2 December 2021

AJ Bell plc

Final results for the year ended 30 September 2021

AJ Bell plc ('AJ Bell' or the 'Company'), one of the UK's largest investment platforms, today announces its final results for the year ended 30 September 2021.

Highlights

- A record year of growth, with total customers up by 87,449 to 382,754, net inflows of £6.4 billion and assets under administration (AUA) closing at a record £72.8 billion
- Customer retention rate remained high at 95.0% (FY20: 95.5%)
- Strong financial performance, with revenue up 15% to £145.8 million (FY20: £126.7 million) and profit before tax (PBT) up 13% to £55.1 million (FY20: £48.6 million)
- Diluted earnings per share up 13% to 10.67 pence (FY20: 9.47 pence)
- Strong financial position, with net assets up 19% in the year to £130.7 million (FY20: £109.5 million)
- Final dividend of 4.50 pence per share proposed, increasing the total ordinary dividend for the year by 13% to 6.96 pence per share (FY20: 6.16 pence per share)
- Special dividend of 5.00 pence per share proposed (FY20: nil), taking the total dividend for the year to 11.96 pence per share (FY20: 6.16 pence per share)

Andy Bell, Chief Executive Officer at AJ Bell, commented:

"Our award-winning platform propositions attracted record levels of new customer numbers and inflows in the year, underpinning another strong set of financial results. Revenue was up 15%, profit before tax up 13% and earnings per share up 13%. Our profitable business model and strong financial position has enabled us to invest significantly in our customer propositions during the year, whilst also increasing dividends to shareholders.

"The Board has recommended a final dividend of 4.50 pence per share, increasing the total ordinary dividend for the year by 13% to 6.96 pence per share, our 17th consecutive year of ordinary dividend growth. Reflecting the Board's confidence in the outlook for the business, it has also recommended a special dividend of 5.00 pence per share in line with our policy to periodically return surplus capital to shareholders whilst continuing to maintain our strong financial position.

“We continue to see significant long-term opportunities in the investment platform market. The pandemic has highlighted the need for people to take more control over their financial future, with increasing numbers of people investing for the first time. We believe there is increasing demand for simplified, app-based investment propositions in both the D2C and advised markets, so we are investing in two which we will soon bring to market.

“Dodl by AJ Bell, a new investment app, will enable retail investors to invest easily in a range of UK equities and funds, via a full range of tax wrappers. There will be no commission on buying and selling investments and a low annual platform charge of 0.15%.

“Touch by AJ Bell is a new mobile-led investment platform for financial advisers, which will enable them to provide an entirely digital service to clients who want that form of relationship and expand the range of client profiles they can serve.

“These two new propositions will sit alongside our flagship platform propositions, AJ Bell Youinvest and AJ Bell Investcentre, broadening our reach in both the D2C and advised markets. We expect both to launch during 2022 and we will be investing further in our brand and marketing activities to support their initial phase of growth.

“The continued strong growth of the business and the development of innovative new propositions would not be possible without the energy and commitment of our staff. As well as strengthening our Board and senior management team, we have put new processes and a hybrid working model in place to provide our staff with a safe, energetic working environment for the post-pandemic era. I would like to thank them all for their continued hard work and focus, during what has been a very challenging time for many.”

Financial highlights

	Year ended 30 September 2021	**Year ended 30 September 2020**	**Change**
Revenue	£145.8 million	£126.7 million	15%
Revenue per £AUA*	22.2bps	23.9bps	(1.7bps)
PBT	£55.1 million	£48.6 million	13%
PBT margin	37.8%	38.4%	(0.6ppts)
Diluted earnings per share	10.67 pence	9.47 pence	13%
Total ordinary dividend per share	6.96 pence	6.16 pence	13%
Total special dividend per share	5.00 pence	nil	n/a

Non-financial highlights

	Year ended 30 September 2021	Year ended 30 September 2020	Change
Number of retail customers	**382,754**	**295,305**	**30%**
- Platform	367,965	281,094	31%
- Non-platform	14,789	14,211	4%
AUA*	**£72.8 billion**	**£56.5 billion**	**29%**
- Platform	£65.3 billion	£49.7 billion	31%
- Non-platform	£7.5 billion	£6.8 billion	10%
AUM*	**£2.2 billion**	**£0.8 billion**	**175%**
Customer retention rate	**95.0%**	**95.5%**	**(0.5ppts)**

*see definitions

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Results presentation details

A recorded Q&A with Andy Bell (CEO) and Michael Summersgill (Deputy CEO and CFO) discussing these results will be available on our website (ajbell.co.uk/investor-relations) along with an accompanying investor presentation from 07.00 GMT today. Management will be hosting a meeting for sell-side analysts at 09:15 GMT today. Those wishing to participate should register their interest with Shaun Yates by emailing ir@ajbell.co.uk.

Forward-looking statements

The full year results contain forward-looking statements that involve substantial risks and uncertainties, and actual results and developments may differ materially from those expressed or implied by these statements. These forward-looking statements are statements regarding AJ Bell's intentions, beliefs or current expectations concerning, among other things, its results of operations, financial condition, prospects, growth, strategies, and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These forward-looking statements speak only as of the date of these full year results and AJ Bell does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these results.

Chairman's statement

Overview

"AJ Bell enjoyed another successful year. We delivered strong financial results, demonstrating the strength and robustness of our business model."

Our focus has continued to be on the wellbeing of our staff, whilst maintaining a high-quality service to our customers and delivering positive outcomes for all our stakeholders.

Over the past 12 months customer numbers increased by 87,449 to 382,754 and we delivered £6.4bn of net inflows of assets under administration (AUA), ending the year with total AUA of £72.8bn. Our range of investment solutions was popular with customers, attracting £1.2bn of net inflows, with assets under management (AUM) closing at £2.2bn, an increase of 175% from the previous year. This excellent performance demonstrates the robustness of our business.

We continue to enhance our platform product propositions to meet customers' changing needs. During the year, we began to invest in the development of two new simplified platform propositions, one serving the advised market and another serving the direct-to-consumer market, with a view to launching each in the coming year.

Our clear and succinct purpose, to help people to invest, is embodied within our strategy, while our governance framework, strengthened by a number of recent appointments, ensures we remain focused on achieving our long-term strategic goals.

Governance

The Board remains focused on applying high standards of corporate governance and ensuring these principles are embedded into our culture.

We believe effective stakeholder engagement is key to the long-term success of our business and we aim to proactively engage with our key stakeholders and understand what is most important to them. The Board approved several key decisions during the year, including the acquisition of Adalpha, the development of two simplified platform propositions and a long-term hybrid working arrangement for our people. Such decisions required the consideration of our wider stakeholders, as outlined in our Section 172 statement.

The events of the past couple of years have accelerated public interest in sustainability, and environmental, social and governance (ESG) considerations increasingly form part of our decision-making process. We strive to behave responsibly with a focus on our responsible propositions, being a responsible employer, supporting our local communities, and environmental awareness. During the year we undertook a detailed review to determine our key ESG priorities, which will now form the basis of developing a full ESG framework that will be embedded into our business strategy. Further details on ESG can be found in our Responsible business section.

The Board continues to provide strong support and appropriate challenge to the Executive Management Board (EMB) to ensure the Group's strategy is appropriate, achievable and ultimately delivered. Full details of the work of the Board and its Committees are set out in the Corporate Governance report.

Board changes and succession

It is important to have the appropriate resource and expertise on the Board as we embark on the next phase of the Group's strategy as a listed business, and during the year three new appointments were made to increase the level of non-executive presence on the Board.

As previously announced, after serving 13 years on the Board and eight years as Chair, I will be stepping down at our 2022 Annual General Meeting (AGM). Baroness Helena Morrissey joined us as Chair-Designate in July and will take over as Chair when I step down in January 2022. Helena brings a great deal of relevant knowledge and experience, having spent over 30 years in the financial services sector, and I am very confident in the future of the business under her stewardship.

Two further Board appointments were made during the year, with Evelyn Bourke and Margaret Hassall joining the Board as Non-Executive Directors on 1 July 2021 and 1 September 2021 respectively. Both appointments bring exceptional experience gained both at an Executive and Non-Executive Director level, and together will strengthen the Board's diversity and range of skills.

Laura Carstensen will also step down from the Board at the 2022 AGM. On behalf of the Board, I would like to thank Laura for her valuable contribution to the Group and we wish her well for the future.

Further details on all Board changes can be found in the Nomination Committee report.

Our culture and our people

The Board plays a vital role in shaping and embedding a strong and healthy culture through the promotion of the core values and principles of the Group and this continued to be a focus throughout the year. We recognise the importance of an engaged workforce and it was pleasing to see that this year's staff survey reported an overall response rate of 91%, up from 89% in 2020.

The preservation of our culture and our staff's health and wellbeing remain a priority for the Board. Regular updates and feedback on employee engagement are provided to the Board, including the review and discussion of a bi-annual culture dashboard to ensure our people strategy remains focused. Our Employee Voice Forum is now in its third year and is proving to be an invaluable platform for facilitating discussion and ideas, with a high level of engagement from each cohort. We were delighted to receive presentations and feedback from this year's Employee Voice Forum representatives, outlining how we can continue to support and promote the physical, mental and emotional wellbeing of our staff both in and outside of the workplace. Through the Forum, we have gained some valuable insights and we are progressing with several initiatives to enhance our employee wellbeing offering.

Our 'future of work' project set out to find the right post-pandemic working arrangements for our staff and our business. Our HR team held a series of workshops and discussions with managers and senior leaders as well as the wider workforce. The Board considered the potential benefits to a wide range of stakeholders when making the decision to adopt a hybrid working model. The new model will come into effect from 1 January 2022 and as we transition to this new way of working, we have created guidelines to ensure staff receive the support they need, enabling us to uphold our strong culture and ensure it continues to be aligned with our purpose.

Dividend

The Group's policy is to adopt a 65% pay-out ratio of profit after tax (PAT) with a view to returning any further surplus capital to our shareholders periodically. The Board reviewed the Group's financial position at 30 September 2021, considering the planned growth of the business, subsequent investment needs, ongoing ordinary dividend payments and future regulatory capital and liquidity requirements and concluded that £20.5m of capital should be returned to shareholders in the form of a special dividend. As a result, the Board is pleased to announce both an ordinary dividend of 4.50p and a special dividend of 5.00p per share, which will take the total dividend for the year to 11.96p. This will increase the total ordinary dividend for the financial year compared with the prior year by 13% and including the special dividend will represent an increase of 94%.

This enhanced dividend payment reflects the financial strength of the Group, the Board's commitment to a progressive dividend policy and its positive outlook for the long-term prospects of the business.

Both the special dividend and the final ordinary dividend will be paid, subject to shareholder approval at our AGM on 26 January 2022, to shareholders on the register at the close of business on 7 January 2022.

Looking back

Since joining the Board in 2008, the business has continued to develop and evolve, whilst maintaining the same simple purpose, to help people to invest.

It has been a privilege to chair the Group over the last eight years, and I would like to extend my gratitude to Andy. It has been a pleasure to work closely with him as he has led AJ Bell to become one of the UK's largest investment platforms and an established FTSE 250 listed business. As the business has evolved, we have always preserved our strong, cohesive culture, which is underpinned by our core values and principles.

I would like to thank all our people for their outstanding work and commitment, not just over the last 12 months but throughout my tenure.

Looking ahead

The UK investment platform market continues to grow at pace. Our strong platform propositions, supported by our robust, scalable and efficient operating model make us well placed to capitalise on opportunities as they arise.

AJ Bell is a financially strong business, as evidenced by a profitable, well-capitalised and highly cash-generative business model and the Board remains confident about the long-term prospects of the business.

Les Platts

Chairman

1 December 2021

Chief Executive Officer’s review

Overview

Our easy-to-use award-winning platform propositions attracted a record number of new customers during the year. We continue to provide a high-quality service at a low cost, which is key to the attraction and retention of new customers. The growth in the customer base has enabled the business to enjoy another year of double-digit percentage growth in profits.

Retail customer numbers increased by 87,449 during the year to a total of 382,754 (FY20: 295,305). This increase reflects the strong growth in our two flagship platform propositions, AJ Bell Investcentre and AJ Bell Youinvest, with customer numbers for each growing by 17% and 40% respectively and our platform customer retention rate remaining high at 95.0% (FY20: 95.5%).

We delivered record net AUA inflows of £6.4bn (FY20: £4.2bn) during the year, with AUA exceeding the £70bn mark for the first time, closing at £72.8bn (FY20: £56.5bn). The driver of this growth was the platform business, which had underlying net inflows of £7.0bn (FY20: £4.9bn). This was partially offset by net outflows of £0.6bn in the non-platform business, following the decision to close our small institutional stockbroking service. The overall impact from market and other movements was £9.9bn, with the FTSE All Share index closing 23.7% higher than 12 months earlier.

