with our customers, we have introduced rebates on the vast majority of funds across our Sippdeal SIPP, ISA and Dealing Account products. This is as part of a highly competitive pricing package that has no establishment fee, no basic annual administration fee and online dealing fixed at £9.95 for all three products. We believe that this positions Sippdeal as the best value online execution only savings platform in the marketplace. This similar competitive proposition will apply when we launch our additional Sippcentre products.

Joint statement from the Chairman and Chief Executive (continued)

We have recently added SEI as an investment partner on the Sippcentre SIPP platform and are in advanced negotiations to add a number of further investment partners.

Like many other firms in the financial services industry, we were charged an unexpected and substantial interim FSCS levy to cover losses suffered by clients of certain investment fund managers. It was decided that the cost should be borne by the business rather than passed on to clients and this cost is fully reflected in the first half year's results.

Our IMAS Service continues to attract significant interest from wealth management firms looking for an outsourced dealing and custody administration solution. Our second client has gone live and we are in discussions with several others.

The outlook for the remainder of the year is very positive. Following the successful delivery of the new Sippdeal and Sippcentre ISA and Dealing Account products, we will focus on the development of further product enhancements for delivery over the next year. Over the coming months we will increase our marketing activity to ensure we take maximum advantage from the launch of these new products and pricing initiatives.

We would like to share with you some changes in the management of the Group that will become effective from 1 July 2011. Richard Taylor will become Chief Operating Officer. In addition to overseeing all operational aspects of the business, Richard will also acquire responsibility for the majority of the Group's support functions. Fergus Lyons, Commercial Director, will assume responsibility for sales and marketing, in addition to continuing with his current responsibilities for the Group's commercial arrangements. Charles Galbraith, Managing Director of A J Bell Securities, will continue to lead the Group's stockbroking business.

Stuart Dootson stepped down as Chief Financial Officer at the end of May 2011. Our immense thanks and best wishes for the future go to Stuart who has been a valuable member of the Board over the last four years, having played a key role in developing corporate governance to plc levels. He was succeeded by Michael Summersgill, who has been appointed from within the existing finance team.

Nicholas Littlefair, co-founder of A J Bell, moved to become a non-executive director during 2007 and retired from this role at the end of March 2011. Nicholas has played an instrumental role in A J Bell's development and we will miss his very thoughtful and analytical contribution. We all wish Nicholas every success in this new phase in his life.

Our two biggest assets remain our clients and our employees. A significant source of new business is referrals by existing and satisfied clients. We believe that if we strive to further improve our service and value proposition, then our increasing marketing efforts will continue to be supplemented by these very valuable referrals.

Finally, our thanks go to all of our employees. Despite a very busy period within the business, they have managed to find time to participate in a number of projects supporting a wide range of charities. Our employees' willingness to continually adapt to the changing needs of our business and the markets within which we operate is something of which we are very proud. We thank all of our employees for their valuable contribution to these record results.

Jim Martin
Chairman

15 June 2011

Andy Bell
Chief Executive

15 June 2011

Unaudited condensed consolidated income statement

For the six months ended 31 March 2011

	Notes	Unaudited Six months ended 31 March 2011 £'000	2010 £'000	Audited Year ended 30 September 2010 £'000
Revenue		**20,037**	17,010	35,435
Administrative expenses	5	**(10,795)**	(9,560)	(19,388)
Operating profit		**9,242**	7,450	16,047
Investment revenue		**56**	46	87
Finance costs		**(7)**	(7)	(12)
Profit before taxation		**9,291**	7,489	16,122
Taxation	6	**(2,501)**	(1,881)	(4,299)
Profit for the period attributable to equity holders of the parent company		**6,790**	5,608	11,823
Earnings per ordinary share:				
Basic (pence)	7	**17.07**	14.19	29.91
Diluted (pence)	7	**16.79**	13.90	29.30

