INVESTING FOR SUCCESS

Annual Report and Financial Statements 2018

AJBell
Holdings Limited

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“At AJ Bell we help people invest and our customers remain at the heart of everything we do. Our aim is to become the easiest platform to use.

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

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

Group highlights

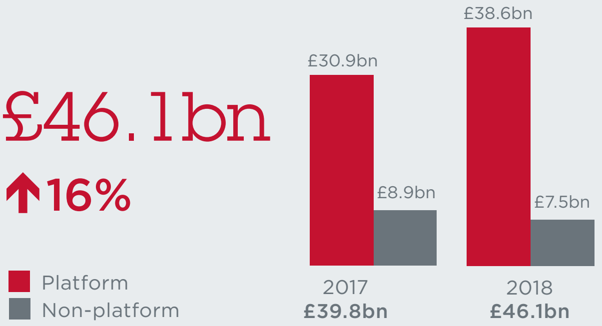
Key performance indicators

Non-financial highlights

Assets under administration

£46.1bn

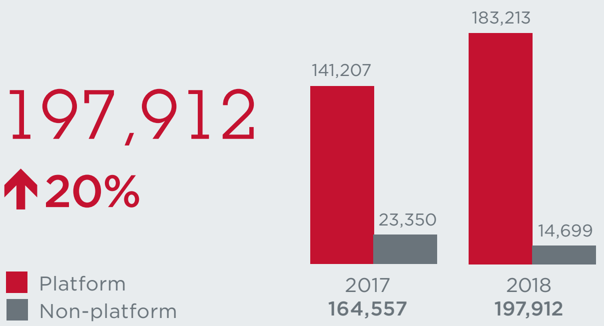
↑16%



Number of retail customers

197,912

↑20%



Customer retention rate*

95.1% ↑0.7ppts

(30 September 2017: 94.4%)

Financial highlights

Revenue

£89.7m ↑19%

(30 September 2017: £75.6m)

Profit before tax

£28.4m ↑31%

(30 September 2017: £21.7m)

PBT margin

31.6% ↑2.9ppts

(30 September 2017: 28.7%)

Revenue per £AUA*

21.0bps ↓0.1bps

(30 September 2017: 21.1bps)

Diluted earnings per share

54.05p ↑27%

(30 September 2017: 42.60p)

*for definitions see page 83

Chairman's statement

"It is pleasing to report a further year of significant growth for the Group, during which we have delivered record levels of revenue, profit and net new customers acquired. This strong performance is underpinned by our award-winning service, the quality of our product propositions and a robust, scalable and efficient operating model."

Les Platts
Chairman

At AJ Bell we help people invest and our customers remain at the heart of everything we do. Our aim is to become the easiest platform to use and, in a market that is constantly evolving, our continued investment in innovative technology and our core infrastructure is critical in delivering this ambition.

Overview of the year

The Group continues to show strong growth, with total retail customers increasing by 20% from 164,557 to 197,912 during the financial year and assets under administration (AUA) growing by 16% from £39.8bn to £46.1bn.

Profit before tax for 2018 increased by 31% from £21.7m to £28.4m. The underlying growth in the customer base and efficiency of our operating model continue to deliver earnings growth, with diluted earnings per share of 54.05p for the year – an increase of 27% from the 42.60p reported in the prior year.

It has been both a challenging and rewarding year that has seen us deliver significant enhancements to our operational infrastructure, systems and processes whilst continuing to develop our product propositions. During the year we successfully completed the relocation of our stockbroking operation from Tunbridge Wells to our head office in Manchester and implemented the regulatory changes required ahead of MiFID II and GDPR. The business is also preparing for a listing on the London Stock Exchange in 2018 Q4, subject to market conditions, and we are currently progressing with this preparation in line with expectations.

Governance

The Board is committed to developing the corporate governance structures of the Group to ensure they meet best practice. The Board continues to provide strong support and suitable challenge to the Executive Management Board (EMB) in order to ensure the Group's strategy is delivered in an appropriate and controlled manner.

The Board welcomed Eamonn Flanagan and Laura Carstensen as new independent Non-executive Directors of the Group during the first half of the year. Eamonn chairs both the Audit and Disclosure Committees, with Laura chairing the Remuneration Committee and acting as the Senior Independent Director of the Group. Both bring with them valuable industry knowledge and expertise which will complement our existing management team as we plan for the next phase of growth in the business.

As previously announced, John Tomlins stepped down from the Board in March this year after serving over four years as a Non-executive Director. On behalf of the Board, I would like to thank John for his valuable contribution to the Group and we wish him well for the future.

The Board has met ten times during the year and is supported by five sub-committees: Audit, Risk & Compliance, Remuneration, Nominations and Disclosure. The Disclosure Committee has been formed in preparation for our proposed listing and has delegated responsibility for overseeing compliance with obligations under the Listing Rules and the Disclosure Guidance and Transparency Rules. It is also responsible for the implementation of the governance procedures associated with the assessment, control and disclosure of Inside Information. The Risk & Compliance Committee met five times, the Audit Committee four times, the Remuneration Committee three times and the Nominations and Disclosure Committees once. The Board and its sub-committees achieved 100% attendance for all meetings, with the exception of one Risk & Compliance meeting where the attendance was 75%.

Responsibility for the day-to-day management of the business remains with the EMB (see page 27).

Shareholder returns

The Board continues to adopt a progressive dividend policy, which is balanced with holding sufficient funds for future investment and our regulatory capital requirements. The Board has declared a final ordinary dividend of 21.50p per share for the year-end which, including the interim ordinary dividend of 14.00p per share, takes the total ordinary dividend for the year to 35.50p per share, compared to 28.25p in the previous year. In addition to our ordinary dividends, the Board declared and paid a special dividend of 19.50p per share during September 2018, reflecting confidence in our financial performance and also our commitment to distribute excess cash to our shareholders. The total dividend, including the special dividend, gives a combined 55.00p per share. I am pleased to report that we have increased our ordinary dividend every year since we paid our first dividend in 2004.

Outlook

A changing macroeconomic environment presents both opportunities and challenges for the business and we expect further market volatility for the foreseeable future with the backdrop of the UK's exit from the EU. The business has experienced a variety of economic conditions during its twenty-plus years of history, and it has always operated profitably during that time.

The platform market continues to demonstrate strong growth and we are well placed to capitalise on the further opportunities as they arise. We approach the forthcoming year with a clear strategy, supported by our strong platform propositions, scalable infrastructure and an ambitious, founder-led management team.

Our commitment to growth and delivering value to our shareholders and wider stakeholders is as strong as ever. We are a well-capitalised, highly profitable and cash generative business and look to the future with confidence as we aim to build on these strong results and deliver further success for the business.

Les Platts
Chairman

Chief Executive Officer's report

"I am pleased to report another year of significant progress for AJ Bell. In the 12-month period to 30 September 2018 we have attracted a record number of new retail customers and delivered the most profitable trading period in our history. The success of the business is driven by our customer acquisition and retention rates, which are in turn underpinned by our award-winning, scalable, easy- to-use platform, quality of service and competitive pricing. Put simply, at AJ Bell we help people invest and our aim is to be the easiest investment platform to use."

Andy Bell
Chief Executive Officer

Overview

The key drivers of our business, customers and AUA, grew by 20% and 16% respectively during the 12-month period. This growth led to revenue increasing by 19% from £75.6m to £89.7m and profit before tax rising by 31% from £21.7m to £28.4m.

The number of net new retail customers increased by 33,355 during the period to a total of 197,912. This increase is predominantly due to the strong growth in our two platform propositions, AJ Bell Investcentre and AJ Bell Youinvest, with customer numbers for each growing by 16% and 46% respectively.

The £4.4bn net AUA inflows for the period were driven by incoming transfers, contributions and subscriptions, helping to increase AUA from £39.8bn to £46.1bn. This included gross inflows of £8.0bn and outflows of £3.6bn which were significantly increased by our decision to discontinue two of our third party administration contracts. The customer retention rate of our platform propositions remained high at 95.1%. The impact from market movements, return on investments and other movements was £1.9bn, with the FTSE All Share closing at the end of September 2018 marginally higher than a year earlier. Many of the world's largest stock markets reached a record high during the year, but asset values have been volatile throughout the year and have fallen since the year-end.

Our preparations to list on the London Stock Exchange are entering the final stage and we remain on track to list in 2018 Q4, subject to market conditions. A listing will enhance our brand and increase the profile of the business and I believe it is the next natural step, having operated as a successful and highly profitable private company for over 23 years. A listing will also enable more institutional investors to participate in AJ Bell's future and, as previously publicised, an element of the offering will be exclusively set aside for our own retail customers.

Strategic update

Our leading strategic aim is to become the easiest platform to use and each year we invest in technology and innovation to improve the customer journey and develop our platform propositions. Mobile technology, in particular, is revolutionising the way people manage and access their money. We continue to invest in applications for mobile technology to ensure our customers have the ability to invest how they want and when they want.

AJ Bell Youinvest launched its Mywealth functionality during the year, making it easier for customers to manage their finances by providing a snapshot of their financial position, wide of platform investments held with AJ Bell.

Our digital strategy for AJ Bell Investcentre has seen the launch of a new mobile application that allows customers to access their accounts on the move via iOS and Android devices. This also provides a dealing service for those customers who have an execution-only account.

A stocks and shares Lifetime ISA was launched for AJ Bell Investcentre earlier in the year, following the success of the AJ Bell Youinvest Lifetime ISA in 2017. We remain one of only a few investment platforms to offer the product, which has been popular with existing and new customers.

We extended our range of simple, transparent low-cost investment solutions during the year and reduced our prices. Our AJ Bell Passive fund range now includes the AJ Bell Global Growth fund, which is a multi-asset fund focused on global equities. In addition, two new income-focused multi- asset portfolios were launched for AJ Bell Investcentre's Managed Portfolio Service. Our annual management fees for both the AJ Bell Passive fund range and the Managed Portfolio Service were reduced to 0.15% excluding VAT, whilst maintaining our 50bps cap on ongoing fund charges (OCF).

Earlier in the year we embarked on a project to relocate our Tunbridge Wells operation to Manchester. This project was undertaken as part of the implementation of the Group's target operating model, which aims to enhance operational efficiencies across the business in future years. The final phase of the project was successfully completed on time in September 2018.

At AJ Bell, we believe in providing a culture that allows staff to learn, develop and succeed in a dynamic, fast-paced environment. Earlier in the year we achieved a key strategic aim when we were recognised as one of the UK's top 100 Best Companies to Work For. The award, based on feedback from staff, is the largest of its kind in the UK and represents a significant achievement for the business.

Market developments

The UK investment and savings market is estimated to grow from £2.3 trillion to £2.8 trillion between 2017 and 2020 (source: Spence Johnson). The rate of growth of the platform market we operate within is currently outpacing that of the wider UK savings and investment market as technology savvy and cost-conscious customers move from non-platform to platform providers. We believe the current trend will continue in future years, representing a significant opportunity for the business, given its core strengths.

The FCA's interim report on the Investment Platforms Market Study was published in July 2018. The market study looks at how competition is developing in this growing sector, and concludes that the market appears to be working well in many respects, for both advised and non-advised consumers, with customer satisfaction currently high. It did highlight that for five consumer groups there were potential improvements that could be made and it is with these groups in mind that the market study posed a series of questions to better understand the issues. We have contributed to the market study by responding to the specific questions posed, and through additional independent input.

In particular, we support the FCA's simple and pragmatic approach to comparing the costs of different platform providers by focusing on each platform's revenue margin. This is the total amount of revenue each platform makes in a year from each £ of customer AUA. We have adopted this measure as one of our KPIs to provide transparency and comparison with the rest of the market. On this basis, our revenue is 21 bps per £ of AUA, representing one of the lowest margins in the market.

As a net recipient of transfers from other financial institutions and platforms, we are particularly supportive of any regulatory impetus that can be provided to industry initiatives designed to speed up and simplify the transfer process. Having provided feedback to the FCA on their findings and proposed remedies, we look forward to the publication of the final report of the Platforms Market Study, which is due in 2019 Q1.

We operate in a highly regulated environment and during the year, there were two significant changes in legislation. Firstly, The Markets in Financial Instruments Directive II (MiFID II) became effective from January 2018 and secondly, the General Data Protection Regulation (GDPR) came into force in May 2018. During the year we have undertaken significant investment to enhance our systems and processes to ensure we comply with the new legislation. Given our scale and profitability, we have the infrastructure and flexibility to deal with an evolving regulatory environment, but the cost and complexity can act as a barrier to entry for potential new entrants.

On 9 December 2019 the Senior Manager and Certification Regime (SMCR) will come into effect for the rest of the financial services sector, having been implemented for banks in 2016. At its heart, the SMCR is about having a good corporate culture and accountability for senior management. In achieving this, the aim is to ensure that markets operate effectively and in doing so prevent harm to consumers. As we are a large business we have both Enhanced and Core entities that require different levels of effort to ensure we are ready for December 2019.

Conclusions and outlook

The outlook for the Group remains positive, with the long-term UK investment and savings market growing strongly, and within it the platform market continuing to grow at a faster rate. In the UK there is a growing awareness of the savings gap as people continue to live longer. The World Economic Forum has flagged the UK as one of several countries facing a significant shortfall, estimated at £25 trillion by 2050 if action is not taken. The need for people to save and invest in their future has never been higher and we aim to provide the easiest investment platform to use in the market.

We have a well-established brand, strong product propositions with highly competitive pricing and a scalable, easy-to-use, award-winning platform supported by great customer service. In the following 12 months we have exciting plans to enhance our propositions. The development of the Mywealth functionality will continue to make it easier for customers to manage their finances and investments. Our digital strategy for AJ Bell Investcentre will focus on a number of initiatives to improve the customer's journey. These are expected to include introducing an execution-only dealing facility for customers under ISA and GIA.

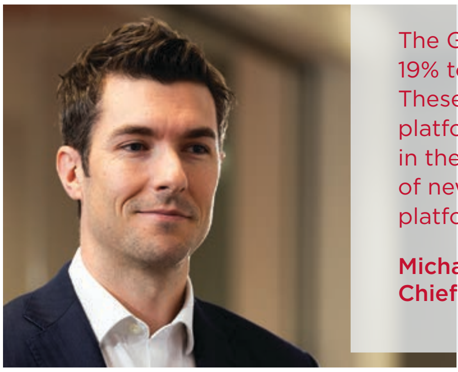
The final report on the Investment Platforms Market Study is due to be published in 2019 Q1 and we expect it will contain a number of actions for the industry. We believe further transparency in the market that allows customers to compare charges would be positive for the industry, and we will be supportive of any measures introduced to achieve it.

The UK base rate has increased from 0.25% to 0.75% during the year. Any further moves from the BOE will be influenced by the terms of the UK's departure from the EU on 29 March 2019, and we expect market volatility to continue as we approach the deadline – and possibly beyond, depending on the outcome. Our mix of recurring and transactional revenue streams yields a balanced overall revenue model and provides resilience during changing macroeconomic conditions.

This year we have acquired more customers than at any time in our history and have reported our most profitable trading period since the company was established. I believe this is a springboard to enjoy greater successes in the future as we plan for the next phase of growth in the business. These results would not be possible without the commitment of our staff and the quality of their work, and I would like to take this opportunity to thank them. We look forward to next year with optimism as we prepare for another exciting period in the company's history.

Andy Bell
Chief Executive Officer

Financial review



The Group has delivered record financial results this year, with revenue up 19% to £89.7m and profit before tax increasing 31% to £28.4m (2017: £21.7m). These strong results have been achieved by continuing the growth of our platform business. The number of platform customers increased by 42,006 in the year, representing a 30% increase on the prior year. This strong flow of new business increased our platform customer numbers to 183,213 and platform AUA to £38.6bn at 30 September 2018 (2017: £30.9bn).

Michael Summersgill
Chief Financial Officer

Financial performance

Revenue

Revenue increased by 19%, from £75.6m to £89.7m for the year ended 30 September 2018. We have three categories of revenue, these being recurring ad-valorem, recurring fixed fee and transactional.

Recurring ad-valorem revenue (comprising of custody fees, retained interest income and investment management fees) grew by 29% to £47.9m (2017: £37.2m). This increase was driven by the strong levels of new business and the high asset values across the world's largest stock markets, from which the majority of our ad-valorem charges are derived. Custody fees grew broadly in line with AUA, with retained interest income growing at a faster rate following the BOE's decision to increase the UK base rate twice during the period.

Recurring fixed revenue (which includes recurring pension administration fees and media revenue) saw an increase of 4% this year to £25.2m (2017: £24.2m). The increase has been predominantly driven by the increase in AJ Bell Investcentre customers.

Transactional revenue (incorporating dealing fees and pension scheme activity fees) grew by 17% to £16.6m (2017: £14.2m) as a result of an increase in customers. However, this was slightly offset by an adverse rate variance caused by an increase in the number of customers using the discounted dealing service for regular investment and dividend reinvestment.

Administrative expenses

Administrative expenses increased by 14% to £61.4m (2017: £53.8m). Staff costs remain our largest expense, increasing by 16% to £32.6m (2017: £28.2m), with the average number of staff rising to 758 (2017: 656). This increase is partly due to the growth in the customer base, but was also impacted by the relocation of our stockbroking operation from our Tunbridge Wells office to our Head Office in Manchester. A small provision of £0.2m remains at the year-end for the redundancy costs.

Non-staff costs totalled £28.8m, an increase of £3.2m in comparison to the prior year (2017: £25.6m). This included 'one-off' professional fees of £1.8m incurred in relation to our proposed listing on the London Stock Exchange. Marketing costs also increased by £0.6m this year, reflecting our continued investment in the AJ Bell brand.

