AJBell Holdings Limited

Guided by our principles, motivated by our clients

Interim Report and Unaudited Condensed Consolidated Financial Statements

For the six months ended 31 March 2013

Company registration number 04503206

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Key business and financial information

Assets under administration

£19.3bn ▲ 10%

Number of retail customers

78,101 ▲ 11%

Revenue

22% ▲ Increase of £5.2 million

Profit before tax

9% ▲ Increase of £1.1 million

Diluted earnings per share

11% ▲ Increase of 2.39p

Interim dividend

▶ No change

Joint statement from the Chairman and Chief Executive

Jim Martin
Chairman

Andy Bell
Chief Executive

We are pleased to present our interim report for the six month period to 31 March 2013, detailing another set of record results for AJ Bell.

Revenue for the first six months of the financial year was £29.1m, up 21.6% from the £23.9m recorded in the six months to 31 March 2012. Profit before tax for the period was £13.3m, representing year-on-year growth of 9.0%. This increase in profit, along with a reduction in the rate of corporation tax, increased earnings per share by 10.6% to 25.04p.

Both platform and non-platform business continued to grow. Total retail customers increased from 70,616 at the start of the financial year to 78,101 at 31 March 2013, representing growth of 10.6% in our customer base. AUA grew by £1.8bn in the period to £19.3bn, an increase of 10.3% in the six month period.

Although our strong financial performance in the first half of the year is pleasing, the economic headwinds highlighted in our 2012 annual report persist and will impact our full year performance. In light of this, we have maintained our interim dividend at the 9.50p per share we paid in June 2012.

Business Review

Platform

The growth in our platform business accelerated during the period. The number of retail customers using one of our platforms rose from 50,110 to 57,027 in the six month period, an increase of 13.8%. This inflow of new business saw the value of assets on platform rise significantly. AUA increased by 18.8%, up from £9.6bn at 30 September 2012 to £11.4bn at 31 March 2013. Although markets moved favourably in the period, over £1.3bn of AUA came from contributions, subscriptions and transfers in.

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

Meeting the requirements of the first phase of the RDR unquestionably created a distraction from day-to-day business for advisers. In light of this, the continued growth in both client numbers and AUA on our adviser platform was particularly pleasing.

Joint statement from the Chairman and Chief Executive

The first quarter of the 2013 calendar year saw the implementation of our new unbundled charging structure for the Sippcentre platform, which has proved popular with advisers. We believe this charging structure makes Sippcentre one of the very best propositions in the adviser platform market, a view supported by a number of independent industry research houses.

The development of our Sippcentre proposition has continued to be a major focus. In response to feedback from advisers regarding their retail customers' requirements, we have broadened our General Investment Account to allow us to administer assets for trusts, charities, private companies and those who wish to hold assets in joint names. In addition, we have enhanced our illustration tools by extending them to include non-pension products.

Following our move from being a SIPP-only specialist, Sippcentre will be rebranded later in the year.

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

Although our SIPP product still accounts for the majority of both customers and assets on the Sippdeal platform, the non-pension products are becoming an increasingly significant proportion of our business. At 31 March 2013, 30% of customers used the platform to access non-pension products. This growing view of Sippdeal as a fully-fledged investment platform will be bolstered in the second half of the year by our continuing development of the proposition, along with a planned rebranding.

The lull in the eurozone 'debt crisis', combined with the temporary avoidance of the US 'fiscal cliff', resulted in buoyant equity markets. This positive backdrop, along with our new mobile dealing application, has increased dealing volumes on the Sippdeal platform by almost 50% when compared against the same period last year.

In addition to delivering this new mobile channel through which our customers can control their portfolio, we have also enriched our website with a new research centre. In time, this will be accessible through our mobile application, ensuring that our customers always have access to the information they need to manage their portfolio.

Significant developments are planned for our Sippdeal proposition. In addition to rebranding, we will also be repricing the service, adding daily investment news and offering a guided investments option to our customers. We believe that these developments will see Sippdeal appeal to a wider profile of investors operating in the direct-to-consumer market.

