

AJ Bell Holdings Limited
Annual Report and Financial Statements
for the year ended 30 September 2017
Company Registration No: 04503206



Strategic report

- Highlights	1
- Chairman's statement	2
- Chief Executive Officer's report	4
- Financial review	8
- The AJ Bell Way	10
- Our product propositions	11
- Easiest platform to use	12
- First class service	13
- Brand awareness	15
- Our people and corporate social responsibility	16
- Principal risks and uncertainties	18

Governance

- Board of Directors	24
- Executive Management Board	25
- Directors' report	26
- Statement of directors' responsibilities in respect of the Strategic report, Directors' report and financial statements	31
- Independent auditor's report to the members of AJ Bell Holdings Limited	32

Financial statements

- Consolidated income statement	34
- Consolidated statement of financial position	35
- Consolidated statement of changes in equity	37
- Consolidated statement of cash flows	39
- Notes to the consolidated financial statements	40
- Company statement of financial position	74
- Company statement of changes in equity	75
- Notes to the Company financial statements	77
- Unaudited five-year summary	82

Other information

- Definitions	83
- Company information	85

Highlights

Key performance indicators

Year ended 30 September	2017	2016	Change
Platform assets under administration	£30.9 billion	£23.3 billion	33%
Non-platform assets under administration	£8.9 billion	£8.5 billion	5%
Total assets under administration	£39.8 billion	£31.8 billion	25%
Platform retail customers	141,207	117,169	21%
Non-platform retail customers	23,350	23,282	0%
Total number of retail customers	164,557	140,451	17%

Key financial information

Revenue	£75.6 million	£64.5 million	17%
Profit before tax	£21.7 million	£16.8 million	29%
Net assets	£61.4 million	£53.8 million	14%
Return on assets	28%	25%	3%
Diluted earnings per ordinary share	42.60 pence	32.73 pence	30%
Total ordinary dividend	28.25 pence	25.75 pence	10%

Strategic report

for the year ended 30 September 2017 (continued)

Chairman's statement

I am pleased to present our annual report for the year ended 30 September 2017, highlighting another year of double-digit growth for the Group with record levels of both revenue and net new customers acquired. This strong performance is underpinned by our award-winning service, the quality of our product propositions and a robust, scalable and efficient operating model.

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

Overview of the year

The Group continues to grow strongly, with total retail customers increasing by 17% from 140,451 to 164,557 during the financial year and Assets under Administration (AUA) growing by 25% from £31.8bn to £39.8bn. The growth in AUA was largely attributable to the record customer inflows, supported by favourable market movements. The underlying growth in the customer base and efficiency of our operating model saw the Group's profit before tax rise by 29% this year from £16.8m to £21.7m.

We continued to develop our product propositions during the year and launched the first AJ Bell funds for our customers. The five VT AJ Bell Passive funds within the range have a simple, transparent charging structure, are among the lowest-cost in the market for a comparable product and are designed to make investing easier for customers. The VT AJ Bell Passive fund range has been well received by our customers and we aim to provide further simple, low-cost investment solutions in the future.

Governance

The Board is committed to developing the corporate governance structures of the Group to ensure they meet best practice. There were no changes to the composition of the Board or its responsibilities during the year, and it continues to provide strong support and suitable challenge to the Executive Management Board (EMB) in order to ensure the Group's strategy is appropriate, achievable and ultimately delivered.

The Board has met ten times during the year and is supported by four sub-committees: Audit, Risk & Compliance, Remuneration and Nominations. The Audit and Risk & Compliance Committees both met four times, the Remuneration Committee three times and the Nominations Committee once. The Board and its sub-committees achieved 100% attendance for all meetings.

Responsibility for the day-to-day management of the business remains with the EMB. During the year Louis Petherick was appointed as Chief Risk Officer, replacing Richard Taylor who will remain within the business in a consultancy capacity.

Shareholder returns

The Board has declared a final dividend of 15.5p per share, taking the total dividend for the year to 28.25p per share, compared to 25.75p in the previous year. The 10% increase in dividend reflects the strong growth in the financial performance of the Group. The Board continues to adopt a progressive dividend policy, which is balanced with holding sufficient funds for future investment and our regulatory capital requirements.

Strategic report

for the year ended 30 September 2017 (continued)

Earlier this year, like many others across the industry, we were advised by the FCA as part of their Supervisory Review and Evaluation Process (SREP), that we are required to hold additional regulatory capital. The increase for the Group was significantly lower than the comparable average across the industry over the last four years as reported in KPMG's October 2017 benchmarking survey. The benchmarking survey also indicates that the Group's surplus, above its regulatory requirements, continues to be considerably higher than the average across the industry. Our strong financial position and prudent approach to managing the balance sheet, ensure we are well placed to absorb increases in regulatory capital requirements, whilst having sufficient funds available for further investment in the business.

Conclusion

We have enjoyed strong financial growth during the year and, with a record level of net new customers acquired, our advised and execution-only platform propositions are among the fastest-growing in their respective markets. Over the last five years, the average annual growth rate of our platform customer base and AUA has been in excess of 20%. Our focus on delivering strong product propositions, scalable infrastructure and excellent customer service through innovative technology ensure we are ideally placed to capitalise on the further opportunities created within the expanding platform market. Our solid capital base, financed entirely from equity, ensures we have sufficient funds to continue investing in the future of the business. We look forward to next year with confidence to build on our successes and deliver further progress.



Les Platts

Chairman

Strategic report

for the year ended 30 September 2017 (continued)

Chief Executive Officer's report

2017 Highlights

I am pleased to report that our continued strategy of placing our customers at the heart of our business, supported by ongoing investment in technology and innovation, has formed the basis of another successful year at AJ Bell. The key drivers of our performance, our customers and AUA, grew by 17% and 25% respectively, with PBT increasing by 29% for the 12 months ended 30 September 2017.

The value of asset inflows from incoming transfers, contributions and subscriptions totalled £7.7bn (2016: £4.5bn) for the year, which was further enhanced by favourable market movements, with the FTSE All Share rising by 8% in the period. Asset outflows remained low, with the customer retention rate of our two core platform product propositions remaining high at 95%.

Revenue grew by 17% during the year with all our income streams benefiting from the underlying growth in our customer base and AUA.

Easiest platform to use

Our aim is to become the easiest platform to use. The Group's digital strategy and investment in innovative technology are critical to success in the digital era. We are tireless in our efforts to develop new ideas and new enhancements that will give the best possible customer journey and experience. To help implement the Group's strategy, we created an innovation group earlier this year with the sole focus of generating new ideas and technological solutions to ensure our products remain market-leading.

We are currently working on a number of initiatives for our adviser-based proposition AJ Bell Investcentre, including an improved new business application process and a brand-new customer area. This year, we have also introduced straight-through cash transfer processing and transfer case tracking, making our service more efficient for advisers.

AJ Bell Youinvest, our 'direct to customer' execution-only proposition, has also been significantly enhanced this year, with a simplified application process, the launch of a Lifetime ISA (LISA), new dividend reinvestment functionality and longer opening hours to support US dealing. We also developed an online filtering tool that lists the AJ Bell 'favourite funds' to help customers find the solution that best meets their investment goal. The favourite funds are a 'best of breed' selection of funds, assessed by their value for money, track record with the market and the quality of the management team.

It has been over a year since we first ventured into the investment management market and launched our Managed Portfolio Service (MPS). We have been delighted with how well the MPS has been received, and it has become clear that there is growing demand for simple low-cost, passive investment solutions. Earlier this year we launched our first fund range, the VT AJ Bell Passive funds, which comprise of five passive funds, ranging from cautious to adventurous. In line with our philosophy of making investing easy, the funds have a clean, transparent and highly competitive charging structure.

During the year we completed a review of our operating model to identify how we could increase the efficiency of our operations, improve our customer service and further enhance our scalability. It was concluded as part of this review that a centralised operational team in Manchester would be the best solution to achieve these aims and to support the future growth of the business. These plans were announced to the business during September and we will be relocating our stockbroking and investment services from Tunbridge Wells during 2018.

Strategic report

for the year ended 30 September 2017 (continued)

People

We aim to become one of the best companies to work for and our staff engagement framework focuses on the eight measures used within the Best Companies survey; the largest of its kind in the UK. In 2017 we recorded our highest ever engagement score, moving closer to a coveted two star accreditation. This is testament to the on-going hard work and commitment of all our staff to work together in an effort to improve the work place.

We have continued to strengthen our team with three key recruits this year. Peter Hopkins joins us as Technical Director, having previously worked at the Department for Work and Pensions and HMRC, where he led the pension simplification project that gave rise to A-Day. In his new role, Peter oversees our Technical Resources team and is helping us build on our lobbying activity with regulatory and government bodies.

I am also delighted to welcome Gary Dale, who joins us as Sales Director for AJ Bell Investcentre. Gary's thorough understanding of packaged investment solutions will be invaluable as we look to build on the success we have experienced in recent years. We have also strengthened the Investment Management Team with the appointment of Kevin Doran as Chief Investment Officer. Kevin brings with him a wealth of knowledge and experience and will help us develop our offering of straightforward, low-cost investment solutions. We have a robust and thorough selection process to ensure we only recruit the best people with the right skills and behaviours for AJ Bell, ensuring they have a can-do attitude and the drive to succeed as our business grows and further opportunities arise.