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

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

Unaudited condensed consolidated statement of financial position

At 31 March 2011

	Notes	Unaudited 31 March 2011 £'000	Unaudited 31 March 2010 £'000	Audited 30 September 2010 £'000
Assets				
Non-current assets:				
Goodwill		420	420	420
Other intangible assets	8	5,451	2,402	3,827
Property, plant and equipment		1,059	952	1,097
Deferred tax asset		145	245	423
		7,075	4,019	5,767
Current assets:				
Trade and other receivables		6,816	6,554	5,903
Client receivables		24,540	26,560	15,958
Cash and cash equivalents		16,161	11,867	15,186
Clients' settlement cash balances		7,263	6,878	10,235
		54,780	51,859	47,282
Total assets		61,855	55,878	53,049
Liabilities				
Current liabilities:				
Trade and other payables		(4,183)	(3,020)	(4,261)
Client payables		(31,803)	(32,916)	(25,750)
Obligations under finance leases		(23)	(14)	(14)
Current tax liabilities		(2,221)	(2,394)	(2,223)
Provisions		-	(63)	(33)
		(38,230)	(38,407)	(32,281)
Non-current liabilities:				
Obligations under finance leases		(26)	(6)	(9)
Provisions		(97)	(77)	(82)
Other payables		(17)	(25)	(21)
		(140)	(108)	(112)
Total liabilities		(38,370)	(38,515)	(32,393)
Net assets		23,485	17,363	20,656
Equity				
Share capital	9	40	39	39
Share premium	9	384	226	243
Share option reserve		-	357	581
Retained earnings		23,061	16,741	19,793
Total equity attributable to equity holders of the parent company		23,485	17,363	20,656

The unaudited condensed financial statements were approved by the board of directors on 15 June 2011 and were signed on its behalf by:

Michael Summersgill
Director and company secretary
15 June 2011

Unaudited condensed consolidated statement of changes in equity

For the six months ended 31 March 2011

	Notes	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2009		39	198	279	16,668	17,184
Total comprehensive income:						
Profit for the period		-	-	-	5,608	5,608
Transactions with owners, recorded directly in equity:						
Issue of share capital		-	28	-	-	28
Dividend to equity holders	10	-	-	-	(5,535)	(5,535)
Credit to equity in respect of share-based payments	11	-	-	15	-	15
Deferred tax effect of share based payment	6	-	-	3	-	3
Tax relief on exercise of share options	6	-	-	60	-	60
Total transactions with owners		-	28	78	(5,535)	(5,429)
Balance at 31 March 2010		39	226	357	16,741	17,363
Balance at 1 October 2010		39	243	581	19,793	20,656
Transfer between reserves	11	-	-	(581)	581	-
Total comprehensive income:						
Profit for the period		-	-	-	6,790	6,790
Transactions with owners, recorded directly in equity:						
Issue of share capital	9	1	141	-	-	142
Dividend to equity holders	10	-	-	-	(4,188)	(4,188)
Credit to equity in respect of share-based payments	11	-	-	-	70	70
Deferred tax effect of share based payments	6	-	-	-	(211)	(211)
Tax relief on exercise of share options	6	-	-	-	226	226
Total transactions with owners		1	141	-	(4,103)	(3,961)
Balance at 31 March 2011		40	384	-	23,061	23,485

Unaudited condensed consolidated statement of cash flows

For the six months ended 31 March 2011

	Note	Unaudited Six months ended 31 March 2011 £'000	2010 £'000	Audited Year ended 30 September 2010 £'000
Net cash from operating activities	12	4,060	6,391	18,203
Investing activities				
Purchase of other intangible assets		(1,914)	(427)	(2,137)
Purchase of property, plant and equipment		(138)	(96)	(402)
Interest received		56	46	87
Net cash used in investing activities		(1,996)	(477)	(2,452)
Financing activities				
Payment of obligations under finance leases		(15)	(13)	(28)
Proceeds from issue of share capital	9	142	28	45
Dividends paid	10	(4,188)	(5,535)	(8,698)
Net cash used in financing activities		(4,061)	(5,520)	(8,681)
Net (decrease) / increase in cash and cash equivalents		(1,997)	394	7,070
Cash and cash equivalents at beginning of period		25,421	18,351	18,351
Total cash and cash equivalents at end of period		23,424	18,745	25,421
Comprising:				
Clients' settlement cash balances		7,263	6,878	10,235
Group cash and cash equivalents		16,161	11,867	15,186
Total cash and cash equivalents		23,424	18,745	25,421

Notes to the unaudited condensed consolidated financial statements

For the six months ended 31 March 2011

1. General information

The annual consolidated financial statements for the year ended 30 September 2010 have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was

i) unqualified,
ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and
iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements of the Group for the year ended 30 September 2010 are available upon request from the company's registered office or at www.ajbell.co.uk.

2. Statement of compliance

The condensed set of financial statements included in this half-year financial report have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 30 September 2010.

3. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 30 September 2010.

4. Seasonality of operations

The monthly income profile of the Group is not subject to significant seasonal fluctuation, notwithstanding a peak of operational activity around the tax year end.

5. Administrative expenses

		Six months ended 31 March		Year ended 30 September
	Note	**2011** **£'000**	2010 £'000	2010 £'000
Additional FSCS levy	1	**428**	-	-
Other administrative expenses	2	**10,367**	9,560	19,388
		10,795	9,560	19,388

1. The Financial Services Compensation Scheme is funded by levies on firms authorised by the FSA. The scheme is in place to protect customers of failed institutions in the industry. The recent failure of certain investment intermediary firms has resulted in a significant additional levy being imposed upon the Group by the FSCS.