Strong financial performance
Total revenue increased by 15% during the period from £126.7m to £145.8m, driven by a significant growth in the customer base and AUA, with the macroeconomic backdrop having a mixed impact on the results.

A marked improvement in investor sentiment was reflected in global asset prices recovering close to or exceeding pre-pandemic highs, which resulted in a favourable impact on recurring ad valorem revenue. However, this was partially offset by the adverse impact of the UK base interest rate remaining at a historic low throughout the year, reducing the rate earned on customer cash balances.

The elevated customer dealing activity trends in funds and shares, triggered by the UK lockdown during the 2020/21 winter, contributed to a significant increase in transactional revenue during the first half of the financial year. As expected, customers gradually returned to a normalised pattern of dealing activity in the second half of the year, as the Government’s lockdown restrictions eased.

Profit before tax (PBT) increased broadly in line with revenue by 13% from £48.6m to £55.1m, whilst we invested significantly in our platform propositions, supporting our position as a market leader in terms of ease of use and value for money. We have also made significant progress in our ambition to develop our next generation of low-cost, mobile-focused platform propositions.

I am pleased to announce the Board is recommending the payment of a special dividend of 5.00p per share to our shareholders at the AGM on 26 January 2022, in line with our stated policy to periodically return surplus capital to shareholders. This is in addition to our final ordinary dividend of 4.50p per share, resulting in a total dividend payment for the year of 11.96p per share including the special dividend, an increase of 94% compared with the prior year. This is testament to our resilient business model and strong financial position and reflects the Board’s confidence in the future prospects of the business.

Investing for the future
We have invested in two new product developments during the year, both of which are focused on the next generation of customers and advisers, and are expected to launch in the first half of 2022. Dodl by AJ Bell (Dodl) is a new low-cost D2C investment app. Touch by AJ Bell (Touch) is also app-based, but will only be available via an adviser. Both propositions share a number of features such as a simplified and intuitive on-boarding and investment journey along with a streamlined investment range that will appeal particularly to those who are new to investing. Charges for both will be extremely competitive.

We value the importance of our brand and have seen improved awareness of our business since our IPO in 2018, which has helped to deliver strong organic growth. During the year we have continued to invest in our brand, sponsoring events such as the AJ Bell Tour of Britain, the AJ Bell Women's Tour and the AJ Bell World Triathlon Leeds. We have also recently launched AJ Bell Money Matters, a new initiative designed to help women engage with investing in order to close the gender investment gap. Our research shows that, on average, women in the UK have half the level of savings and investments that men do. As a company that is passionate about helping people to invest, that is a statistic that we want to see change. AJ Bell Money Matters is our programme designed to help achieve this, through a range of initiatives including dedicated website content, a regular podcast, monthly newsletters, webinars and social media interaction, all supported by a number of live events.

Money Matters

The AJ Bell Money Matters campaign is a range of initiatives designed to encourage women to engage with investing and close the gender investment gap.

Findings from a major new study of 5,000 UK adults suggests that the average level of savings and investments held by women is £49,000, less than half the average amount held by men of £114,000. Extrapolating this £65,000 difference in savings and investments between the sexes across the UK population puts the UK's gender investment gap at a staggering £1.65 trillion.

The research highlights the gender pay gap as the biggest cause of this discrepancy, but it also shows that women are less confident when it comes to investing and less comfortable with the risks that come with investing. The ultimate result is that only around a third of women (37%) are confident their long-term investments will meet their goals.

The campaign is designed to give women the information and inspiration they need to become more confident investors. It aims to get women talking about money and investing via a new podcast series, monthly newsletters, webinars, in-person events, videos and Instagram account (ajbellmoneymatters).

Business update

Advised propositions

Customer numbers grew by 18,009 in the year to 126,920 (FY20: 108,911), an increase of 17%. Net inflows of £3.8bn and favourable market movements of £5.7bn in the year resulted in AUA closing at £45.8bn (FY20: £36.3bn).

During the year we continued to develop our Investcentre proposition, maintaining our focus on ease of use and value for money. We made a number of enhancements to our proposition including improvements to our adviser website, with improved user journeys for regular dealing functionality and cash management tools. We also introduced additional flexibility within ISA accounts, and we further expanded our third-party Discretionary Fund Manager service, which gives advisers and their customers access to our Managed Portfolio Service (MPS) from a range of eight external providers.

It was pleasing to be recognised as the 'Best Platform', 'Best Retirement Provider' and 'Provider of the Year' at the recent Money Marketing Awards. Our advised platform proposition was also named the 'leading retirement proposition' at the UK Platform Awards 2021, with judges commending the range of available asset classes, low charges and functionality of the platform.

Financial advisers increasingly need a variety of solutions to meet the diverse range of customers' needs and portfolio sizes. We continue to develop, adapt and simplify where appropriate our propositions for the benefit of our customers and their advisers.

Our Retirement Investment Account (RIA), launched in January 2020, continues to be a popular choice for customers with pensions worth less than £250,000 and this contributed to the growth of advised customers and AUA.

We are progressing well with the development of Touch, our new mobile-focused platform proposition, following the acquisition of Adalpha during the year. This will complement our existing advised proposition and further broaden our offering to financial advisers, providing clients with access to the entire advice process via a smartphone or tablet.

Following the lifting of lockdown restrictions in the summer we were pleased to resume our ‘On the Road’ seminars, which were delivered across eight UK venues in October 2021 and Investival, which is now recognised as one of the largest and best-attended investment conferences for advisers in the UK. Due to positive feedback and ongoing demand from advisers, we also continued to provide online content via monthly ‘Off the Road’ webinars, which generated over 22,000 views.

D2C propositions
Customer numbers grew by 68,862 in the year to 241,045 (FY20: 172,183), an increase of 40%. Net inflows of £3.2bn and favourable market movements of £2.9bn in the year resulted in closing AUA of £19.5bn (FY20: £13.4bn).

Our easy-to-use platform, simple investment solutions and cost-effective, high-quality service attracted a broad customer base in terms of age, AUA and approach to investing. We continue to receive applications from a new generation of customers, seeking to engage with their finances and generate better than cash-like returns. The quality of our proposition ensures that we not only maintain a high retention rate, but that our customers set up additional accounts for themselves or family members through a family linking facility.

During the year, we further developed our dealing service, improving the customer journey by streamlining online processes. Following the successful launch of live portfolio pricing on our website in January, we extended this functionality to our mobile application in July, allowing users to view real-time prices for UK shares in their portfolio, during market hours.

We experienced high levels of customer engagement throughout the year across all channels. In particular, dealing in international equities was high in the first half of the year, gradually reducing in recent months, although remaining above pre-pandemic levels.

During the year we introduced Saturday opening for customer services and now open for US trading on UK bank holidays.

Our new app-only platform proposition, Dodl, is expected to launch in the first half of 2022. The new service will compete with the new breed of simplified offerings in the market, with an annual charge of 0.15%, no commission for buying or selling investments and no tax wrapper charges.

Dodl will be an easy-to-use, jargon-free investment app to help people invest for their long-term goals. It will offer ISAs, LISAs, pension and General Investment Accounts, and will give investors access to a simplified investment range with options to cater for the vast majority of investment risk appetites.

Dodl will sit alongside our existing D2C platform proposition, AJ Bell Youinvest and together will provide great value investment platform options for retail investors, catering for all levels of experience and investment needs.

We are pleased to have been recognised as a Which? recommended provider for the third consecutive year, in addition to winning a further 16 industry awards during the year.

AJ Bell Investments
We continue to see significant growth across our range of investment solutions, with net inflows of £1.2bn in the year resulting in closing AUM of £2.2bn (FY20: £0.8bn).

AJ Bell Investments provides simple, transparent, low-cost investment management solutions for customers at all stages of their investing lifecycle, catering for a wide range of risk appetites.

All our products and services utilise modern, innovative investment techniques. As a market leader on low charges, we have continued to share efficiency gains with our customers as they have been achieved, by reducing charges. As we have grown, our increased buying power has generated economies of scale, which have enabled us to significantly reduce our ongoing charges figure (OCF) over the past five years, in keeping with the Financial Conduct Authority's (FCA) drive to deliver value for money for investors.

Our range of AJ Bell Funds (Funds) is available through our platform propositions and a number of external platforms. Our Funds offer growth, income and sustainable options and are managed with risk targets in mind so that investors can choose the one that best fits their needs. Our performance has been consistently strong, with 100% of our Funds ranked in the first or second quartile of their respective Investment Association sectors over the three years ending September 2021.

We also offer a broad range of risk-targeted model portfolios via our AJ Bell MPS, which are managed by an experienced team of professionals and can be accessed on the AJ Bell Investcentre platform. Our AJ Bell MPS has also recently been launched on a small number of selected external platforms. Given the consistent approach to how we manage customers' investments, the performance of our MPS portfolios continues to track the returns on our range of Funds.

Almost one in thirty of our D2C customers invested in our AJ Bell Responsible Growth Fund, which was launched in November 2020, and we continue to see an increasing level of demand for investment solutions which place a greater emphasis on environmental, social and governance (ESG) factors. In March 2021 we expanded our range of responsible investing options with the addition of our AJ Bell Responsible MPS range.

Investment in technology

We continue to invest in technology to support our strategic aim to become the easiest platform to use and ensure we maintain resilience as our business continues to grow.

Our hybrid technology model is a blend of user interfaces developed in-house, and core back-office systems outsourced to industry expert software providers.

During the year we have progressed our ongoing transition to a hybrid cloud-based technology framework. This will provide a more efficient environment to accelerate the delivery of our change programme and ensure our platform remains scalable. Our ongoing investment in the infrastructure is to ensure our platform is scalable for growth in the business and resilient in customer activity spikes.

A number of system and process changes have been implemented during the year to enhance controls as part of our ongoing operational resilience work and which are intended to prevent any recurrence of the operational issues we encountered on the 9 November 2020 when there was an exceptional spike in customer activity across the market.

We welcome and wholeheartedly support the FCA's new rules and guidance around operational resilience which come into force on 31 March 2022 that will ensure firms are better able to prevent, adapt to, respond to, recover from and learn from operational disruptions.

At AJ Bell, we are proud of our reputation as a high-quality service provider, and we will continue to invest in our staff, training and technology to ensure that we can continue to provide a high-quality service to our customers.

People and culture

As our business continues to grow, it is important that we maintain a strong culture along with our high levels of staff engagement and wellbeing. It is therefore pleasing to have once again achieved a three-star accreditation in the '100 Best Companies to Work For', representing the highest standard of workplace engagement, for the third consecutive year.

We are also pleased to have been named the North West regional winner of 'Large Employer of the Year' at the National Apprenticeship Awards 2021. The awards highlight the benefits that apprenticeships bring to individuals, businesses, and local communities.

During the year, we maintained our training and personal development programmes and put systems in place to ensure employees feel secure and supported both in the office and whilst working at home. Our investment in technology has enabled the vast majority of our people to work remotely since the start of the pandemic and we have demonstrated that we can operate effectively with a balance of both home and office working across the business.

Our ‘future of work’ project was set up to find the right post-pandemic operating model for AJ Bell, consulting the wider workforce, and balancing the needs of our staff and business operations. The findings from this work, have enabled the development of a new hybrid working model which will come into effect from 1 January 2022. As well as providing health and wellbeing benefits to our staff, it will also enable us to utilise our current office space more efficiently, creating new areas for collaboration and ensuring colleagues remain connected.

We are committed to creating an inclusive workplace and prioritising employee wellbeing, to establish an environment where all employees feel valued and supported. This year’s Employee Voice Forum has focused on promoting health and wellbeing in and outside of the office. We relaunched the onsite gym in our Exchange Quay office and extended the range of online fitness services on offer to staff based in any location, as well as providing further support through nutrition and lifestyle advice.

Throughout the year we continued to support our community with a range of volunteering and fund-raising activities. In line with previous years, the Group donated a percentage of its profits to the AJ Bell Trust to help local and national charitable causes. In addition, we recently distributed the last of the funds raised by our Wage War on COVID campaign. The campaign raised a total of £383,000 in support of those negatively impacted by the pandemic. More details of our charitable campaigns and activities can be found in our Responsible business section.

Board and Executive appointments

In addition to the Non-Executive Board appointments outlined in the Chairman’s statement, we also made a number of Executive Board member changes from 1 October 2021 to support the next stage of our growth strategy.

Michael Summersgill, who has held the position of Chief Financial Officer since 2011, was appointed Deputy Chief Executive Officer (Deputy CEO). In this newly created role, Michael will support me with the development and execution of our strategy, which will drive the future growth of the business.

Roger Stott was appointed to the newly created role of Chief Operating Officer (COO). Previously Group Finance Director, Roger has had a broad range of responsibilities in his 13 years at AJ Bell. In his new role, Roger will be responsible for the Group’s operational functions, ensuring the business remains scalable and continues to deliver a great service to customers and advisers as AJ Bell continues to grow.

Following these changes, we have recently completed an external search for a new Chief Financial Officer to join the Board. Further details can be found in our Nomination Committee report.