On a sombre note, it is with great sadness that I report the tragic death of Mike Morrison, our Head of Platform Technical, in November 2017. His contribution to the business was enormous both on a professional and personal level. As one of the most respected men in his field, Mike was in great demand, but he always remained warm, approachable and generous with his time. He will be greatly missed by us all and our immediate priority has been to provide Mike's wife and young daughter with as much support as possible.

Market developments

The absence of any significant changes to the pension tax rules in the November 2017 UK Budget was pleasing and we continue to campaign for stability and simplicity in the saving industry, in the view that it will benefit our customers and the industry alike in the long term.

It has been over two years since the pension freedoms reforms were launched and they continue to be very popular, with customers using the flexibility to take income from their pensions as and when they need. We have always believed that the reforms were positive for the industry and that retirement incomes will continue to be managed sensibly by the overwhelming majority of savers.

The FCA's consultation paper '17/16 – Advising on Pension Transfers', has been expected for some time, and the body's acceptance that the defined benefit transfer rules are no longer relevant to today's market is welcome. Defined benefit pension scheme members who have left their employer have been offered previously unseen high multiples of their deferred pension, so many people have seen transferring as a sensible option. We continue to believe that advisers should have the choice to assess what is right for a customer from a neutral starting position.

The final report of the FCA's Asset Management Market Study report was published in June 2017 and whilst well intended has resulted in a lack of specific immediate actions. The FCA expects the cost of active management to reduce as part of its proposed reforms, but there will be limited changes in the short term, with a further round of consultations proposed. There are measures in the final report which are aimed at improving the transparency of charges and making it easier for investors to review performance. These measures are positive for the industry and investors, but further clarity is required to understand how long the additional consultation will take and how quickly the reforms will be implemented.

Strategic report

for the year ended 30 September 2017 (continued)

We operate in a highly regulated environment that continues to evolve. The Markets in Financial Instruments Directive II ("MiFID II") comes into effect on 3 January next year, with the aim of protecting investors and improving transparency in financial markets. Additionally, the General Data Protection Regulations (GDPR) will come into force from May 2018. We have invested significant time and effort to ensure we will be ready for both these changes.

As part of its SREP on the Group, the FCA recently informed us that we are required to hold an additional amount of regulatory capital. In comparison to many of our peers, the additional capital requirement was relatively low and we were able to absorb it without impacting our dividend policy or future investment plans. This is testament to the strength of our financial position and prudent approach to managing risks in the business.

The application of the Capital Requirements Directives IV will continue to evolve for investment firms, following the publication of a number of recommendations by the EBA on 29 September 2017. Whilst the timing and process for implementing any changes is uncertain, we are confident that the Group is well positioned to meet the challenges of an evolving capital requirements regime in its sector.

Outlook

The platform market and UK saving industry continues to grow and the outlook remains very positive. We are well positioned to capitalise on this growth, with the strength of our product propositions, award-winning customer service and scalable infrastructure.

We will continue to focus on our core aim to become the easiest platform to use, investing in our digital strategy to improve the customer journey and to develop simple, low-cost investment solutions in-house. Over the next 12 months we plan to launch a brand new iPad application, a simplified illustration system and richer reporting functionality - all designed to enhance our customers' experience.

Our target operating model for customer services will also be implemented next year, when the stockbroking operations will be relocated from Tunbridge Wells and centralised at our Manchester Head Office. The project will allow certain processes to be streamlined and synergy gains will be targeted across the business once complete.

Continued market volatility and uncertainty are likely in the run-up to Brexit, and in addition the UK base rate is projected to increase further next year following the first hike for ten years in November 2017, when it increased from 0.25% to 0.50%. We believe these macro-economic conditions will present both challenges and opportunities in the market place and that our business model, combined with our forward-looking and innovative approach to meeting our customers' needs, means we are well placed to succeed in our market.

AJ Bell Holdings Limited

Company No: 04503206

Strategic report

for the year ended 30 September 2017 (continued)

Finally, I would like to offer my thanks to all the staff at AJ Bell, for their on-going commitment and for delivering another successful year for the business. We successfully relocated our head office to Exchange Quay during the year, providing our staff with a vibrant and modern office environment, with space to facilitate our ambitious growth plans.



Andy Bell

Chief Executive Officer

Strategic report

for the year ended 30 September 2017 (continued)

Financial review

The number of retail customers in the year increased by 24,106, representing a 17% increase on the prior year. This strong flow of new business increased our total number of customers to 164,557 and AUA to £39.8bn at 30 September 2017 (2016: £31.8bn). The record growth in net new customers acquired was predominantly due to the Group's two core platform product propositions, AJ Bell Investcentre (AJBIC) and AJ Bell Youinvest (AJBYI).

Financial performance*Revenue*

Revenue increased by 17%, from £64.5m to £75.6m for the year ended 30 September 2017. All revenue streams grew year-on-year with the exception of Media Services, due to the transition of Shares magazine to a digital publication with a slight reduction in subscription fees.

Investment administration fees were up 8% at £41.3m (2016: £38.1m), driven by the underlying growth in SIPP customers and AUA. Interest income continued to grow, despite a lower rate earned on cash deposits following the cut to the UK base rate in August 2016.

Dealing and custody fees were up 37% at £30.6m (2016: £22.3m). Dealing revenue increased by 24% due to the growth in the AJBYI and AJBIC customer base, coupled with high levels of customer dealing, a trend that has been seen since the UK made a decision to leave the EU in June 2016. Custody fees increased by 41% due to the growth in the AJBYI and AJBIC customer base and higher asset values, which benefitted from a rise in global stock markets.

Investment management service fees increased by 38% to £1.1m (2016: £0.8m), reflecting the additional revenue generated from the AJ Bell range of investment solutions. This growth has partially been offset by a reduction in revenue derived from legacy funds, inherited as part of the acquisition, that have been discontinued in the year.

Administrative expenses

Administrative expenses increased by 13% to £53.8m (2016: £47.7m). Staff costs remain our largest expense, increasing by 12% to £28.1m (2016: £25.1m) with the average number of staff rising to 656 (2016: 607) reflecting the growth in the customer base and continued investment in our people.

Non-staff costs totalled £25.7m, an increase of £3.1m in comparison to the prior year (2016: £22.6m). Property costs included an additional £1.4m for unoccupied property costs with the lease on the old office expiring in August 2017. In addition, two provisions were raised during the year, the first for £0.5m relating to the restructuring costs associated with moving the stockbroking operations from Tunbridge Wells to Manchester. The second for £1.1m related to a one-off tax liability.

Total capitalised expenditure was £3.6m this year (2016: £0.7m) of which £2.7m related to our new premises at Exchange Quay.

Strategic report

for the year ended 30 September 2017 (continued)

Profit before tax (PBT)

PBT increased by 29% to £21.7m for the year ended 30 September 2017, compared to £16.8m in the prior year. The increase in profitability is due to the strong growth in our customer base and operational efficiencies gained across the business. This has been enhanced by favourable trading conditions, with high customer dealing activity and increased asset balances on which our ad valorem fees are charged.

Tax

The effective tax rate for the year was 19.5% (2016: 20.7%). It is expected that the ongoing effective rate will continue to approximate the standard UK Corporation Tax rate.

Earnings per share

Diluted earnings per share (DEPS) increased by 9.87p per share, from 32.73p per share last year to 42.60p per share in the current year, reflecting the Group's strong trading performance.

Financial position

Capital and liquidity

The Group's financial position remains strong, with net assets totalling £61.4m at 30 September 2017 (2016: £53.8m). We benefit from a short working capital cycle that enables the majority of our profits to be converted to cash within the same financial year. Our cash balance was £42.1m at the year-end, an increase of 7% compared with the prior year (2016: £39.5m). This cash surplus ensures that we have a significant liquidity buffer and funds available to invest in the business. We also hold a significant surplus of regulatory capital at all times. Further details can be found under our Capital Requirement Regulation (CRR) part eight disclosures (see page 27 on the Directors' report for more information).

Dividends

The Board has declared a final dividend of 15.5p per share, taking the total dividend for the year to 28.25p per share; a 10% increase when compared to the 25.75p payment in the previous year. This 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.



Michael Summersgill
Chief Financial & Operating Officer

Strategic report

for the year ended 30 September 2017 (continued)

The AJ Bell Way

AJ Bell has never provided financial or personal investment advice. It operates exclusively on an execution-only basis - whether directed by the customer, their adviser or by its institutional customers. Our aim is to be a market-leading provider of investment products and administration services in the adviser and execution-only platform markets. This includes providing white labelling, dealing, custody and investment administration services for other financial services firms.

We help people to invest

Our primary objective is to help people invest and we aim to do this by thinking like our customers, making investing easier and leading our markets. Informed by our guiding principles, the AJ Bell Way is a framework we have developed to ensure our strategy is driven by our passion to help people invest.

Strategic report

for the year ended 30 September 2017 (continued)

Our platform product propositions

AJ Bell Investcentre

AJ Bell Investcentre is an online investment product distributed by financial advisers. It offers award-winning SIPPs, ISAs, and GIAs, together with a market-leading range of investments and a highly competitive charging structure. AJ Bell Investcentre is one of the largest and fastest-growing advised products in the platform market.