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

It has been a strong six months for our IMAS offering. During the period we added three corporate clients to the platform, increasing the total to eight. The combination of successful migrations and new business from existing corporate clients saw both the number of underlying retail customers using the service and the value of AUA double in the period.

Non-platform

Our non-platform business continued to perform well, with each line of business continuing to operate profitably. The number of retail customers using our Platinum, Sippdealxtra and white-labelled SIPP products remained broadly flat at 21,074, as did the total value of AUA for all non-platform business, which at 31 March 2013 was £7.9bn.

Significant events

MSM Media

The continued growth of our existing business was achieved alongside the acquisition of MSM Media Limited and its trading subsidiary MoneyAM Limited. MSM is a specialist financial media business that produces the weekly investment magazine Shares, owns the UK equity data site MoneyAM and delivers news and data to a number of media and financial services businesses through its corporate solutions services. MSM will support our platform business by providing investment news and data, whilst also driving forward a wider programme of investment content initiatives.

IT infrastructure and administration systems

As reported in our 2012 annual statement, our ongoing project to update our IT infrastructure and migrate to our new administration system reached a significant milestone in October 2012 when the first major SIPP migration was completed. Work on the project will draw to a close towards the end of the calendar year.

Joint statement from the Chairman and Chief Executive

Principal risks and uncertainties

We continually review the principal risks and uncertainties facing the Group that could pose a threat to the delivery of our strategy. The principal risks and uncertainties for the remainder of the current financial year, comprising industry, operational and financial risks, are the same as those presented on pages 23 to 25 of the 2012 consolidated financial statements.

Outlook and conclusions

Industry-specific legislation

There have been recent steps taken by the Government to improve the legislation underpinning the UK savings market.

Firstly, the 20% uplift to GAD drawdown rates for pensioners using a drawdown facility was reintroduced in March 2013. We are pleased that our campaigning resulted in improved outcomes for our pension customers in the short term. However, we still believe that a more fundamental review of the rules is required to ensure drawdown provides pensioners with an adequate and sustainable income throughout their retirement.

In addition, the Government announced that it will consult on allowing Child Trust Funds to be transferred to Junior ISAs and plans were also outlined to allow ISAs to hold AIM listed shares. Both were positive steps that will help to ensure the available savings vehicles prove effective for savers over the long term.

Regulation

Excluding the transfer of regulatory responsibility to the FCA, the most significant impact on the regulatory landscape in the period came following the release of the long awaited platform paper. Although this FCA policy statement contained few surprises, confirmation was provided on a number of significant matters.

Cash rebates of any significance, be they from fund managers to platforms or from platforms to customers, will be banned from 6 April 2014, with transitional arrangements for legacy business applying until 6 April 2016. Although unit rebates to customers will be allowed, we do not believe business models based on bundled charging and unit rebates will be sustainable. In time this will mean that unbundled charging structures will prevail in both the direct-to-consumer and adviser-led platform markets.

Other than the impact on pricing structures, the policy statement will have two significant consequences.

Firstly, the FCA have confirmed that they intend to consider whether and how the platform rules should apply to firms operating in adjacent markets such as specialist SIPP operators, execution-only stockbrokers, discretionary fund managers and life insurers. If the FCA follow up on this statement of intent quickly a level playing field should emerge, ensuring that the customers of firms who apply the principles of the policy statement are not disadvantaged.

Secondly, the FCA have placed additional responsibilities on advisers to satisfy themselves that platforms are compliant with the rules regarding the unbiased presentation of the available investment options. Good quality adviser firms already perform extensive due diligence on the platforms they adopt and this explicit addition to that process should advantage independent, profitable and well capitalised platforms.

Economic

Although the burden weighing on many developed economies continues to create uncertainty, more challenging is the impact of the stagnant domestic economy. Weak GDP figures, in combination with relatively low inflation, reinforces the now commonly held view that base rate will stay low for the foreseeable future. The recent extension of the Funding for Lending Scheme, along with additional incentives for banks to use this source of funding, will sustain the excess liquidity present in the banking sector in the short term. As a consequence, demand by banks for cash deposits will remain low and this will see LIBOR spreads remain tight in the short term.