We also made a number of changes to strengthen our executive management team. I am pleased to welcome Karen Goodman to the business as Chief Risk Officer. Karen joined us as a member of the EMB in September having spent a number of years within the financial services sector. In addition, we made three internal promotions: Kevin Doran, AJ Bell Investments Managing Director, Liz Carrington, HR Director and Billy Mackay, AJ Bell Investcentre Managing Director, all joined the EMB on 1 October 2021. Their considerable experience and knowledge of the business will enable them to make a strong contribution, and I look forward to working closely with the newly expanded leadership team in the year ahead.

Fergus Lyons retired from his role as Managing Director of AJ Bell Investcentre and as a member of the executive management team at the end of September 2021. During his 21 years with the Group, Fergus has operated as an executive member of the senior management team, overseeing many areas of the business, including Commercial, Operations and Technology Services, in addition to AJ Bell Investcentre. Fergus has had a significant impact on developing and maintaining our culture, consistently putting the customer at the heart of everything we do, as the business has evolved and grown. He leaves AJ Bell Investcentre in a very strong position and my personal thanks go to him for the considerable contribution he has made to the business. Fergus will continue to work with us on the launch and development of Touch by AJ Bell.

I would also like to take the opportunity to express my sincere thanks to Les Platts who will be stepping down from the Board as Chairman at the 2022 AGM. As well as being an incredibly valuable mentor, Les has provided excellent stewardship of the Group since joining as a Non-Executive Director in 2008 and later becoming Chairman in 2014, and we wish him well for the future.

Regulatory update

There has been a significant volume of regulatory activity in the latter part of the year. We continue to lobby the Government and regulators in the key areas we believe will have the most impact on our customers and the wider investment market. Our focus is always on campaigning for simplicity and fairness, with the ultimate aim being good customer outcomes.

I have recently written to the Treasury and Department for Work & Pensions (DWP) to express my concerns regarding the approach to raising the normal minimum pension age from 55 to 57 in 2028. We understand and do not object to the reasons for the increase, however the current proposals are unnecessarily complex and cut across other government and regulatory initiatives such as the Pensions Dashboard. A far simpler solution would be to adopt the same approach as when the normal minimum pension age increased from 50 to 55 back in 2010.

Both the FCA and DWP have published draft regulations on how a ‘stronger nudge’ to Pension Wise guidance could work for personal and occupational pension schemes respectively. Whilst we support the intention behind the proposals, we have raised concerns that the FCA and DWP are proposing different approaches to implementation which will be confusing for customers, and any nudges should be delivered earlier than proposed.

We are supportive of the intent behind the FCA’s proposed new consumer duty, but the new proposals overlap with existing rules and principles in many areas and our overriding view is that the FCA must focus on replacing existing rules rather than expanding them and layering new rules on old.

More recently, the DWP introduced new rules to remove the statutory right to transfer a pension. Pension schemes will be required to intervene where there are concerns someone is moving their retirement pot to a scheme linked to scam activity. The DWP consulted effectively on the changes and has found a pragmatic and sensible solution that will help to protect consumers and deliver more positive outcomes.

We also support the joint call for input published in June 2021 by the FCA and the Pensions Regulator on the ‘Pensions customer journey’. This appears to be a genuine effort to understand what customers experience and how the various rules that already exist interact. However, the timing is difficult to comprehend, considering the variety of other regulatory interventions which have already begun to be implemented in this area. The joint call for input should have been the starting point, nevertheless we support the collaboration between the two regulators.

Outlook

The long-term structural drivers of growth in the UK investment platform market remain strong and the outlook remains positive as an increasing number of people seek the security and peace of mind that a trusted investment platform can give them. These structural drivers apply to both the D2C and advised segments of this market, which are currently at different stages of their lifecycle. The D2C market continues to develop and grow quickly with lots of new entrants into the market, and whilst demand for advised products remains high, the number of advisers and advice firms remains fairly constant. We remain well positioned in both markets to meet the challenges that may arise and capitalise on the opportunities presented.

As seen in the latter half of the year, we expect that customer dealing activity on our D2C platform will remain at normalised levels following the elevated activity during the lockdown. Conversely, any increase in interest rates is likely to have a favourable impact on recurring ad valorem revenue. Our diversified revenue model ensures we are well placed to deal with the different macroeconomic cycles that may occur.

Our focus remains on investing in our brand and enhancing our propositions to meet the evolving needs of customers, by providing a stable, secure platform, with a wide range of investment solutions and a consistent, high-quality service at a low cost.

The launch of two new platform propositions, Dodl and Touch, during 2022 will complement our existing range of propositions, ensuring we are well positioned to capitalise on the opportunities created by the next generation of customers seeking to use a platform for their investment needs.

The business has a clear and focused strategy and the Board and EMB appointments made during the year will strengthen our senior leadership teams as we move to the next stage in our growth journey. The business is at an exciting juncture and I look forward to working with them to execute our business strategy.

The high calibre of our people and our strong culture has enabled us to thrive in what have been extremely challenging times. I would like to thank all of our staff across the business for their hard work, commitment and dedication which has ensured another successful year for AJ Bell.

Andy Bell

Chief Executive Officer

1 December 2021

Financial review

The Group delivered another strong set of financial results following a year of significant growth. Revenue increased 15% from £126.7m to £145.8m and PBT was up 13% to £55.1m (FY20: £48.6m).

The two key drivers of our performance, customer numbers and AUA, grew by 30% and 29% respectively in the 12-month period. The Group achieved net inflows of £6.4bn, with AUA breaking the £70bn milestone, closing at £72.8bn as at 30 September 2021.

The business is attracting new business at an impressive rate. Notwithstanding this strong performance, we have chosen to accelerate our investment in the long-term growth of the business by developing new product propositions in the year and this is reflected in cost increases that are higher than we have seen in recent years.

Business performance

Customers

Customer numbers increased by 87,449 during the year to a total of 382,754 (FY20: 295,305). This growth has been driven by our platform propositions, in particular our D2C platform which saw a 40% increase in customer numbers to 241,045 as at 30 September 2021. In addition, our platform customer retention rate remained high at 95.0% (FY20: 95.5%).

	Year ended 30 September 2021 No.	**Year ended 30 September 2020 No.**
Advised platform	126,920	108,911
D2C platform	241,045	172,183
Total platform	**367,965**	**281,094**
Non-platform	14,789	14,211
Total	**382,754**	**295,305**

Assets under administration

Year ended 30 September 2021

	Advised platform £bn	D2C platform £bn	**Total platform £bn**	Non-platform £bn	**Total £bn**
As at 1 October 2020	36.3	13.4	**49.7**	6.8	**56.5**
Underlying inflows	6.3	4.6	**10.9**	0.2	**11.1**
Outflows	(2.5)	(1.4)	**(3.9)**	(0.8)	**(4.7)**
Net inflows/(outflows)	3.8	3.2	**7.0**	(0.6)	**6.4**
Market and other movements	5.7	2.9	**8.6**	1.3	**9.9**
As at 30 September 2021	45.8	19.5	**65.3**	7.5	**72.8**

Year ended 30 September 2020

	Advised platform £bn	D2C platform £bn	**Total platform £bn**	Non-platform £bn	**Total £bn**
As at 1 October 2019	33.8	11.1	**44.9**	7.4	**52.3**
Underlying inflows	4.4	3.0	**7.4**	0.1	**7.5**
Outflows	(1.6)	(0.9)	**(2.5)**	(0.8)	**(3.3)**
Net inflows/(outflows)	2.8	2.1	**4.9**	(0.7)	**4.2**
Market and other movements	(0.3)	0.2	**(0.1)**	0.1	**-**
As at 30 September 2020	36.3	13.4	**49.7**	6.8	**56.5**

We continued to see significant growth in the level of AUA inflows across both our advised and D2C platform propositions, with total net platform inflows increasing by 43% to £7.0bn, compared to £4.9bn in the previous year.

Net inflows to the advised platform of £3.8bn increased by 36% and were mostly driven by inflows from new customers. The high uptake of our RIA resulted in slightly lower average inflows per customer, which was expected as this product is aimed at customers with smaller portfolios.

D2C platform inflows increased by 52% to £3.2bn (FY20: £2.1bn) with high levels of inflows from both new and existing customers. Average inflows per customer increased for both new and existing customers, with the majority of inflows being in SIPPs and ISAs as customers focus on building long-term, tax-efficient investment portfolios.

Non-platform net outflows of £0.6bn in the year were primarily triggered by the decision to close the institutional service from 31 December 2021, which represented £2.2bn of AUA at 30 September 2021.

The strong performance across global markets contributed £9.9bn to asset values with AUA closing at £72.8bn, an overall increase of 29% in the year.

Assets under management

	Year ended 30 September 2021 £bn	**Year ended 30 September 2020 £bn**
Advised	1.3	0.4
D2C	0.8	0.4
Non-platform	0.1	-
Closing AUM	**2.2**	**0.8**

AJ Bell Investments has seen a significant increase in AUM across both our advised and D2C platform propositions, including a one-off platform inflow of £0.3bn and underlying net platform inflows of £0.9bn in the year (FY20: £0.5bn). Market and other movements contributed £0.2bn to asset values, with AUM closing at £2.2bn. This represented an underlying increase of 143% from the previous year, excluding the one-off platform inflow in the year.

Financial performance

Revenue

	Year ended 30 September 2021 £000	Year ended 30 September 2020 £000
Recurring fixed	28,598	26,618
Recurring ad valorem	77,955	72,422
Transactional	39,273	27,709
Total	**145,826**	**126,749**

Revenue increased by 15% to £145.8m (FY20: £126.7m).

Recurring fixed revenue saw an increase of 7% to £28.6m (FY20: £26.6m). This was primarily driven by increased pension administration revenue from our advised platform customers.

Recurring ad valorem revenue grew by 8% to £78.0m (FY20: £72.4m). The key driver of the growth in ad valorem revenue was the increase in average AUA, which grew significantly in the year. However, the reduction in the UK base rate during the previous financial year, from 0.75% to 0.1% provided a significant headwind and caused a substantial reduction in the interest earned on customer cash balances.

Transactional revenue grew by 42% to £39.3m (FY20: £27.7m). This increase was driven by the strong growth in D2C customers, in addition to significantly elevated levels of customer dealing and a higher proportion of deals placed in international equities in the first half of the year.
Revenue margin fell by 1.7bps from 23.9bps to 22.2bps in the year, primarily caused by the reduction in the UK base rate during the previous financial year, as noted above.

Administrative expenses

	Year ended 30 September 2021 £000	Year ended 30 September 2020 £000
Distribution	11,095	10,245
Technology	25,765	20,027
Operational and support	53,115	45,646
CSR initiative	-	1,595
Total	**89,975**	**77,513**

Administrative expenses increased by 16% to £90.0m (FY20: £77.5m).

Distribution costs increased by 8% from £10.2m to £11.1m. This increase was predominately driven by the increase in headcount in our platform marketing and business development teams. We recognise the importance of investing in our brand, and while some of our planned spend was paused as a result of the pandemic, we see more opportunities to invest in this area in the future.

Technology costs increased by 29% to £25.8m (FY20: £20.0m), predominantly driven by an increase in headcount and the investment in the development of our two new simplified platform propositions, Dodl and Touch. Included in this amount is a £2.8m share-based payment charge in relation to the earn-out on the acquisition of Adalpha (see note 25).

Operational and support costs increased by 16% to £53.1m (FY20: £45.6m). Excluding the costs associated with elevated levels of customer dealing activity this year, the underlying year-on-year increase was 10% which included investment in a HR technology solution to assist in the delivery of our new hybrid working model. The increase in operational and support costs compares to a 30% increase in customer numbers and a 29% increase in AUA and demonstrates the efficiency of our business model.

Our prior year share-based payment expense included a one-off charge of £1.6m relating to the CSR initiative announced in December 2019.

Profitability and earnings

PBT rose to £55.1m (FY20: £48.6m), an increase of 13% compared with the prior year and our PBT margin remained at 38% (FY20: 38%). The increase in profitability is due to the strong growth in our customer base and AUA.

The effective rate of tax for the year was 20.4% (FY20: 20.0%), slightly higher than the standard rate of UK Corporation Tax of 19.0%, as a result of disallowable charges relating to the earn-out arrangement.

Basic earnings per share increased by 13% to 10.71p. Diluted earnings per share (DEPS) increased by 13% to 10.67p.

Financial position

The Group's balance sheet remains strong, with net assets totalling £130.7m (FY20: £109.5m) at 30 September 2021 and a return on assets of 34% (FY20: 35%). We have no significant borrowings, with the exception of the lease liability that arose on adoption of IFRS 16 as noted in the prior year.

Financial resources and regulatory capital position

Our financial resources are continually kept under review, incorporating comprehensive stress and scenario testing, which is formally reviewed and agreed at least annually. We manage our financial resources prudently and have maintained a healthy surplus over our regulatory capital requirement throughout the year.