AJ Bell Youinvest

AJ Bell Youinvest is an online product designed to provide an easy and cost-effective way for execution-only investors to take control of their investments. This award-winning product provides SIPPs, ISAs, Junior ISAs, LISAs and Dealing Accounts. It has a wide range of different investment types and a comprehensive research centre. AJ Bell Youinvest is one of the fastest-growing execution-only products in the platform market.

AJ Bell Securities Custody Solution (formerly IMAS)

AJ Bell Securities Custody Solution is a fully integrated investment custody administration solution that allows wealth managers to focus on delivering a high quality service without the distraction of administering the assets.

Our non-platform product propositions

AJ Bell Platinum

AJ Bell Platinum is a bespoke service that provides expert technical support, backed by a dedicated team of administrators. Distributed by UK financial advisers but also available on a DIY basis, AJ Bell Platinum offers SIPPs and SSASs.

Third party administration

AJ Bell's third party administration service provides white label SIPP administration to a number of leading financial services companies.

Institutional

AJ Bell's Institutional service provides dealing, settlement and custody services to institutional investment businesses.

AJ Bell Investments

AJ Bell Investments provide a range of investment and multi-asset fund management solutions to retail, professional and institutional customers. These include the Managed Portfolio Service and our five risk-rated VT AJ Bell Passive funds.

AJ Bell Media

AJ Bell Media is an award-winning specialist financial digital publishing company that supports the platform products by providing high quality investment content via a variety of media channels. It also publishes Shares (a weekly digital investment publication), hosts investment conferences and events, and provides stock market data and independent news content to a wide range of corporate and retail customers.

Strategic report

for the year ended 30 September 2017 (continued)

Easiest platform to use

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

In the digital age, we believe the ability to generate and implement ideas at speed is paramount to achieving success and with this in mind, we created an innovation group earlier this year. The innovation group's sole focus will be on creating new ideas and technologies to ensure our products remain market-leading.

Digital strategy

Our digital strategy continued to gain momentum during 2017, with work focusing on our AJ Bell Investcentre product proposition. A new client dashboard was developed, the application process was streamlined and a straight-through cash transfers process was introduced, which has the capability to track cases. We also successfully launched a new BETA site with a re-designed user interface and a new Capital Gains Tax (CGT) tool which will help advisers to model different scenarios for their clients. In addition, other refinements were made to our websites, improving navigation and introducing search and filtering tools.

Looking ahead we plan to launch a brand new iPad application, a new integrated simplified illustration system, better reporting functionality and clients should soon be able to trade directly on their own accounts via the Funds & Shares Service's new XO (execution-only) option. We will continue to work during the forthcoming year to replace all legacy screens and functionality to deliver a faster and more efficient client experience.

Our AJ Bell Youinvest product proposition has also benefited from the development of a simplified application process during the year, which includes the ability to quickly verify photographic identity documents if required using our mobile application. This has significantly improved access for customers wishing to apply for accounts via their tablets or mobile phones. Our mobile apps remain an important focus and ongoing development in recognition of the number of active daily users more than doubling in the last year. Other developments include the introduction of a brand-new LISA, dividend reinvestment functionality and longer opening hours to support US dealing.

We have extended our support of voice assistant technologies with the introduction of an application for Google Home. Similar to our support of Alexa, this enables our users to request updates on their investments on supported speakers and an increasing number of devices such as the FireTV.

Investment management

The VT AJ Bell Passive fund range was launched earlier in the year, following the success of our first investment solution in 2016, the MPS (Managed Portfolio Service). The funds range from 'cautious' to 'adventurous' according to risk appetite. All have the same simple, transparent charging structure and benefit from the same 0.5% OCF cap. This range of five risk-targeted funds uses a long-term, global, multi-asset approach and keeps costs low by focusing on passive investments. Both the MPS and the VT AJ Bell Passive funds have been well received by the market and we believe that there is growing demand for simple, transparent, low-cost investment solutions.

AJ Bell Investments plans to build on this initial success with the appointment of its new Chief Investment Officer, Kevin Doran, who is confident that clear opportunities exist for a new investment proposition capable of delivering active returns at passive prices.

Strategic report

for the year ended 30 September 2017 (continued)

First class service

Over the years we have developed a market-leading reputation for delivering excellent customer service, and our guiding principles ensure customers remain at the heart of everything we do.

Our customer service, like our investment platform, is designed to make investing easier. We aim to respond to customers quickly and accurately, and to give them the educational content they need in order to make informed investment decisions.

Efficiency gains

Following a review of our operating model in 2017 we have decided to centralise our operations at our Manchester Head Office. The migration will complete during 2018 and the Tunbridge Wells office will close by October 2018.

As well as helping us to support the planned growth of the business, this reorganisation will also streamline certain processes, to ensure efficiencies are maximised and to enhance our customer service.

Speed of response

Time is always of the essence in our industry, so it is essential that key processes are carried out promptly, and that all our customers' queries or requests for action are handled as quickly as possible.

"...You've been brilliant... I appreciate your efforts, I appreciate the speed you've dealt with this and I appreciate you taking the time to phone me..." (AJ Bell customer)

"...From the very start, the level of understanding and speed of response was outstanding. Your team made it really easy to do business and we will certainly be looking to use AJ Bell again..." (AJ Bell customer)

We set challenging targets for completing all our key processes and communications to ensure we respond without delay. These targets are monitored on a regular basis and corrective action is taken where we fail to meet them.

Accuracy

We have a functional operating structure in place to ensure that queries are directed to the appropriate team and answered swiftly by staff with the required expertise and knowledge.

All of our customer services staff undertake rigorous training when they join the business, and this is supported by annual refresher courses. We also have an internal Quality Assurance Team, which regularly listens to phone calls and reviews written correspondence to ensure that our high standards are maintained.

"... I am truly impressed by your efficient and professional service. You have answered my questions straight away and responded very swiftly to my enquiries. Thank you very much. It has been a refreshing pleasure..." (AJ Bell customer)

Investment content

AJ Bell Youinvest customers with more than £4k in their portfolios automatically receive free access to the weekly online magazine 'Shares'. This provides them with expert analysis and a wealth of market information to help guide their investment decisions.

Strategic report

for the year ended 30 September 2017 (continued)

Advisers are also well catered for, with everything from large-scale investment conferences like 'Investival', to smaller regional seminars and workshops. In 2017 we also created a Due Diligence Hub, which is full of resources to help advisers tackle the all-important due diligence process.

Recognition

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

Professional Adviser Awards 2017

- ☐ Best Platform for D2C 2017

Boring Money

- ☐ Gold Best Buy 2017

City of London Wealth Management Awards

- ☐ Best ISA provider 2017
- ☐ Best Junior ISA provider 2017

Professional Paraplanner Awards 2017

- ☐ Best Full ISA Provider

Your Money Awards 2017

- ☐ Best Online Direct to Consumer Investment Platform

Strategic report

for the year ended 30 September 2017 (continued)

Brand awareness

"AJ Bell's aim is to become one of the best-known names in its markets. In 2017 we sought to further this aim by increasing both our public relations and sponsorship activities."

Public relations

Our spokespeople are now well established as 'go-to' experts for the media on pension and investment themes generally, and we have also continued to emphasise some specific key issues this year - namely pension scams, pension death benefits, point of sale disclosure and pension tax relief.

Our presence in the financial media increased by 44% during 2017, building on the increase we achieved during 2016. Our primary focus has been to increase the mainstream national media coverage and we were delighted to accept an invitation for Russ Mould to appear on BBC Breakfast for the first time earlier this year.

Sports sponsorship

Our strategic sponsorship partnerships with sporting teams, events, venues and individuals has once again delivered good exposure to a number of media channels, including national television.

AJ Bell London Triathlon

2017 saw our third year as sponsors of the AJ Bell London Triathlon, which once again proved to be a huge success. Over 22,000 spectators cheered on 8,000 competitors, 104 of whom raced as part of Team AJ Bell. Highlights included the incredible achievement of Corinne Hutton, who became the first ever quadruple amputee to complete the event. Once again we benefited from enormous branding opportunities around the course, which was covered by Channel 4, All 4 and Sky Sports.

AJ Bell Stadium

Featuring unmissable AJ Bell rooftop signage, this fantastic sporting venue is a prominent local landmark, seen by thousands of sports fans and a constant stream of motorists on the nearby M60. 2017 looks set to be the start of an exciting period for resident team Sale Sharks.

AJ Bell British Squash Grand Prix

Our sponsorship of the AJ Bell British Squash Grand Prix reached its third consecutive year in 2016, building on what is already a firm association between our brand and a sport that continues to grow in popularity. We are delighted to remain so closely associated with top level squash in Manchester, with the event being won by Nick Matthew.

Nick has announced that the 2017/18 season will be his last on the PSA World Tour, however we are delighted to continue our support for him as he builds towards the World Championships in Manchester and the Commonwealth Games in Australia's Gold Coast.

Strategic report

for the year ended 30 September 2017 (continued)

Our people and corporate social responsibility

Our people

Our success is built on delivering a first class service through the skills and passion of staff who bring our values to life across the business.