Total capitalised expenditure was £1.7m (2017: £3.6m) relating to additional equipment for the centralisation of operations in Manchester and to support the growth of the business.

Profit before tax (PBT)

PBT increased by 31% to £28.4m for the year ended 30 September 2018, compared to £21.7m in the prior year. The increase in profitability is due to the strong growth in our customer base and AUA in combination with operational efficiency improvements made across the business.

Tax

The effective tax rate for the year was 20.1% (2017: 19.5%). It is expected that the ongoing effective rate will continue to approximate the standard UK Corporation Tax rate.

Earnings per share

Diluted earnings per share (DEPS) increased by 11.45p per share, from 42.60p per share last year to 54.05p per share in the current year, reflecting the Group's strong trading performance.

Financial position

Capital and liquidity

The Group's financial position remains strong, with net assets totalling £64.0m at 30 September 2018 (2017: £61.4m), providing a healthy surplus to our regulatory capital requirement and a return on assets of 35% (2017: 28%). We benefit from a short working capital cycle that enables the majority of our profits to be converted to cash within the same financial year. Our cash balance was £49.7m at the year-end, an increase of 18% compared with the prior year (2017: £42.1m). This cash surplus ensures that we have funds available to invest in the business and maintain a significant liquidity buffer.

Further details on our capital requirements can be found under our Capital Requirement Regulation (CRR) Part Eight disclosures (see page 29 on the Directors' report for more information).

Dividends

The Board has declared a final ordinary dividend of 21.50p per share, equating to an ordinary dividend payout ratio of 65% for the full year. This takes the total ordinary dividend for the year to 35.50p per share; a 26% increase when compared to the 28.25p payment in the previous year. This reflects the financial strength of the Group and the Board's commitment to a progressive dividend policy, whilst also ensuring we have sufficient capital to invest in the business and maintain a surplus of regulatory capital.

The Board declared and paid a special dividend of 19.50p per share (2017: Nil) in September 2018 in order to distribute excess cash to shareholders ahead of the proposed listing. The total dividend for the year, including the special dividend, was 55.00p.

Michael Summersgill
Chief Financial Officer

Revenue
£89.7m ↑19%
(30 September 2017: £75.6m)

Profit before tax
£28.4m ↑31%
(30 September 2017: £21.7m)

Net assets
£64.0m ↑4%
(30 September 2017: £61.4m)

Total ordinary dividend
55.00p* ↑95%
(30 September 2017: 28.25p)

Return on assets
35% ↑7ppts
(30 September 2017: 28%)

*including special dividend

About us

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

Our business

AJ Bell offers SIPPs, ISAs and General Investment/Dealing Accounts. Our customers and advisers are provided with additional support in the form of various investment solutions, tools and investment content. We also offer access to a broad range of investments, including shares and other instruments traded on the major stock exchanges around the world, as well as all mainstream collective investments available in the UK and a range of in-house investment solutions.

AJBell Investcentre

AJ Bell Investcentre is one of the fastest-growing platforms in the UK advised platform market. It provides regulated financial advisers and wealth managers with a suite of online tools to help manage their retail clients' portfolios. It also provides a number of in-house investment solutions, including a range of collective investment funds, called the AJ Bell Passive funds range, and its Managed Portfolio Service, with a range of active and passive funds. AJ Bell Investcentre also provides a fully integrated investment custody administration solution to assist wealth management firms with the administration of client assets.

Customers	Accounts	AUA
88,658	102,897	£29.9bn
(30 September 2017: 76,498)	(30 September 2017: 88,230)	(30 September 2017: £24.3bn)

AJBell Youinvest

AJ Bell Youinvest is one of the UK's fastest-growing D2C retail investment platforms. The service is principally designed to meet the requirements of online and execution-only retail customers. No regulated advice in the form of personal recommendations is given by AJ Bell. Our customers are supported with investment content provided online and through Shares magazine, and have access to the in-house AJ Bell Passive funds, selected fund ideas via the AJ Bell Favourite Funds list and will have access to AJ Bell ready-made portfolios due to be launched before the end of 2018.

Customers	Accounts	AUA
94,555	117,765	£8.7bn
(30 September 2017: 64,709)	(30 September 2017: 81,491)	(30 September 2017: £6.6bn)

In addition to our investment platform, we also offer three non-platform services:

- AJ Bell Platinum: providing adviser-led and D2C pension administration services to customers with Platinum SIPP and SSAS accounts.
- White label SIPP administration: branded to Barclays Smart Investor and Halifax Share Dealing.
- AJ Bell Securities stockbroking: providing dealing, settlement and custody services to institutional investment businesses.

Although our primary focus is on our two flagship investment platform propositions, these non-platform services continue to make a valuable contribution to our business and are managed to deliver high quality service and value to existing and new customers.

Our market

The platform market is a fast-growing retail market, within the UK savings and investment market, with attractive structural growth drivers and a number of barriers to entry. The FCA's Investment Platforms Market Study recently reported that the platform service provider market doubled from £250 billion AUA at the end of 2013 to £500 billion at the end of June 2017. This growth in AUA is being driven by rising markets and increasing levels of investment.

AJ Bell operates in both the advised and the D2C platform markets. Both markets continue to see significant growth, with Platforum recently quoting estimated growth of around 22% and 21% respectively in 2017. This rate of growth is expected to continue to outpace the growth of the wider UK savings and investment market, driven in particular by increasing demand for online access to investments from customers and advisers and the Government's pension freedoms reforms, introduced in April 2016.

The FCA's interim Investment Market Platforms Study also noted that more consumers are using platforms, with an increase of around 2.2 million retail customer accounts between 2013 and 2017. Platform revenue from retail consumers reached £1.3 billion in 2017, up from £750m in 2013.

Development of technology through various distribution channels continues to improve accessibility and drive both customer growth and asset flows. The emergence of a digitally savvy generation who are increasingly managing their finances through mobile applications and the arrival of more 'challenger' offerings have also impacted awareness of financial planning and the need for people to save for themselves. This trend of digitalisation giving investors the control, visibility and convenience of investing through a platform can only continue to drive the rapid growth already seen within this market.

The AJ Bell Way

AJ Bell has never provided financial or personal investment advice. It operates exclusively on an execution-only basis - whether directed by the customer, their adviser or by its institutional customers.

Our aim is to be a market-leading provider of investment products and administration services in the adviser and execution-only platform markets. This includes providing white labelling, dealing, custody and investment administration services for other financial services firms.

We help people to invest

Our primary objective is to help people invest and we aim to do this by thinking like our customers, making investing easier and leading our markets. The AJ Bell Way is a structured framework, informed by our guiding principles, that aids the development of our strategy and is the primary tool used for communicating that strategy to all key stakeholders.

Our guiding principles will drive our behaviour and will ensure that staff are fully engaged with our strategy and goals.

We will seek to continually improve the quality, efficiency and security of the services we provide to our customers.

OUR GUIDING PRINCIPLES

- Straightforward
- Intelligent
- Personal
- Principled
- Focused
- Energetic

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

We will grow both customer numbers and AUA, and the key focus will be on organic growth. We will grow in a sustainable and cost-effective manner.

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

Over the years we have developed a market-leading reputation for delivering excellent customer service, and our guiding principles ensure customers remain at the heart of everything we do. Our customer service, like our investment platform, is designed to make investing easier. We aim to respond to customers quickly and accurately and to give them the educational content they need in order to make informed investment decisions.

The AJ Bell Way

How we create value

High customer retention rates and a diversified revenue offering combine to yield predictable and sustainable revenue streams from the business.

We earn the majority of our revenue through the administration of assets managed on our investment platform. The mix of fixed fees, ad-valorem and transactional charges provides a balance of inflation protection and resilience in the face of economic and capital market fluctuations. 82% (2017: 81%) of the Group's revenues are recurring in nature, rather than transactional.

With our re-platforming project completed in 2014, AJ Bell's platform technology is robust, scalable and adaptable and well placed to support planned growth. The technology is fully embedded in the business and we have migrated other products such as Platinum onto the core system's technology. We continue to significantly invest in technology to ensure the Platform remains secure, efficient and capable of delivering enhancements to the services provided to customers and advisers, in line with their changing needs. This approach has allowed us to generate high operating margins, whilst delivering value to our customers by keeping our prices low.

Our high quality earnings and scalability deliver strong profits which quickly convert into cash, creating value for our stakeholders. The business continues to adopt a progressive dividend policy for its shareholders, which is balanced with holding sufficient funds to meet our regulatory capital requirements and invest in the business.

How we deliver value

The AJ Bell Way and its five strategic drivers help us to grow, develop and create long-term stakeholder value.

Our customers:
making investing easier

We operate in both the advised and D2C areas of the platform market through our flagship propositions; AJ Bell Investcentre, an adviser-led investment platform and custody solution for wealth managers, and AJ Bell Youinvest, a D2C investment platform. The combination of our expertise in SIPP administration and stockbroking gives us the core skills needed to excel in the platform market by delivering a first-class service.

Our strategic aim is to become the easiest platform to use. We plan to achieve this by delivering a rolling programme of changes and initiatives to improve the customer journey and experience, with a focus on ease of use, service and price.

Growth:
growing customer numbers and AUA

We continue to focus on organic growth, both in terms of customer numbers and the level of AUA, by developing our marketing capabilities and improving brand awareness.

We have a well-established branding strategy. Our aim is to become one of the best-known names in our market by growing the business in a sustainable and cost-effective manner. Our marketing strategy is focused on maximising our PR and sponsorship activities to broaden our customer reach and attract new customers to the platform. Our central branding teams are supported by our AJ Bell Investcentre Business Development team and our AJ Bell Youinvest Marketing team, who are tasked with growing our customer base each year.

Finance and assurance:
preserving our established culture of compliance

We have a strong corporate culture at AJ Bell and the business has developed and maintained strong relationships with institutional investors since 2007. We maintain this compliant culture to preserve our financial security, as well as our regulatory and reputational standing in the market. We have a progressive dividend policy which is balanced with holding sufficient funds to meet our regulatory capital requirements and invest in the business.

Customer services:
continually improving our customer service

We continually seek to improve the quality, efficiency and security of the services we provide to our customers through a resilient, stable and secure IT platform.

The platform uses a hybrid technology solution, which seeks to combine proprietary and third party systems into a consolidated, efficient technology platform. In the digital age, we believe the ability to generate and implement ideas at speed is paramount to achieving success. There is a fundamental link between technological improvements and enhancing the customer journey. This is why our digital strategy is at the forefront of our focus to be the easiest platform to use. Our Innovation function continues to create new ideas and technologies to ensure our products remain market-leading and responsive to customer requirements.

Our people:
engaging with our employees

We recognise the importance of ensuring our staff are fully engaged with our objectives and strategy, and that all are aligned with our culture. Our success is built on delivering a first-class service through the skills and passion of people who bring the 'AJ Bell Way' values to life across the business. We focus on ensuring that employees are inspired, sourcing talented people and developing them to realise their potential. This cultivates a transparent and innovative culture in which we strive to achieve our strategic objectives.

> "We're always striving to exceed the expectations of our customers … we never stand still and that brings exciting opportunities"
>
> **Helen**
> Communications Manager

Awards

The awards we win demonstrate our continued commitment to providing a first-class service. We are proud to have won the following accolades this year:

- **The Sunday Times**
  100 Best Companies to Work For 2018
- **ADVFN International Financial Awards**
  Self-Select ISA Provider of the Year
- **The Consumer Investment Awards 2018**
  Best Online Pension Provider
- **Money Marketing Awards**
  Best Pension Provider 2018
- **City of London Wealth Management Awards**
  Best SIPP Provider
- **Moneywise Awards**
  Best SIPP for Income Drawdown
- **Professional Paraplanner Awards**
  Best Full SIPP 2018
- **Platforum Awards**
  Best Direct Platform 2018, Best Platform 2018
- **The Consumer Investment Awards**
  Best Online Investment Platform

Brand awareness

AJ Bell's ambition is to become one of the best-known names in its markets. During 2018 we continued our focus on increasing both our PR and sponsorship activities, building on our trusted reputation in the wider market.

Public relations

We continued to build momentum during 2018 with our aim to become one of the best-known names in the market, broadening our reach with high profile broadcast opportunities, mainstream national press and specialist industry publications coverage.

Our spokespeople regularly appear on high profile TV and radio stations, predominantly the BBC and Sky News. Our publicised responses to political and regulatory announcements on pensions and investments in general, as well as our daily market comment in the Shares publication, mark us out as experts in our industry.

In February 2018 we launched our first-ever TV advertising campaign, focused on promoting the idea that investing is a tool to facilitate people's individual life choices and aspirations. The TV advert ran for three months in a targeted campaign on Sky AdSmart. It also ran for six weeks on the On Demand services ITV Player and Channel 4OD, as well as on YouTube. This campaign was well received and we continue to review new media opportunities to broaden our customer reach.

Sports sponsorship

Our strategic sponsorship partnerships with sporting teams, events, venues and individuals has once again delivered high quality exposure for the AJ Bell brand. We continue to sponsor key activities which align the brand with positive sporting values – dedication, commitment, self-belief and striving for success – to help raise awareness of the positive impact that sport can have on your physical and mental wellbeing.

AJ Bell London Triathlon

The AJ Bell London triathlon is the biggest competition of its kind in the world, attracting participants of all ages and abilities, including some of the sport's best and most exciting elite athletes. 2018 saw our fourth year as title sponsor of the event. Over 10,000 participants took part and 30,000 spectators took to the streets around the London ExCel to cheer on their friends and family.

This year the event played host to the British Triathlon Mixed Relay Cup, an increasingly popular sport which will make its Olympic debut in Tokyo in 2020. A one-hour highlights programme was broadcast on Channel 4, with coverage also shown on SkySports and Eurosport. The event was streamed across Front Runner and Premier Sports whilst the Mixed Relay Cup was also streamed live on BBC Sport Online, giving great exposure to the AJ Bell brand.

The AJ Bell World Triathlon Leeds

In May 2018 we were proud to announce a new partnership with British Triathlon, which sees us take title sponsorship of the ITU World Series event in Leeds for up to three years. This event is truly the pinnacle of the elite calendar in the UK, with Leeds having become synonymous with the sport, thanks to the worldwide success of athletes such as the Brownlee brothers.

The AJ Bell World Triathlon Leeds 2018 took place over the weekend of 9 and 10 June, attracting over 75,000 spectators. The event was covered live on BBC 2, with viewing figures peaking at just under one million.

Sale Sharks and the AJ Bell Stadium

Our long-term partnership with Sale Sharks continues to provide fantastic coverage across national media as well as unmissable branding across the roof of the AJ Bell Stadium in Salford, which is seen by many thousands of motorists travelling on the M60 every day.

The 2017 AJ Bell PSA Men's and Women's World Squash Championship

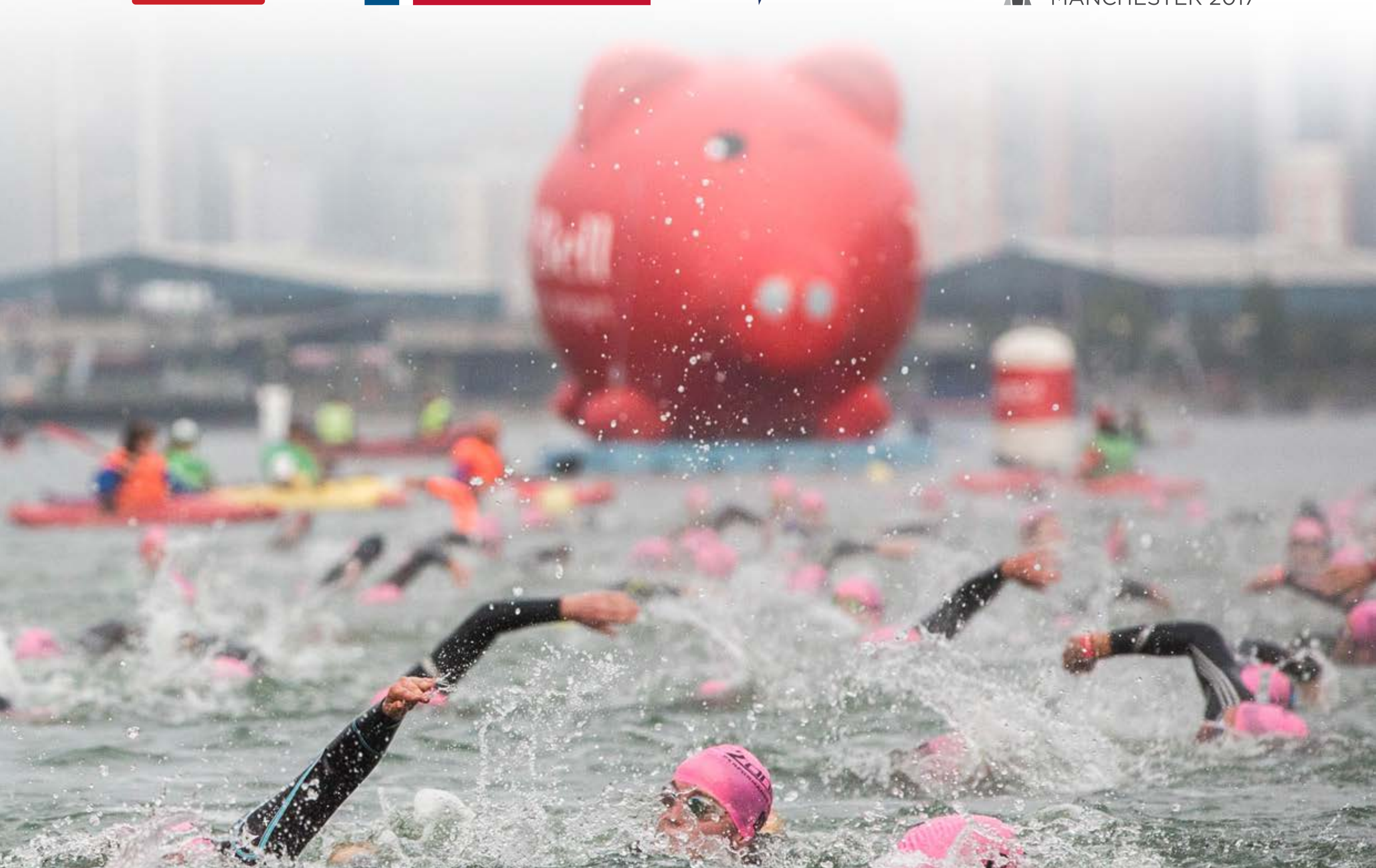
In December 2017 we were delighted to sponsor the AJ Bell PSA World Squash Championships, in our home city of Manchester. The event took place over two weeks, with the final played at the iconic city centre Manchester Central venue. The championships brought together over 200 of the world's best players from the men's and women's tours. The 2017 events marked the first time in history that men and women competed for equal prize money.