	Year ended 30 September 2021 £000	**Year ended 30 September 2020 £000**
Total shareholder funds	130,708	109,466
Less: unregulated business capital	(4,722)	(3,703)
CRD consolidation group – CET1 capital	125,986	105,763
Less: provision for dividend	(38,912)	(19,050)
Less: non-qualifying assets	(11,469)	(4,109)
Total capital resources	75,605	82,604
Less: capital requirement	(40,525)	(35,439)
Surplus capital	**35,080**	**47,165**
% of capital resource requirement held	187%	233%

Our regulatory requirement increased to £40.5m (FY20: £35.4m) which results in surplus capital of £35.1m (FY20: £47.2m). After making appropriate deductions, including our recommended ordinary and special dividend, our total capital resources at 30 September 2021 were £75.6m (FY20: £82.6m).

Cash balances increased by 12% from £86.4m to £97.1m. Our short working capital cycle means that profits are quickly converted into cash, and we maintain sufficient financial resources to support the liquidity requirements of our growing operation.

The Investment Firm Prudential Regime (IFPR) will come into effect from 1 January 2022, focusing prudential requirements on the potential harm the firm itself can pose to consumers and markets whilst introducing a basic liquidity requirement for all investment firms. This is not expected to have a material impact on our capital requirements.

Acquisition of Adalpha

On 18 March 2021, AJ Bell plc acquired Adalpha, and is progressing well with the development of our new mobile-focused platform proposition, Touch by AJ Bell.

On acquisition, the Group recognised an intangible asset of £1.1m, relating to the development of the simplified advised platform proposition, and goodwill of £3.3m. Further details can be found within note 6.

Costs incurred in the year relate primarily to technology costs for the development of the simplified advised platform proposition. Costs capitalised as an intangible asset can be found in note 8.

Dividends

The Board has proposed a final dividend of 4.50p per share (FY20: 4.66p per share), resulting in a total ordinary dividend of 6.96p (FY20: 6.16p) and equating to a dividend pay-out ratio of 65% of statutory profit after tax.

In addition, the Board reviewed the Group's financial position at 30 September 2021, considering the payment of the ordinary dividend, planned growth of the business, subsequent investment needs and future regulatory capital and liquidity requirements and has proposed a special dividend of 5.00p per share which will take the total dividend for the year to 11.96p, an increase of 94% on the prior year.

This enhanced dividend payment reflects the financial strength of the Group, the Board's commitment to returning surplus capital to shareholders in an appropriate form and at an appropriate time and the positive outlook for the long-term prospects of the business.

Michael Summersgill

Deputy Chief Executive Officer and Chief Financial Officer

1 December 2021

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 Board believes that there are a number of potential risks to the Group that could hinder the successful implementation of its strategy. These risks may arise from internal and external events, acts and omissions. The Board is 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 Group has continually reviewed its risk management and internal control systems during the pandemic, to identify any areas that required further attention or action. Whilst the level of inherent risk for some of Group’s principal risks and uncertainties has increased, the Group’s controls continue to mitigate this increase in risk.

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

Risk	Potential impact	Mitigations
1. Strategic risk		
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 customer 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.
2. Operational risk		
Regulatory, compliance & legal risk The risk that the Group fails to comply with regulatory and legal standards.	• Regulatory censure and/or fines, including fines from the FCA and ICO. • 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.	The Group maintains a strong compliance culture geared towards positive customer outcomes and regulatory compliance. The Group performs regular horizon scanning to ensure all regulatory change is detected and highlighted to the Group for consideration. The Group maintains an open dialogue with the FCA and actively engages with them on relevant proposed regulatory change. 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 providing comprehensive training. Where appropriate, the compliance monitoring team conducts reviews to ensure a high standard of compliance has been embedded into the business.
Information security and data risk The risk 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. Data risk is defined as the risk of the Group failing to effectively govern, manage and control its data (including data processed by third party suppliers).	• Related negative publicity could damage customer and market confidence in the business, affecting our ability to attract and retain customers. • Information security breaches could adversely impact individuals' data rights and freedoms and could result in fines/censure from regulators, such as the 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 it holds. 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. The Group regularly assesses its maturity against an acknowledged security framework, which includes an ongoing programme of staff training and assessment through mock security exercises. The Group monitors the adequacy of its internal data governance framework via the Data Steering Group.
Fraud and financial crime risk The risk of failure to protect the Group and its customers from all aspects of fraud and	• The Group may be adversely affected, including regulatory censure or enforcement, if we fail to mitigate the risk of being used to facilitate	Extensive controls are in place to minimise the risk of financial crime. Policies and procedures, include: mandatory financial crime training in anti-money laundering and counter terrorist financing, fraud, market

financial crime (anti-money laundering and counter terrorist financing, market abuse, fraud, cyber-crime and the facilitation of tax evasion).	any form of financial crime. This includes money laundering and counter terrorist financing, market abuse, fraud, cyber-crime and the facilitation of tax evasion. • 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 personal data, 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.	abuse and the criminal finances act for all employees to aid the detection, prevention and reporting of financial crime. 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.
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. Where relevant and appropriate, annual financial due diligence on critical IT suppliers and on-site audits are also undertaken.
IT system performance, capacity and 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 customers and meet their needs.	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 of the underpinning infrastructure and services.

	• Failing to deliver and manage a fit-for-purpose technology platform could have an adverse impact on customer outcomes and affect our ability to attract new customers. • IT failures may lead to financial or regulatory penalties, and reputational damage.	Daily monitoring routines provide oversight of performance and capacity. 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.
Operational resilience risk The risk that the Group does not have an adequate operational resilience framework to prevent, adapt, respond to, recover and learn from operational disruptions.	• Failure to maintain or quickly recover operations could lead to intolerable harm to customers and the Group. • Operational resilience disruptions may lead to financial or regulatory penalties, and reputational damage.	The Group is in the process of developing a comprehensive operational resilience framework, under the direction of the Operational Resilience Committee (ORC), a sub-committee of the Executive Management Board (EMB). The Group is on track to implement the operational resilience regulatory requirements set out in the FCA policy statement (PS) 21/3, which are: • Identify important business services. • Undertake core mapping. • Set impact tolerances. • Undertake scenario testing. • Board sign-off on a self-assessment.
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 ongoing 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. • Potential customer detriment resulting from inadequate protection of customer assets. • 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. Anti-fraud training is provided to all members of staff who act as first line of defence to facilitate early detection of potentially 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 on our guiding principles, which drive the culture of the business and ensure customers remain at the heart of everything we do. Training on the importance and awareness of the delivery of good customer outcomes is provided to all staff on a regular basis. 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 customer outcomes, and mitigating actions are delivered alongside the developments as appropriate.
Investment risk Risk of failures surrounding the investment activities carried out by AJ Bell Investments (AJBI). The risks specific to the AJBI entity include operational, reputational and conduct risks.	• Outflows or loss of assets under management as a result of underperformance or reputational damage. • Compensation required to cover operational losses, such as trading errors. • Potential customer detriment resulting from inadequate governance arrangements.	The Group maintains robust Investment Governance arrangements for decision-making in relation to the AJBI products and services. The performance of AJBI products and services are monitored on an ongoing basis for alignment with customer expectations and mandates, including through dedicated committees and by an independent Risk function.

		Operational risks are reviewed and monitored through AJBI's Department Risk Committee. Any trading undertaken on the AJ Bell Funds is subject to a number of internal controls to minimise the risk of any operational losses.
3. Financial risk		
Economic and capital markets fluctuation risk The risk that a significant and prolonged capital market or economic downturn has an adverse effect on customer confidence, asset values and interest rates.	• Adverse effect on customer transactional activity or ad valorem fees generated from assets under administration from which the Group derives revenue. Sensitivities for interest rate and market movements are shown in note 26 to the consolidated financial statements.	The Group's products are targeted at UK residents. 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 a sustained economic downturn. 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 and capital market fluctuations.
Counterparty credit risk The risk of potential failure of clients, market counterparties or banks used by the Group to fulfil 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 larger number of counterparties. The banks currently used by the Group are detailed in note 26 to the consolidated financial statements. With regard 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. The Group will maintain its existing strategy of diversification to ensure acceptable exposure across a wide range of well-capitalised banks with appropriate credit ratings. It will continue to regularly monitor its level of exposure and to assess the financial strength of its banking counterparties.
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. The 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 has robust systems and controls and monitors all legal entities to ensure they have sufficient funds to meet their liabilities as they fall due. The Group continues to monitor trade settlement on both an intra-day and daily basis. The Group continues to be a highly cash-generative business and to maintain sufficient cash and standby banking facilities to fund its foreseeable trading requirements.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the viability of the Group, considering a four-year period to September 2025. The Board considers a four-year horizon to be an appropriate period to assess the Group's strategy and its capital requirements, considering the investment needs of the business and the potential risks that could impact the Group's ability to meet its strategic objectives.

This assessment has been made considering the Group's financial position and regulatory capital and liquidity requirements in the context of its business model, strategy and four-year financial forecasts and in consideration of the principal risks and uncertainties, as detailed in the Strategic report. The principal risks and uncertainties are those that may adversely impact the Group based on its business model and strategy and are derived from both the Group's business activities and the wider macroeconomic environment in which the Group operates but does not control.

As an FCA-regulated entity, a continual assessment is undertaken by the Group to identify and quantify its principal risks and uncertainties through the ICAAP; a process that uses a combination of techniques including stress-testing and scenarios to consider severe but plausible events to determine the capital and liquidity requirements for the Group. The estimated capital and liquidity requirements from the crystallisation of risks arising from the Group's business activities are assessed and compared with the rules based quantitative requirements from the new prudential regime to inform the Group's regulatory requirements for the next 12 months. The estimated capital required for the crystallisation of risks arising from the wider macroeconomic environment is used to determine if the Group is able to maintain sufficient financial resources over its regulatory capital and liquidity requirements over the four-year assessment period.

The Board approved four-year financial forecast assumes the business continues to grow customer numbers and AUA through investment in our brand, product propositions, technology and people. It is assumed that the Bank of England base interest rate remains flat at 0.10% during the financial forecasts and there are no significant market movements in underlying asset values based on the position at the point the projections were approved by the Board.

The Board has considered the potential impact of three stress test scenarios, which cumulatively represent a severe, remote but plausible scenario:

1) **Macroeconomic** (*Economic and capital markets fluctuation risk*) – a significant reduction in equity market values, modelled on the 2008-09 global financial crisis. Asset values fall by 47% in year 1, recovering to 32% below the level they were prior to the fall in year 2, and remain flat in years 3 and 4.

2) **Macroeconomic** (*Economic and capital markets fluctuation risk*) - Bank of England base interest rate reduced from 0.10% to -0.10% throughout the assessment period.

3) **Idiosyncratic** (*IT system performance, capacity and resilience risk, Third-party IT failure risk*) - prolonged IT issues with key operating software suppliers cause significant damage to AJ Bell's service and reputation; which results in a reduction in customers. Following year 1 the Group incurs development and license costs to upgrade or replace key components of the platform software, with service levels and net inflows returning to normal in year 3.

The Board would consider raising prices as a possible management action that could be taken in the event that the modelled scenarios crystallise. The Board considers this approach reasonable in light of the industry-wide impact of the scenario, and the firm’s profitability and price positioning relative to its competitors.

The results have confirmed that the Group would be able to withstand the adverse financial impact of these three scenarios occurring simultaneously over the four-year assessment period. This assumes that dividends are paid in line with the recommendation made in the 30 September 2021 annual report and with the Group dividend policy on a forward-looking basis. During the period, the Group continues to retain surplus financial resources over and above its regulatory capital and liquidity requirements, with or without any management remediation actions.

The Group’s strategy and four-year financial forecasts were approved by the Board in September 2021. The Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the four-year period ending September 2025.

The Strategic report was approved by the Board of Directors and signed on its behalf by:

Andy Bell

Chief Executive Officer

1 December 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 the profit or loss for the Group for that period. The Directors are also required to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- for the Group financial statements state whether they have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, subject to any material departures disclosed and explained in the financial statements;
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group or Parent Company will continue in business; and
- prepare a Directors' report, a Strategic report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

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 the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Each of the Directors, whose names and responsibilities are listed in the Corporate Governance report, confirms that, to the best of their knowledge:

- The financial statements have been prepared in accordance with the applicable set of accounting standards and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.

- The annual report includes a fair review of the development and performance of the business and the financial position of the Group and Parent Company, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approved by the Board on 1 December 2021 and signed on its behalf by:

Christopher Bruce Robinson
Company Secretary
4 Exchange Quay
Salford Quays
Manchester
M5 3EE

Consolidated income statement
for the year ended 30 September 2021

	Note	2021 £ 000	2020 £ 000
Revenue	5	145,826	126,749
Administrative expenses		(89,975)	(77,513)
Operating profit	7	55,851	49,236
Investment income	9	23	162
Finance costs	10	(790)	(848)
Profit before tax		55,084	48,550
Tax expense	11	(11,262)	(9,721)
Profit for the financial year attributable to:			
Equity holders of the parent company		**43,822**	**38,829**
Earnings per share:			
Basic (pence)	13	10.71	9.51
Diluted (pence)	13	10.67	9.47

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.