People strategy and talent management

Our people strategy focuses on staff engagement and talent management.

We believe strongly in giving our staff the ability to progress their career at AJ Bell as our workforce continues to grow and promotion opportunities are created. Our talent management strategy ensures we nurture our staff and give them the correct training, development and support to ensure they can progress with the business.

In September 2017 we welcomed our very first group of AJ Bell Apprentices. After receiving an initial tailored training and induction package they will rotate within our Client Services Teams, including the Transfers and Investments Administration teams, over the course of the programme. The training programme will provide them with the necessary skills to attain the CISI Investment Operations Certificate (IOC) at the end of the course.

We recruit the best people with the right skills and behaviours for AJ Bell, ensuring they have a can-do attitude and the drive to succeed as our business grows and further opportunities arise.

Our staff engagement framework focuses on the eight measures used within the Best Companies survey; the largest of its kind in the UK. We take part in the survey each year to independently measure our staff engagement and in 2017 we are delighted to record our highest ever engagement score, moving closer to a coveted two star accreditation. This is testament to the on-going hard work and commitment of all our staff to work together in an effort to improve the work place.

In May 2017 we were delighted to move to our new office headquarters, 4 Exchange Quay, which is located in Salford Quays. It has excellent training and social facilities, including an on-site gym and a rooftop terrace bar. There is significant space to accommodate the future needs of the business as we aim to execute our ambitious growth plans in the coming years.

Employee engagement

It is fundamental that our people understand our guiding principles and are engaged in the development and growth of our business.

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

To engage and develop our people, we continue to invest in new technology, and this year we launched our new learning and performance portal. This is an integrated, cloud-based solution which enhances the way we manage objective setting, performance reviewing, training, e-learning and the tests which accompany our core training programmes.

Strategic report

for the year ended 30 September 2017 (continued)

Diversity and equality

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

We strive to provide an inclusive workplace where everyone is valued for who they are and what they contribute. Our policies and procedures support a culture that is sensitive to the needs of all employees. We intend to treat everyone equally and with the same attention, courtesy and respect, regardless of their age, caring responsibilities, disability, ethnicity, gender, religion, or sexual orientation.

We believe in creating a working environment that empowers all individuals, allowing them to flourish in a fast-paced, dynamic organisation.

Corporate social responsibility

At AJ Bell we have a strong social conscience. We encourage staff to 'give something back' through charitable and voluntary activities, and we have introduced company initiatives to help raise the profile of local charities. Here is a brief summary of the activities that were undertaken in 2017.

Charity fund raising

During the year staff across all three offices took part in quiz nights, raising money for various charities including the Alzheimer's Society.

The Alzheimer's Society also benefited from several other staff fundraising initiatives during the year, including a Friday fun day in Tunbridge Wells, a Christmas Jumper Day in Manchester and bake offs across all three offices.

Staff took part in the AJ Bell London Triathlon in August, many of them raising funds for charities in the process. In addition, we also had several staff who completed marathons, 10km runs and various other challenges, raising money for charities close to their hearts.

Volunteering

In May staff from our Manchester office headed to Trinity House in Rusholme over several lunch times to help out at their weekly Link Good Neighbours lunch club. The charity works to reduce social isolation and loneliness in the over 50s and to support vulnerable adults in the local community.

Staff in London enjoyed giving something back in their local community over seven weeks in the summer by helping out at their local Age UK centre in Bermondsey. They also helped to raise funds for the Grenfell Tower fire victims through a cake bake sale.

In September staff from our Tunbridge Wells office volunteered through their local Hospice in the Weald charity shop to take part in a 'Beat the Mountain' initiative, where volunteers go to the Hospice warehouse in Sevenoaks to sort through clothes which will then get distributed to shops.

AJ Bell Stadium - North Stand

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

Following a public vote via social media, the naming rights are currently with 'Wooden Spoon', which uses the power of rugby to fund life-changing projects for disadvantaged and disabled children across the UK and Ireland.

Strategic report

for the year ended 30 September 2017 (continued)

Principal risks and uncertainties

The Board is committed to a continual process of improvement and embedment of the risk management framework within the Group. This ensures that the business identifies both existing and emerging risks, and continues to develop appropriate mitigation strategies.

The directors believe that there are a number of potential risks to the Group that could hinder the successful implementation of their strategy. These risks may arise from internal and external events, acts and omissions. The directors are proactive in identifying, assessing and managing all risks facing the business, including the likelihood of each risk materialising in the short or longer term.

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

Risk	Potential impact	Mitigations
Regulatory risk including litigation risk Risk that AJ Bell does not comply with the relevant requirements and standards of the regulatory framework.	<ul style="list-style-type: none"> - Potential consumer detriment - Enforcement action - Tax liabilities - Litigation 	Strong Compliance Policy and Technical teams responsible for ensuring all new rules and regulations, as well as changes to industry practice is captured, interpreted and implemented appropriately. Group Board is supported by a Risk and Compliance Committee and a Risk Management Committee where all regulatory changes are reported and scrutinised.
Taxation law change risk Risk of taxation legislation or regulatory restriction severely reducing the attractiveness of core products.	<ul style="list-style-type: none"> - Loss of competitive advantage - Severe financial loss 	The directors are not expecting any change in legislation over the coming year that would make the Group's products significantly less attractive. The introduction of Lifetime ISAs in April 2017 is expected to increase the appeal of ISAs and the directors remain optimistic about the prospects for continued growth in saving into tax-advantaged wrappers.

Strategic report

for the year ended 30 September 2017 (continued)

<p>Competitor or market risk</p> <p>Risk of products and services becoming out of date or uncompetitive in peer group, increased competitor activity, lack of marketing focus and spend to keep pace with competitors.</p>	<ul style="list-style-type: none"> - Loss of competitive advantage - Severe financial loss - Reputational loss 	<p>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 changes to the pricing for the AJ Bell Youinvest and AJ Bell Investcentre products, with effect from October 2016 were implemented successfully, and continues to ensure these products remain competitive in their target markets and are sustainable, taking into account the changing regulatory and economic environment.</p>
<p>Conduct risk</p> <p>Risk that the fair treatment of customers is not central to AJ Bell's corporate culture leading to significant customer detriment.</p>	<ul style="list-style-type: none"> - Potential for poor consumer outcomes - Reputational loss - Regulatory risk - Severe financial loss 	<p>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.</p> <p>All developments are assessed for potential poor consumer outcomes and mitigating actions are delivered alongside the developments as appropriate.</p>

Strategic report

for the year ended 30 September 2017 (continued)

<p>Economic and capital market fluctuations risk</p> <p>Risk that a significant and prolonged capital market or economic downturn has an adverse effect on consumer confidence.</p>	<ul style="list-style-type: none"> - Decreased contribution levels - Decreased transactional activity - Reduction in asset values - Financial loss 	<p>Although the immediate impact of the Brexit vote was not as dire as many of the predictions, there is considerable uncertainty over the longer term impact on the UK economy and this is likely to remain until, at least, exit terms are agreed. The Group's products are targeted at UK residents and we do not do business in any other countries and have relatively few customers outside the UK. However, in the event that the economy falls back into a prolonged recession, this may impact contribution levels and confidence generally in the savings and investment markets. The directors believe that the Group's overall income levels and in particular the balance between the different types of assets and transactions from which that income is derived, provide a robust defensive position against any economic downturn.</p> <p>Capital market fluctuations can have an effect on customer transactional activity and the value of assets under administration. The Group has a variety of transactional and recurring revenue streams, some of which are monetary amounts while others are ad valorem. This mix of revenue types helps to limit the Group's exposure to capital market fluctuations.</p>
<p>Counterparty credit risk</p> <p>Risk of market/client default on settlement. Risk of concentration of large individual exposures or significant exposure with single counterparty.</p>	<ul style="list-style-type: none"> - Unintended market exposure - Customer compensation - Increased future capital requirements 	<p>There is a risk that unexpected losses may arise as a result of our customers, market counterparties or banks used by the Group failing to meet their financial obligations.</p> <p>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.</p>

Strategic report

for the year ended 30 September 2017 (continued)

Operational Risks		
Technology risk <p>The reliance on evolving technology remains crucial to the Group's effort to develop its services and enhance products. The risk exists that either the Group's technology fails to operate correctly in some way or that the Group fails to take advantage of any emerging technologies.</p>	<ul style="list-style-type: none"> - Reduced performance of key systems - System and website downtime - Single point of failure - Failure of technology third party services 	<p>In 2015 the Board approved a revised technology strategy for the Group, covering a period of 3-5 years, and good progress has been made over the last two years in the implementation of this strategy.</p> <p>Progress and priorities are reviewed on a regular basis by the Board with a more detailed roadmap agreed for the next 12-18 months.</p> <p>Focus remains on the increasing risk posed by the activities of 'cyber' criminals and the actions required to ensure our controls continue to mitigate this ever-evolving risk and to protect our customers' data.</p> <p>In addition, following a review of our IT hosting arrangements a number of changes have been implemented during 2017.</p> <p>The Group continues to invest in its IT infrastructure, to ensure that it is capable of supporting the planned growth in the business and to protect customers' personal data.</p> <p>The Group's business continuity and disaster recovery framework is continually tested and assessed to ensure the Group could continue to provide services to customers in the event of an unforeseen event.</p>
Financial control environment risk <p>This includes the risk of loss to the business, or its customers, because of either the actions of an unassociated third party or the misconduct of an employee.</p>	<ul style="list-style-type: none"> - Reputational loss with customers or regulators - Compensation payments - Financial loss - Increased capital requirements 	<p>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.</p> <p>Fraud training is provided to all members of staff to facilitate early detections of potential fraudulent activity.</p> <p>Strong technology controls to identify potential money laundering activity or market abuse.</p>