2. Other administrative expenses includes amounts that were previously recognised as cost of sales. This change in presentation results from the findings of a detailed cost review by the management team.

   Management feels that the separate presentation of cost of sales is not relevant information for users of the Group's financial statements due to the nature of the industry that the Group operates within. Therefore, cost of sales will no longer be presented as a separate line in the Group's financial statements.

   The total expense in the current interim period, which would previously have been classified as cost of sales, was £520,000.

   The cost of sales prior period comparatives, being £478,000 in the six months ended 31 March 2010 and £977,000 in the year ended 30 September 2010, have been reclassified as other administrative expenses in these financial statements.

Notes to the unaudited condensed consolidated financial statements

For the six months ended 31 March 2011

6. Taxation

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

	Six months ended 31 March		Year ended 30 September
	2011 £'000	2010 £'000	2010 £'000
Current tax	2,448	1,992	4,363
Adjustment to current tax in respect of prior periods	(15)	(36)	(40)
Deferred tax	71	120	142
Adjustment to deferred tax in respect of prior periods	(8)	(195)	(177)
Effect of decrease in tax rate on opening asset	5	-	11
Tax charge per income statement	2,501	1,881	4,299

Corporation tax is calculated at 27% of the estimated assessable profit for the period (2010: 28%).

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

	Six months ended 31 March		Year ended 30 September
	2011 £'000	2010 £'000	2010 £'000
Deferred tax relating to share-based payments	(211)	3	232
Current tax relief on exercise of share options	226	60	57
Tax credited directly to equity	15	63	289

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

	Six months ended 31 March		Year ended 30 September
	2011 £'000	2010 £'000	2010 £'000
Profit before tax	9,291	7,489	16,122
Profit before tax multiplied by the standard rate of Corporation Tax in the UK of 27%	2,509	2,097	4,514
Effects of:			
Expenses not deductible	15	15	35
Deduction on share options exercised	(229)	-	(94)
Adjustments to current tax in respect of prior period	(15)	(36)	(40)
Adjustments to deferred tax in respect of prior period	(8)	(195)	(177)
Recognised through reserves	226	-	57
Tax rate decrease	3	-	4
Total tax expense in consolidated income statement	2,501	1,881	4,299
Effective tax rate	26.9%	25.1%	26.7%

7. Earnings per share

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

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

	Six months ended 31 March		Year ended 30 September
	2011 £'000	2010 £'000	2010 £'000
Earnings (all from continuing operations)			
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent company	6,790	5,608	11,823
Number of shares			
Weighted average number of ordinary shares (for the purposes of basic earnings per share) in issue during the period	39,779,536	39,511,819	39,521,494
Effect of potentially dilutive share options	667,527	840,454	826,957
Weighted average number of ordinary shares for the purposes of fully diluted earnings per share	40,447,063	40,352,273	40,348,451

8. Other intangible assets

	Six months ended 31 March 2011 £'000	2010 £'000	Year ended 30 September 2010 £'000
Carrying value			
Computer software	**706**	809	907
Assets in the course of construction	**3,716**	412	1,815
Non-contractual customer relationships	**1,029**	1,181	1,105
	5,451	2,402	3,827

As disclosed in note 13 to the 2010 consolidated financial statements, the Group is undertaking a project to renew its administration software and systems.

An analysis of the costs incurred is provided below:

	Purchased software £'000	External consultancy costs £'000	Internal costs £'000	Total £'000
Cost				
As at 1 October 2009	-	-	-	-
Additions	-	283	129	412
As at 31 March 2010	-	283	129	412
As at 1 October 2010	298	1,012	505	1,815
Additions	12	1,152	737	1,901
As at 31 March 2011	**310**	**2,164**	**1,242**	**3,716**

9. Share capital and share premium

On 1 October 2010, 19,833 A non-voting ordinary shares of 0.1p were issued as part of a discretionary share award. The details of this transaction are disclosed in note 11.

On 28 October 2010, 24,998 A non-voting ordinary shares of 0.1p were issued at £3.00 per share. On 1 December 2010, 305,000 options for A non-voting ordinary shares of 0.1p were exercised at 22 pence per share.

10. Dividends

	Six months ended 31 March 2011 £'000	2010 £'000	Year ended 30 September 2010 £'000
Amounts recognised as distributions to equity holders during the period:			
Interim dividend for the year ended 30 September 2010 of 8.00p (2009: 4.25p) per share	-	-	3,163
Final dividend for the year ended 30 September 2010 of 10.50p (2009: 14.00p) per share	**4,188**	5,535	5,535
Ordinary dividends paid on equity shares	**4,188**	5,535	8,698

Notes to the unaudited condensed consolidated financial statements

For the six months ended 31 March 2011

11. Share-based payment transactions

Equity-settled share option schemes

The Group continues to operate its equity-settled share option schemes which were detailed in note 27 to the 2010 consolidated financial statements.