AJBell LONDON TRIATHLON

AJ BELL WORLD TRIATHLON LEEDS

SALE SHARKS

AJ BELL PSA WORLD CHAMPIONSHIPS MANCHESTER 2017



Our people and Corporate Social Responsibility

Our success is built on delivering a first-class service through the skills and passion of staff who bring our values to life across the business. Our guiding principles drive our behaviour and ensure that staff are fully engaged with our strategy and goals.

Our people

Our people strategy focuses on talent management and employee engagement.

Talent management

As our workforce continues to grow, new promotion opportunities are created. Our talent management strategy ensures we nurture our staff and give them the appropriate training, development and support to ensure they can progress with the business.

We continually strive to enhance our Learning and Development framework. This year, we have launched new workshops, online learning and development programmes to help staff invest in their personal growth, their career and their future with AJ Bell. This included a new Team Leader development programme to support the ongoing development of future leaders within the business.

Following the launch of the AJ Bell apprenticeship programme in September 2017, our apprentices have now completed their first year with the business, enjoying rotations in our Customer Services department. They have become skilled and valuable members of the teams in which they have worked, and have successfully progressed towards the achievement of the CISI's Investment Operations Certificate (IOC). The apprentices act as great ambassadors for AJ Bell, and recently appeared on 'That's Manchester TV' to talk about their experience of our apprenticeship programme. We look forward to supporting them through to the completion of their apprenticeships in 2019. Following the success of the inaugural programme, a new cohort of apprentices joined us in September 2018.

We recruit the best people with the right skills and behaviours for AJ Bell, ensuring they have a can- do attitude and the drive to succeed as our business grows and further opportunities arise. In line with the growth of the business, we have expanded our reach for new recruits this year with the launch of a bespoke recruitment campaign across a range of media outlets. We have also built stronger links with local schools and colleges, and held a number of networking events at our Manchester office, including the CISI's annual Careers in Investment Management Insight Conference, which was attended by over 50 students from around Greater Manchester. We will continue to develop our employer brand in the coming year, ensuring that AJ Bell has a significant presence in the jobs market.

We recruit the best people with the right skills and behaviours for AJ Bell.

Employee engagement

Our business is founded on a transparent yet innovative culture, supported by a committed management team and strong corporate governance. It is fundamental that our people understand our guiding principles and are engaged in the development and growth of our business.

AJ Bell's success depends on us having the right people ready at the right time to meet our customers' needs. We know that our people want opportunities to learn, gain new skills and to progress their careers. Our staff are provided with ongoing technical training and support, together with crucial personal skills workshops, to ensure they have the appropriate knowledge and skills to perform their roles. We also provide training to keep staff informed of significant changes in regulation, legislation and updates within the company. The AJ Bell intranet has been utilised to communicate with staff, via daily business updates, staff feedback surveys and social news.

Our staff engagement framework focuses on the eight measures used within the Best Companies survey; the largest survey of its kind in the UK. This year we were officially recognised as one of the Sunday Times' 100 Best Companies to Work For, gaining our highest-ever engagement score.

This was a great achievement and testament to our on-going commitment to invest in our staff and their place of work, in order to create the best environment to learn, develop and succeed.

In addition, our EQ4 building has been independently recognised as being one of the top three work places in the UK, based on research conducted by Leesman; the largest independent benchmark of workplace effectiveness. EQ4 achieved a *Leesman*+ certification, the highest rating that can be issued. The award recognises our commitment to putting the success and wellbeing of our people at the heart of EQ4, and in doing so create a truly great place to work.

We are always keen to invest in the health and wellbeing of our staff, and this summer we offered staff free entry to two challenges - the Tough Mudder 5k event at Heaton Park and the AJ Bell London Triathlon. We also encourage the use of our facilities at EQ4, including the on-site gym. In response to employee feedback, 2018 saw a host of new gym classes added to compliment the schedule of activities already provided by our in-house trainers. We will continue to focus on staff engagement activities moving into 2019.

To support our employee engagement strategy, we continue to invest in improvements to our technology. Following the launch of our new learning and performance portal last year, we have enhanced the talent management system's capabilities so that employees can now book technical training in line with their personal needs and manage their progression in a more dynamic way. Further developments are also underway to make the system work as a knowledge hub for training, new policies, and eventually webinars which will be used to cascade keynote speeches.

This year we were officially recognised as one of the Sunday Times' 100 Best Companies to Work For, gaining our highest-ever engagement score.

Diversity and equality

AJ Bell is committed to eliminating discrimination and promoting equality and diversity in its policies, procedures and processes.

We strive to provide an inclusive workplace where everyone is valued for who they are and what they contribute. Our policies and procedures support a culture that is sensitive to the needs of all employees. We intend to treat everyone equally and with the same attention, courtesy and respect, regardless of their age, caring responsibilities, disability, ethnicity, gender, religion or sexual orientation. We believe in creating a working environment that empowers all individuals, allowing them to flourish in a fast-paced, dynamic organisation.

Gender Pay Gap Reporting

In line with the new regulations, AJ Bell published its first Gender Pay Gap Report in March 2018. The figures reported are in line with most financial services companies and reflect the gender profile of our work force and the higher number of men in senior roles than women.

We are confident that men and women are paid equally for doing equivalent jobs across our business, and that our pay gap is driven primarily by the structure of our workforce at a senior executive level, the composition of which has been stable for several years.

In keeping with our guiding principles, we will continue to evaluate the effectiveness of our HR practices so that we do not disadvantage anyone. In particular, in relation to how we attract, select and develop our staff, ensuring they have the support that they need to realise their potential at AJ Bell.

Full details of our Gender Pay Gap Report can be found at www.ajbell.co.uk.

Corporate social responsibility

At AJ Bell we have a strong social conscience and encourage our staff to give something back through charitable and voluntary activities. We have also introduced company initiatives to help raise the profile of local charities. Here is a brief summary of the activities that were undertaken in 2018.

Volunteering

In February staff from our Manchester office took part in a volunteering day at the Booth Centre, a Manchester homeless charity which we previously raised £8,000 for in December through a day of Christmas-themed fundraising activities.

In September we gave staff in our Manchester office the opportunity to register to be a blood stem cell donor with DKMS, a charity dedicated to the fight against blood cancer and blood disorders, and which is very close to the heart of one of our colleagues.

Charity fundraising

This year we announced our formal partnership with Snow-Camp, a national charity which uses snow sports to engage with young people from disadvantaged inner-city backgrounds, helping them develop confidence and self-esteem, as well as achieve nationally recognised qualifications and work experience. Every hour the young people spend on the slopes is matched with an hour in the classroom, which focuses on fundamental life skills that will help them on their journey into adulthood.

We are proud to have been able to fund the launch of the Snow-Camp programme in the North West, which is based at The Chill Factore in Manchester and will see over 200 young people from the Greater Manchester area complete the programme in 2018 alone.

We also continue to sponsor the annual AJ Bell Alpine Challenge, which this year raised over £50,000 for Snow-Camp.

In May staff from the London office took part in a charity walk covering six of London's parks and walking 15 miles to raise money for Daisy's Dream, a charity supported by the family of our colleague Mike Morrison who sadly passed away in November 2017. In addition, several staff completed marathons, 10k runs and various other challenges, including trekking for two weeks to Everest Base Camp, to raise money for charities close to their hearts.

AJ Bell Stadium – North Stand

Each year we offer the naming rights for AJ Bell Stadium's North Stand to a charity free of charge. The chosen charity can put its branding on the stand for two years, in order to raise awareness of their work and hopefully gain additional funds over the period of the deal.

We were pleased to announce that for the next two years, we have donated the naming rights of this stand to Snow-Camp.

Caring for our environment

At AJ Bell we are committed to giving something back to our local community, and one way we exemplify this is through the actions we take to look after our environment. Since moving into EQ4 last year we've taken further steps to minimise our environmental impact. For example, installing more energy efficient equipment in the office and implementing processes to ensure that waste is recycled.

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 ensures that the business identifies both existing and emerging risks, and continues to develop 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, including the likelihood of each risk materialising in the short or longer term.

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

Risk	Potential impact	Mitigations
Strategic risks		
Economic and capital markets fluctuation risk The risk that a significant and prolonged capital market or economic downturn has an adverse effect on consumer confidence.	• Adverse effect on customer transactional activity or ad-valorem fees generated from assets under administration from which the Group derives revenue.	The Executive Management Board tracks and discusses emerging risks to ensure appropriate responses are in place. The Risk Framework defines the overarching risk strategy and ensures risks that are taken are aligned with the business' strategic aim of achieving controlled growth in fast-growing markets. Ongoing Brexit negotiations regarding future relations between the UK and the EU mean there is considerable uncertainty over the longer-term impact on the UK economy and this is likely to remain until, at least, exit terms are agreed. The Group's products are targeted at UK residents and we do not do business in any other countries and have relatively few customers outside the UK. However, in the event that the economy falls back 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. The Group has a variety of transactional and recurring revenue streams, some of which are fixed amounts while others are ad-valorem. The mix of revenue types helps to limit the Group's exposure to capital market fluctuations.
Competitor or market risk The risk that the Group fails to remain competitive in its peer group, due to lack of innovative products and services, increased competitor activity, regulatory expectations, and lack of marketing focus and spend to keep pace with competitors.	• Loss of competitive advantage, such that AUA and client number targets are adversely impacted. This would have a negative impact on profitability. • Reputational damage as a result of underperformance and/or regulatory scrutiny.	The Group regularly reviews its products against competitors, in relation to pricing, functionality and service, and actively seeks to make enhancements where necessary to maintain or improve its competitive position in line with the Group's strategic objectives. The Group remains closely aligned with trade and industry bodies, and other policy makers across our market. The use of ongoing competitor analysis provides insight and an opportunity to adapt strategic direction in response to market conditions.

Strategic report

Governance

Financial statements

Other information

Principal risks and uncertainties

Risk	Potential impact	Mitigations
Operational risks		
Regulatory & litigation risk The risk that the Group fails to comply with the existing standards of the regulatory system, including FCA, ICO, HMRC and European Regulations.	• Regulatory censure and/or fine. • Related negative publicity could reduce customer confidence and affect ability to generate new inflows. • Poor conduct could have a negative impact on customer outcomes, impacting the Group's ability to achieve strategic objectives. • Complaints and claims from third parties and clients in connection with the Group's regulatory responsibilities could have an adverse impact on the Group's financial condition.	The Group maintains a strong compliance culture geared towards positive customer outcomes and regulatory compliance. The compliance function is responsible for ensuring all standards of the regulatory system are being met by the Group. This is achieved by implementing policies and procedures across the business, raising awareness and developing an effective control environment through the deliverance of training. Where appropriate, the Compliance monitoring team conducts reviews to ensure a high standard of compliance has been embedded into the business. There is currently a lack of certainty as to precisely what liability attaches to SIPP operators in respect of SIPP investments which they have accepted at different times in the past, which have subsequently performed poorly. This uncertainty has increased following the dismissal of Berkeley Burke's claim for judicial review of the Financial Ombudsman Service's decision on a complaint involving the loss suffered by a customer arising from an investment which turned out to be fraudulent. The case involved an unregulated introducer with whom Berkeley Burke had an agreement. The directors are satisfied that the controls and procedure in place ensure the Group remains compliant with its regulatory responsibilities and the Group has never entered into an agreement with an unregulated introducer.
Forward-looking regulatory and tax law risk The risk of changes to taxation legislation or regulatory restriction severely reducing our ability to operate.	• Non-compliance with regulation leading to customer detriment. • Financial loss due to reduction in client numbers and/or fines from regulators. • Missed opportunities to achieve competitive advantage through the approach to implementation.	The Group's Board is supported by a Risk and Compliance Committee, Executive Management Assurance Committee, and a Risk Management Committee where all regulatory changes are reported and scrutinised. Strong Compliance Policy and Technical teams responsible for ensuring all new rules and regulations, as well as changes to industry practice, are captured, interpreted and implemented appropriately.
Information security risk The threat of a vulnerability in the Group's infrastructure being exploited or user misuse that causes harm to service, data and/or an asset causing material business impact.	• Related negative publicity could damage customer and market confidence in the business, affecting our ability to retain and attract new customers. • Information security breaches could result in fine/censure from regulators, ICO and FCA.	The Group continually reviews its cyber security position to ensure that it protects the confidentiality, integrity and availability of its network and the data that resides upon it. A defence in depth approach is in place with firewalls, web gateway, email gateway and anti-virus amongst the technologies deployed. Staff awareness is seen as being a key component of the layered defences, with regular updates, training and mock phishing exercises. Our security readiness is subject to independent assessment by a penetration testing partner that considers both production systems and development activities. This is supplemented by running a programme of weekly vulnerability scans to identify configuration issues and assess the effectiveness of the software patching schedule.

Risk	Potential impact	Mitigations
Fraud and financial crime risk The risk of failure to protect against cybercrime, fraud or security breaches, as a result of staff or third party dishonesty, including 'cyber' attack, causing major misappropriation of customer funds or theft of customers' identities.	• Loss of data or inability to maintain our systems, resulting in reputational damage through negative press exposure. • Potential customer detriment as customers are at risk of losing funds or identities, which can subject them to further loss via other organisations. • Fraudulent activity leading to identity fraud and/or loss of customer holdings to fraudulent activity.	Extensive controls are in place to minimise the risk of fraud and financial crime. Policies and procedures, including mandatory fraud training, are in place for all employees to aid the detection, prevention and reporting of internal fraud. The Group has an extensive recruitment process in place to screen potential employees. The Group actively maintains defences against a broad range of likely attacks by global actors, bringing together tools from well-known providers, external consultancy and internal expertise to create multiple layers of defence. The latter includes intelligence shared through participation in regulatory, industry and national cyber security networks. We regularly assess our maturity against an acknowledged security framework, which includes an ongoing programme of staff training and assessment through mock security exercises.
Third party IT failure risk The risk that a third party provider materially fails to deliver the contracted services.	• Loss of service from a third party technology provider could have a negative impact on customer outcomes due to website unavailability, delays in receiving and/or processing customer transactions or interruptions to settlement and reconciliation processes. • Financial impact through increased operational losses. • Regulatory fine and/or censure.	To mitigate the risk posed by third party software suppliers, the Group continues to build strong partnerships with key suppliers, managing relationships day-to-day under formal governance structures, and monitoring performance against documented service standards to ensure their continued commitment to service, financial stability and viability. Performance metrics are discussed monthly with documented actions for any identified improvements. This is supplemented by attendance at formal user groups with other clients of the key suppliers, sharing experience and leveraging the strength of the user base. Annual financial due diligence is also undertaken, together with on-site auditors where relevant and appropriate.
IT system performance, capacity & resilience risk The risk that the design, implementation and management of applications, infrastructure and services fail to meet current and future business requirements.	• The reliance on evolving technology remains crucial to the Group's effort to develop its services and enhance products. Prolonged underinvestment in technology will affect our ability to serve our clients and meet their needs. • Failing to deliver and manage a fit-for-purpose technology platform could have an adverse impact on customer outcomes and affect the ability to attract new customers. • IT failures may lead to financial or regulatory penalties, and reputational damage.	The Group continues to implement a programme of increasing annual investment in the technology platform. This is informed by recommendations that result from regular architectural reviews of applications and underpinning infrastructure and services. Daily monitoring routines provide oversight of performance and capacity, and regular reviews of those routines. Our rolling programme of both business continuity planning and testing, and Single Point of Failure management, maintains our focus on the resilience of key systems in the event of an interruption to service.
Business continuity risk The risk of the inability to maintain critical operations in the event of either an internal or external disruptive event e.g. loss of building, IT failure, loss of key supplier and staff shortages.	• Failure to maintain or quickly recover operations would lead to inability to service customer needs, generating negative publicity. • The loss of services could lead to a financial loss.	The Group has a comprehensive and tested Business Continuity Management model. Agreements are in place with specialist suppliers for geographically remote disaster recovery facilities for all of its operations, including separate offsite IT recovery facilities. There is a rolling programme of testing of business continuity plans.