Strategic report

for the year ended 30 September 2017 (continued)

<p>Third party reliance risk</p> <p>The Group undertakes its dealing, custody, settlement and administrative activities in-house and is therefore exposed to risk as a consequence of its reliance on third party software suppliers.</p>	<ul style="list-style-type: none"> - Loss of third party service - Potential market exposure - Potential customer detriment - Reputational loss - Financial loss 	<p>To mitigate the risk posed by third party software suppliers, the Group maintains a strong partnership relationship with the key suppliers and monitors their performance to ensure their continued commitment to service, financial stability and viability.</p>
<p>Operational processing risk</p> <p>There is a risk that the Group's operational processes are subject to errors or inefficiencies, which would be exacerbated by an unexpected increase in business volumes.</p>	<ul style="list-style-type: none"> - Loss of earnings - Opportunity cost - Reputational loss 	<p>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 and, by doing so, reduce the need for manual intervention and the potential for errors.</p>
<p>Strategic project and project overload risk</p> <p>There is a risk of failing to deliver on a major strategic project, or trying to complete too many projects or business change initiatives too quickly, leading to a failure to deliver the anticipated benefits.</p>	<ul style="list-style-type: none"> - Inability to deliver regulatory projects on time - Opportunity cost - Disruption to BAU - Reputational and financial loss 	<p>The Group has implemented a process designed to improve the management and delivery of business improvement initiatives, alongside more significant projects, with members of the Executive Management Board meeting on a regular basis to monitor progress, re-prioritise or approve additional resource, as necessary to ensure delivery of the Group's strategic objectives.</p>
<p>Litigation risk</p> <p>There is a risk of liability related to litigation from customers or third parties.</p>	<ul style="list-style-type: none"> - Opportunity cost - Reputational loss - Financial loss 	<p>The Group has robust systems and controls and maintains an appropriate level of professional indemnity insurance cover against these potential liabilities.</p>

Strategic report

for the year ended 30 September 2017 (continued)

Business continuity management risk There is a risk of disruption to the Group's business in the event of a loss of access to any of the Group's properties or in the event of a catastrophic systems failure.	<ul style="list-style-type: none"> - Loss of services - Potential customer detriment - Financial loss - Increased capital requirements 	The Group has agreements in place with specialist suppliers for geographically remote disaster recovery facilities for all of its operations, including separate offsite IT recovery facilities. There is a rolling programme of testing of business continuity plans.
Key people risks The loss of key personnel within the Group, an increase in staff turnover or an inability to find appropriately qualified new or replacement employees, particularly in periods of sustained growth, may have a materially adverse impact on the Group's performance.	<ul style="list-style-type: none"> - Reputational loss - Potential customer detriment - Financial loss 	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.

By order of the Board


Mr Christopher Bruce Robinson (Company Secretary)

for and on behalf of AJ Bell Holdings Limited

4 Exchange Quay

Salford Quays

Manchester

M5 3EE

12 December 2017

Board of Directors

Les Platts

Chairman

Les joined AJ Bell in September 2008 having retired as an Audit Partner and practice Senior Partner for the north-east with a leading international professional services firm. Over a period of 33 years, Les gained extensive UK and international experience across all industry sectors, including FTSE 100, FTSE 250, smaller listed PLCs, large private companies and private equity investments. He has advised at Board level on a wide range of financial, commercial and governance issues, and is also Vice Chairman of a major Building Society.

Andy Bell

Chief Executive Officer

Andy co-founded AJ Bell in 1995, having spent a number of years working within the financial services sector. Graduating from Nottingham University in 1987 with a first class degree in Mathematics, he qualified as a Fellow of the Institute of Actuaries in 1993 and has built AJ Bell into one of the largest providers of low-cost, online investment platforms and stockbroker services in the UK.

Michael Summersgill

Chief Financial & Operating Officer

Michael joined AJ Bell in July 2007 and was appointed to the Board in June 2011 as Chief Financial Officer. In his current role he is responsible for all operational functions within the business and for providing financial oversight across the group. Michael graduated from the University of Sheffield with a degree in Economics and began his career as an accountant in public practice, gaining experience with a broad portfolio of clients.

John Tomlins

Non-executive Director

John joined AJ Bell with a wealth of experience, having spent his entire full time career working in the IT and financial services sectors. Career highlights include pioneering work on new client investment solutions, and helping to develop a customer proposition that grew one start-up platform's assets under administration from zero to £40 billion. John also co-founded the Institute of Customer Services, and is presently the Non-executive Chairman of a major technology and software supplier to investment platforms.

Simon Turner

Non-executive Director

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

Executive Management Board

The EMB is the decision-making body that is responsible for the execution of the strategy agreed with the Board of Directors. It is charged with the day-to-day management of the Group, within the confines of the matters reserved to the Board of Directors. The EMB meets regularly to review the performance of the Group and to agree corrective action where issues arise.

The EMB consists of the Chief Executive Officer, the Chief Financial & Operating Officer and the following members of senior management:

Fergus Lyons

Managing Director, AJ Bell Investcentre

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

Charles Galbraith

Managing Director, AJ Bell Youinvest

Charles joined AJ Bell Securities in 2006 as Managing Director. He has worked in a number of stockbroking firms over the past 20 years, concentrating on both private and institutional clients. Previously he was Managing Director of a well-known stockbroker, and was also responsible for the stocks and shares ISA business of a major high street bank. Charles has overall responsibility for our institutional stockbroking business, AJ Bell Youinvest platform and media business.

Louis Petherick

Chief Risk Officer

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

Roger Stott

Group Finance Director

Roger qualified as a Chartered Accountant in 1990 and has worked in retail stockbroking since 1999. He spent seven years as Finance Director at a well-known stockbroker, joining the company at start-up and seeing it through an MBO and sale. With AJ Bell since 2008, Roger is responsible for overseeing the finance department, the treasury function, the commercial management of supplier relationships and our third party products.

Christopher Bruce Robinson

Group Legal Services Director and Company Secretary

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

Directors' report

for the year ended 30 September 2017

The directors present their annual report on the affairs of the Group, together with the consolidated financial statements and auditor's report, for the year ended 30 September 2017.

Principal activity

The principal activity of the Group is to provide investment administration, dealing and custody services.

Business review

A review of the Group's activities over the financial year is described in the Chairman's statement on pages 2 to 3 and the Chief Executive Officer's report on pages 4 to 7.

Directors

The directors, who served throughout the year, are disclosed on page 24.

Directors' interests

The directors who held office at 30 September 2017 had the following interests in the share capital of the Company:

	Ordinary 30 Sept 2017	A non-voting 30 Sept 2017	B non-voting 30 Sept 2017	C non-voting 30 Sept 2017	D non-voting 30 Sept 2017	X non-voting 30 Sept 2017
Les Platts	50,305	-	-	-	-	-
Andy Bell	11,459,783	104,093	44,451	38,948	50,118	-
Michael Summersgill	-	20,000	13,281	14,517	34,714	66,330
John Tomlins	31,578	-	-	-	-	-
Simon Turner	25,800	-	-	-	-	-
Total	11,567,466	124,093	57,732	53,465	84,832	66,330

No director held the Ordinary non-voting class of shares at 30 September 2017, 30 September 2016 or at any time during the period between these dates.

Directors' share options

At 30 September 2017, the directors who held office held the following share options:

Director	Number	Exercise price £	Date of grant of option	Earliest date of exercise
M Summersgill	10,000	1.90	1 Aug 09	1 Jul 18
M Summersgill	2,500	3.00	1 Oct 10	1 Jul 18
M Summersgill	1,000	3.50	19 Dec 11	1 Jul 18

There are no performance criteria attached to any of the three tranches of share options.

No options were exercised by the directors during the year, or during the previous year.

Directors' report
for the year ended 30 September 2017 (continued)

FCA Remuneration Code

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

The Group maintains remuneration policies and practices in accordance with the applicable principles of the Remuneration Code, which are overseen by the Remuneration Committee, comprised of the Non-executive Directors of the Board. Material decisions in relation to the remuneration of staff whose actions have a material impact on the risk profile of the firm and in relation to individuals in control functions are overseen by the Remuneration Committee. The Group's remuneration policies provide for variable remuneration to be linked to performance.

Key performance indicators

Key performance indicators in relation to the Group's activities are reviewed continually by senior management and presented on the highlights page, given at page 1.

Dividends

The Company has declared a final dividend of 15.50p (2016: 13.00p) per share, to be paid on 15 December 2017. This, together with the interim dividend of 12.75p (2016: 12.75p) paid on 22 May 2017, makes a total dividend in respect of the financial year ended 30 September 2017 of 28.25p per share (2016: 25.75p).