A low base rate, combined with narrow LIBOR spreads, reduces our ability to generate revenue from cash deposits, a situation that is likely to result in our full year results falling slightly from the record results achieved in the year to 30 September 2012. We believe these difficult conditions will also present a challenge to our financial performance in the year to 30 September 2014.

Joint statement from the Chairman and Chief Executive

Conclusions

The growth in both retail customer numbers and AUA looks set to continue at pace in the second half of the year, albeit that the challenging economic conditions will suppress our full year financial performance.

We are beginning to establish ourselves as a force in the platform market, a trend that will continue as a result of the further developments to our various platform propositions that are already underway. Our acquisition of MSM will add a new dimension to these developments, allowing us to serve our customers better by providing them with rich investment content.

However customers choose to manage their investments, be it with the support of an adviser, by directly engaging with an investment platform, or a combination of both, we are well placed to meet their needs. It is this mix of distribution channels that makes us so well placed to compete in what is a very attractive sector of the UK savings market.

As a business our focus is rightly on our customers, but it is the collective hard work and expertise of the entire team at AJ Bell that allows us to deliver such high quality services. All of our colleagues embrace the guiding principles of the business, ensuring the award-winning standard of service for which AJ Bell is renowned is delivered day after day. We would like to take this opportunity to thank them for their continued contribution to our success.

Jim Martin
Chairman

Andy Bell
Chief Executive Officer

Unaudited condensed consolidated income statement

For the six months ended 31 March 2013

	Notes	Unaudited Six months ended 31 March 2013 £'000	Unaudited Six months ended 31 March 2012 £'000	Audited Year ended 30 September 2012 £'000
Revenue		29,094	23,921	51,765
Administrative expenses		(15,865)	(11,766)	(25,405)
Operating profit		13,229	12,155	26,360
Investment revenue		106	73	169
Finance costs		(14)	(10)	(28)
Profit before tax		13,321	12,218	26,501
Taxation	4	(3,139)	(3,080)	(6,702)
Profit for the period attributable to equity holders of the parent company		10,182	9,138	19,799
Earnings per ordinary share:				
Basic (pence)	5	25.30	22.83	49.39
Diluted (pence)	5	25.04	22.65	49.14

The notes and information on pages 14 to 26 form part of the unaudited condensed 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 any period and consequently no statement of other comprehensive income has been presented.

Unaudited condensed consolidated statement of financial position

As at 31 March 2013

	Notes	Unaudited 31 March 2013 £'000	Unaudited 31 March 2012 £'000	Audited 30 September 2012 £'000
Assets				
Non-current assets:				
Goodwill		1,957	420	420
Other intangible assets	7	9,260	7,476	8,439
Property, plant and equipment		863	831	919
		12,080	8,727	9,778
Current assets:				
Trade and other receivables		9,430	8,092	7,969
Client and market receivables		33,457	22,357	17,785
Cash and cash equivalents		30,486	21,794	29,120
Clients' settlement cash balances		17,372	13,903	10,033
		90,745	66,146	64,907
Total assets		102,825	74,873	74,685
Liabilities				
Current liabilities:				
Trade and other payables		(6,780)	(4,802)	(4,674)
Client and market payables		(49,813)	(35,291)	(27,471)
Current tax liabilities		(3,107)	(2,943)	(3,397)
Obligations under finance leases		(41)	(25)	(48)
Provisions		(24)	-	(121)
		(59,765)	(43,061)	(35,711)
Non-current liabilities:				
Obligations under finance leases		(104)	(22)	(121)
Provisions		(280)	(154)	(280)
Other payables		(19)	(1)	(10)
Deferred tax liability		(145)	(139)	(156)
		(548)	(316)	(567)
Total liabilities		(60,313)	(43,377)	(36,278)
Net assets		42,512	31,496	38,407
Equity				
Share capital		40	40	40
Share premium		623	571	617
Retained earnings		41,849	30,885	37,750
Total equity attributable to equity holders of the parent company		42,512	31,496	38,407

The notes and information on pages 14 to 26 form part of the unaudited condensed consolidated financial statements.