Principal risks and uncertainties

Risk	Potential impact	Mitigations
Operational capability risk The risk that, due to unexpectedly high volumes and/or levels of change activity, the Group is unable to process work within agreed service levels and/or to an acceptable quality for a sustained period.	• A decline in the quality of work will have a financial impact through increased operational losses. • Unexpectedly high volumes coupled with staff recruitment and retention issues could lead to poor customer outcomes and reputational damage.	The Group focuses on increasing the effectiveness of its operational procedures and, through its business improvement function, aims to improve and automate more of its processes. This reduces the need for manual intervention and the potential for errors. There is an on-going programme to train staff on multiple operational functions. Diversifying the workforce enables the business to deploy staff when high work volumes are experienced. Causes of increased volumes of work, for example competitor behaviour, are closely monitored in order to plan resource effectively. The Group maintains succession plans for key members of management and has also sought to mitigate this risk by facilitating equity ownership for senior employees through various share schemes and the development of a staff engagement strategy.
Financial control environment risk The risk that the financial control environment is weak. This includes the risk of loss to the business, or its customers, because of either the actions of an associated third party or the misconduct of an employee.	• Reputational damage with regulators, leading to increased capital requirement. • Customer detriment damaging the AJ Bell brand. • Increased expenditure in order to compensate customers for loss incurred.	The Group's financial control and fraud prevention policies and procedures are designed to ensure that the risk of fraudulent access to customer or corporate accounts is minimised. Fraud training is provided to all members of staff who act as first line of defence to facilitate early detections of potential fraudulent activity. Strong technology controls are in place to identify potential money laundering activity or market abuse.
Retail conflicts/ conduct risk The risk that the fair treatment of customers is not central to the Group's corporate culture.	• Poor conduct could have a negative effect on customer outcomes, impacting the growth of our business. • Reputational damage resulting from poor levels of customer service. • Additional regulatory scrutiny and financial loss.	The Group's customer focus is founded by our guiding principles, which drive the culture of the business and ensure customers remain at the heart of everything we do. Training and awareness are delivered to all staff on a regular basis on the importance of the delivery of good consumer outcomes. The Group continues to focus on enhancements to its risk management framework, in relation to the identification, monitoring and mitigation of risks of poor customer outcomes, and to its product management process to reduce the potential for customer detriment. All developments are assessed for potential poor consumer outcomes, and mitigating actions are delivered alongside the developments as appropriate.
Financial risks		
Interest rate risk The risk of market, commercial or regulatory pressure on interest rate margins.	• Reduction in revenue.	Revenue from retained interest income is derived from the pooling of customer cash balances. 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 interest rate fluctuations. Interest is also derived from corporate cash balances and is reported within investment income. The cash income earned from corporate cash balances is not material and the impact of any interest rate movement would not be significant. The Group does not have any significant external borrowing. Borrowing currently in place relates to finance leases with a fixed interest rate.

Risk	Potential impact	Mitigations
Counterparty credit risk The risk of potential failure of clients, market counterparties or banks used by the Group to fulfil their contractual obligations.	• Unintended market exposure. • Customer detriment. • Increased future capital requirements.	The Group's credit risk extends principally to its financial assets, cash balances held with banks and trade and other receivables. The Group carries out initial and ongoing due diligence on the market counterparties and banks that it uses, and regularly monitors the level of exposure. The Group holds an appropriate amount of capital against the materialisation of this risk. The Group continues to diversify across a range of approved banking counterparties, reducing the concentration of credit risk as exposure is spread over a large number of counterparties. The banks currently used by the Group are detailed in note 24. With regards to trade receivables, the Group has implemented procedures that require appropriate credit or alternative checks on potential customers before business is undertaken. This has minimised credit risk in this area.
Liquidity risk The risk that the Group suffers significant settlement default or otherwise suffers major liquidity problems or issues of liquidity deficiency which severely impact on the Group's reputation in the markets. Risk that the Group does not have available readily realisable financial resources to enable it to meet its obligations as they fall due, or can only secure such resources at excessive cost.	• Reputational damage. • Potential customer detriment. • Financial loss. • Unable to meet obligations as they fall due.	The Group is a highly cash generative business and maintains sufficient cash and standby banking facilities to fund its foreseeable trading requirements. The Group has robust systems and controls, and monitors all legal entities to ensure they have sufficient funds to meet their liabilities as they fall due.

By order of the Board

Mr Christopher Bruce Robinson (Company Secretary)
for and on behalf of AJ Bell Holdings Limited

4 Exchange Quay
Salford Quays
Manchester
M5 3EE

7 November 2018

Board of Directors

Les Platts - Chairman

Les joined AJ Bell in September 2008 having retired as an Audit Partner and practice Senior Partner for the North-East with a leading international professional services firm. Over a period of 33 years, 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 Vice Chairman of a major Building Society.

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 UK's largest investment platforms.

Michael Summersgill - Chief Financial Officer

Michael joined AJ Bell in July 2007 and was subsequently appointed as Chief Financial Officer in May 2011. In addition to ensuring financial oversight of the Group, he is responsible for all operational functions in the business. Michael graduated from the University of Sheffield with a degree in Economics and began his career as an accountant in public practice.

Simon Turner - Non-executive Director

Simon joined the Board with strong experience in the retail, consumer electronics and IT industries, thanks to his time as Group Managing Director at a leading UK electrical retailer, and his appointment to the Boards of several large internet businesses. No stranger to the financial services industry, he has also enjoyed significant spells on the Boards at one of Britain's biggest building societies, and a major UK bank.

Laura Carstensen - Non-executive Director

Laura joined the Board in March 2018. She is the Non-executive Chairman of an AIM-listed financial services company, and a Non-executive Director and Chairman of the Values and Ethics Board Committee of a high street banking plc. Former roles have included many years as a partner in a major City law firm; several years as a Member and Deputy Chairman of the Competition Commission, and a term as a Commissioner of the Equality and Human Rights Commission. She is a Trustee of National Museums Liverpool.

Eamonn Flanagan - Non-executive Director

Eamonn joined the Board in March 2018, having previously been a Director in a respected independent securities business since its establishment in 2003. Prior to this, Eamonn was a Director and then Head of European Insurance at a leading investment bank. He is a Fellow of the Institute of Actuaries and the Institute of Directors. Among other roles, Eamonn currently acts as Non-executive Director within a global insurance broker.

Other director who served during the year:
John Tomlins – Non-executive Director to 23 March 2018.
John was appointed to the Board on 16 January 2014 and stepped down on 23 March 2018.

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, 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, AJ Bell Investcentre

Fergus worked at a major bank for over 20 years before joining AJ Bell in August 2000. Since then he has worked in many areas of the business, and is currently Managing Director of AJ Bell Investcentre. Fergus is also responsible for AJ Bell Investments and our Platinum SSAS/SIPP products.

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 30 years, concentrating on both private and institutional clients. Previously he was Managing Director of a well-known stockbroker, and was also responsible for the stocks and shares ISA business of a major high street bank. Charles has overall responsibility for our institutional stockbroking business, AJ Bell Youinvest platform and media business.

Louis Petherick - Chief Risk Officer

Louis joined AJ Bell in September 2016 as the Group Risk and Compliance Director, before taking on the role of Chief Risk Officer in July 2017. Louis has worked for a number of financial services firms over the past 20 years, holding various senior risk, compliance and conduct roles across the insurance, wealth management and banking sectors. He is responsible for the risk, compliance, data protection and financial crime functions within AJ Bell.

Roger Stott - Group Finance Director

Roger qualified as a Chartered Accountant in 1990 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 overseeing the finance department, the treasury function, the commercial management of supplier relationships and our third party products.

Christopher Bruce Robinson - Group Legal Services Director and Company Secretary

Bruce joined AJ Bell in October 2012, having previously acted as one of the company's external legal advisers. Before joining AJ Bell, Bruce spent 20 years in private practice as a corporate and commercial lawyer.

Directors' report

For the year ended 30 September 2018

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 2018.

Principal activity

The principal activity of the Group is the provision of an investment platform operating in the advised and D2C markets.

Results and future performance

A review of the Group's results and activities is covered within the Strategic report on pages 3 to 25. This incorporates the Chairman's and Chief Executive Officer's statements, which include an indication of likely future developments.

Key performance indicators

Key performance indicators in relation to the Group's activities are continually reviewed by senior management and are presented on the Group highlights page.

Dividends

The Company has declared a final dividend of 21.50p (2017: 15.50p) per share, to be paid on 13 November 2018, as detailed in Note 10. This, together with the interim dividend of 14.00p per share (2017: 12.75p) paid on 25 May 2018 and special dividend of 19.50p per share paid on 28 September 2018 (2017: Nil), makes a total dividend in respect of the financial year ended 30 September 2018 of 55.00p per share (2017: 28.25p).

Directors

The Directors of the Group who were in office during the year, are disclosed on page 26.

Eamonn Flanagan and Laura Carstensen joined the Board on 22 March and 29 March respectively as independent Non-executive Directors of the Group following regulatory approval. John Tomlins stepped down as a Non-executive Director on 23 March 2018.

Directors' interests

The directors who held office at 30 September 2018 had the following interests in the share capital of the Company:

	Ordinary 30 Sept 2018	A non-voting 30 Sept 2018	X non-voting 30 Sept 2018	Growth shares 30 Sept 2018
Les Platts	70,305	-	-	-
Andy Bell	11,700,747	104,093	-	232,294
Michael Summersgill	10,000	20,000	66,330	295,665
Simon Turner	34,414	-	-	-
Laura Carstensen	12,048	-	-	-
Eamonn Flanagan	12,048	-	-	-
Total	**11,839,562**	**124,093**	**66,330**	**527,959**

No director held the Ordinary non-voting class of shares at 30 September 2018, 30 September 2017 or at any time during the period between these dates.

Directors' share options

At 30 September 2018, the directors who held office held the following share options:

Director	Number	Exercise price £	Date of grant of option	Earliest date of exercise
Michael Summersgill	2,500	3.00	1 Oct 10	14 Nov 18
Michael Summersgill	1,000	3.50	19 Dec 11	14 Nov 18

There are no performance criteria attached to either tranche of share options.

Directors' report

For the year ended 30 September 2018

The following options were exercised by directors who held office during the year:

Director	Number	Exercise price £	Date of grant of option	Exercise date
Michael Summersgill	10,000	1.90	1 Aug 09	14 Sept 18

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

FCA Remuneration code

The Group is subject to CRD IV and therefore the FCA Remuneration Code.

The Group maintains remuneration policies and practices in accordance with the applicable principles of 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. The Group's remuneration policies provide variable remuneration to be linked to performance.

Capital management

The Group is subject to CRD IV requirements and therefore has a consolidated regulatory capital requirement. The capital held to meet this requirement comprises share capital, share premium and retained earnings. The directors ensure that the level of capital held in the Group:

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

The Group's regulatory capital requirement and details can be found under our CRR Part Eight (Pillar 3) disclosures; this can be found on the Group's website at www.ajbell.co.uk. The Group continues to hold a significant amount of capital above its regulatory capital requirement.

Country by country reporting

AJ Bell Securities Limited is regulated under CRD IV and CRR. Regulation requires disclosure of certain financial information on a country by country basis. The following table demonstrates how we comply with the country by country reporting requirements of CRD IV, by showing where the relevant information can be found within the financial statements. The Company has taken the exemption permitted under CRD IV to provide this information on a consolidated basis.

Jurisdiction	Number of employees	Turnover	Profit (or loss) before tax	Cash tax paid on profit or loss (£000)	Public subsidies received
UK	See note 7	See income statement	See income statement	See statement of cash flows	None received

Financial instruments

The risk management objectives and policies of the Group are set out within note 24 of the financial statements.

Political and charitable contributions

During the year the Group made charitable donations of £142,000 (2017: £109,000). No political contributions were made by the Group during the year (2017: Nil).

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 the 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.

Directors' report
For the year ended 30 September 2018

Employee consultation
The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various other 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 been 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 Risk and Compliance Committee and the Audit Committee, which are 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 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 within note 2.1 of the consolidated financial statements.

Events after reporting date
Details of significant events since the reporting date are contained in note 28 to the financial statements.

Disclosure of information to auditor
Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor
Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 7 November 2018 and signed on its behalf by:

Christopher Bruce Robinson
Company secretary

4 Exchange Quay
Salford Quays
Manchester
M5 3EE

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

The directors are responsible for preparing the Strategic Report, 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 International Financial Reporting Standards as adopted by the European Union (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), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of 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, relevant, reliable 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements of AJ Bell Holdings Limited ("the company") for the year ended 30 September 2018 which comprise the Consolidated Income Statement, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and related notes, including the accounting policies in note 2.

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 2018 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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. We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 31, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Alexander Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

7 November 2018

Consolidated income statement
for the year ended 30 September 2018

	Note	2018 £000	2017 £000
Revenue	5	89,691	75,576
Administrative expenses		(61,435)	(53,800)
Operating profit	6	28,256	21,776
Investment income		128	3
Finance costs	8	(25)	(82)
Profit before tax		28,359	21,697
Tax expense	9	(5,713)	(4,223)
Profit for the year		22,646	17,474
Profit/(loss) for the financial year attributable to:			
Equity holders of the parent company		22,646	17,571
Non-controlling interests		-	(97)
		22,646	17,474
Earnings per ordinary share:			
Basic (pence)	11	55.26	42.85
Diluted (pence)	11	54.05	42.60

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

There were no other components of recognised income or expense in either period and consequently no statement of other comprehensive income has been presented.

The notes on pages 38 to 73 form an integral part of these financial statements.

Consolidated statement of financial position
as at 30 September 2018

	Note	2018 £000	2017 £000
Assets			
Non-current assets			
Goodwill	12	3,660	3,660
Other intangible assets	13	3,124	3,841
Property, plant and equipment	14	4,433	3,994
Deferred tax asset	16	372	227
		11,589	11,722
Current assets			
Trade and other receivables	17	20,075	22,172
Cash and cash equivalents	18	49,695	42,138
		69,770	64,310
Total assets		81,359	76,032
Liabilities			
Current liabilities			
Trade and other payables	19	(11,438)	(10,115)
Current tax liabilities		(2,491)	(1,857)
Other financial liabilities	20	(300)	(75)
Provisions	21	(1,282)	(1,587)
		(15,511)	(13,634)
Non-current liabilities			
Trade and other payables	19	(603)	(178)
Other financial liabilities	20	(431)	(68)
Provisions	21	(778)	(790)
		(1,812)	(1,036)
Total liabilities		(17,323)	(14,670)
Net assets		64,036	61,362
Equity			
Share capital	22	42	40
Share premium		4,410	2,806
Own shares		(1,364)	-
Retained earnings		60,948	58,516
Total equity		64,036	61,362

The financial statements were approved by the Board of directors and authorised for issue on 7 November 2018 and signed on its behalf by:

Michael Summersgill
Chief Financial Officer

AJ Bell Holdings Limited
Company registered number: 04503206

The notes on pages 38 to 73 form an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 30 September 2018

	Share capital £000	Share premium £000	Retained earnings £000	Own shares £000	Total equity £000
Balance at 1 October 2017	40	2,806	58,516	-	61,362
Total comprehensive income for the year:					
Profit for the financial year	-	-	22,646	-	22,646
Transactions with owners, recorded directly in equity:					
Issue of share capital	2	1,604	-	-	1,606
Dividends paid	-	-	(20,095)	-	(20,095)
Equity settled share-based payment transactions	-	-	112	-	112
Deferred tax effect of share-based payment transactions	-	-	51	-	51
Tax relief on exercise of share options			128	-	128
Purchase of own share capital	-	-	(410)	-	(410)
Own shares acquired		-	-	(1,364)	(1,364)
Total transactions with owners	2	1,604	(20,214)	(1,364)	(19,972)
Balance at 30 September 2018	42	4,410	60,948	(1,364)	64,036

	Share capital £000	Share premium £000	Retained earnings £000	Non-controlling interests £ 000	Total equity £000
Balance at 1 October 2016	40	2,229	51,918	(399)	53,788
Total comprehensive income for the year:					
Profit/(loss) for the year	-	-	17,571	(97)	17,474
Transactions with owners, recorded directly in equity:					
Issue of share capital	-	577	-	-	577
Dividends paid	-	-	(10,564)	-	(10,564)
Equity settled share-based payment transactions	-	-	107	-	107
Deferred tax effect of share-based payment transactions	-	-	88	-	88
Tax relief on exercise of share options	-	-	57	-	57
Purchase of non-controlling interest	-	-	(360)	360	-
Purchase of own share capital	-	-	(165)	-	(165)
Total contributions by and distributions to owners	-	-	(136)	136	-
Total transactions with owners	-	577	(10,973)	496	(9,900)
Balance at 30 September 2017	40	2,806	58,516	-	61,362

The notes on pages 38 to 73 form an integral part of these financial statements.

Consolidated statement of cash flows
for the year ended 30 September 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Profit for the financial year		22,646	17,474
Adjustments for:			
Investment income		(128)	(3)
Finance costs		25	82
Income tax expense		5,713	4,223
Depreciation and amortisation		1,971	2,057
Share-based payment expense		112	107
Net increase in provisions and other payables		108	466
Loss on disposal of property, plant and equipment		11	48
Decrease/ (increase) in trade and other receivables		2,137	(4,434)
Increase in trade and other payables		1,323	561
Cash generated from operations		33,918	20,581
Interest paid		(25)	(82)
Income tax paid		(5,045)	(4,100)
Net cash flow from operating activities		28,848	16,399
Cash flows from investing activities			
Purchase of other intangible assets	13	(6)	(44)
Purchase of property, plant and equipment	14	(951)	(3,476)
Interest received		128	3
Net cash flows used in investing activities		(829)	(3,517)
Cash flows from financing activities			
Payments of obligations under finance leases and hire purchase contracts		(199)	(102)
Proceeds from issue of share capital		1,292	556
Proceeds from settlement of part-paid shares		314	21
Payments for purchase of own shares		(410)	(165)
Purchase of own shares for employee share schemes		(1,364)	-
Dividends paid	10	(20,095)	(10,564)
Net cash used in financing activities		(20,462)	(10,254)
Net increase in cash and cash equivalents		7,557	2,628
Cash and cash equivalents at beginning of year	18	42,138	39,510
Total cash and cash equivalents at end of year	18	49,695	42,138

The notes on pages 38 to 73 form an integral part of these financial statements.