Consolidated statement of financial position

as at 30 September 2021

	Note	2021 £ 000	2020 £ 000
Assets			
Non-current assets			
Goodwill	14	6,991	3,660
Other intangible assets	15	6,014	1,986
Property, plant and equipment	16	3,351	3,224
Right-of-use assets	17	13,325	14,522
Deferred tax asset	19	940	1,003
		30,621	24,395
Current assets			
Trade and other receivables	20	34,408	30,561
Current tax receivable		51	-
Cash and cash equivalents	21	97,062	86,384
		131,521	116,945
Total assets		**162,142**	**141,340**
Liabilities			
Current liabilities			
Trade and other payables	22	(12,765)	(12,368)
Current tax liabilities		-	(17)
Lease liabilities	17	(1,708)	(1,323)
Provisions	23	(1,526)	(1,595)
		(15,999)	(15,303)
Non-current liabilities			
Lease liabilities	17	(13,886)	(15,022)
Provisions	23	(1,549)	(1,549)
		(15,435)	(16,571)
Total liabilities		(31,434)	(31,874)
Net assets		**130,708**	**109,466**
Equity			
Share capital	24	51	51
Share premium		8,658	8,459
Own shares		(740)	(1,147)
Retained earnings		122,739	102,103
Total equity		**130,708**	**109,466**

The financial statements were approved by the Board of Directors and authorised for issue on 1 December 2021 and signed on its behalf by:

Michael Summersgill
Deputy Chief Executive Officer and Chief Financial Officer

AJ Bell plc
Company registered number: 04503206

Consolidated statement of changes in equity

for the year ended 30 September 2021

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Own shares £ 000	Total equity £ 000
Balance at 1 October 2020	51	8,459	102,103	(1,147)	109,466
Total comprehensive income for the year:					
Profit for the year	-	-	43,822	-	43,822
Transactions with owners, recorded directly in equity:					
Issue of shares	-	199	-	-	199
Dividends paid	-	-	(29,138)	-	(29,138)
Equity settled share-based payment transactions	-	-	6,330	-	6,330
Deferred tax effect of share-based payment transactions	-	-	(202)	-	(202)
Tax relief on exercise of share options	-	-	231	-	231
Share transfer relating to EIP (note 24)	-	-	(110)	110	-
Share transfer relating to earn-out arrangement (note 24)	-	-	(297)	297	-
Total transactions with owners	-	199	(23,186)	407	(22,580)
Balance at 30 September 2021	**51**	**8,658**	**122,739**	**(740)**	**130,708**

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Own shares £ 000	Total equity £ 000
Balance at 1 October 2019	51	7,667	79,136	(1,147)	85,707
Total comprehensive income for the year:					
Profit for the year	-	-	38,829	-	38,829
Transactions with owners, recorded directly in equity:					
Issue of shares	-	792	-	-	792
Dividends paid	-	-	(19,733)	-	(19,733)
Equity settled share-based payment transactions	-	-	3,364	-	3,364
Deferred tax effect of share-based payment transactions	-	-	(304)	-	(304)
Tax relief on exercise of share options	-	-	811	-	811
Total transactions with owners	-	792	(15,862)	-	(15,070)
Balance at 30 September 2020	**51**	**8,459**	**102,103**	**(1,147)**	**109,466**

Consolidated statement of cash flows

for the year ended 30 September 2021

	Note	2021 £ 000	2020 £ 000
Cash flows from operating activities			
Profit for the financial year		43,822	38,829
Adjustments for:			
Investment income		(23)	(162)
Finance costs		790	848
Income tax expense		11,262	9,721
Depreciation and amortisation		3,623	3,574
Share-based payment expense	25	4,952	3,364
(Decrease) / Increase in provisions and other payables		(69)	499
Loss on disposal of property, plant and equipment		13	1
Profit on disposal of right-of-use assets		(3)	-
Increase in trade and other receivables		(3,835)	(7,644)
(Decrease) / Increase in trade and other payables		(1,347)	2,485
Cash generated from operations		59,185	51,515
Income tax paid		(11,455)	(11,827)
Interest expense paid		(1)	-
Net cash flows from operating activities		**47,729**	**39,688**
Cash flows from investing activities			
Purchase of other intangible assets	15	(2,370)	(201)
Purchase of property, plant and equipment	16	(1,174)	(856)
Acquisition of subsidiary, net of cash acquired	6	(2,561)	-
Proceeds from sale of property, plant and equipment		-	3
Interest received		23	180
Net cash flows used in investing activities		**(6,082)**	**(874)**
Cash flows from financing activities			
Payments of principal in relation to lease liabilities		(1,241)	(1,708)
Payments of interest on lease liabilities		(789)	(848)
Proceeds from issue of share capital		199	792
Dividends paid	12	(29,138)	(19,733)
Net cash flows used in financing activities		**(30,969)**	**(21,497)**
Net increase in cash and cash equivalents		**10,678**	**17,317**
Cash and cash equivalents at beginning of year	21	86,384	69,067
Total cash and cash equivalents at end of year	**21**	**97,062**	**86,384**

Notes to the consolidated financial statements

for the year ended 30 September 2021

1 General information

AJ Bell plc (the 'Company') is the Parent Company of the AJ Bell group of companies (together the 'Group'). The Group provides 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 public limited company which is listed on the Main Market of the London Stock Exchange and incorporated and domiciled in the United Kingdom. The Company's number is 04503206 and the 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 6 of the Company's separate financial statements.

The consolidated financial statements were approved by the Board on 1 December 2021.

The financial information contained in this report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information set out in this report has been extracted from the Group's 2021 Annual Report and Financial Statements, which have been approved by the Board of Directors on 01 December 2021. The Auditors have reported on the 2020 and 2021 accounts, their reports were (i) unqualified; (ii) did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under sections 498(2) or (3) of the Companies Act 2006.

2 Significant accounting policies

Basis of accounting

The consolidated financial statements of AJ Bell plc have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union.

The financial statements are prepared on the historical cost basis and prepared on a going concern basis. 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.

Changes to International Reporting Standards

Interpretations and standards which became effective during the year:

The following amendments and interpretations became effective during the year. Their adoption has not had any significant impact on the Group.

		Effective from
IFRS 16	COVID-19-Related Rent Concessions (Amendment)	1 June 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform (Amendments)	1 January 2020
IAS 1 and IAS 8	Definition of Material (Amendments)	1 January 2020
IFRS 3	Definition of a Business (Amendments)	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards		1 January 2020

Interpretations and standards in issue but not yet effective

There are a number of amendments to IFRSs that have been issued by the IASB that become mandatory in a subsequent accounting period including: IFRS 17 Insurance Contracts and Amendments to IAS 1 – Classification of Liabilities as Current or Non-current.

The Group has evaluated these changes and none are expected to have a significant impact on these consolidated financial statements.

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.

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 and the Directors' report. Note 26 includes the Group's policies and processes for managing exposure to credit and liquidity risk.

The Group's forecasts and objectives, considering a number of potential changes in trading conditions, show that the Group should be able to operate at adequate levels of both liquidity and capital for at least 12 months from the date of signing this report. The Directors have performed a number of stress tests, covering a significant reduction in equity market values and negative Bank of England base interest rates with a further Group-specific, idiosyncratic stress relating to a scenario whereby prolonged IT issues cause a reduction in customers. Further detail of the forecasts and stress test scenarios are set out in the Viability statement. These scenarios provide assurance that the Group has sufficient capital and liquidity to operate under stressed conditions.

Consequently, after making reasonable enquiries, the Directors are satisfied that the Group has sufficient financial resources to continue in business for at least 12 months from the date of signing the report 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 the income statement, except for obligations that are classified as equity, which are not re-measured. Where consideration is dependent on continued employment within the business this is treated as a separate transaction as post-acquisition remuneration.

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 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, operating model and distribution channels amongst other factors. The Directors concluded there is a single segment as it operates with a single operating model; operations, support and technology costs are managed and reported centrally to the CODM. A description of the services provided is given within note 4.

2.4 Revenue recognition

Revenue represents fees receivable from investment administration and dealing and custody services for both client assets and client money. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

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 over time as the related service is provided.

Included within administration fees are annual pension administration fees. The Group recognises revenue from such fees over time, using an input method to measure progress towards complete satisfaction of a single performance obligation. The Group determined that the input method is the best method in measuring progress of the services relating to these fees because there is a direct relationship between the Group's effort (i.e. labour hours incurred) and the transfer of service to the customer.

The Group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

Certain pension administration fees are received in arrears or in advance. Where revenue is received in arrears for an ongoing service, the proportion of the income relating to services provided but not yet received is accrued. This is recognised as accrued income until the revenue is received. Where revenue is received in advance for an ongoing service, the proportion of the income relating to services that have not yet been provided is deferred. This is recognised as deferred income until the services have been provided.

Media revenue includes advertising, subscriptions, events and award ceremony and corporate solutions contracts. Subscriptions and corporate solutions revenue is recognised evenly over the period in which the related service is provided. Advertising, event and award ceremony revenue is recognised in the period in which the publication is made available to customers or the event or award ceremony takes place.

Recurring ad valorem

Recurring ad valorem revenue comprises custody fees, retained interest income and investment management fees provided by the Group and is recognised evenly over the period in which the related service is provided.

Ad valorem fees include custody 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 AUA.

Transactional fees

Transactional revenue comprises dealing fees and pension scheme activity fees.

Transaction-based fees 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.

Cash incentives paid to new retail customers are considered to be a reduction in revenue under IFRS 15. In line with IFRS 15, cash incentives to acquire new customers are offset against recurring ad valorem revenue and spread over a period of 12 months, i.e. the period over which the incentive is earned.

2.5 Share-based payments

The Group operates a number of share-based payment arrangements for its employees and non-employees. These generally involve an award of share options (equity-settled share-based payments) which are measured at the fair value of the equity instrument at the date of grant.

The share-based payment arrangements have conditions attached before the beneficiary becomes entitled to the award. These can be performance and/or service conditions.

The total cost is recognised, together with a corresponding increase in the equity reserves, over the period in which the performance and/or service conditions are fulfilled. Costs relating to the development of internally generated intangible assets are capitalised in accordance with IAS 38. The cumulative cost recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and management's 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.

No cost is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The cost of equity-settled awards is determined by the fair value at the date when the grant is made using an appropriate valuation model or the market value discounted to its net present value, further details of which are given in note 25. 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. Following the listing of AJ Bell plc in December 2018, share price volatility has been estimated as the average volatility applying to a comparable group of listed companies.

2.6 Investment income

Investment income comprises the returns generated on corporate cash at banks and short-term highly-liquid investments. Investment income is recognised in the income statement as it accrues, using the effective interest rate method.

2.7 Finance costs

Finance costs comprise interest incurred on lease liabilities in relation to the right-of-use assets arising due to the leases of the Group accounted for under IFRS 16. Finance costs are recognised in the income statement using the effective interest rate method.

2.8 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 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 an asset and liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting nor taxable profit or loss.

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.

The principal temporary differences arise from accelerated capital allowances, provisions for share-based payments and unutilised losses.

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.

2.9 Dividends

Dividend distributions to the Company’s shareholders are recognised in the period in which the dividends are declared and approved by the Company’s shareholders at the Annual General Meeting.

2.10 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 acquired in a business combination is allocated to the cash generating unit (CGU) 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.

2.11 Intangible assets (excluding goodwill)

Intangible assets comprise computer software and mobile applications, customer contracts and non-contractual customer relationships and the Group’s Key Operating Systems (KOS). These are stated at cost less amortisation and any recognised impairment loss. Amortisation is provided on all intangible assets excluding goodwill and assets under construction 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 and mobile applications - 3 - 4 years
KOS - 15 years
KOS enhancements - Over the remaining life of the KOS
Customer contracts and non-contractual customer relationships - 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.

Change in estimate

During the year, the useful life of the KOS was reviewed and subsequently extended from 13 years to 15 years reflecting the recent extension of contract with the host. The planned growth of the business can be supported by the KOS and the change in useful life has been applied prospectively from 1 October 2020, therefore the KOS will be amortised on a straight-line basis over the remaining useful life of the asset.

The effect of this change on the actual and expected future amortisation expense, included in ‘administrative expenses’, is as follows:

£ 000	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
(Decrease)/increase in amortisation expense	(281)	(281)	(281)	337	337	168

2.12 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. Assets under construction are not amortised until the asset is operational and available for use.

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

2.13 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, except assets under construction, 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 under construction relate to capital expenditure on assets not yet in use by the Group and are therefore not depreciated.

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.