The expense recognised in the period, which is fully attributable to the HMRC-approved CSOP, was £11,000 (2010: £15,000). There was no expense in relation to the EMIS in either the current or prior year interim periods.

During the period, a total of 68,667 options were granted under the CSOP. The fair value of these options has been estimated using the Black-Scholes method. The inputs to that model for this new issue of options are listed below:

Fair value of share from generally accepted business model (£)	3.00
Exercise price contained in option (£)	3.00
Expected volatility	25%
Expected dividend yield	6.17%
Risk free interest rate	0.98%
Risk free interest rate	36

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

Reconciliation of the movement in the number of share options:

	31 March 2011		30 September 2010	
	Number of options	Weighted average exercise price (£)	Number of options	Weighted average exercise price (£)
Outstanding at beginning of period	801,635	0.80	944,135	0.74
Granted during the period	68,667	3.00	-	-
Exercised during the period	(305,000)	0.22	(127,500)	0.22
Forfeitures	-	-	(15,000)	1.90
Outstanding at the end of the period	565,302	1.38	801,635	0.80
Exercisable at the end of the period	286,635	0.61	141,635	1.00

Discretionary share award

During the period, the Group made a discretionary share award to certain employees in recognition of their past service to the Group, at a price lower than fair value. The recipients are liable for any resulting income tax payable.

These share awards fall within the definition of share-based payments contained within IFRS 2 "Share-Based Payment". Accordingly a charge to the income statement has been made relating to this award.

The share awards that were made in the period are summarised below:

Number of shares awarded	Amount paid per share	Fair value per share	Expense in the period
	£	£	£'000
19,833	0.001	3.00	59

Notes to the unaudited condensed consolidated financial statements

For the six months ended 31 March 2011

11. Share-based payment transactions (continued)

Share option reserve

The balance brought forward within the share option reserve of £581,000 represents the cumulative effect of share-based payments and the associated tax in prior periods. This balance brought forward has been transferred to retained earnings in the current period. All share-based payment transactions in the current period have been recognised directly in retained earnings. All future share-based payment transactions will also be recognised directly in retained earnings.

12. Notes to the cash flow statement

	Six months ended 31 March		Year ended 30 September
	2011 £'000	2010 £'000	2010 £'000
Profit for the period	6,790	5,608	11,823
Adjustments for:			
Net finance income	(49)	(39)	(75)
Income tax expense	2,501	1,881	4,299
Depreciation of plant and equipment	208	190	364
Amortisation of intangible assets	291	281	566
Share-based payments expenses	70	15	13
Deferred tax effect on share-based payments	(211)	3	232
Decrease in provisions	(22)	(17)	(46)
Tax relief on exercise of share options	226	60	57
Loss on disposal of fixed assets	8	3	9
Operating cash flows before movements in working capital	9,812	7,985	17,242
(Increase)/decrease in receivables	(9,495)	7,765	19,018
Increase/(decrease) in payables	5,975	(7,420)	(13,345)
Cash generated from operations	6,292	8,330	22,915
Income taxes paid	(2,225)	(1,932)	(4,700)
Interest paid	(7)	(7)	(12)
Net cash from operating activities	4,060	6,391	18,203

13. Related party transactions

The Group has a related party relationship with its subsidiaries, and with its directors and key management personnel. There have been no material changes to related party transactions from those disclosed in note 28 to the 2010 consolidated financial statements.

Definitions

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

AUA	Assets under administration
Company, Holdings	A J Bell Holdings Limited
CSOP	Company share option plan
EMIS	Enterprise management incentive scheme
FSA	Financial Services Authority
FSCS	Financial services compensation scheme
Group	A J Bell Holdings Limited and its wholly owned subsidiaries
ISA	Individual savings account
SIPP	Self invested personal pension
SSAS	Small self administered scheme

Company information

Presented below are the key elements of information for the Group.

Company number	Secretary and registered office	Auditors	Principals bankers	Solicitors
4503206	Michael Summersgill A J Bell Holdings Limited Trafford House Chester Road Manchester M32 0RS	KPMG Audit Plc St James' Square Manchester M2 6DS	HBOS plc 1 Lochrin Square 92-98 Fountainbridge Edinburgh EH3 9QA	Weightmans LLP India Buildings Water Street Liverpool L2 0GA

A J Bell Holdings Limited
Trafford House
Chester Road
Manchester
M32 0RS

Tel 0845 40 89 100
www.ajbell.co.uk