Notes to the consolidated financial statements
for the year ended 30 September 2018

1. General information

AJ Bell Holdings Limited ("the Company") and its subsidiaries (together the "Group") provide investment administration, dealing and custody services. The nature of the Group's operations and its principal activities are set out in the Strategic report and the Directors' report.

The Company is a private limited company limited by shares and incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company's number is 04503206 and its registered office is 4 Exchange Quay, Salford Quays, Manchester, M5 3EE. A list of investments in subsidiaries, including the name, country of incorporation, registered office, and proportion of ownership is given in note 4 of the Company's separate financial statements.

The consolidated financial statements for the Company and its subsidiaries were approved by the Board on 7 November 2018.

2. Significant accounting policies

Basis of accounting

The consolidated financial statements of AJ Bell Holdings Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are prepared on the historical cost basis and prepared on a going concern basis as noted on page 41. They are presented in sterling, which is the currency of the primary economic environment in which the Group operates, rounded to the nearest thousand.

The accounting policies have been applied consistently to all periods presented in these financial statements and by all Group entities, unless otherwise stated.

Presentational changes have been made to note 5 to better reflect the activities and internal reporting of the business, notes 7 and 23 to include additional disclosures for share based payments not included in prior year and note 26 to remove service charges included in the prior year.

Changes to International Reporting Standards

Interpretations and standards which became effective during the year:

The following accounting standards and interpretations that are relevant to the Group became effective during the year:

		Effective from
IAS 7	Disclosure Initiative	1 Jan 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)	1 Jan 2017
IFRS 12	Annual Improvements 2014-2016 Cycle	1 Jan 2017

The above standards have not had a material impact on the financial statements of the Group.

Interpretations and standards which have been issued and are not yet effective:

At the date of authorisation of these financial statements the following standards and interpretations have been issued but are not yet effective and have not been applied in preparing the financial statements.

		Effective from
IFRS 9	Financial Instruments	1 Jan 2018
IFRS 2	Classification and Measurement of Share-Based Payment Transactions (Amendment)	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRS 16	Leases	1 Jan 2019

There are no other standards issued but not yet effective that are expected to have an impact on the Group in the current or future reporting periods and on foreseeable future transactions.

IFRS 9 – Financial Instruments

IFRS 9 was issued in 2014 and addresses the classification, measurement and recognition of financial instruments. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement and is effective for accounting periods commencing on or after 1 January 2018. The Group does not intend to adopt this standard early and will therefore apply IFRS 9 from the accounting period commencing 1 October 2018.

The Group has performed a preliminary assessment of the impact of adopting IFRS 9 based on its existing financial instruments. The review concluded that adopting this standard will not result in any material adjustments to opening equity or the carrying amount of financial assets and liabilities recognised on the statement of financial position. In addition, whilst the Group will adopt a new impairment model, the change to an expected credit loss model will not have a material impact on the financial statements.

Classification and measurement

The number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39 in relation to the classification and measurement of financial assets. The classification is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. Financial assets will fall into one of three categories:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

The Group is also required to review contractual terms and conditions to determine whether the cash flows arising on these assets are solely payments of principal and interest.

Based on the Group's assessment of the new standard, the change in the classification and measurement of financial assets under IFRS 9 will have no impact on the Group's financial assets, which consist of trade and other receivables and cash and cash equivalents. The cash flows arising on these assets are solely payments of principal and interest and therefore continue to be recognised at amortised cost on transition.

The classification and measurement of financial liabilities remains unchanged from IAS 39 with no impact expected on the Group's financial liabilities on adoption of the new standard.

The Group does not use hedge accounting therefore this element of the standard is not applicable.

Impairment

IFRS 9 introduces a new expected credit loss impairment model to replace the incurred loss model under IAS 39. Essentially, this means that it is not necessary for a trigger event to have occurred before credit losses are recognised. Instead, the Group always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date.

The new impairment model will apply to the Group's financial assets that are debt instruments measured at amortised cost.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted by IFRS 9. The Group's preliminary calculation of the loss allowance for these assets is expected to be immaterial reflecting the low historic default rates on trade receivables which are short-term and do not contain a significant financing component. Development of the impairment model is still ongoing and will be finalised for application.

In adopting IFRS 9, the Group plans to take advantage of the exemption from having to restate comparative information, instead recognising any differences between the previous and the new carrying amounts in opening equity and reserves.

IFRS 2 – Share-based payment transactions (amendment)

The International Accounting Standards Board (IASB) has issued amendments to IFRS 2 Share-based payments in relation to the classification and measurement of share-based payment transactions, effective for accounting periods commencing on or after 1 January 2018.

The amendment is in relation to the effects of vesting conditions on cash-settled share-based payments, the classification of share-based payments with net settlement features for withholding tax obligations and the modification of share-based payment transactions from cash-settled to equity-settled. All of which are not applicable to the Group as all options are equity-settled.

IFRS 15 – Revenue from contracts with customers

IFRS 15 was issued in 2014 and outlines a single comprehensive model for revenue arising from contracts with customers. It will replace existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction contracts and related interpretations. IFRS 15 is effective for periods commencing on or after 1 January 2018. The Group does not intend to adopt this standard early and will therefore apply IFRS 15 from the accounting period commencing 1 October 2018.

IFRS 15 changes how and when revenue is recognised from contracts with customers and the treatment of the costs of obtaining a contract with a customer. The new standard is based on the principle that revenue is recognised when control of goods or services transfer to the customer.

The Group has conducted a preliminary assessment of the potential impact of the new standard by analysing each revenue stream and associated costs of obtaining contracts. The assessment made by the Group is preliminary as not all transition work requirements have been finalised and therefore may be subject to adjustment. The adoption of IFRS 15 is not expected to have a material financial impact on the Group's financial statements however, it will result in some changes to presentation and disclosure.

The Group intends to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying the standard recognised at the date of initial application, with no restatement of the comparative period.

IFRS 16 – Leases

IFRS 16 was issued in 2016 and represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model that replaces the current model where leases are either recognised as operating or finance leases. Accounting requirements for lessors are substantially unchanged from IAS 17 Leases. IFRS 16 is effective for accounting periods commencing on or after 1 January 2019. The Group does not intend to adopt the standard early and therefore expects to apply IFRS 16 from the accounting period commencing 1 October 2019.

On transition to IFRS 16, the Group can choose to apply one of two transition methods:

- full retrospective transition method, prepared as if the standard had always applied; or
- modified retrospective approach, with an option to apply a practical expedient and retain its previous assessments of which contracts contain a lease.

It is anticipated that the Group will adopt the modified retrospective transition approach, taking advantage of the practical expedient as detailed above.

A preliminary assessment of the impact of adopting this standard has been performed, concluding that the primary impact will be to bring the Group's leasehold properties onto the statement of financial position, recognising both a right-of-use asset and a lease liability for future lease payments. Whilst there will be a material adjustment to gross assets and liabilities, there is unlikely to be a material impact on net assets at Group level. The right-of-use asset will be depreciated over the shorter of the expected life of the asset and the lease term on a straight-line basis, recognised in the income statement. The lease liability will be reduced by the lease payments over the lease term with interest being recognised on the lease liability and charged to the income statement. Depreciation and interest charges will replace the lease costs currently charged to the income statement. Higher interest charges will be recognised in earlier years of the lease as the discount rate unwinds.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 September each year. The Group controls an entity when it is exposed to, or it has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an entity if facts and circumstances indicate there are changes to one or more elements of control. The results of a subsidiary undertaking are included in the consolidated financial statements from the date the control commences until the date that control ceases.

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The Group recognises any non-controlling interest in the acquired entity at the non-controlling interests' proportionate share of the recognised amounts of the acquired entity's identifiable net assets. Total comprehensive income is attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 3 to 25 and the Directors' report on pages 28 to 30. Note 24 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 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

A business combination is recognised where separate entities or businesses have been acquired by the Group. The acquisition method of accounting is used to account for the business combinations made by the Group. The cost of a business combination is measured at the aggregate of the fair values (at the date of exchange), of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquired entity. Where the consideration includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the cost of the acquisition. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration are charged to income statement or other comprehensive income, except for obligations that are classified as equity, which are not re-measured.

Acquisition related costs are expensed as incurred in the income statement, except if related to the issue of debt or equity securities.

Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the Group's share of the identifiable net assets of the subsidiary acquired, the difference is taken immediately to the income statement.

2.3 Goodwill

Goodwill arising on consolidation represents the difference between the consideration transferred and the fair value of net assets acquired of the subsidiary at the date of acquisition. Goodwill is not amortised, but is reviewed at least annually for impairment. Any impairment is recognised immediately through the income statement and is not subsequently reversed.

For the purposes of impairment testing goodwill is allocated to one or more of the Group's cash generating units (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, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.4 Segmental reporting

The Group determines and presents operating segments based on the information that is provided internally to the Board, which is the Group's Chief Operating Decision Maker (CODM). In assessing the Group's operating segments the directors have considered the nature of the services provided, product offerings, customer bases and distribution channels amongst other factors. A description of the services provided is given within note 4.

2.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue represents fees receivable from investment administration and dealing and custody services for both client assets and client money. Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Group's activities as described below.

Recurring fixed:

Recurring fixed revenue comprises recurring administration fees and media revenue.

Administration fees include fees charged in relation to the administration services provided by the Group and are recognised in the period to 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 service.

Services rendered at the inception of a fixed term contract are recognised over the life of that contract.

Recurring ad-valorem:

Recurring ad-valorem revenue comprises custody fees, retained interest income and investment management fees.

Custody fees include ad-valorem fees charged in relation to the holding of client assets and interest received on client money balances. Custody fees and investment management fees are accrued on a time basis by reference to the principal and where applicable, the effective interest rate.

Transactional fees:

Transactional revenue comprises dealing fees and pension scheme activity fees.

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

Other non-recurring fees are recognised in the period to which the service is rendered.

2.6 Leasing and hire purchase contracts

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. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to the asset. 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 recognised as a liability. The aggregate benefit of the incentive is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Hire purchase contracts:

Assets held under hire purchase contracts 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 contract. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to the asset. The corresponding liability is included in the consolidated statement of financial position as an obligation under hire purchase contracts. Payments are apportioned between finance charges and reduction of the obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

2.7 Investment income

Investment income comprises the returns generated on corporate cash and cash equivalents. Investment income is recognised in the income statement as it accrues, using the effective interest rate method.

2.8 Finance costs

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

2.9 Retirement benefit costs

The Group makes payments into the personal pension schemes of certain employees as part of their overall remuneration package. Contributions are recognised in the income statement as they are payable.

The Group also contributes to employees' stakeholder pension schemes. The assets of the scheme are held separately from those of the Group in independently administered funds. Any amount charged to the income statement represents the contribution payable to the scheme in respect of the period to which it relates.

Alternatively, the Group will pay contributions to an employee's AJ Bell Youinvest SIPP, if they wish, instead of the stakeholder pension.

2.10 Taxation

The tax expense represents the sum of the current tax payable and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised if the temporary difference arises (other than in a business combination) from:

- the initial recognition of goodwill; or
- investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable they will 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.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that taxable profits will be available in the future, against which deductible temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at each reporting date.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.11 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.

2.12 Property, plant and equipment

All property, plant and equipment is stated at cost, which includes directly attributable acquisition costs, less accumulated depreciation and any recognised impairment losses. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful economic life as follows:

Leasehold improvements	Over the life of the lease
Office equipment	4 years
Computer equipment	3 - 5 years

The assets' estimated useful lives, depreciation rates and residual values are reviewed, and adjusted if appropriate at the end of each reporting period. An asset's carrying value is written down immediately to its recoverable amount if its carrying value is greater than the recoverable amount.

Assets held under finance leases and hire purchase contracts 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.

2.13 Intangible assets (excluding goodwill)

Intangible assets comprise computer software, customer contracts and non-contractual customer relationships and the Group's Key Operating System (KOS). These are stated at cost or fair value less amortisation and any recognised impairment loss. Amortisation is provided 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	3 - 4 years
KOS	13 years
KOS enhancements	Over the remaining life of the KOS
Customer contracts and non-contractual	5 - 10 years

The assets' estimated useful lives, amortisation rates and residual values are reviewed, and adjusted if appropriate at the end of each reporting period. An asset's carrying value is written down immediately to its recoverable amount if its carrying value is greater than the recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement immediately.

During the year the useful life of the KOS was reviewed and subsequently extended from 10 years to 13 years to align with the Group's strategy. The planned growth of the business can be supported by the KOS and there are no plans in the Group's strategy to make any changes to the target operating model or KOS. The change in the estimated useful life has been applied prospectively from 1 October 2017, therefore the KOS will be amortised on a straight line basis over the remaining useful life of the asset.

The change in accounting estimate of the KOS useful life has resulted in the profit before tax for the Group increasing by £452,000 during the financial year ended 30 September 2018. It will subsequently increase the profit before tax by £452,000 in the next two financial years, following which it will reduce profit before tax by £146,000 and £604,000.

2.14 Internally-generated intangible assets

An internally-generated asset arising from work performed by the Group is recognised only when the following criteria can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of expenditure incurred from the date when the asset first meets the recognition criteria listed above. Development expenditure that does not meet the criteria is recognised as an expense in the period which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

2.15 Impairment of tangible and intangible assets (excluding goodwill)

At each reporting date the Group reviews the carrying amount of its 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.

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.

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.

2.16 Financial instruments

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

Financial assets

All financial assets are classified as loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise trade receivables, loans, other receivables and cash and cash equivalents.

Loans and receivables are initially recognised at fair value including any directly attributable costs. They are subsequently measured at amortised cost using the effective interest method, less any impairment. No interest income is recognised on loans and receivables, with the exception of cash and cash equivalents, as all loans and receivables are short-term receivables and the recognition of interest would be immaterial. Financial assets are derecognised when the contractual right to the cash flows from the asset expire.

Trade and other receivables

Trade and other receivables are initially recorded at the fair value of the amount receivable and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Other receivables also represent client money required to meet settlement obligations.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less. 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 if the Group has the right of set off.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. 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

Financial liabilities are classified according to the substance of the contractual arrangements entered into. All financial liabilities are classified as other financial liabilities.

Other financial liabilities

The Group's other financial liabilities comprise borrowings, trade and other payables and obligations under finance leases and hire purchase contracts. Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently carried at amortised cost using the effective interest rate method. A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or they expire.

Trade and other payables

Trade payables consist of amounts payable to clients and other counterparties and obligations to pay suppliers for goods and services in the ordinary course of business. Trade and other payables are measured at amortised cost using the effective interest method.

2.17 Provisions

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

The amount recognised as a provision is the directors' best estimate of the consideration required to settle that obligation at the reporting date and are discounted to present value where the effect is material.

2.18 Share-based payments

The Group issues equity-settled share-based payments to certain employees which are measured at the fair value of the equity instrument at the date of grant.

The total employee expense is recognised on a straight-line basis over the vesting period, based on managements' estimate of shares that will eventually vest. At the end of each reporting period, the entity revises its estimates of the number of share options expected to vest based on the non-market vesting conditions. It recognises any revision to original estimates in the income statement, with a corresponding adjustment to equity reserves. 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 using the Black-Scholes option pricing model. The expected life applied in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. 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.

2.20 Levies

The Group applies the guidance provided in IFRIC 21 to levies issued under the Financial Services Compensation Scheme. The interpretation clarifies when an entity recognises a liability for a levy imposed by government in accordance with legislation (other than taxes and fines or other penalties).

2.21 Employee Benefit Trust

The Group has an employee benefit trust, the AJ Bell Employee Benefit Trust, used for the granting of shares to certain employees. AJ Bell Holdings is considered to be the sponsoring employer and so the assets and liabilities of the trust are recognised as those of AJ Bell Holdings Limited.

Shares of AJ Bell Holdings Limited held by the trust are treated as 'own shares' held and shown as a deduction from equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sales proceeds and original cost being taken to equity.

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.

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

3.1 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 estimates that management have used to forecast the expected future cash flows of the CGUs that have been reviewed. Key judgements in arriving at these estimates include:

- the revenue generated by the anticipated 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.

Details of the assumptions and key sensitivities are included at note 12.

3.2 Provisions

Dilapidations

The office dilapidations provision of £795,000 represents management's best estimate of the present value of costs which will ultimately be incurred in settling these obligations. If the rate per square foot increased by 25%, this would increase the provision by £189,000.

Other provision

At the reporting end date, a provision of £1.1m is recognised to cover the settlement of a one-off tax liability. There is some uncertainty regarding the amount of the outflow required to settle the obligation; therefore a best estimate has been made by assessing a number of possible outcomes considering the potential areas and time periods at risk and any associated interest. The timings of the outflows are uncertain but the Group expects that settlement will be within the next 12 months.

4. Segmental reporting

It is the view of the Directors that the Group has a single operating segment; Investment services in the advised and direct to customer space administering investments in SIPP's, ISA's, LISA's and General Investment/ Dealing accounts. It is considered that a further disaggregation of the single operating segment does not provide a clearer or more accurate view of the reporting within the Group. Details of the Group's revenue, results and assets and liabilities for the reportable segment are shown within the consolidated income statement and consolidated statement of financial position on pages 34 and 35 respectively.