Capital management

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

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

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

Directors' report
for the year ended 30 September 2017 (continued)

Country by country reporting

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

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

Financial risks

Interest rate risk Risk of market, commercial or regulatory pressures on interest rate margins	- Reduction in revenue	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. In addition, the Group does not have any external borrowings.
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.	- Loss of reputation - Potential customer detriment - Financial loss	The Group is a highly cash generative business and maintains sufficient cash and standby banking facilities to fund its foreseeable trading requirements.
Credit and bank default risk The Group's credit risk extends to its principle financial assets. These are cash balances held with banks and trade and other receivables.	- Financial loss	The Group's credit risk extends to its principal financial assets. These are cash balances held within banks and trade and other receivables. The directors continually monitor the strength of the banks used by the Group. The banks currently used by the Group are detailed in note 16. With regards to trade receivables, the Group has implemented procedures that require appropriate credit or alternative checks on potential customers before business is undertaken. This has minimised credit risk in this area.

Directors' report
for the year ended 30 September 2017 (continued)

Political contributions

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

Charitable donations

During the year, the Group made charitable donations of £109,125 (2016: £85,279).

Disabled employees

Applications for employment by disabled persons are considered bearing in mind the aptitude of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate facilities and training are arranged. It is the policy of the Group that the training, career development and promotion of disabled persons must, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees. It has continued to keep them informed on matters affecting them as employees and arising from the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and internal publications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Employee share schemes have operated since June 2005. These schemes have promoted wider employee involvement in the Group.

The directors believe that the incentivisation of senior management and key employees by equity participation is an important factor in the continuing success of the Group. This policy aligns the interests of management with those of the wider shareholder base.

Internal control

The Board has overall responsibility for the maintenance of the internal control system established by the Group and places considerable reliance on a strong control environment. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. Compliance with internal control procedures is monitored by the directors through the Risk and Compliance Committee and the Audit Committee, which are responsible for overseeing the Group's Risk Management, Compliance and Internal Audit functions.

Going concern

The consolidated financial statements have been prepared on a going concern basis. After making enquiries, the directors believe that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The going concern basis of preparation is discussed in note 2.1 of the consolidated financial statements.

Events after the date of the consolidated statement of financial position

Details of events occurring after the end of the reporting period are given in note 26.

Directors' report
for the year ended 30 September 2017 (continued)

Disclosure of information to auditor

Each of the persons who are a director at the date of approval of this annual report confirms that:

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

Auditor

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

Approved by the Board on 12 December 2017 and signed on its behalf by:



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

4 Exchange Quay
Salford Quays
Manchester
M5 3EE

12 December 2017

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

The directors are responsible for preparing the Annual Report and the Group and Parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Opinion

We have audited the financial statements of AJ Bell Holdings Limited ("the Company") for the year ended 30 September 2017, set out on pages 34 - 81, which comprise the consolidated income statement, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated statement of cash flows and related notes, including the accounting policies on pages 40-48 and pages 77-78.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

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

Going concern

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Alexander Simpson (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

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

12 December 2017

AJ Bell Holdings Limited

Company No: 04503206

Consolidated income statement
for the year ended 30 September 2017

	Note	2017 £ 000	2016 £ 000
Revenue	5	75,576	64,466
Administrative expenses		<u>(53,800)</u>	<u>(47,717)</u>
Operating profit	6	21,776	16,749
Investment income		3	73
Finance costs	8	<u>(82)</u>	<u>(43)</u>
Profit before tax		21,697	16,779
Taxation	9	<u>(4,223)</u>	<u>(3,466)</u>
Profit for the year		<u>17,474</u>	<u>13,313</u>
Profit/(loss) for the financial year attributable to:			
Equity holders of the parent company		17,571	13,440
Non-controlling interests		<u>(97)</u>	<u>(127)</u>
		<u>17,474</u>	<u>13,313</u>
Earnings per ordinary share:			
Basic (pence)	11	42.85	32.85
Diluted (pence)	11	42.60	32.73

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

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

The notes on pages 40 to 73 form an integral part of these financial statements.

AJ Bell Holdings Limited
Company No: 04503206
Consolidated statement of financial position
as at 30 September 2017

		(as restated)	(as restated)	
	Note	2017 £ 000	2016 £ 000	2015 £ 000
Assets				
Non-current assets				
Goodwill	12	3,660	3,660	1,957
Other intangible assets	13	3,841	5,016	6,796
Property, plant and equipment	14	3,994	1,268	1,204
Deferred tax asset	17	227	49	54
		<u>11,722</u>	<u>9,993</u>	<u>10,011</u>
Current assets				
Trade and other receivables	16	22,172	17,738	15,913
Cash and cash equivalents	16	42,138	39,510	36,318
		<u>64,310</u>	<u>57,248</u>	<u>52,231</u>
Total assets		<u>76,032</u>	<u>67,241</u>	<u>62,242</u>
Liabilities				
Current liabilities				
Trade and other payables	18	(10,115)	(9,554)	(7,370)
Current tax liabilities		(1,857)	(1,701)	(1,843)
Obligations under finance leases	19	(75)	(75)	(106)
Provisions	21	(1,587)	(363)	(53)
		<u>(13,634)</u>	<u>(11,693)</u>	<u>(9,372)</u>
Non-current liabilities				
Obligations under finance leases	19	(68)	(34)	(109)
Provisions	21	(790)	(754)	(398)
Other payables	20	(178)	(972)	(90)
		<u>(1,036)</u>	<u>(1,760)</u>	<u>(597)</u>
Total liabilities		<u>(14,670)</u>	<u>(13,453)</u>	<u>(9,969)</u>
Net assets		<u>61,362</u>	<u>53,788</u>	<u>52,273</u>
Equity				
Share capital	22	40	40	40
Share premium		2,806	2,229	1,913
Retained earnings		58,516	51,918	50,320
Equity attributable to owners of the company		61,362	54,187	52,273
Non-controlling interests		-	(399)	-
Total equity		<u>61,362</u>	<u>53,788</u>	<u>52,273</u>

The notes on pages 40 to 73 form an integral part of these financial statements.

AJ Bell Holdings Limited

Company No: 04503206

Consolidated statement of financial position
as at 30 September 2017 (continued)

Approved by the Board on 12 December 2017 and signed on its behalf by:



Mr Michael Summersgill (Director)
for and on behalf of AJ Bell Holdings Limited

4 Exchange Quay
Salford Quays
Manchester
M5 3EE

12 December 2017

AJ Bell Holdings Limited
Company No: 04503206
Consolidated statement of changes in equity
for the year ended 30 September 2017

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

The notes on pages 40 to 73 form an integral part of these financial statements.
Page 37

AJ Bell Holdings Limited
Company No: 04503206
Consolidated statement of changes in equity
for the year ended 30 September 2017 (continued)

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Non- controlling interests £ 000	Total equity £ 000
Balance at 1 October 2015	40	1,913	50,320	-	52,273
Total comprehensive income for the year:					
Profit/(loss) for the financial year	-	-	13,440	(127)	13,313
Transactions with owners, recorded directly in equity:					
Issue of share capital	-	316	-	-	316
Dividends	-	-	(11,763)	-	(11,763)
Equity settled share-based payment transactions	-	-	69	-	69
Purchase of non-controlling interest	-	-	-	(484)	(484)
Total contributions by and distributions to owners	-	-	(212)	212	-
Deferred tax effect of share-based payments	-	-	(8)	-	(8)
Tax relief on exercise of share options	-	-	72	-	72
Balance at 30 September 2016	40	2,229	51,918	(399)	53,788

AJ Bell Holdings Limited
Company No: 04503206
Consolidated statement of cash flows
for the year ended 30 September 2017

(as restated)

	Note	2017 £ 000	2016 £ 000
Cash flows from operating activities			
Profit for the financial year		17,474	13,313
Adjustments to cash flows from non-cash items:			
Investment income		(3)	(73)
Finance costs		82	43
Income tax expense		4,223	3,466
Depreciation and amortisation		2,057	2,086
Impairment of intangible assets		-	345
Share-based payment expense		107	69
Net increase in provisions and other payables		466	666
Loss on disposal of property, plant and equipment		48	4
Operating cash flows before movement in working capital		24,454	19,919
Increase in trade and other receivables		(4,434)	(1,607)
Increase in trade and other payables		561	819
Cash generated from operations		20,581	19,131
Income tax paid		(4,100)	(3,498)
Interest paid		(82)	(43)
Net cash flow from operating activities		16,399	15,590
Cash flows from investing activities			
Purchase of other intangible assets	13	(44)	(115)
Purchase of property, plant and equipment	14	(3,476)	(604)
Interest received		3	73
Net cash paid to acquire subsidiary		-	(199)
Net cash flows from investing activities		(3,517)	(845)
Cash flows from financing activities			
Payments of obligations under finance leases		(102)	(106)
Proceeds from issue of share capital		556	316
Proceeds from settlement of part-paid shares		21	-
Payments for purchase of own shares		(165)	-
Dividends paid	10	(10,564)	(11,763)
Net cash flows from financing activities		(10,254)	(11,553)
Net increase in cash and cash equivalents		2,628	3,192
Cash and cash equivalents at beginning of year		39,510	36,318
Total cash and cash equivalents at end of year		42,138	39,510

The notes on pages 40 to 73 form an integral part of these financial statements.