The unaudited condensed consolidated financial statements were approved by the Board of directors on 16 May 2013 and were signed on its behalf by:

Michael Summersgill
Director

Unaudited condensed consolidated statement of changes in equity

For the six months ended 31 March 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 period:					
Profit for the period		-	-	9,138	9,138
Transactions with owners, recorded directly in equity:					
Issue of share capital		-	6	-	6
Share repurchase		-	(8)	-	(8)
Dividends	9	-	-	(5,214)	(5,214)
Credit to equity in respect of share-based payments	10	-	-	6	6
Deferred tax effect of share-based payments	4	-	-	4	4
Tax relief on exercise of share options	4	-	-	10	10
Total transactions with owners		-	(2)	(5,194)	(5,196)
Balance at 31 March 2012		40	571	30,885	31,496
Balance at 1 October 2012		40	617	37,750	38,407
Total comprehensive income for the period:					
Profit for the period		-	-	10,182	10,182
Transactions with owners, recorded directly in equity:					
Issue of share capital	8	-	6	-	6
Dividends	9	-	-	(6,151)	(6,151)
Credit to equity in respect of share-based payments	10	-	-	13	13
Deferred tax effect of share-based payments	4	-	-	43	43
Tax relief on exercise of share options	4	-	-	12	12
Total transactions with owners		-	6	(6,083)	(6,077)
Balance at 31 March 2013		40	623	41,849	42,512

The notes and information on pages 14 to 26 form part of the unaudited condensed consolidated financial statements.

Unaudited condensed consolidated statement of cash flows

For the six months ended 31 March 2013

	Notes	Unaudited Six months ended 31 March 2013 £'000	Unaudited Six months ended 31 March 2012 £'000	Audited Year ended 30 September 2012 £'000
Net cash from operating activities	11	17,613	13,628	22,292
Investing activities				
Purchase of other intangible assets		(714)	(1,390)	(2,728)
Purchase of property, plant and equipment		(152)	(178)	(353)
Interest received		106	73	169
Net cash paid to acquire subsidiary	6	(1,979)	-	-
Net cash used in investing activities		(2,739)	(1,495)	(2,912)
Financing activities				
Payment of obligations under finance leases		(24)	(14)	(41)
Proceeds from issue of share capital		6	6	52
Repurchase of own shares		-	(8)	(8)
Dividends paid	9	(6,151)	(5,214)	(9,024)
Net cash used in financing activities		(6,169)	(5,230)	(9,021)
Net increase in cash and cash equivalents		8,705	6,903	10,359
Cash and cash equivalents at beginning of period		39,153	28,794	28,794
Total cash and cash equivalents at end of period		47,858	35,697	39,153
Comprising:				
Group cash and cash equivalents		30,486	21,794	29,120
Clients' settlement cash balances		17,372	13,903	10,033
Total cash and cash equivalents at end of period		47,858	35,697	39,153

The notes and information on pages 14 and 26 form part of the unaudited condensed consolidated financial statements.

Notes to the unaudited condensed consolidated financial statements

For the six months ended 31 March 2013

1. General information

The Company is incorporated and registered in England and Wales. The address of the registered office is given on page 26.

These unaudited condensed consolidated financial statements do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The consolidated financial statements for the year ended 30 September 2012 have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was:

i) unqualified, and

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 2012 are available to view online at www.ajbell.co.uk.

2. Basis of preparation

Going concern

The directors are satisfied that the Group has sufficient resources to continue in business for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

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 2012.

Accounting judgements and estimates

With the exception of the subsidiary acquired during the period, the judgements, estimates and assumptions made 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 2012.

Statement of compliance

The condensed consolidated interim financial statements 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 2012.

3. Seasonality of operations

There is a peak in the Group's operational activity around the tax year-end. This impacts the financial results primarily in March and April, either side of the interim period-end. As such, no significant seasonal fluctuations affect the first or second half of the Group's financial year in isolation.