The Group operates in one geographical segment, being the UK.

Due to the nature of its activities, the Group is not reliant on any one customer or group of customers for generation of revenues.

5. Revenue

The analysis of the consolidated revenue is as follows:

	2018 £000	2017 £000
Revenue:		
Recurring fixed	25,212	24,219
Recurring ad-valorem	47,890	37,160
Transactional	16,589	14,197
	89,691	75,576

During the financial year, the directors have reviewed the basis on which revenue is reported within the Group. As a result revenue is now reported as recurring ad-valorem, recurring fixed fees and transactional, including dealing and other fees and charges, as it is thought this better reflects the activities and internal reporting of the business. Comparatives have also been adjusted to reflect this.

Recurring ad-valorem fees include custody fees. These recurring charges are derived from the market value of retail customer assets, based on asset mix and portfolio size, and are therefore subject to market and economic risks. The spread of rate charged is variable dependent on portfolio size and asset mix within the portfolio.

Recurring ad-valorem fees also include retained interest income earned on the level of customer cash balances, which are based on customers' asset mix and portfolio size and are therefore subject to market and economic risks. The risks associated with this revenue stream in terms of its nature and uncertainty is discussed further within note 24 Financial Instruments.

The total revenue for the Group has been derived from its principal activities undertaken in the UK.

6. Operating profit

Profit for the financial year has been arrived at after charging:

	2018 £000	2017 £000
Amortisation of intangible assets	723	1,219
Depreciation of property, plant and equipment	1,248	838
Loss on the disposal of property, plant and equipment	11	48
Operating lease rentals:		
- property	1,617	2,081
Auditor's remuneration (see below)	811	170
Staff costs (see note 7)	32,629	28,120
IPO related costs	1,769	-
Restructuring costs	364	492

IPO related costs relate to professional fees incurred in relation to listing AJ Bell Holdings on the London Stock Exchange. These costs also include the fee for the Reporting Accountant's work disclosed within "corporate finance services" within auditor's remuneration below.

Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2018 £000	2017 £000
Fees payable to the Company's auditor for the audit of the company's annual accounts	56	22
Fees payable to the Company's auditor and its associates for other services to the Group:		
Audit of the Company's subsidiaries' accounts, pursuant to legislation	63	57
Audit-related assurance services	81	91
Other assurance services	19	-
Corporate finance services	592	-
	811	170

Of the above, audit related services for the year totalled £200,000 (2017: £170,000).

7. Employees

The average monthly number of employees (including Executive Directors) of the Group was:

	2018 No.	2017 No.
Operational and support	578	503
Technology	116	95
Distribution	64	58
	758	656

Employee benefit expense for the Group during the year:

	2018 £000	2017 £000
Wages and salaries	27,742	23,810
Social security costs	3,010	2,633
Retirement benefit costs	1,423	1,119
Termination benefits	342	541
Share-based payments	112	107
	32,629	28,210

8. Finance costs

	2018 £000	2017 £000
Interest on bank overdrafts and loans	-	66
Interest on obligations under finance leases and hire purchase contracts	25	16
	25	82

9. Taxation

Tax charged in the income statement:

	2018 £000	2017 £000
Current taxation		
UK Corporation Tax	5,694	4,375
Adjustment to current tax in respect of prior periods	113	(63)
	5,807	4,312
Deferred taxation		
Origination and reversal of temporary differences	(16)	(98)
Adjustment to deferred tax in respect of prior periods	(80)	17
Effect of changes in tax rates	2	(8)
	(94)	(89)
Total tax expense	5,713	4,223

Corporation Tax is calculated at 19% of the estimated assessable profit for the year to 30 September 2018 (2017: 19.5%).

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

	2018 £000	2017 £000
Deferred tax relating to share-based payments (see note 16)	(51)	(88)
Current tax relief on exercise of share options	(128)	(57)
	(179)	(145)

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

	2018 £000	2017 £000
Profit before tax	28,359	21,697
UK Corporation tax at 19.0% (2017: 19.5%)	5,388	4,231
Effects of:		
Expenses not deductible for tax purposes	338	57
Effect of the exercise of employee share options	-	(15)
Change in recognised deductible temporary differences	(47)	5
Effect of rate changes to deferred tax	2	(2)
Income not taxable	-	(6)
Adjustments to current tax in respect of prior periods	32	(47)
	5,713	4,223
Effective tax rate	20.1%	19.5%

It is expected that the ongoing effective tax rate will remain at a rate approximating to the standard UK Corporation Tax rate in the medium term except for the impact of deferred tax arising from the timing of the exercising of share options. The standard UK Corporation Tax rate was reduced from 20% to 19% (effective from 1 April 2017) and again to 18% (effective from 1 April 2020), as substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

Deferred tax has been recognised at 17% (2017: 17%), being the rate at which the deferred tax assets are expected to reverse.

10. Dividends

	2018 £000	2017 £000
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the year ended 30 September 2017 of 15.50p (2016: 13.00p) per share	6,362	5,327
Interim dividend for the year ended 30 September 2018 of 14.00p (2017: 12.75p) per share	5,728	5,237
Special dividend for the year ended 30 September 2018 of 19.50p (2017: Nil) per share	8,005	-
Total dividends paid on equity shares	20,095	10,564
Proposed final dividend for the year ended 30 September 2018 of 21.50p (2017: 15.50p) per share	8,826	6,370

A final dividend declared of 21.50p per share is payable on 13 November 2018 to shareholders on the register at close of business on 9 November 2018. The final dividend was approved by the Board on 17 October 2018. The dividend has not been included as a liability as at 30 September 2018.

Dividends are payable on all classes of issued, fully or partially paid up ordinary shares, except B,C,D,E and F non-voting shares as disclosed in note 22.

Under an arrangement dated 26 June 2013, the AJ Bell Employee Benefit Trust, which held 168,713 ordinary shares in AJ Bell Holdings Limited at 30 September 2018 (2017: Nil), has agreed to waive all dividends. This represented 0.4% of the company's called up share capital.

11. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary, non-voting ordinary, and A and X non-voting ordinary shares, excluding own shares, in issue during the year.

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

The calculation of basic and diluted earnings per share is based on the following data:

	2018 £000	2017 £000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent company	22,646	17,571

	2018 No.	2017 No.
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS in issue during the year	40,979,963	41,009,036
Effect of potentially dilutive share options	918,865	240,433
Weighted average number of ordinary shares for the purposes of fully diluted EPS	41,898,828	41,249,469

Earnings per share (EPS)	2018	2017
Basic (pence)	55.26	42.85
Diluted (pence)	54.05	42.60

12. Goodwill

	2018 £000	2017 £000
Cost		
At 1 October and 30 September	3,772	3,772
Impairment		
At 1 October and 30 September	(112)	(112)
Carrying value at 30 September	3,660	3,660

The carrying amount of goodwill relates to the following historic acquisitions which have been allocated to the cash generating unit (CGU) or group of units that are expected to benefit from the business combination:

	CGU No.	2018 £ 000	CGU No.	2017 £ 000
AJ Bell Securities Limited	1	420	1	420
AJ Bell Media Limited	1	1,537	2	1,537
Indexx Markets Limited	1	1,588	2	1,588
AJ Bell Investments LLP*	1	115	2	115
		3,660		3,660

** the business, assets and liabilities of the entity were hived up into AJ Bell Asset Management Limited during the year.*

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

The Group has previously identified and tested goodwill for impairment on two CGUs, investment administration and dealing and custody. In recent years the Group has been developing a one business strategy to support the growth of its flagship propositions. This has resulted in the centralisation of the stock broking operation and implementation of the Target Operating Model. As part of this, our two core systems have become more integrated and it is now felt that they can no longer operate independently of each other. Together they form the KOS that underpins the investment platform used by our customers, which generates the overwhelming majority of the Group's revenue. As a result the directors have reviewed the CGUs and conclude there is a single CGU, the investment platform, which is the smallest group of assets that generate cash inflows from continuing use and that are wholly independent of the cash inflows of other groups.

CGU

	1 Oct 2017 £ 000	Impairment £ 000	Transfer £ 000	30 Sept 2018 £ 000
Dealing and custody	2,054	-	(2,054)	-
Investment administration	1,606	-	(1,606)	-
Investment platform	-	-	3,660	3660
	3,660	-	-	3,660

The recoverable amount of the assets within each CGU is determined using value-in-use calculations. In assessing the value-in-use the estimated future cash flows of the CGU are discounted to their present value using a pre-tax discount rate. Cash flows are based upon the most recent forecasts, approved by the Board, covering a 4 year period and then extrapolated for the remaining useful economic life of the asset using a growth rate of nil% (2017: nil%).

The key assumptions for value-in-use calculations are those regarding discount rate, growth rates and expected changes to revenues and costs in the period, as follows:

- a rate of 13% (2017: 15%) has been used to assess the expected growth in revenue for the 4 year forecast period. This is based on historical performance.
- economies of scale are expected to be gained in the medium to long-term, although there are not expected to be any significant changes to the nature of administrative expenses.
- modest ongoing maintenance expenditure is required on the assets within the CGUs in order to generate the expected level of cash flows.

The directors have made these assumptions based upon past experience and future expectations in the light of anticipated market conditions and the results of steamlining processes through implementation of the target operating model for customer services.

Cash flows have been discounted using a pre-tax discount rate of 5.5% (2017: 5%).

The directors have performed sensitivity analysis on their calculations, with key assumptions being revised adversely to reflect the potential for future performance being below expected levels. Changes to revenue are the most sensitive as they would have the greatest impact on future cash flows. However, even with a reduction of 13% in revenue to nil growth for the forecast period, there would still be £Nil impact on the carrying value of the assets under the single CGU.

Based upon the review above the estimated value-in-use of the investment platform comfortably supports the carrying value of the assets held within, and so the directors are satisfied that for the period ended 30 September 2018 goodwill is not impaired.

13. Other intangible assets

	Key operating system £000	Contractual customer relationships £000	Computer software £000	Total £000
Cost				
At 1 October 2016	8,657	2,135	6,708	17,500
Additions	-	-	44	44
Disposals	-	-	(370)	(370)
At 30 September 2017	8,657	2,135	6,382	17,174
Additions	-	-	6	6
Disposals	-	-	(1,154)	(1,154)
At 30 September 2018	8,657	2,135	5,234	16,026
Amortisation				
At 1 October 2016	3,975	2,135	6,374	12,484
Charge for the year	1,057	-	162	1,219
Eliminated on disposal	-	-	(370)	(370)
At 30 September 2017	5,032	2,135	6,166	13,333
Charge for the year	604	-	119	723
Eliminated on disposal	-	-	(1,154)	(1,154)
At 30 September 2018	5,636	2,135	5,131	12,902
Carrying amount				
At 30 September 2018	3,021	-	103	3,124
At 30 September 2017	3,625	-	216	3,841
At 30 September 2016	4,682	-	334	5,016
Average remaining amortisation period	5 years		11 months	

The amortisation charge above is included within administrative expenses in the income statement.

14. Property, plant and equipment

	Leasehold improvements £000	Office equipment £000	Assets under construction £000	Computer equipment £000	Total £000
Cost					
At 1 October 2016	677	1,429	-	3,008	5,114
Additions	1,452	762	163	1,235	3,612
Disposals	(548)	(631)	-	(916)	(2,095)
At 30 September 2017	1,581	1,560	163	3,327	6,631
Additions	161	132	-	1,405	1,698
Disposals	-	(754)	-	(302)	(1,056)
Transfers	-	-	(163)	163	-
At 30 September 2018	1,742	938	-	4,593	7,273
Depreciation					
At 1 October 2016	553	1,200	-	2,093	3,846
Charge for the year	66	231	-	541	838
Eliminated on disposal	(548)	(609)	-	(890)	(2,047)
At 30 September 2017	71	822	-	1,744	2,637
Charge for the year	119	279	-	850	1,248
Eliminated on disposal	-	(746)	-	(299)	(1,045)
At 30 September 2018	190	355	-	2,295	2,840
Carrying amount					
At 30 September 2018	1,552	583	-	2,298	4,433
At 30 September 2017	1,510	738	163	1,583	3,994
At 30 September 2016	124	229	-	915	1,268

The depreciation charge above is included within administrative expenses in the income statement.

During the year the Group acquired assets under finance lease and hire purchase contracts of £747,000 (2017: £136,000). The carrying amount of office equipment and computer equipment includes an amount of £686,000 (2017: £138,000) in respect of assets held under finance leases and hire purchase contracts.

At the year-end, the Group had no commitments (2017: £Nil) to purchase any property, plant and equipment.

15. Subsidiaries

The Group consists of a parent company, AJ Bell Holdings Limited incorporated within the UK, and a number of subsidiaries held directly and indirectly by AJ Bell Holdings Limited which operate and are incorporated in the UK. Note 4 to the Company's separate financial statements lists details of the interests in subsidiaries.

16. Deferred tax asset

	2018 £000	2017 £000
Deferred tax asset	386	319
Deferred tax liability	(14)	(92)
Net deferred tax asset	372	227

The movement on the deferred tax account and movement between deferred tax assets and liabilities is as follows:

	Accelerated capital allowances £000	Share-based payments £000	Short-term timing differences £000	Losses £000	Total £000
At 1 October 2016	(110)	126	11	22	49
Credit to the income statement	18	31	-	41	90
Credit to equity	-	88	-	-	88
At 1 October 2017	(92)	245	11	63	227
Credit / (charge) to the income statement	78	19	11	(14)	94
Charge to equity	-	51	-	-	51
At 30 September 2018	(14)	315	22	49	372

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 2018.

Deferred tax assets have been recognised in respect of other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered. As at 30 September 2018, deferred tax assets have not been provided on trading losses of £1,407,326 (2017: £1,914,069).

17. Trade and other receivables

	2018 £000	2017 £000
Trade receivables	2,203	6,248
Prepayments and accrued income	13,669	10,831
Other receivables	4,203	5,093
	20,075	22,172

The directors consider that the carrying amount of trade and other receivables approximates their fair value. Other receivables represent client money required to meet settlement obligations and are payable on demand.

Trade receivables disclosed above include amounts which are past due at the reporting date but against which the Group has not recognised a provision for impairment as there has been no significant change in credit quality and the amounts are still considered recoverable.

The ageing profile of trade receivables were as follows:

	2018 £000	2017 £000
Neither past due or impaired	550	1,487
Past due but not impaired:		
0 to 30 days	705	3,758
31 to 60 days	188	106
61 to 90 days	58	154
91 days and over	1,165	1,155
	2,666	6,660
Provision for impairment	(463)	(412)
	2,203	6,248

The movement in the provision for impairment of trade receivables is as follows:

	2018 £000	2017 £000
Balance at the beginning of the year	412	164
Impairment losses recognised	135	300
Amounts utilised during the year	(27)	-
Amounts recovered during the year	(57)	(52)
Balance at end of year	463	412

In determining the recoverability of trade receivables the directors considered any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

18. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	49,695	42,138

All cash held at bank at 30 September 2018 and 30 September 2017, has a maturity date of less than one month.

19. Trade and other payables

Current payables

	2018 £000	2017 £000
Trade payables	1,052	817
Accruals and deferred income	8,093	7,514
Social security and other taxes	1,711	1,411
Other payables	582	373
	11,438	10,115

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

Non-current payables

	2018 £000	2017 £000
Other payables	603	178

20. Other financial liabilities

During the year, the Group had other financial liabilities relating to obligations under finance leases and hire purchase contracts. Details of the obligations under finance lease and hire purchase contracts were as follows:

	Minimum lease payments £000	Less finance charges £000	Present value of lease obligations £000
2018			
Within one year	330	(30)	300
In the second to fifth years inclusive	447	(16)	431
	777	(46)	731
2017			
Within one year	82	(7)	75
In the second to fifth years inclusive	72	(4)	68
	154	(11)	143

It is the Group's policy to lease certain items of office and computer equipment under finance leases and hire purchase contracts. The average term is between three and five years. All lease obligations are denominated in sterling. Interest rates are fixed at the contract date. All leases and contracts are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair value of the Group's lease obligations approximates to their carrying amount.

21. Provisions

	Office dilapidations £000	Other provision £000	Restructuring costs £000	Total £000
At 1 October 2017	790	1,095	492	2,377
Additional provisions	80	-	246	326
Utilisation of provision	-	-	(568)	(568)
Unused provision reversed	(75)	-	-	(75)
At 30 September 2018	795	1,095	170	2,060
Included in current liabilities	17	1,095	170	1,282
Included in non-current liabilities	778	-	-	778

Office dilapidations:

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

Other provision:

The other provision recognised is to cover the settlement of a one-off tax liability. There is some uncertainty regarding the amount and timing of the outflow required to settle the obligation; therefore a best estimate has been made by assessing a number of different outcomes considering the potential areas and time periods at risk and any associated interest. The timings of the outflows are uncertain but the Group expects that settlement will be within the next 12 months.

Restructuring costs:

The restructuring provision represents the estimated costs associated with the closure of the Tunbridge Wells office. The majority of this provision has been released during the year due to redundancies made; the residual provision relates to the remaining staff who are expected to be made redundant by 31 March 2019. The provision represents the best current estimate and is based upon a number of key variables for the staff affected, including grade and remuneration package. It is expected that all costs will be incurred within the next financial year.