1 General information

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

The Company is a private limited company limited by shares and incorporated 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 4 of the Company's separate financial statements.

The consolidated financial statements for the Company and its subsidiaries were approved by the Board on 12 December 2017.

2 Significant accounting policies

Basis of accounting

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

The financial statements are prepared on the historical cost basis and prepared on a going concern basis as noted on page 42. They are presented in sterling, which is the functional and presentational currency of the Group, rounded to the nearest thousand.

The directors have elected to prepare the parent company's financial statements in accordance with the provisions of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 and have prepared them in accordance with FRS101. This UK GAAP standard allows the use of EU-adopted International Financial Reporting Standards (IFRS) with reduced disclosures, where allowed, by the Companies Act and associated legislation. As permitted by Section 408 of the Companies Act 2006, no profit and loss account is presented for the Company; the notes and information for the Company are presented on pages 77 to 81.

The accounting policies have been applied consistently to all periods presented in these financial statements and by all Group entities, other than for those discussed in note 3, which have changed revenue, financial assets and financial liabilities.

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

Changes to International Reporting Standards

Interpretations and standards which became effective during the year:

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

		<i>Effective from</i>
IAS 1	Disclosure Initiative	1 Jan 2016
IAS 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016
	Annual Improvements 2012-2014 Cycle	

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

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

		<i>Effective from</i>
IAS 7	Disclosure Initiative	1 Jan 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)	1 Jan 2017
IFRS 9	Financial Instruments	1 Jan 2018
IFRS 2	Classification and Measurement of Share Based Payment Transactions (Amendment)	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRS 16	Leases	1 Jan 2019

The directors anticipate that the adoption of these standards and interpretations in future periods will not have a material impact on the financial statements when they come into effect other than IFRS 16 Leases. The directors are currently reviewing the impact of adopting this standard on the financial statements of the Group in future periods.

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 a subsidiary when it has power over an investee is exposed, or it has rights to variable returns from its involvement within the subsidiary and has the ability to effect those returns through its power over the investee. The Group reassesses whether it controls an investee 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.

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)**2.1 Going concern**

The Group's business activities, together with its financial position and the factors likely to affect its future development and performance are set out in the Strategic report on pages 1 to 23 and the Directors' report on pages 26 to 30. Within the Directors' report, the financial risks section on page 28 includes the Group's policies and processes for managing exposure to credit and liquidity risk. The Group's forecasts and objectives, taking into account a number of potential changes in trading performance, show that the Group should be able to operate at adequate levels of both liquidity and capital for the foreseeable future. The directors have performed a number of stress tests on capital and liquidity and these provide assurance that the Group has sufficient capital to operate under stressed conditions.

Consequently, after making reasonable enquiries, the directors are satisfied that the Group has sufficient resources to continue in business for the foreseeable future and therefore have continued to adopt the going concern basis in preparing the financial statements.

2.2 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable tangible and intangible assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

2.3 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary, associate or jointly-controlled entity at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill that is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to one or more of the Group's CGUs (Cash Generating Units) expecting to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are reviewed annually or more frequently when there is an indication that the goodwill relating to that CGU may have been impaired. If the recoverable amount from the CGU is less than the carrying amount of the assets present on the consolidated statement of financial position forming that CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the assets forming that CGU and then to the assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

On disposal of a subsidiary, associate or jointly-controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.4 Revenue recognition

In recognising revenue, the directors follow the principles contained in IAS 18 'Revenue' to determine appropriate revenue recognition policies. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group.

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

Revenue is measured at the fair value of the consideration received or receivable net of discounts, VAT and other sales-related taxes, for goods sold and services provided in the year.

Administration and custodian fees are recognised in the period in which the service is rendered using the percentage completion method. The extent to which a service is complete is determined by the different work activity profiles of the associated individual services.

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

Asset-based commissions are accrued on a time basis by reference either to the principal and effective interest rate or the due date for payment.

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

Investment revenue comprises interest income receivable on cash balances held within the Group. Interest income is recognised in the income statement as it accrues, using the effective interest rate method.

2.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rental payments under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.6 Investment income

Investment income comprises interest received on bank deposits. Investment income is recognised in profit or loss as it accrues, using the effective interest rate.

2.7 Finance costs

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

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

2.8 Retirement benefit costs

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

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

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

2.9 Taxation

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

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

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

- The initial recognition of goodwill; or
- Investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future; or
- The initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

2.10 VAT

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable in whole or in part from the taxation authority.

Where the sales tax is not recoverable in whole or in part from the taxation authority, it is expensed through the income statement, except in the case of a capital asset where the irrecoverable proportion is capitalised as part of the capital cost of that asset.

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

2.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is provided, where material, on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful economic life as follows:

Leasehold improvements - Over the life of the lease

Office equipment - 4 years

Computer equipment - 3-5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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

2.12 Intangible assets (excluding goodwill)

Intangible assets comprise computer software, customer contracts and non-contractual customer relationships and the Group's Key Operating System (KOS). These are stated at cost or fair value less amortisation and any recognised impairment loss. Amortisation is provided, where material, on all intangible fixed assets excluding goodwill at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful economic life as follows:

Computer software - 3-4 years

KOS - 10 years

KOS enhancements - Over the remaining life of the KOS

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

2.13 Internally-generated intangible assets

An internally-generated asset arising from work performed by the Group is recognised only if all the following conditions are met:

- An asset is created that can be identified (such as software).
- It is probable that the asset created will generate future economic benefits.
- The development costs of the asset can be measured reliably.

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

Where such an asset is under construction at the end of a reporting period, the costs involved that meet the relevant recognition criteria are disclosed as a separate class of asset. As these assets are not available for use by the business they are not depreciated or amortised, instead they are reviewed for impairment. Typically, such projects consist of a mixture of tangible and intangible components and these are disclosed separately in the financial statements.

2.14 Impairment of tangible and intangible assets (excluding goodwill)

At each reporting date the directors review the carrying amount of the Group's tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment. If such an indication exists then the recoverable amount of that particular asset is estimated.

An impairment test is performed for an individual asset unless it belongs to a CGU, in which case the present value of the net future cash flows generated by the CGU is tested. A CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or of groups of other assets. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount

The recoverable amount of a tangible or intangible asset is the higher of its fair value less costs to sell and its value-in-use. In assessing its value-in-use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU in which the asset sits is estimated to be lower than the carrying value, then the carrying amount is reduced to the recoverable amount. An impairment loss is recognised immediately in the income statement as an expense.

Reversals of impairment

An impairment loss is reversed on tangible and intangible assets only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment reversal is recognised in the income statement immediately.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less. Where appropriate, bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position. For the purposes of the consolidated cash flow statement, cash and cash equivalents are defined as above, net of outstanding bank overdrafts if the Group has the right of set off.

2.16 Financial instruments

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

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

Financial assets

All financial assets are classified as loans and receivables.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at fair value, less any impairment. Other receivables represent client money required to meet settlement obligations. No interest income is recognised as all loans and receivables are short-term receivables and the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. These assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets objective evidence of impairment could include:

- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as the observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial assets is reduced by the use of a provision. When a trade receivable is considered uncollectable, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against the provision. Changes in the carrying amount of the provision are recognised in the income statement.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets in which the investment is made after deducting all of its liabilities.

Other financial liabilities

All financial liabilities are classified as other financial liabilities.

Other financial liabilities, including any borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating the interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the consideration required to settle that obligation at the reporting date and are discounted to present value where the effect is material.

2.18 Share-based payments

The Group applies the requirements of IFRS 2 'Share-based Payment'. For the purposes of this financial information, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2006.

The Group issues equity-settled share-based payments to certain employees. These are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the directors' estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Where a grant of equity-settled share-based payments is not subject to vesting conditions, the fair value determined at the grant date is expensed immediately.

Fair value is measured by use of the Black-Scholes model. The expected life applied in the model has been adjusted based on the directors' best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. As the Company's shares are not listed on a recognised stock exchange and therefore no readily available market price exists for the shares, the share price has been estimated using a generally accepted business valuation method. Share price volatility has been estimated as the average of the volatility applying to a comparable group of listed companies.

2.19 Dividends

Dividend distributions to the Company's shareholders are recognised in the period in which the dividends are paid. Final dividends declared after the reporting period are not included as a liability in the financial statements but are disclosed in the notes to the financial statements.

2.20 Levies

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

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

3 Change in accounting policy

The prior period figures have been restated to reflect the impact of moving to settlement date accounting for all trades in accordance with IAS 39: Financial Instruments. In the prior year the Group recognised client and market counterparty receivables and payables balances on the balance sheet as financial instruments at trade date on the basis that there was a contractual obligation between the parties.

During the year the Group changed the contractual arrangements with their clients following which it was concluded that settlement date accounting better reflected the substance of the commercial position.

The change in policy has effectively removed the client and market receivables and client and market payables from the balance sheet and moved the revenue recognition date from trade date to settlement date. The resulting impact on the income statement is not material and so no adjustment has been made as part of the restatement, in the current or prior periods.