2.14 Leased assets and lease liabilities

Leases

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the leases. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Depreciation is applied in accordance with IAS 16: Property, Plant and Equipment. Right-of-use assets are depreciated over the lease term.

Right-of-use assets are subject to impairment.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the addition of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

2.15 Impairment of intangible assets (excluding goodwill), property, plant and equipment and leased assets

At each reporting date the Group reviews the carrying amount of its intangible assets, property, plant and equipment and leased 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 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 pre-tax 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 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 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.

2.17 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 is discounted to present value where the effect is material.

2.18 Levies

The Group applies the guidance provided in IFRIC 21 to levies issued under the Financial Services Compensation Scheme. The interpretation clarifies that an entity should recognise a liability when it conducts the activity that triggers the payment of the levy under law or regulation.

2.19 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

Financial assets are classified according to the business model within which the asset is held and the contractual cash-flow characteristics of the asset. All financial assets are classified as at amortised cost.

Financial assets at amortised cost

The Group's financial assets at amortised cost comprise trade receivables, loans, other receivables and cash and cash equivalents.

Financial assets at amortised cost 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 financial assets measured at amortised cost, with the exception of cash and cash equivalents, as all financial assets at amortised cost 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, on demand deposits with banks and other short-term highly-liquid investments with original maturities of three months or less, or those over which the Group has an immediate right of recall. Where appropriate, bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and number of days past due. The Group considers a trade receivable to be in default when it is past due by more than 90 days, or when the value of a client's receivable balance exceeds the value of the assets they hold with AJ Bell.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 September 2021 and the corresponding historical credit losses experienced within this period.

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.

Lease liabilities

Lease liabilities consist of amounts payable by the Group measured at the present value of lease payments to be made over the lease term.

Other financial liabilities

The Group's other financial liabilities comprised borrowings and trade and other payables. 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 and other 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, including amounts recognised as accruals. Trade and other payables are measured at amortised cost using the effective interest method.

2.20 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 plc is considered to be the sponsoring employer and so the assets and liabilities of the Trust are recognised as those of AJ Bell plc.

Shares of AJ Bell plc 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 adjustments 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.

There are no judgements made, in applying the accounting policies, about the future, or any other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 Segmental reporting

It is the view of the Directors that the Group has a single operating segment being investment services in the advised and D2C space administering investments in SIPPs, ISAs and General Investment/Dealing accounts. 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 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:

	2021 £ 000	2020 £ 000
Recurring fixed	28,598	26,618
Recurring ad valorem	77,955	72,422
Transactional	39,273	27,709
	145,826	**126,749**

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 rate charged is variable dependent on portfolio size and asset mix within the portfolio. The risks associated with this revenue stream in terms of its nature and uncertainty is discussed further within the Financial instruments and risk management note.

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 the Financial instruments and risk management note.

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

6 Business combinations

On 18 March 2021, AJ Bell plc acquired the entire issued share capital of AJ Bell Touch Limited (formally 'Whiztec Limited') and its wholly-owned subsidiary Ad Alpha Solutions Limited. Ad Alpha Solutions Limited is an early-stage start-up business currently developing a simplified, mobile-focused platform proposition for advisers.

The acquisition will complement the Group's existing adviser platform business, AJ Bell Investcentre, and will broaden the offering to financial advisers and help them service a wider base of clients.

The consideration for the acquisition of AJ Bell Touch Limited was in the form of an earn-out arrangement, conditional upon completion of a number of operational and financial milestones. The maximum consideration payable is £16.5m and will be satisfied by the issue of shares in AJ Bell plc. This consideration is accounted for as post-combination remuneration in accordance with IFRS 3, for which further details are included within note 25.

AJ Bell Touch Limited acquired Ad Alpha Solutions Limited on the same day for consideration of £2.6m, comprising £2.6m cash together with a share-for-share exchange for the management team for nominal value shares in AJ Bell Touch Limited.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The fair value of the identifiable assets and liabilities of Adalpha as at the date of acquisition was as follows:

	Book value £ 000	Fair value adjustments £ 000	Fair value on acquisition £ 000
Intangible assets	-	1,142	1,142
Deferred tax liability (arising on intangible assets)	-	(217)	(217)
	-	925	925
Property, plant and equipment	37	-	37
Trade and other receivables	12	-	12
Cash and cash equivalents	56	-	56
Total assets	105	925	1,030
Trade and other payables	(1,744)	-	(1,744)
Total liabilities	(1,744)	-	(1,744)
Total net liabilities acquired			**(714)**
Goodwill			3,331
Total cost of acquisition			**2,617**

Satisfied by:

	£ 000
Cash consideration	**2,617**

Cash outflow on acquisition:

	£ 000
Cash paid for the subsidiary	2,617
Less: cash acquired	(56)
Net cash outflow	**2,561**

Acquisition costs of £344,000 are recognised within administrative expenses in the consolidated income statement.

The goodwill is attributable to the skills and technical talent of the assembled workforce and synergies expected to arise following the acquisition. It has been allocated to the Group's single CGU.

In addition to the goodwill recognised, the development of the simplified platform proposition obtained through the acquisition met the requirements to be separately identifiable under IFRS 3. A deferred tax liability of £217,000 has been provided in relation to these fair value adjustments.

None of the acquired intangible assets or goodwill is expected to be deductible for tax purposes.

Adalpha has not yet started to trade and therefore has not contributed any revenue to the Group but has contributed a net loss of £3.4m for the period from acquisition to 30 September 2021, £2.8m of which is a share based payment expense relating to the earn-out arrangement.

If the acquisition had occurred on 1 October 2020, Group revenue and Group profit after tax for the year ended 30 September 2021 would have been an estimated £145.8m and £43.1m respectively.

7 Operating profit

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

	2021 £ 000	2020 £ 000
Amortisation of intangible assets	862	668
Depreciation of:		
- property, plant and equipment	1,071	1,112
- right-of-use assets	1,690	1,794
Loss/(profit) on the disposal of:		
- property, plant and equipment	13	1
- right-of-use assets	(3)	-
Auditor's remuneration (see below)	368	284
Staff costs (note 8)	47,654	40,183
CSR initiative (note 25)	-	1,595

During the year there was no expenditure in relation to research and development expensed to the income statement (2020: £nil).

Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2021 £ 000	2020 £ 000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	116	95
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	151	90
- Audit-related assurance services	62	60
- Other assurance services	39	39
	368	284

Of the above, audit-related services for the year totalled £349,000 (2020: £284,000).

8 Staff costs

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

	2021 No.	2020 No.
Operational and support	709	625
Technology	181	167
Distribution	99	87
	989	879

Employee benefit expense for the Group during the year:

	2021 £ 000	2020 £ 000
Wages and salaries	35,516	32,305
Social security costs	3,918	3,557
Retirement benefit costs	3,202	2,542
Termination benefits	66	11
Share-based payments (note 25)	4,952	1,768
	47,654	40,183

In addition to the above £454,000 staff costs and £1,378,000 share-based payment expenses (2020: £nil) have been capitalised as an internally generated intangible asset (see note 15).

9 Investment income

	2021 £ 000	2020 £ 000
Interest income on cash balances	23	123
Other income	-	39
	23	162

10 Finance costs

	2021 £ 000	2020 £ 000
Interest on lease liabilities	789	848
Interest on other financial liabilities	1	-
	790	848

11 Taxation

Tax charged in the income statement:

	2021 £ 000	2020 £ 000
Current taxation		
UK Corporation Tax	11,629	9,830
Adjustment to current tax in respect of prior periods	(11)	21
	11,618	9,851
Deferred taxation		
Origination and reversal of temporary differences	(328)	(132)
Adjustment to deferred tax in respect of prior periods	12	23
Effect of changes in tax rates	(40)	(21)
	(356)	(130)
Total tax expense	11,262	9,721

Corporation Tax is calculated at 19% of the estimated assessable profit for the year to 30 September 2021 (2020: 19%).

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

	2021 £ 000	2020 £ 000
Deferred tax relating to share-based payments (see note 19)	202	304
Current tax relief on exercise of share options	(231)	(811)
	(29)	(507)

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

	2021 £ 000	2020 £ 000
Profit before tax	55,084	48,550
UK Corporation Tax at 19% (2020: 19%)	10,466	9,225
Effects of:		
Expenses not deductible for tax purposes	709	448
Amounts not recognised	126	25
Effect of rate changes to deferred tax	(40)	(21)
Adjustments to current and deferred tax in respect of prior periods	1	44
	11,262	9,721
Effective tax rate	20.4%	20.0%

Following the enactment of the Finance Act 2021 the standard UK corporation tax rate will remain at 19% before increasing to 25% from 1 April 2023 on a tiered basis. Accordingly, the Group's profits for this accounting year are taxed at 19%.

Deferred tax has been recognised at either 19% or 25% depending on the rate expected to be in force at the time of the reversal of the temporary difference (2020: 19%). A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price at 30 September 2021.

12 Dividends

	2021 £ 000	2020 £ 000
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the year ended 30 September 2020 of 4.66p (2019: 3.33p) per share	19,070	13,601
Interim dividend for the year ended 30 September 2021 of 2.46p (2020: 1.50p) per share	10,068	6,132
Total dividends paid on equity shares	29,138	19,733
Proposed final dividend for the year ended 30 September 2021 of 4.50p (2020: 4.66p) per share	18,471	19,050
Proposed special dividend for the year ended 30 September 2021 of 5.00p (2020: nil) per share	20,523	-

A final dividend declared of 4.50p per share is payable on 4 February 2022 to shareholders on the register on 7 January 2022. The ex-dividend date will be 6 January 2022. The final dividend is subject to approval by the shareholders at the Annual General Meeting on 26 January 2022 and has not been included as a liability within these financial statements.

A special dividend declared of 5.00p per share is payable on 4 February 2022 to shareholders on the register on 7 January 2022. The ex-dividend date will be 6 January 2022. The special dividend is subject to approval by the shareholders at the Annual General Meeting on 26 January 2022 and has not been included as a liability within these financial statements.

Dividends are payable on all ordinary shares as disclosed in note 24.

AJ Bell Employee Benefit Trust, which held 885,701 ordinary shares (2020: 1,369,428) in AJ Bell plc at 30 September 2021, has agreed to waive all dividends. This represented 0.2% (2020: 0.3%) of the Company's called-up share capital. The maximum amount held by the Trust during the year was 1,369,428.

13 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 shares, excluding own shares, in issue during the year.

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

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

	2021 £ 000	2020 £ 000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent company	43,822	38,829

	2021 No.	2020 No.
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS in issue during the year	409,249,186	408,342,783
Effect of potentially dilutive share options	1,643,911	1,722,941
Weighted average number of ordinary shares for the purposes of fully diluted EPS	410,893,097	410,065,724

	2021	2020
Earnings per share (EPS)		
Basic (pence)	10.71	9.51
Diluted (pence)	10.67	9.47

14 Goodwill

	2021 £ 000	2020 £ 000
Cost		
At 1 October	3,772	3,772
Acquired through business combinations (note 6)	3,331	-
At 30 September	7,103	3,772
Impairment		
At 1 October and 30 September	(112)	(112)
Carrying value at 30 September	6,991	3,660

Goodwill relates to acquisitions allocated to the Group's single CGU.

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

The recoverable amount of the assets within the 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 four-year period representing the remaining useful economic life of the asset.

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 compound rate of 17% (2020: 6%) has been used to assess the expected growth in revenue for the four-year forecast period. This is based on a combination of historical and expected future 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 CGU 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 streamlining processes through implementation of the target operating model for customer services.

Cash flows have been discounted using a pre-tax discount rate of 14.52% (2020: 11.35%).

The pre-tax discount rate has been calculated using an independent external source. 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 nil growth in revenue, there would still be sufficient headroom to support the carrying value of the assets under the CGU.

Based upon the review above the estimated value-in-use of the CGU comfortably supports the carrying value of the assets held within it, and so the Directors are satisfied that for the period ended 30 September 2021 goodwill is not impaired.

15 Other intangible assets

	Key operating system £ 000	Contractual customer relationships £ 000	Computer software and mobile applications £ 000	Total £ 000
Cost				
At 1 October 2019	8,657	2,135	5,234	16,026
Additions	50	-	151	201
At 30 September 2020	8,707	2,135	5,385	16,227
Additions	1,832	-	1,916	3,748
Disposals	-	-	(832)	(832)
Arising on acquisition (note 6)	1,142	-	-	1,142
At 30 September 2021	11,681	2,135	6,469	20,285
Amortisation				
At 1 October 2019	6,240	2,135	5,198	13,573
Amortisation charge	614	-	54	668
At 30 September 2020	6,854	2,135	5,252	14,241
Amortisation charge	337	-	525	862
Eliminated on disposal	-	-	(832)	(832)
At 30 September 2021	7,191	2,135	4,945	14,271
Carrying amount				
At 30 September 2021	4,490	-	1,524	6,014
At 30 September 2020	1,853	-	133	1,986
At 30 September 2019	2,417	-	36	2,453
Average remaining amortisation period	4 years		2 years	

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

As part of the acquisition of Adalpha in the period, £1,142,000 of intangibles met the requirements to be separately identifiable under IFRS 3.