22. Share capital

	2018 Number	2017 Number
Authorised share capital:		
Ordinary shares of 0.1p each	77,518,446	77,518,446
Ordinary non-voting shares of 0.1p each	900,000	900,000
A non-voting ordinary shares of 0.1p each	8,860,518	8,860,518
B non-voting ordinary shares of 0.1p each	1,000,000	1,000,000
C non-voting ordinary shares of 0.1p each	1,000,000	1,000,000
D non-voting ordinary shares of 0.1p each	1,000,000	1,000,000
E non-voting ordinary shares of 0.1p each	1,000,000	1,000,000
F non-voting ordinary shares of 0.1p each	1,000,000	1,000,000
X non-voting ordinary shares of 0.1p each	8,860,518	8,860,518
Y non-voting ordinary shares of 0.1p each	8,860,518	8,860,518
	110,000,000	110,000,000

	2018 Number	2017 Number	2018 £	2017 £
Issued, fully-called and paid:				
Ordinary shares of 0.1p each	38,840,741	38,654,846	38,841	38,655
Ordinary non-voting shares of 0.1p each	75,000	75,000	75	75
A non-voting ordinary shares of 0.1p each	957,692	955,484	958	955
X non-voting ordinary shares of 0.1p each	767,465	767,465	767	767
B non-voting ordinary shares of 0.1p each	158,890	158,890	159	-
C non-voting ordinary shares of 0.1p each	188,056	194,633	188	8
D non-voting ordinary shares of 0.1p each	255,189	275,317	255	10
E non-voting ordinary shares of 0.1p each	919,160	-	919	-
F non-voting ordinary shares of 0.1p each	203,500	-	203	-
	42,365,693	41,081,635	42,365	40,470
Issued, partly-called and paid:				
A non-voting ordinary shares of 0.1p each	260,973	325,104	-	-
X non-voting ordinary shares of 0.1p each	318,497	318,497	7	7
	579,470	643,601	7	7
	42,945,163	41,725,236	42,372	40,477

The following transactions have taken place during the year:

Transaction type	Share class	Number of shares	Premium £000
New issue under OTB	Ordinary shares of 0.1p each	49,096	350
New issue under OTB	E non-voting ordinary shares of 0.1p each	931,660	391
New issue under OTB	F non-voting ordinary shares of 0.1p each	203,500	85
New issue	A non-voting ordinary shares of 0.1p each, 0.1% partly-paid	15,000	-
Repurchase and cancellation	C non-voting ordinary shares of 0.1p each	(6,577)	-
Repurchase and cancellation	D non-voting ordinary shares of 0.1p each	(20,128)	-
Repurchase and cancellation	E non-voting ordinary shares of 0.1p each	(12,500)	-
Repurchase and cancellation	A non-voting ordinary shares of 0.1p each	(76,923)	-
Exercise of CSOP options	Ordinary shares of 0.1p each	136,799	464
		1,219,927	1,290
Full payment	A non-voting ordinary shares of 0.1p each, 0.1% partly-paid	79,131	314
			1,604

Rights of each share class

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. They are entitled to share in the proceeds on the return of capital, or upon the winding up of the Company in proportion to the number of and amounts paid on shares held. The shares are non-redeemable.

Non-voting ordinary shares

The holders of non-voting ordinary shares are entitled to receive dividends as declared from time to time and are entitled to share in the proceeds on the return of capital, or upon the winding up of the Company in proportion to the number of and amounts paid on shares held. The shares do not carry any voting rights and are non-redeemable.

A and X non-voting shares

The holders of non-voting ordinary shares are entitled to receive dividends as declared from time to time and are entitled to share in the proceeds on the return of capital, or upon the winding up of the Company in proportion to the number of and amounts paid on shares held. The shares do not carry any voting rights and are non-redeemable.

B, C, D, E and F non-voting shares

The holders of B, C, D, E and F non-voting shares are not entitled to receive dividends. The shares do not carry any voting rights and are non-redeemable. On the return of capital or winding up of the Company, the holders of such shares are not entitled to share in proceeds unless a hurdle is achieved.

Own shares

The Group has an employee benefit trust in order to acquire own shares in the Company to satisfy future share incentive plans. The costs of operating the Trust are borne by the Group but are not material.

During the year ended 30 September 2018 the Group purchased 152,707 ordinary own shares and 16,006 A non-voting shares in exchange for cash consideration of £1,364,000 in order to satisfy future options and awards. The Trust waived the right to receive dividends on these shares.

23. Share-based payments

EMI

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 remaining unexercised EMI options were exercised during the year ended 30 September 2017.

Company Share Option Plan ("CSOP")

The CSOP is a HMRC approved scheme in which the Board, at their discretion, grant options to employees to purchase ordinary shares. Each participating employee can be granted options up to the value of £30,000. Options granted under the CSOP can be exercised between the third and tenth anniversary after the date of grant and usually lapse if the employee leaves the Group before the option expires in circumstances in which they are considered to be a bad leaver. In the case of a good leaver, the employee is able to exercise options for a limited period of time after the cessation of employment. The expense for share-based payments under the CSOP is recognised over the respective vesting period of these options.

Option To Buy scheme ("OTB") - Growth shares

The OTB scheme is an award scheme whereby the Board at their discretion, offer employees the opportunity to purchase growth shares. Growth shares entitle the holder to participate in the growth in the value of the Group above the base value at the date of the award if a certain threshold level, set above the current market value of the Group at the time the shares are issued is met. Growth shares awarded under the OTB have different vesting conditions. The vesting condition attached to all growth shares is that the threshold level needs to be met and an exit event needs to have occurred. During the year a number of awards were made with an additional employment condition of four or six years after the date of grant. The growth shares that were issued subject to those conditions are subject to buy back options under which the Group can buy back the shares for their issue price if the employee leaves the Group before the expiry of the employment condition period. The expense for share-based payments under the OTB is recognised over the expected time to the assumed date that the growth target threshold will be met.

The table below summarises the outstanding options and awards:

CSOP and EMI

	2018 Number	2017 Number
Outstanding, start of period	526,152	566,936
Granted during the period	35,039	104,896
Forfeited during the period	(30,316)	(15,579)
Exercised during the period	(136,799)	(130,101)
Outstanding, end of period	394,076	526,152
Exercisable, end of period	168,066	194,900

The movements in the weighted average exercise price of share options during the year were as follows:

	2018 £	2017 £
Outstanding, start of period	4.17	3.28
Granted during the period	6.00	5.20
Forfeited during the period	4.79	3.37
Exercised during the period	3.39	1.22
Outstanding, end of period	4.52	4.17
Exercisable, end of period	3.56	3.48

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 190p (2017: 190p) and the highest exercise price was 600p (2017: 520p). The weighted average remaining contractual life of share options outstanding at the end of the period was six years (2017: seven years).

OTB - Growth shares

	2018 Number	2017 Number
Outstanding, start of period	628,840	368,733
Granted during the period	1,135,160	275,317
Repurchased and cancelled	(39,205)	(15,210)
Outstanding, end of period	1,724,795	628,840
Exercisable, end of period	-	-

The movements in the weighted average exercise price of growth shares during the year were as follows:

	2018 £	2017 £
Outstanding, start of period	4.86	4.59
Granted during the period	6.00	5.20
Repurchased and cancelled	5.42	4.51
Outstanding, end of period	5.60	4.86
Exercisable, end of period	-	-

The lowest base value for growth shares outstanding at the end of the period was 410p (2017: 410p) and the highest base value was 600p (2017: 520p). The weighted average remaining contractual life of growth shares outstanding at the end of the period was 1.4 years (2017: 0.4 years).

The fair value of equity-settled share options and awards granted is estimated as at the date of grant using the Black Scholes method, taking into account the terms upon which the options and awards were granted. The fair value of growth shares are estimated as at the date of grant using the Black Scholes method, however as there are multiple areas of uncertainty, the model is limited in its valuation. The estimated impact of these uncertainties are not material to the Group.

The inputs into the Black Scholes model and assumptions used in the calculations are as follows:

CSOP

Grant date	12/12/2017
Number of shares under option	35,039
Fair value of share from generally accepted business model (£)	6.00
Exercise price of an option (£)	6.00
Expected volatility	25%
Expected dividend yield	4.71%
Risk-free interest rate	0.51%
Expected option life to exercise (months)	36

Options are exercisable at a price equal to the market value of the Company's shares on the date of grant. 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 valuations is assumed to be the approximate market value at the date of grant. This is discounted to represent the minority value of one share and is agreed with HMRC prior to granting of the options. The expected life of the options is based on the minimum period between the grant of the option, the earliest possible exercise date and an analysis of the historical exercise data that is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the case.

OTB - Growth shares

Grant date	12/12/2017	12/12/2017	12/12/2017	08/01/2018
Number of shares under option	538,160	393,500	200,000	3,500
Fair value of share options from generally accepted business model (£)	6.00	6.00	6.00	6.00
Expected volatility	25%	25%	25%	25%
Expected dividend yield	4.71%	4.71%	4.71%	4.71%
Risk-free interest rate	0.51%	0.51%	0.51%	0.55%
Expected option life to reach growth target /life to exercise (months)	12	48	72	11

The market value of the shares has been based on a whole company basis and has been provided independently by our tax advisers. The dividend yield, volatility and risk-free interest rates are consistent with those used for CSOPs. The expected time is the assumed date that the growth target threshold will be met, based on growth in PBT, using a three year forecast approved by the Board.

During the year the Group recognised total share-based payment expenses of £112,000 (2017: £107,000).

24. Financial instruments and risk management

The Group's activities expose it to a variety of financial instrument risks; market risk (including interest rate and foreign exchange), credit risk and liquidity risk. Information is presented below regarding the exposure to each of these risks, including the procedures for measuring and managing them.

Financial instruments include both financial assets and financial liabilities. Financial assets principally comprise trade and other receivables and cash and cash equivalents. Financial liabilities comprise trade and other payables and obligations under finance leases and hire purchase contracts. The Group does not have any derivative financial instruments.

Risk management objectives

The Group has identified the financial, business and operational risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. The Board of Directors has overall responsibility for establishing and overseeing the Group's Risk Management Framework and risk appetite.

The Group's financial risk management policies are intended to ensure that risks are identified, evaluated and subject to ongoing monitoring and mitigation (where appropriate). These policies also serve to set the appropriate control framework and promote a robust risk culture within the business. The Group regularly reviews its financial risk management policies and systems to reflect changes in the business, counterparties, markets and range of financial instruments that it uses.

The Group's Treasury Committee has principal responsibility for monitoring exposure to the risks associated with cash and cash equivalents. Policies and procedures are in place to ensure the management and monitoring of each type of risk. The primary objective of the Group's treasury policy is to manage short-term liquidity requirements whilst maintaining an appropriate level of exposure to other financial risks in accordance with the Group's risk appetite.

Significant accounting policies

Details of the significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each financial asset and financial liability, are disclosed within note 2 to the financial statements.

Categories of financial instrument

The financial assets and liabilities of the Group are detailed below:

	2018			2017		
	Loans & receivables £000	Financial liabilities £000	Carrying value £000	Loans & receivables £000	Financial liabilities £000	Carrying value £000
Financial assets						
Trade receivables	2,203	-	2,203	6,248	-	6,248
Other receivables	4,203	-	4,203	5,093	-	5,093
Cash and cash equivalents	49,695	-	49,695	42,138	-	42,138
	56,101	-	56,101	53,479	-	53,479
Financial liabilities						
Trade payables	-	1,052	1,052	-	817	817
Obligations under finance leases and hire purchase contracts	-	731	731	-	143	143
	-	1,783	1,783	-	960	960

The carrying amount of all financial assets and liabilities approximate to their fair value due to their short-term nature.

Market risk

Interest rate risk

The Group holds interest bearing assets in the form of cash and cash deposits. Cash at bank earns interest at floating rates based on daily bank deposit rates. Term deposits can also be made for varying periods depending on the immediate cash requirements of the Group, and interest is earned at the respective fixed-term rate. Based on the cash balances at the reporting date, if interest rates were to move by 0.25% it would change profit before tax by approximately:

	2018 £000	2017 £000
+ 25 bps (0.25%)	129	64
- 25 bps (0.25%)	(89)	(3)

The Group retains a proportion of the interest income generated from the pooling of customer cash balances and as a result, the Group has an indirect exposure to interest rate risk. The cash balances are held with a variety of banks and are placed in a range of fixed term, notice and call deposit accounts with due regard for counterparty credit risk, capacity risk and liquidity risk requirements. The spread of rate retained by the Group is variable dependent on rates received by banks (disclosed to customers at between 0.25% below and 0.60% above the prevailing base rate) and amounts paid away to customers.

The impact of a 0.25% increase or decrease in UK base interest rates on the Group's revenue has been calculated and shown below. This has been modelled on a historical basis for each year separately assuming that the UK base rate was 25bps higher or lower than the actual position at the time.

	2018 £000	2017 £000
+ 25 bps (0.25%)	3,150	4,053
- 25 bps (0.25%)	(5,119)	(3,395)

Customer cash balances are not a financial asset of the Group and so are not included in the statement of financial position.

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

Foreign exchange risk

The Group is not exposed to significant foreign exchange translation or transaction risk as the Group's activities are primarily within the UK. Foreign exchange risk is therefore not considered material.

Credit risk

The Group's exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due, arises principally from its cash balances held with banks and trade and other receivables.

Trade receivables are presented net of allowances within the statement of financial position. An allowance for impairment is made where there is an identified loss event which, based on previous experience is evidence of a reduction in the recoverability of the cash flows. Trade receivables that are not to be impaired individually are, in addition, assessed for impairment on a collective basis. Details of those trade receivables that are past due but not impaired and any impairments made during the reporting period is shown within note 17.

The Group has implemented procedures that require appropriate credit or alternative checks on potential customers before business is undertaken. This minimises credit risk in this area.

The credit risk on liquid funds, cash and cash equivalents is limited as deposits are held across a number of major banks. The Directors continue to monitor the strength of the banks used by the Group. The banks currently used by the Group are Bank of Scotland plc, Barclays Bank plc, Lloyds Bank plc, Lloyds Bank Corporate Markets plc, HSBC Bank plc, The Royal Bank of Scotland plc, Santander UK plc, Clearstream Banking SA, Close Brothers plc, and Brown Brothers Harriman & Co. Bank of Scotland plc, the Group's principal banker is 100% owned by Lloyds Banking Group plc. All the other banks currently used by the Group have long-term credit ratings of at least A (Fitch) and Baa3 (Moody's), apart from The Royal Bank of Scotland plc which has a rating of BBB+ (Fitch). Where the services of other banks are used, the Group follows a rigorous due diligence process prior to selection. This results in the Group retaining the ability to further mitigate the counterparty risk on its own behalf and that of its customers.

The Group has no significant concentration of credit risk as exposure is spread over a large number of counterparties and customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset at the reporting date. In relation to dealing services, the Group operates as agent on behalf of its underlying customers and in accordance with London Stock Exchange Rules. Any settlement risk during the period between trade date and the ultimate settlement date is substantially mitigated as a result of the Group's agency status, its settlement terms and the delivery versus payment mechanism whereby if a counterparty fails to make payment, the securities would not be delivered to the counterparty. Therefore any risk exposure is to an adverse movement in market prices between the time of trade and settlement. Conversely, if a counterparty fails to deliver securities, no payment would be made.

There has been no material change to the Group's exposure to credit risk during the year.

Liquidity risk

This is the risk that the Group may be unable to meet its liabilities as and when they fall due. These liabilities arise from the day-to-day activities of the Group and from its obligations to customers. The Group is a highly cash generative business and maintains sufficient cash and standby banking facilities to fund its foreseeable trading requirements.

There has been no change to the Group's exposure to liquidity risk or the manner in which it manages and measures the risk during the year.

The following table shows the undiscounted cash flows relating to non-derivative financial liabilities of the Group based upon the remaining period to the contractual maturity date at the end of the reporting period.

	Less than 1 month £000	1 to 3 months £000	3 to 12 months £000	1 to 5 years £000	Total £000
2018					
Trade payables	1,052	-	-	-	1,052
Obligations under finance leases and hire purchase contracts	-	-	300	431	731
	1,052	-	300	431	1,783
2017					
Trade payables	701	-	116	-	817
Obligations under finance leases	-	-	75	68	143
	701	-	191	68	960

Capital management

The Group's objectives in managing capital are to:

- safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders, security for our customers and benefits for other stakeholders;
- maintain a strong capital base to support the development of its business;
- comply with regulatory requirements at all times.

The capital structure of the Group consists of share capital, share premium and retained earnings. As at the reporting date the Group had capital of £64,036,000 (2017: £61,362,000).

Capital generated from the business is both reinvested in the business to generate future growth and returned to shareholders principally in the form of dividends. The capital adequacy of the business is monitored on a monthly basis and as part of the business planning process by the Board. It is also reviewed before any distributions are made to shareholders to ensure it does not fall below the agreed surplus as outlined in the Group's capital management policy. The liquidity of the business is monitored by management on a daily basis to ensure sufficient funding exists to meet the Group's liabilities as they fall due. The Group is highly cash generative and maintains sufficient cash and standby banking facilities to fund its foreseeable trading requirements.

The Group conducts an Internal Capital Adequacy Assessment Process ("ICAAP"), as required by the Financial Conduct Authority ("FCA") to assess the appropriate amount of regulatory capital to be held by the Group. Regulatory capital resources for ICAAP are calculated in accordance with published rules. The ICAAP compares regulatory capital resources against regulatory capital requirements as specified by the relevant regulatory authorities.

The Group maintained a surplus of regulatory capital throughout the year. Information under Part Eight (Pillar 3) Disclosure of the Capital Requirements Regulation is available on the Group's website at www.ajbell.co.uk.