4. Taxation

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

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000	Year ended 30 September 2012 £'000
Current tax	3,134	2,969	6,504
Adjustment to current tax in respect of prior periods	26	5	68
Deferred tax			
Origination and reversal of temporary differences	3	89	152
Change in recognised deductible temporary differences	(24)	6	(32)
Reduction in tax rate	-	11	10
Tax charge per the condensed consolidated income statement	3,139	3,080	6,702

Corporation tax for the six months ended 31 March 2013 is calculated at 23.5% (six months ended 31 March 2012: 25%; year ended 30 September 2012: 25%), representing the average annual effective tax rate expected for the full year, applied to the estimated assessable profit for the six-month period.

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

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000	Year ended 30 September 2012 £'000
Deferred tax relating to share-based payments	43	4	(11)
Current tax relief on exercise of share options	12	10	(10)
	55	14	(21)

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

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000	Year ended 30 September 2012 £'000
Profit before tax	13,321	12,218	26,501
Profit before tax multiplied by the standard rate of corporation tax in the UK of 23.5% (six months ended 31 March 2012: 25%; year ended 30 September 2012: 25%)	3,130	3,054	6,625
Effects of:			
Expenses not deductible	7	14	63
Adjustments to current tax in respect of prior period	26	5	68
Change in recognised deductible temporary differences	(24)	4	(51)
Reduction in tax rate	-	3	(3)
Total tax expense in condensed consolidated income statement	3,139	3,080	6,702
Effective tax rate	23.6%	25.2%	25.3%

5. 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
	2013 £'000	2012 £'000	2012 £'000
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent company	10,182	9,138	19,799
Number of shares			
Weighted average number of ordinary shares (for the purposes of basic earnings per share) in issue during the period	40,253,417	40,019,246	40,086,107
Effect of potentially dilutive share options	416,132	328,162	203,143
Weighted average number of ordinary shares for the purposes of fully diluted earnings per share	40,669,549	40,347,408	40,289,250

6. 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 £865,000 and profit of £17,000 to the Group's results. If the acquisition had occurred on 1 October 2012, the directors estimate that consolidated revenue would have been £30.1m and consolidated profit would have been £10.3m for the six months ended 31 March 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 £475,000 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 expected to be deductible for tax purposes.

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 condensed consolidated income statement for the six months ended 31 March 2013.

7. Other intangible assets

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000	Year ended 30 September 2012 £'000
Carrying value			
Computer software	937	854	944
Assets under construction	1,097	4,630	5,679
Non-contractual customer relationships	1,305	876	801
Key operating system	5,921	1,116	1,015
	9,260	7,476	8,439

As disclosed in note 14 to the 2012 consolidated financial statements, the Group is undertaking a project to renew its IT infrastructure and administration systems. The second phase of this project was completed in October 2012 and the cost of the asset generated was transferred from assets under construction to the appropriate category of other intangible assets.

The balance of assets under construction represents the costs incurred to complete the final phase of the project. An analysis of the movement in the period is provided below:

	Purchased software £'000	External consultancy costs £'000	Other external costs £'000	Internal costs £'000	Total £'000
Cost					
As at 1 October 2011	-	2,241	20	1,268	3,529
Additions	-	684	2	415	1,101
As at 31 March 2012	-	2,925	22	1,683	4,630
Additions	3	725	-	323	1,051
Transfers	-	-	(2)	-	(2)
As at 30 September 2012	3	3,650	20	2,006	5,679
Additions	-	500	-	194	694
Transfers	(3)	(3,286)	(20)	(1,967)	(5,276)
As at 31 March 2013	-	864	-	233	1,097

The directors are satisfied that there are no indicators of impairment to the costs capitalised as assets under construction.

8. Share capital and share premium

The following share transactions have taken place during the period:

Transaction type	Share class	Number of shares	Premium £'000
Exercise of options	A non-voting ordinary shares of 0.1p each	15,000	3
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
			6

9. Dividends

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000	Year ended 30 September 2012 £'000
Amounts recognised as distributions to equity holders during the period:			
Interim dividend for the year ended 30 September 2012 of 9.50p (2011: 8.00p) per share	-	-	3,810
Final dividend for the year ended 30 September 2012 of 15.25p (2011: 13.00p) per share	6,151	5,214	5,214
Ordinary dividends paid on equity shares	6,151	5,214	9,024

The proposed dividend of 9.50 pence per share was approved by the Board on 16 May 2013 and has not been included as a liability as at 31 March 2013.