Additions include an amount of £2,289,000 relating to internally generated assets for the year ended 30 September 2021 (2020: £nil), of which £1,378,000 (2020: £nil) relates to capitalised share-based payment expenses (see note 25).

The net carrying amount of key operating systems, and computer software and mobile applications include £2,974,000 and £457,000 respectively, relating to assets in development which are currently not amortised.

16 Property, plant and equipment

	Leasehold improvements £ 000	Office equipment £ 000	Computer equipment £ 000	Total £ 000
Cost				
As at 1 October 2019	1,942	950	4,240	7,132
Additions	202	70	584	856
Disposals	-	(78)	(115)	(193)
At 30 September 2020	2,144	942	4,709	7,795
Arising on acquisition (note 6)	-	11	52	63
Additions	48	27	1,099	1,174
Disposals	-	(26)	(643)	(669)
Transfers from right-of-use assets	-	-	393	393
At 30 September 2021	2,192	954	5,610	8,756
Depreciation				
At 1 October 2019	318	492	2,838	3,648
Charge for the year	153	231	728	1,112
Eliminated on disposal	-	(78)	(111)	(189)
At 30 September 2020	471	645	3,455	4,571
Arising on acquisition (note 6)	-	5	21	26
Charge for the year	184	169	718	1,071
Eliminated on disposal	-	(22)	(634)	(656)
Transfers from right-of-use assets	-	-	393	393
At 30 September 2021	655	797	3,953	5,405
Carrying amount				
At 30 September 2021	1,537	157	1,657	3,351
At 30 September 2020	1,673	297	1,254	3,224
At 30 September 2019	1,449	361	1,674	3,484

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

At the year end, the Group had no commitments (2020: £nil) to purchase any property, plant and equipment.

Computer equipment includes assets under construction of £71,000 (2020: £5,000) which are currently not depreciated.

17 Leases

i) Right-of-use assets

	Property £ 000	Computer and office equipment £ 000	Total £ 000
Cost			
At 1 October 2019	15,735	575	16,310
Additions	-	9	9
Effect of modification to leases	-	(2)	(2)
Reduction in dilapidations provision	(1)	-	(1)
At 30 September 2020	15,734	582	16,316
Additions	424	36	460
Disposals	-	(15)	(15)
Effect of modification to leases	-	42	42
Transfer to property, plant and equipment	-	(393)	(393)
At 30 September 2021	16,158	252	16,410
Depreciation			
At 1 October 2019	-	-	-
Charge for the year	1,455	339	1,794
At 30 September 2020	1,455	339	1,794
Charge for the year	1,485	205	1,690
Eliminated on disposal	-	(6)	(6)
Transfer to property, plant and equipment	-	(393)	(393)
At 30 September 2021	2,940	145	3,085
Carrying amount			
At 30 September 2021	13,218	107	13,325
At 30 September 2020	14,279	243	14,522

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

The Group has entered into various leases in respect of property and computer and office equipment as a lessee. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. Property leases typically run for a period of six to fifteen years and computer and office equipment for a period of one to six years.

Other than property and computer and office equipment there are no further classes of assets leased by the Group.

ii) Lease liabilities

	2021 £ 000	2020 £ 000
Current	1,708	1,323
Non-current	13,886	15,022
	15,594	16,345

The undiscounted maturity analysis of lease liabilities is shown below:

	2021 £ 000	2020 £ 000
Within one year	2,450	2,102
In the second to fifth years inclusive	8,333	8,317
After five years	8,678	10,500
Total minimum lease payments	19,461	20,919

The total lease interest expense for the year ended 30 September 2021 was £789,000 (2020: £848,000). Total cash outflow for leases accounted for under IFRS 16 for the year ended 30 September 2021 was £1,241,000 (2020: £1,708,000).

18 Subsidiaries

The Group consists of a parent company, AJ Bell plc incorporated within the UK, and a number of subsidiaries held directly and indirectly by AJ Bell plc which operate and are incorporated in the UK. Note 6 to the Company's separate financial statements lists details of the interests in subsidiaries.

19 Deferred tax asset

	2021 £ 000	2020 £ 000
Deferred tax asset	1,139	1,050
Deferred tax liability	(199)	(47)
	940	1,003

Deferred tax asset

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 2019	(52)	1,063	117	49	1,177
(Charge) / credit to the income statement	5	181	(15)	(41)	130
Charge to equity	-	(304)	-	-	(304)
At 30 September 2020	(47)	940	102	8	1,003
(Charge) / credit to the income statement	65	252	47	(8)	356
Charge to equity	-	(202)	-	-	(202)
Acquired through business combination (note 6)	(217)	-	-		(217)
At 30 September 2021	(199)	990	149	-	940

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 2021.

Acquired deferred tax liabilities of £217,000 have been recognised in relation to the acquisition of Ad Alpha Solutions Limited for the value of intangible assets recognised under IFRS 3 Business Combinations. See note 6 for further details.

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 2021, deferred tax assets have not been recognised on trading losses of £2,809,000 (2020: £1,551,000).

20 Trade and other receivables

	2021 £ 000	2020 £ 000
Trade receivables	2,321	2,001
Prepayments	5,379	2,904
Accrued income	14,699	21,132
Other receivables	12,009	4,524
	34,408	30,561

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.

Included within accrued income is £978,000 (2020: £919,000) relating to contract assets, a movement of £59,000 (2020: £17,000) during the year due to increased revenues.

The ageing profile of trade receivables was as follows:

	2021 £ 000	2020 £ 000
Current – not past due	882	928
Past due:		
0 to 30 days	798	452
31 to 60 days	159	95
61 to 90 days	125	82
91 days and over	881	859
	2,845	2,416
Provision for impairment	(524)	(415)
	2,321	2,001

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

	2021 £ 000	2020 £ 000
Opening loss allowance as at 1 October	415	303
Loss allowance recognised	196	137
Receivables written off during the year as uncollectable	(58)	(8)
Amounts recovered during the year	-	(4)
Unused amount reversed	(29)	(13)
Balance at end of year	524	415

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.

21 Cash and cash equivalents

	2021 £ 000	2020 £ 000
Group cash and cash equivalent balances	97,062	86,384

Cash and cash equivalents at 30 September 2021 and 30 September 2020 are considered to be holdings of less than one month, or those over which the Group has an immediate right of recall.

22 Trade and other payables

	2021 £ 000	2020 £ 000
Trade payables	580	918
Social security and other taxes	2,111	1,586
Other payables	582	554
Accruals	7,473	7,514
Deferred income	2,019	1,796
	12,765	12,368

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.

Deferred income in the current and prior year relates to contract liabilities. Of the deferred income recognised as at 30 September 2020, £1,788,000 has been recognised as revenue in this financial year. The current year balance all relates to cash received in the current period. Total deferred income as at 30 September 2021 is expected to be recognised as revenue in the coming year.

23 Provisions

	Office dilapidations £ 000	**Other provisions £ 000**	**Total £ 000**
At 1 October 2020	**1,549**	**1,595**	**3,144**
Additional provisions	-	15	15
Provisions used	-	(47)	(47)
Unused provision reversed	-	(37)	(37)
At 30 September 2021	**1,549**	**1,526**	**3,075**
Included in current liabilities	-	1,526	1,526
Included in non-current liabilities	1,549	-	1,549

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 provisions:

The other provisions relate to the settlement of an operational tax dispute and the costs associated with defending a legal case. There is some uncertainty regarding the amount and timing of the outflows required to settle the obligations; 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.

24 Share capital

	2021	**2020**	**2021**	**2020**
Issued, fully-called and paid:	**Number**	**Number**	**£**	**£**
Ordinary shares of 0.0125p each	410,491,708	410,168,330	51,311	51,271

All ordinary shares have full voting and dividend rights.

The following transactions have taken place during the year:

Transaction type	Share class	Number of shares	Share premium £ 000
Exercise of CSOP options	Ordinary shares of 0.0125p each	323,378	199

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.

Own shares

The Group has an employee benefit trust in order to acquire own shares in the Company to satisfy future share incentive plans. Shares held by the Trust are held at £740,000 (2020: £1,147,000) being the price paid to repurchase, and the carrying value is shown as a reduction within shareholders' equity.

During the year, 130,695 EIP options were exercised and issued from the AJ Bell Employee Benefit Trust, and 353,032 shares were issued in the period relating to the earn-out arrangement upon the completion of operational milestones.

The costs of operating the Trust are borne by the Group but are not material. The Trust waived the right to receive dividends on these shares.

25 Share-based payments

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 are usually forfeited if the employee leaves the Group before the option expires. The expense for share-based payments under the CSOP is recognised over the respective vesting period of these options.

Option To Buy Scheme (OTB) - Growth shares

The OTB scheme is a historical award scheme whereby the Board at its discretion granted growth shares to employees. Growth shares entitled the holder to participate in the growth value of the Group above a certain threshold level, set above the current market value of the Group at the time the shares were issued. Growth shares granted under the OTB scheme had different vesting conditions. The vesting condition attached to all growth shares granted is that the threshold level needs to be met and an exit event needs to have occurred. As part of the AJ Bell listing process all awards were converted into ordinary shares and those awards granted with an additional employment condition of four or six years after the date of grant, continue to be recognised as a share-based payment. Awards that were issued subject to employment 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.

Buy As You Earn plan (BAYE)

The BAYE plan is an all-employee share plan under which shares can be issued to employees as either free shares or partnership shares.

The Company may grant free shares up to a maximum of £3,600 per employee in a tax year. During the year, no free shares have been issued (2020: nil).

Employees have been offered the opportunity to participate in the partnership plan to enable such employees to use part of their pre-tax salary to acquire shares. The limit to the pre-tax salary deduction is £1,800 or, if lower, 10% of salary each year. The initial plan was an accumulation plan where employees were required to save an amount of their gross salary for a 12 month period. The accumulation plan ended on 6 December 2019 and employees still in the plan at that date, were entitled to purchase shares using the funds saved based on the IPO price of £1.60.

From January 2020, the plan entitles employees to use this deduction to buy shares in the Company on a monthly basis at the current market value. Employees are able to withdraw their shares from the plan at any time but may be subject to income tax and national insurance charges if withdrawn within three years of purchasing the shares. Therefore the monthly partnership plan does not give rise to a share-based payment charge.

Executive Incentive Plan (EIP)

The EIP is a performance share plan that involves the award of nominal cost options to participants conditional on the achievement of specified performance targets and continuous employment over a certain period of time. Individual grants will be dependent on the assessment of performance against a range of financial and non-financial targets set at the beginning of the financial year.

CSR initiative

A CSR initiative was introduced in December 2019 with the intention of giving an additional contribution to charity through the donation of share options should a number of stretching targets be met by the Group. The awards made are equity-settled awards and involved the grant of market value options to the AJ Bell Trust conditional on the achievement of DEPS targets for the financial years 2022, 2023 and 2024 ('Performance Period').

The exercise of each tranche will be conditional upon the DEPS having increased in relation to the 7.47 pence DEPS for the year ended 30 September 2019, by more than:

- 90% for September 2022;
- 115% for September 2023; and
- 140% for 30 September 2024.

These are considered to be the lower DEPS targets. The upper DEPS target for each performance period is 10% above the lower DEPS target.

The percentage of shares granted that will vest in each performance period is determined as follows:

- If actual DEPS is below the lower DEPS target, the vesting percentage is equal to zero;
- If actual DEPS is above the upper DEPS target, the vesting percentage is equal to 100%; and
- If actual DEPS is between the lower and upper target, then the vesting percentage is determined by linear interpolation on a straight-line basis and rounded down to the nearest 10%.

As no service is being provided by the AJ Bell Trust, all conditions involved in the arrangement are considered to be non-vesting conditions. Non-vesting conditions should be taken into account when estimating the fair value of the equity instrument granted. The fair value has been estimated using the Monte Carlo simulation model. The full charge of £1,595,000 for the CSR initiative was recognised in the prior year, no further charge has been recognised in the period.

Earn-out arrangement

The acquisition of Adalpha during the period has given rise to an earn-out arrangement whereby share awards will be made should a number of operational and financial milestones, relating to AUA targets and the development of a simplified proposition for financial advisers, be met. The awards will be equity-settled and will vest in several tranches in line with the agreed milestones, expiring on 30 September 2026.

Under the terms of the acquisition agreement, shares will be awarded to eligible employees conditional upon the successful completion of certain performance milestones and their continued employment with the Group during the vesting period. There is no exercise price attached to the share award.

Movements during the year

The tables below summarise the outstanding options for each share-based payment scheme.