25. Interests in unconsolidated structured entities

The Group manages a number of investment funds (open ended investments) acting as agent of the Authorised Corporate Director. The dominant factor in deciding who controls these entities is the contractual arrangement in place between Authorised Corporate Director and the Group, rather than voting or similar rights. As the Group directs the investing activities through its investment management agreement with the Authorised Corporate Director, the investment funds are deemed to be structured entities. The investment funds are not consolidated into the Group's financial statements as the Group are judged to act as an agent rather than having control under IFRS 10.

The purpose of the investment funds is to invest capital received from investors in a portfolio of assets in order to generate a return in the form of capital appreciation, income from the assets, or both. The Group's interest in the investment funds is in the form of management fees received for its role as investment manager. These fees are variable depending on the value of the assets under management.

The funds do not have any debt or borrowings and are financed through the issue of units to investors.

The following table shows the details of unconsolidated structured entities in which the Group has an interest at the reporting date.

Year	Type	Number of of funds	Net AUM of funds £m	Annual management charge £000	Management charge receivable at 30 September £000
2018	OEIC	6	141.1	157	52
2017	OEIC	5	48.2	29	-

The annual management charge is included within recurring ad-valorem fees within revenue in the consolidated income statement.

The annual management charge receivable is included within accrued income in the consolidated statement of financial position.

The maximum exposure to loss relates to future management fees should the market value of the investment funds decrease.

26. Operating leases

The Group has future minimum lease payments under non-cancellable operating leases as follows:

	Property	
	2018 £000	2017 £000
Within one year	1,350	1,486
In the second and fifth years inclusive	6,243	5,820
After five years	12,912	14,685
	20,505	21,991

During the year the Group recognised £1,617,000 as an expense in the year (2017: £2,081,000).

Operating lease payments represent rentals payable by the Group for its office properties, under non-cancellable operating lease contracts. 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 three years.

The prior period figures have been amended to remove service charges included in the future minimum lease payments.

27. Related party transactions

Transactions between the parent company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

Transactions with key management personnel:

Key management personnel is represented by the Board of Directors as shown on page 26 and the Executive Management Board as shown on page 27.

The remuneration expense of key management personnel is as follows:

	2018 £000	2017 £000
Short-term employee benefits (excluding NI)	2,353	2,586
Retirement benefits	54	61
Share-based payment	45	40
Gain on the exercise of share options	64	1
	2,516	2,688

During the year there were no material transactions or balances between the Group and its key management personnel or members of their close families, other than noted above.

Transactions with directors:

Directors represent the Board of Directors as shown on page 26.

The remuneration expense of the directors is as follows:

	2018 £000	2017 £000
Short-term employee benefits (excluding NI)	1,253	1,315
Retirement benefits	7	4
Share-based payment	23	19
Gain on the exercise of share options	64	-
	1,347	1,338

The number of directors to whom retirement benefits are accruing under defined contribution schemes are 1 (2017: 1).

Dividends totalling £5,848,000 (2017: £3,027,000) were paid in the year in respect of ordinary shares held by the Company's directors.

Directors who exercised share options within the the year are detailed in the Directors' report on page 29.

Remuneration of highest paid director:

	2018 £000	2017 £000
Short-term employee benefits (excluding NI)	802	863
Share-based payment	10	12
	812	875

Other related party transactions:

Charitable donations

During the year the Group made donations of £140,000 (2017: £109,000) to the A J Bell Trust, a registered charity of which Mr A J Bell is a trustee.

EQ Property Services Limited

The Group is party to two leases with EQ Property Services Limited for rental of the Head Office premises, 4 Exchange Quay, Salford Quays, Manchester, M5 3EE. Mr A J Bell and Mr M T Summersgill are directors and shareholders of both AJ Bell Holdings Limited and EQ Property Services Limited. Mr C Galbraith, Mr R Stott and Mr F Lyons are members of key management personnel and shareholders of AJ Bell Holdings Limited and are directors and shareholders of EQ Property Services Limited. The leases for the rental of the building were entered into on 17 August 2016 for terms which expire on 30 September 2031, at an aggregate market rent of £1,594,000 per annum.

At the reporting date, there is a payable of £116,000 outstanding (2017: £Nil) with EQ Property Services Limited.

Any amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received. No provision has been made for doubtful debts in respect of amounts owed by related parties.

28. Subsequent events

There have been no material events occuring between the reporting date and the date of approval of these consolidated financial statements.

Company statement of financial position
as at 30 September 2018

	Note	2018 £000	2017 £000
Assets			
Non-current assets			
Investments	4	11,282	10,102
Current assets			
Trade and other receivables - due within one year	5	2,461	788
Trade and other receivables - due after one year	5	2,765	3,694
Cash and cash equivalents		12,894	10,569
		18,120	15,051
Total assets		29,402	25,153
Liabilities			
Current liabilities			
Trade and other payables	6	(3,182)	(1,236)
Current tax liabilities		128	(62)
Tax liabilities		(3,054)	(1,298)
Net assets		26,348	23,855
Equity			
Share capital	8	42	40
Share premium		4,410	2,806
Own shares		(1,364)	-
Retained earnings		23,260	21,009
Total equity		26,348	23,855

The financial statements were approved by the Board of Directors and authorised for issue on 7 November 2018 and signed on its behalf by:

Michael Summersgill
Chief Financial Officer

AJ Bell Holdings Limited
Company registered number: 04503206

The notes on pages 76 to 81 form an integral part of these financial statements.

Company statement of changes in equity
for the year ended 30 September 2018

	Share capital £000	Share premium £000	Own shares £000	Retained earnings £000	Total equity £000
Balance at 1 October 2017	40	2,806	-	21,009	23,855
Total comprehensive income for the year:					
Profit for the financial year	-	-	-	22,465	22,465
Transactions with owners, recorded directly in equity:					
Issue of share capital	2	1,604	-	-	1,606
Dividends paid	-	-	-	(20,095)	(20,095)
Equity settled share-based payment transactions	-	-	-	112	112
Deferred tax effect of share-based payment transactions	-	-	-	51	51
Tax relief on exercise of share options	-	-	-	128	128
Purchase of own share capital	-	-	-	(410)	(410)
Own shares acquired	-	-	(1,364)	-	(1,364)
Total transactions with owners	2	1,604	(1,364)	(20,214)	(19,972)
Balance at 30 September 2018	42	4,410	(1,364)	23,260	26,348

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 October 2016	40	2,229	28,287	30,556
Total comprehensive income for the year:				
Profit for the financial year	-	-	3,199	3,199
Transactions with owners, recorded directly in equity:				
Issue of share capital	-	577	-	577
Dividends paid	-	-	(10,564)	(10,564)
Equity settled share-based payment transactions	-	-	107	107
Deferred tax effect of share-based payment transactions	-	-	88	88
Tax relief on exercise of share options	-	-	57	57
Purchase of own share capital			(165)	(165)
Total transactions with owners	-	577	(10,477)	(9,900)
Balance at 30 September 2017	40	2,806	21,009	23,855

The notes on pages 76 to 81 form an integral part of these financial statements.

Notes to the Company financial statements
for the year ended 30 September 2018

1. Significant accounting policies

General information

The principal activity of AJ Bell Holdings Limited ("the Company") is that of a holding company.

The Company is a private limited company limited by shares and incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company's number is 04503206 and its registered office is 4 Exchange Quay, Salford Quays, Manchester M5 3EE.

Basis of accounting

The financial statements are prepared on the historical cost basis and a going concern basis. These financial statements are presented in sterling, which is the currency of the primary economic environment in which the Company operates, rounded to the nearest thousand.

The financial statements are prepared in accordance with Financial Reporting Standard FRS 101 Reduced disclosure framework ("FRS 101"). The amendments to FRS 101 (2014/15) issued in 2015 have been applied.

In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS's") but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken. Shareholders were notified of, and did not object to, the use of the EU-adopted disclosure exemptions.

Disclosure exemptions

The Company is included within the consolidated financial statements of AJ Bell Holdings Limited, a company incorporated in the United Kingdom, whose consolidated financial statements are publically available. Consequently, the Company has, in compliance with FRS 101, taken advantage of the exemption from preparing the following disclosures that would otherwise have been required under IFRS:

- IAS7 presentation of a cash flow statement;
- IAS8 Disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS24 Disclosure of key management personnel compensation and the disclosure of transactions with group companies;
- IFRS7 Disclosure in respect of financial instruments, provided that the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- IFRS 13 Fair Value Measurement paragraphs 91 to 99, provided that equivalent disclosures are included within the consolidated financial statements of the group for which the entity is consolidated; and
- IFRS 2 Share-Based Payment paragraphs 45 and 46 to 52 provided that equivalent disclosures are included within the consolidated financial statements of the group for which the entity is consolidated.

The accounting policies have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

Investments

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

Taxation

The tax expense represents the sum of the current tax payable and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the future, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises (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.

Employee Benefit Trust

The Group has an employee benefit trust, the AJ Bell Employee Benefit Trust, used for the granting of shares to certain employees. AJ Bell Holdings Limited is considered to be the sponsoring employer and so the assets and liabilities of the trust are recognised as those of AJ Bell Holdings Limited.

Shares of AJ Bell Holdings Limited held by the trust are treated as ‘own shares’ held and shown as a deduction from equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sales proceeds and original cost being taken to equity.

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 income statement for the year. The Company reported a profit of £22,465,000 for the year ended 30 September 2018 (2017: £3,199,000). This profit was generated from the Company's principal activity which is that of a holding company.

The auditor’s remuneration for the audit and other services is disclosed in note 6 to the consolidated financial statements.

3. Dividends

Details of dividends paid during the year are disclosed in note 10 of the consolidated financial statements.

4. Investments

	2018 £000	2017 £000
Cost		
At 1 October	14,304	10,532
Additions	700	3,772
Share based payments	500	-
Disposal	(20)	-
At 30 September	15,484	14,304
Accumulated impairment losses		
At 1 October	(4,202)	(402)
Impairment in the year	-	(3,800)
Accumulated impairment losses at 30 September	(4,202)	(4,202)
Carrying value at 30 September	11,282	10,102

Notes to the Company financial statements
for the year ended 30 September 2018

The Company has investments in the ordinary share capital of the following subsidiaries at 30 September 2018:

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held 2018	2017
AJ Bell Limited*	Investment / Group administration	England and Wales	100%	100%
AJ Bell Trustees Limited	Dormant	England and Wales	100%	100%
Ashby London Trustees Limited	Dormant	England and Wales	100%	100%
AJ Bell Platinum Limited*	Dormant	England and Wales	100%	100%
Ashby London Actuarial Services Limited*	Dormant	England and Wales	100%	100%
AJ Bell Management Limited*	Investment administration	England and Wales	100%	100%
Sippdeal Trustees Limited	Dormant	England and Wales	100%	100%
AJ Bell (PP) Trustees Limited	Dormant	England and Wales	100%	100%
Whitehead Trustees Limited	Dormant	England and Wales	100%	100%
Ashby London (PP) Trustees Limited	Dormant	England and Wales	100%	100%
Sippdeal Limited	Dormant	England and Wales	100%	100%
MSM Media Limited*	Dormant	England and Wales	100%	100%
AJ Bell Securities Limited*	Dealing and custody	England and Wales	100%	100%
Lawshare Nominees Limited	Dormant	England and Wales	100%	100%
AJ Bell EBT Limited*	Dormant	England and Wales	100%	100%
AJ Bell Media Limited*	Media	England and Wales	100%	100%
MoneyAM Limited	Dormant	England and Wales	100%	100%
AJ Bell Asset Management Limited*	Investment management services	England and Wales	100%	100%
AJ Bell Investments LLP	Investment management services	England and Wales	100%	100%
Indexx Markets Limited	Dormant	England and Wales	0%	100%
AJ Bell Capital Limited	Dormant	England and Wales	0%	100%
AJ Bell Digital Savings Limited*	Dormant	England and Wales	100%	0%

* indicates direct investment of AJ Bell Holdings Limited

The financial statements for the year ended 30 September 2018 of AJ Bell EBT Limited have been exempted from audit under s479A of the Companies Act 2006 by way of parent guarantee from AJ Bell Holdings Limited.

During the year Indexx Markets Limited and AJ Bell Capital Limited, which were dormant companies, were struck off the register at Companies House. Since the year-end MoneyAM Limited, MSM Media Limited and Ashby London Actuarial Services Limited, all of which are dormant, have also been struck off the register at Companies House. AJ Bell Investments LLP is in the process of being struck off.

The registered office of all subsidiaries is 4 Exchange Quay, Salford Quays, Manchester, M5 3EE.

Notes to the Company financial statements
for the year ended 30 September 2018

5. Trade and other receivables

	2018 £000	2017 £000
Amounts due within one year:		
Amounts owed by Group undertakings	272	1
Prepayments and accrued income	2,189	787
	2,461	788
Amounts due after one year:		
Deferred tax asset relating to share-based payments	315	245
Amounts owed by Group undertakings	2,450	3,449
	2,765	3,694

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. Trade and other payables

	2018 £000	2017 £000
Current payables		
Trade payables	771	8
Amounts owed to Group undertakings	2,411	1,228
	3,182	1,236

7. Related party transactions

Transactions with key management personnel

The key management personnel of the Group and the Company are the same. The related party disclosure is given in note 27 of the consolidated financial statements.

Transactions with group companies:

During the year the Company entered into the following transactions with its subsidiaries:

	2018		2017	
	Receivable £000	Payable £000	Receivable £000	Payable £000
Recharges	-	855	-	620
Dividends received	23,900	-	4,200	-
	23,900	855	4,200	620

During the year the Company made a capital contribution of £0.7m (2017: £3.7m) to AJ Bell Asset Management Limited.

The Company's balances with fellow group companies at the reporting date are set out in notes 5 and 6 of the Company financial statements.

All transactions and outstanding balances with fellow group companies are priced on an arm's length basis and are to be settled in cash. None of the balances are secured and no provisions have been made for doubtful debts for any amounts due from fellow group companies.

Other related party transactions:

Charitable donations:

During the year the Company made donations of £140,000 (2017: £109,000) to the A J Bell Trust, a registered charity of which Mr A J Bell is a trustee.

8. Called-up share capital

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

Unaudited five-year summary
for the year ended 30 September 2018

	IFRS				
	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Results					
Revenue	89,691	75,576	64,466	57,038	53,493
Profit from operations	28,256	21,776	16,749	15,387	15,914
Profit before tax	28,359	21,697	16,779	15,469	16,117
Profits attributable to equity holders of AJ Bell Holdings Limited	22,646	17,571	13,440	12,329	12,523
Assets employed					
Non-current assets	11,589	11,722	9,993	10,011	11,487
Current assets	69,770	64,310	57,248	52,231	88,034
Current liabilities	(15,511)	(13,634)	(11,693)	(9,372)	(49,309)
Non-current liabilities	(1,034)	(246)	(1,006)	(199)	(428)
Long-term provisions	(778)	(790)	(754)	(398)	(398)
Net assets	64,036	61,362	53,788	52,273	49,386
Financed by					
Equity	64,036	61,362	53,788	52,273	49,386
Key statistics					
Earnings per share (pence)	55.26	42.85	32.85	30.23	30.87
Fully diluted earnings per share (pence)	54.05	42.60	32.73	30.17	30.76
Dividends paid in year (pence per share)	49.00	25.75	28.75	25.25	25.00
Dividend declared with respect to profits generated in year (pence per share)	55.00	28.25	25.75	25.50	25.25

Definitions

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

AJBIC	AJ Bell Investcentre
AJBYI	AJ Bell Youinvest
AUA	Assets Under Administration
Board	The Board of Directors of AJ Bell Holdings Limited
BPS	Basis points
CGU	Cash Generating Unit
CODM	Chief Operating Decision Maker
CRD IV	The Capital Requirements Directive IV
CRR	Capital Requirement Regulation
CSOP	Company Share Option Plan
Customer retention rate	Relates to platform customers
DEPS	Diluted Earnings Per Share
D2C	Direct to Consumer
EMB	Executive Management Board
EMI	Enterprise Management Incentives
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FRS	Financial Reporting Standards
FTSE	The Financial Times Stock Exchange
GDPR	General Data Protection Regulations
HMRC	Her Majesty's Revenue and Customs
IAS	International Accounting Standard
ICO	Information Commissioner's Office
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IOC	Investment Operations Certificate
iOS	Mobile Operating System developed by Apple Inc.
ISA	Individual Savings Account
KOS	Key Operating System
KPI	Key Performance Indicator
LISA	Lifetime ISA
MBO	Management Buy Out
MiFID II	Markets in Financial Instruments Directive II
MPS	Managed Portfolio Service
OCF	Ongoing Charges Figure
OEIC	Open-Ended Investment Company
OTB	Option To Buy
Own shares	Shares held by the Group to satisfy future incentive plans
PBT	Profit Before Tax
PLC	Public Limited Company
Revenue per £ AUA	Represents revenue as a percentage of the average AUA in the year. Average AUA is calculated as the average of the opening and closing AUA in each quarter averaged for the year.
SIPP	Self-Invested Personal Pension
SMRC	Senior Manager & Certification Regime
SREP	Supervisory Review and Evaluation Process
SSAS	Small Self-Administered Scheme

Company information

Company number	04503206
Company Secretary	Mr Christopher Bruce Robinson
Registered office	4 Exchange Quay Salford Quays Manchester M5 3EE
Auditor	KPMG LLP 1 St Peter's Square Manchester M2 3AE
Bankers	Bank of Scotland plc 1 Lochrin Square 92 – 98 Fountainbridge Edinburgh EH3 9QA

Notes

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www.ajbell.co.uk
Company registration number 04503206