10. 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 26 to the 2012 consolidated financial statements.

The expense recognised in the period, relating to the HMRC-approved CSOP, was £13,000 (six months ended 31 March 2012: £6,000; year ended 30 September 2012: £13,000).

During the current period, a total of 159,360 (six months ended 31 March 2012 and year ended 30 September 2012: 70,597) options were granted under the CSOP. The fair value of these options has been estimated using the Black-Scholes method.

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

Fair value of share from generally accepted business model (£)	4.20
Exercise price contained in option (£)	4.20
Expected volatility	25%
Expected dividend yield	5.89%
Risk free interest rate	0.42%
Expected option life to exercise (months)	36

Reconciliation of the movement in the aggregate number of EMI and CSOP share options:

	31 March 2013		31 March 2012		30 September 2012	
	Number of options	Weighted average exercise price (£)	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	415,757	1.72
Granted during the period	159,360	4.20	70,597	3.50	70,597	3.50
Exercised during the period	(15,000)	0.22	(15,000)	0.22	(38,724)	1.25
Forfeitures	(9,785)	3.07	(22,500)	1.90	(32,928)	1.92
Outstanding at the end of the period	549,277	2.71	448,854	2.05	414,702	2.05
Exercisable at the end of the period	260,866	1.50	122,090	0.84	260,866	1.40

Option to buy shares scheme

The Group continues to operate its option to buy shares scheme which was detailed in note 26 to the 2012 consolidated financial statements.

During the period, 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 8. The A non-voting shares were issued at market value and therefore no share-based payment charge was recognised in respect of these shares.

11. Notes to the statement of cash flows

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000	Year ended 30 September 2012 £'000
Profit for the period	10,182	9,138	19,799
Adjustments for:			
Investment revenue	(106)	(73)	(169)
Finance costs	14	10	28
Income tax expense	3,139	3,080	6,702
Depreciation of property, plant and equipment	229	208	443
Amortisation of intangible assets	683	354	728
Share-based payment expense	13	6	13
(Decrease)/increase in provisions and other payables	(88)	(81)	175
Loss on disposal of intangible assets	-	-	1
Loss on disposal of property, plant and equipment	3	-	1
Operating cash flows before movements in working capital	14,069	12,642	27,721
(Increase)/decrease in receivables	(16,565)	(1,050)	3,645
Increase/(decrease) in payables	23,554	4,212	(3,736)
Cash generated from operations	21,058	15,804	27,630
Income taxes paid	(3,431)	(2,166)	(5,310)
Interest paid	(14)	(10)	(28)
Net cash from operating activities	17,613	13,628	22,292

The increase in receivables and payables include the movement in MSM's statement of financial position since the date of acquisition.

12. Related party transactions

The Group has a related party relationship with its subsidiaries, its directors and key management personnel. With the exception of the acquisition of MSM, there have been no other material changes to related party transactions from those disclosed in note 27 to the 2012 consolidated financial statements.

Definitions

The following definitions are used throughout the interim report and condensed consolidated financial statements:

AIM	Alternative Investment Market
AUA	Assets Under Administration
Company	AJ Bell Holdings Limited
CSOP	Company Share Option Plan
EMI	Enterprise Management Incentive
FCA	Financial Conduct Authority
GAD	Government Actuary's Department
GDP	Gross Domestic Product
Group	AJ Bell Holdings Limited and its wholly-owned subsidiaries
HMRC	HM Revenue and Customs
ISA	Individual Savings Account
MSM	MSM Media Limited and its wholly-owned subsidiary MoneyAM Limited
OTB	Option to Buy Shares Scheme
RDR	Retail Distribution Review
SIPP	Self Invested Personal Pension
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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