CSOP

	2021		2020	
	Number	**Weighted average exercise price £**	**Number**	**Weighted average exercise price £**
Outstanding at beginning of the year	1,003,968	1.90	1,484,709	0.65
Granted during the year	392,371	4.34	364,365	3.94
Forfeited during the year	(57,198)	2.23	(30,171)	2.49
Exercised during the year	(323,378)	0.61	(814,935)	0.52
Outstanding at the end of the year	1,015,763	3.23	1,003,968	1.90
Exercisable at the end of the year	10,000	0.52	84,807	0.48

The lowest exercise price for share options outstanding at the end of the period was 52p (2020: 36p) and the highest exercise price was 434p (2020: 394p). The weighted average remaining contractual life of share options outstanding at the end of the period was 8.3 years (2020: 7.7 years).

OTB - Growth shares

	2021		2020	
	Number	**Weighted average exercise price £**	**Number**	**Weighted average exercise price £**
Outstanding at beginning of the year	3,212,675	0.63	3,387,627	0.63
Forfeited during the year	-	-	(20,407)	0.63
Call option expired	-	-	(154,545)	0.63
Exercised	(20,407)	0.63	-	-
Outstanding at the end of the year	3,192,268	0.63	3,212,675	0.63
Exercisable at the end of the year	-	-	-	-

Upon listing to the London Stock Exchange, all growth shares were converted to ordinary shares and therefore no exercise price exists for growth shares outstanding at the end of the period. The weighted average remaining contractual life of growth shares converted to ordinary shares under a call option agreement at the end of the period was 0.9 years (2020: 1.9 years).

BAYE – Free shares

	2021 Number	**2020 Number**
Outstanding at beginning of the year	263,106	286,038
Forfeited during the year	(22,994)	(22,932)
Outstanding during the year	240,112	263,106
Exercisable at the end of the year	-	-

Free shares are issued to employees for free and therefore do not have an exercise price. The weighted average remaining contractual life of free shares outstanding at the end of the period was 0.2 years (2020: 1.2 years).

EIP

	2021		2020	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the year	1,208,693	0.000125	1,454,424	0.000125
Granted during the year	580,146	0.000125	703,235	0.000125
Exercised during the year	(130,695)	0.000125	(432,949)	0.000125
Cancelled during the year	(145,632)	0.000125	(516,017)	0.000125
Forfeited during the year	(25,199)	0.000125	-	-
Outstanding during the year	1,487,313	0.000125	1,208,693	0.000125
Exercisable at the end of the year	191,509	0.000125	31,272	0.000125

The weighted average remaining contractual life of EIP shares outstanding at the end of the period was 8.2 years (2020: 8.8 years).

CSR initiative

	2021		2020	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the year	2,493,766	4.01	-	-
Granted during the year	-	-	2,493,766	4.01
Outstanding during the year	2,493,766	4.01	2,493,766	4.01
Exercisable at the end of the year	-	-	-	-

The weighted average remaining contractual life of CSR options outstanding at the end of the period was 8.2 years (2020: 9.2 years).

Weighted average share price of options exercised

The weighted average share price of all options exercised during the year was £4.32 (2020: £3.89).

Earn-out arrangement

	2021	
	Number	Weighted average share price £
Shares granted during the year	353,032	4.25

The weighted average remaining contractual life outstanding at the end of the period was 5 years.

Measurement

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

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

Grant date	EIP 12/12/2020	EIP 12/12/2020	EIP 12/12/2020	CSOP 10/12/2020
Number of shares under option	290,873	117,632	171,641	392,371
Fair value of share option from generally accepted business model (£)	4.24	4.12	4.06	1.60
Weighted average share price (£)	4.30	4.30	4.30	4.30
Weighted average exercise price of an option (£)	0.000125	0.000125	0.000125	4.34
Expected volatility	65.53%	61.26%	62.89%	61.26%
Expected dividend yield	1.43%	1.43%	1.43%	1.43%
Risk-free interest rate	(0.01)%	(0.07)%	(0.06)%	(0.07)%
Expected option life to exercise (months)	12	36	48	36

Prior to 12 December 2018, the Company's shares were not listed on a stock exchange and therefore, no readily available market price existed for the shares. Options granted prior to 12 December 2018, share value was calculated using dividend and earnings-based models to determine a range of valuations. The average price indicated by these valuations was assumed to be the approximate market value at the date of grant. This was discounted to represent the minority value of one share and was 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.

Earn-out arrangement

The fair value of the earn-out arrangement is estimated as at the date of grant calculated by reference to the quantum of the earn-out payment for each performance milestone and an estimated time to proposition completion, discounted to net present value. The performance condition included within the arrangement is not considered a market condition and therefore the expected vesting will be reviewed at each reporting date.

During the year, the Group recognised a share-based payment expense of £4,952,000 (2020: £3,364,000), £2,764,000 of which relates to the earn-out arrangement.

The Group capitalised share-based payment costs of £1,378,000 (2020: £nil).

26 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, accruals and obligations under leases. 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 RMF 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:

	2021			**2020**		
	Amortised cost £ 000	**Financial liabilities £ 000**	**Carrying value £ 000**	**Amortised cost £ 000**	**Financial liabilities £ 000**	**Carrying value £ 000**
Financial assets						
Trade receivables	2,321	-	2,321	2,001	-	2,001
Accrued income	14,699	-	14,699	21,132	-	21,132
Other receivables	12,009	-	12,009	4,524	-	4,524
Cash and cash equivalents	97,062	-	97,062	86,384	-	86,384
	126,091	**-**	**126,091**	**114,041**	**-**	**114,041**
Financial liabilities						
Trade and other payables	-	8,095	8,095	-	8,469	8,469
Lease liabilities	-	15,594	15,594	-	16,345	16,345
	-	**23,689**	**23,689**	-	**24,814**	**24,814**

The carrying amount of all financial assets and liabilities is 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 shown in the Group's statement of financial position at the reporting date, if interest rates were to move by 25bps it would change profit before tax by approximately:

	2021	2020
	£ 000	**£ 000**
+ 25bps (0.25%)	246	245
- 25bps (0.25%)	(23)	(151)

As at the year end the Group had no borrowings, and therefore was not exposed to a material interest rate risk related to debt as the interest rate is fixed at the inception of the lease.

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, concentration 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 0.10% below and 0.60% above the prevailing base rate) and amounts paid away to customers.

The impact of a 25bps 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. We assume a minimum rate of return on call cash of 0bps.

	2021	2020
	£ 000	**£ 000**
+ 25bps (0.25%)	5,324	6,341
- 25bps (0.25%)	(4,901)	(4,744)

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

Market movement sensitivity

The Group's custody fees are derived from the market value of the underlying assets held by the retail customer in their account, based on mix and portfolio size, charged on an ad valorem basis. As a result, the Group has an indirect exposure to market risks, as the value of the underlying customers' assets may rise or fall. The impact of a 10% increase or reduction in the value of the customers underlying assets subject to the custody fees 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 value of the customers' assets were 10% higher or lower than the actual position at the time.

	2021	2020
	£ 000	**£ 000**
+ 10% higher	4,850	3,409
- 10% lower	(4,850)	(3,409)

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 expected credit losses within the statement of financial position. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and number of days past due. Details of those trade receivables that are past due are shown within note 20.

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 and concentration 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 principal 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, HSBC Global Asset Management, Santander UK plc, MUFG Bank Ltd, Clearstream Banking SA and Qatar National Bank (Q.P.S.C). Bank of Scotland plc, the Group's principal banker, is substantial and is 100% owned by Lloyds Banking Group plc. All these banks currently have long-term credit ratings of at least A- (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.

	Due within 1 year £ 000	1 to 5 years £ 000	After 5 years £ 000	Total £ 000
2021				
Trade and other payables	8,095	-	-	8,095
Lease liabilities	2,450	8,333	8,678	19,461
	10,545	8,333	8,678	27,556
2020				
Trade and other payables	8,469	-	-	8,469
Lease liabilities	2,102	8,317	10,500	20,919
	10,571	8,317	10,500	29,388

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; and
- 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 £130,708,000 (2020: £109,466,000).

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 an ongoing 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 ICAAP, as required by the 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 the Group’s financial resources against regulatory capital requirements as specified by the relevant regulatory authorities. Our current financial resources and regulatory capital requirements can be found in our Risk management report.

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.

27 Interests in unconsolidated structure 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 the 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 is 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 funds	Net AUM of funds	Annual management charge	Management charge receivable at 30 September
			£m	£ 000	£ 000
2021	OEIC	9	1,073.2	1,138	266
2020	OEIC	8	493.1	418	48

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 and trade receivables in the consolidated statement of financial position.

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

28 Reconciliation of liabilities arising from financing activities

2021	1 October 2020 £ 000	Cash flows £ 000	Change in lease liability £ 000	Additions £ 000	Disposal £000	30 September 2021 £ 000
Lease liabilities	16,345	(1,241)	42	460	(12)	15,594
Total liabilities from financing activities	**16,345**	**(1,241)**	**42**	**460**	**(12)**	**15,594**

2020	1 October 2019 £ 000	Cash flows £ 000	Change in lease liability £ 000	30 September 2020 £ 000
Lease liabilities	18,047	(1,708)	6	16,345
Total liabilities from financing activities	**18,047**	**(1,708)**	**6**	**16,345**

29 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 and the EMB.

The remuneration expense of key management personnel is as follows:

	2021 £ 000	2020 £ 000
Short-term employee benefits (excluding NI)	2,108	2,069
Retirement benefits	35	29
Share-based payment	1,256	1,066
	3,399	3,164

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 below.

Transactions with directors:

The remuneration of individual directors is provided in the Directors' Remuneration report.

Dividends totalling £6,766,000 (2020: £4,888,000) were paid in the year in respect of ordinary shares held by the Company's directors.

No aggregate gains were made by the Directors on the exercise of share options during the year (2020: £547,000).

During the year Directors and their families received beneficial staff rates in relation to personal portfolios. The discount is not material to the Directors or to AJ Bell.

Other related party transactions:

Charitable donations

During the year the Group made donations of £272,000 (2020: £239,000) to the AJ Bell Trust, a registered charity of which Mr A J Bell is a trustee.

EQ Property Services Limited

The Group is party to three 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 plc 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 plc 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 £1,825,000 (2020: £1,825,000) per annum.

At the reporting date, there is no payable outstanding (2020: £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.

30 Subsequent events

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

Glossary

Adalpha	Acquisition of AJ Bell Touch Limited (Formally Whiztec Limited) and its wholly-owned subsidiaries
AGM	Annual General Meeting
AJBIC	AJ Bell Investcentre
AJBYI	AJ Bell Youinvest
Android	Mobile Operating System
Board, Directors	The Board of Directors of AJ Bell plc
BPS	Basis points
CASS	Client Assets Sourcebook
CGU	Cash Generating Unit
CODM	Chief Operating Decision Maker
CRD V	The Capital Requirements Directive V
CRR	Capital Requirement Regulation
CSOP	Company Share Option Plan
CSR	Corporate Social Responsibility
DEPS	Diluted Earnings Per Share
DTR	Disclosure Guidance and Transparency Rules
D2C	Direct to Consumer
EMB	Executive Management Board
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FRS	Financial Reporting Standards
FTSE	The Financial Times Stock Exchange
GIA	General Investment Account
HMRC	Her Majesty's Revenue and Customs
HR	Human Resources
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
ICO	Information Commissioner's Office
IFA	Independent Financial Adviser
IFRIC	International Financial Reporting Interpretations Committee
IFPR	Investment Firm Prudential Regime
IFRS	International Financial Reporting Standards
iOS	Mobile Operating System developed by Apple Inc.
IPO	Initial Public Offering
ISA	Individual Savings Account
IT	Information Technology
KOS	Key Operating System
KPI	Key Performance Indicator
KYC	Know Your Customer

LISA	Lifetime ISA
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
PBT	Profit Before Tax
PLC	Public Limited Company
SIPP	Self-Invested Personal Pension
SMCR	Senior Manager & Certification Regime
SREP	Supervisory Review and Evaluation Process
SSAS	Small Self-Administered Scheme
TPDFM	Third-Party Discretionary Fund Managers

Definitions

Ad valorem	According to value
AUA	Assets Under Administration
AUM	Assets Under Management
Brexit	The exit of the United Kingdom from the European Union
Customer retention rate	Relates to platform customers
Fintech	Refers to a business that uses technology to enhance or automate financial services and processes
Lang Cat	An insight, marketing and communications consultancy business specialising in Financial Services
Listing rules	Regulations subject to the oversight of the FCA applicable to companies listed on a UK stock exchange
Own shares	Shares held by the Group to satisfy future incentive plans
Platforum	The advisory and research business specialising in investment platforms
Recurring ad valorem revenue	Includes custody fees, retained interest income and investment management fees
Recurring fixed revenue	Includes recurring pension administration fees and media revenue
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
Transactional revenue	Includes dealing fees and pension scheme activity fees
UK Corporate Governance Code	A code which sets out standards for best boardroom practice with a focus on Board leadership and effectiveness, remuneration, accountability and relations with shareholders

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