The client money requirement for client trading placed but not yet funded, has been reclassified under 'other receivables'.

The impact of applying the above is as follows:

	Client and market payables £ 000	Client and market receivables £ 000	Other receivables £'000
As reported at 1 October 2015	(38,598)	41,788	-
Restatement of client settlement balances	38,598	(38,598)	-
Reclassification of client money requirements	-	(3,190)	3,190
Balance as restated at 01 October 2015	-	-	3,190
As reported at 30 September 2016	(68,009)	71,459	-
Restatement of client settlement balances	68,009	(68,009)	-
Reclassification of client money requirements	-	(3,450)	3,450
Balance as restated at 30 September 2016	-	-	3,450

There has been no impact on the income statement or statement of comprehensive income as a result of this restatement in the current and prior periods.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions to determine the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on the Group's historical experience and other relevant factors. Actual results may differ from the estimates applied.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

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

Impairment reviews of non-current assets

At each reporting date, the Group's non-current assets are reviewed for impairment where there are indicators of impairment or a review is specifically required by IAS 36. As it is not possible to test the Group's assets for impairment on an individual basis, impairment reviews are carried out on a CGU basis. In order to determine an asset's recoverable amount, the directors review the expected future cash flows of the CGU to which the asset is allocated.

There are a number of estimations that the directors have used to forecast the expected future cash flows of the CGUs that have been reviewed. Key judgements in arriving at these estimations include:

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

Capitalisation of internally-generated intangible assets

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

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

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

Provisions

The Group recognises a provision where it has entered a legal or constructive obligation, there is probable economic outflow and the amount can be measured reliably. By their nature any provisions recorded are done so on a best estimate basis given the information available at the point in time and therefore require an element of management judgement and estimation.

Restructuring costs:

During the year a restructuring provision of £0.5m (2016: Nil) has been recognised to cover the estimated costs associated with the closure of the Tunbridge Wells office by October 2018 when the lease expires. The provision represents the best current estimate and is based upon a number of key variables for the staff affected, including grade and remuneration package. As a result there is some uncertainty around the value and timing of the liability. It is expected that all costs will be incurred within the next financial year.

Other provision:

During the year a provision of £1.1m (2016: Nil) has been recognised to cover the settlement of a one-off tax liability that has arisen during the year. There is some uncertainty regarding the amount of the outflow required to settle the obligation; therefore a best estimate has been made by assessing a number of 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.

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

5 Revenue

The analysis of the consolidated revenue is as follows:

	2017 £ 000	2016 £ 000
Investment administration services	41,293	38,129
Dealing and custody services	30,648	22,287
Media services	2,490	3,202
Investment management services	1,145	848
	<u>75,576</u>	<u>64,466</u>

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

6 Operating profit

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

	2017 £ 000	2016 £ 000
Amortisation of intangible assets	1,219	1,550
Depreciation of tangible assets	838	536
Impairment of intangible assets	-	345
Loss on disposal of tangible assets	48	4
Operating lease rentals - property	3,185	1,216
Restructuring cost	492	-
Staff costs	28,103	25,101
Fees payable to the Company's auditor for the audit of the Company's accounts	22	23
Fees payable to the company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	57	76
Audit-related assurance services	91	60
Other assurance services	-	9

During the year the Group incurred unoccupied property costs of £1,434,000 (2016: £180,000) in respect of rent and rates following the Head Office move. The office move has been completed this year and no further unoccupied costs are expected.

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

7 Employee benefit costs and employee numbers

	2017 No.	2016 No.
The average number of employees (including Executive Directors):		
Administrative functions	656	607

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

	2017 £ 000	2016 £ 000
Short-term employee benefits	23,810	21,566
Social security costs	2,633	2,345
Retirement benefit costs	1,119	1,013
Termination benefits	541	177
	<u>28,103</u>	<u>25,101</u>

Remuneration of key management personnel

	2017 £ 000	2016 £ 000
Key management personnel are represented by the Board of Directors as shown on page 24 and the EMB as shown on page 25.		
Short-term employee benefits	2,586	2,499
Retirement benefit costs	61	66
	<u>2,647</u>	<u>2,565</u>

Remuneration of directors

	2017 £ 000	2016 £ 000
The following costs relate to the Board of Directors as shown on page 24:		
Short-term employee benefits (excluding NI)	1,315	1,141
Retirement benefit costs	4	1
	<u>1,319</u>	<u>1,142</u>

Remuneration of highest paid director

	2017 £ 000	2016 £ 000
Short-term employee benefits (excluding NI)	<u>863</u>	<u>720</u>

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

8 Finance costs

	2017 £ 000	2016 £ 000
Obligations under finance leases	16	20
Other finance costs	66	23
	<u>82</u>	<u>43</u>

9 Taxation

Tax charged in the income statement

	2017 £ 000	2016 £ 000
Current Taxation		
UK Corporation Tax	4,375	3,552
Adjustment to current tax in respect of prior periods	<u>(63)</u>	<u>(240)</u>
	<u>4,312</u>	<u>3,312</u>
Deferred taxation		
Origination and reversal of temporary differences	(98)	(69)
Adjustment to deferred tax in respect of prior periods	17	217
Effect of changes in tax rates	<u>(8)</u>	<u>6</u>
	<u>(89)</u>	<u>154</u>
Tax expense per the consolidated income statement	<u>4,223</u>	<u>3,466</u>

Corporation Tax is calculated at 19.5% of the estimated assessable profit for the year to 30 September 2017 (2016: 20%).

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

	2017 £ 000	2016 £ 000
Deferred tax relating to share-based payments (see note 17)	(88)	8
Current tax relief on exercise of share options	<u>(57)</u>	<u>(72)</u>
	<u>(145)</u>	<u>(64)</u>

It is expected that the ongoing effective tax rate will remain at a rate approximating to the standard UK Corporation Tax rate in the medium term except for the impact of deferred tax arising from the timing of exercising of share options. The standard UK Corporation Tax rate was reduced to 19% (from 20%) on 1 April 2017 and accordingly the Group's profits for this accounting year are taxed at an effective rate of 19.5%. Deferred tax has been recognised at 17%, being the rate at which the deferred tax assets are expected to reverse.

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

9 Taxation (continued)

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

	2017 £ 000	2016 £ 000
Profit before tax	<u>21,697</u>	<u>16,779</u>
Profit before tax multiplied by a pro-rata rate of Corporation Tax in the UK of 19.5% (2016: 20.0%)	4,231	3,356
Effects of:		
Adjustments to current tax in respect of prior periods	(47)	(13)
Expenses not deductible for tax purposes	57	110
Effect of the exercise employee share options	(15)	-
Change in recognised deductible temporary differences	5	9
Effect of rate changes to deferred tax	(2)	5
Income not taxable	<u>(6)</u>	<u>(1)</u>
Total tax expense in consolidated income statement	<u><u>4,223</u></u>	<u><u>3,466</u></u>
Effective tax rate	19.5%	20.7%

10 Dividends

	2017 £ 000	2016 £ 000
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the year ended 30 September 2016 of 13.00p (2015: 16.00p) per share	5,327	6,546
Interim dividend for the year ended 30 September 2017 of 12.75p (2016: 12.75p) per share	<u>5,237</u>	<u>5,217</u>
Ordinary dividends paid on equity shares	<u><u>10,564</u></u>	<u><u>11,763</u></u>
Proposed final dividend for the year ended 30 September 2017 of 15.50p (2016: 13.00p) per share	6,370	5,373

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

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

11 Earnings per share

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

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

	2017 £ 000	2016 £ 000
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent company	<u>17,571</u>	<u>13,440</u>
	Number of shares 2017	Number of shares 2016
Number of shares		
Weighted average number of ordinary shares (for the purpose of basic earnings per share) in issue during the year	41,009,036	40,914,184
Effect of potentially dilutive share options	<u>240,433</u>	<u>148,193</u>
Weighted average number of ordinary shares for the purposes of fully diluted earnings per share	<u>41,249,469</u>	<u>41,062,377</u>

12 Goodwill

	2017 £ 000	2016 £ 000
Cost		
At 1 October	3,772	2,069
Additions	<u>-</u>	<u>1,703</u>
At 30 September	<u>3,772</u>	<u>3,772</u>
Accumulated impairment losses		
At 1 October and 30 September	<u>112</u>	<u>112</u>
Carrying value at 30 September	<u>3,660</u>	<u>3,660</u>

In accordance with note 4, the directors test goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Goodwill arising on acquisition of AJ Bell Securities Limited

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

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

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

Goodwill arising on acquisition of AJ Bell Media Limited

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

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

Goodwill arising on acquisition of Indexx Markets Limited (now part of AJ Bell Asset Management Limited)

Goodwill of £1,588,000 recognised in the statement of financial position arose on the acquisition of Indexx Markets Limited during the year ended 30 September 2016.

For the purposes of impairment testing, £1,143,000 of goodwill arising on the acquisition of Indexx Markets Limited is allocated to the investment administration CGU, with the remaining £445,000 being allocated to the dealing and custody CGU.

Goodwill arising on acquisition of AJ Bell Investments LLP

Goodwill of £115,000 recognised in the statement of financial position arose on the acquisition of AJ Bell Investments LLP during the year ended 30 September 2016.

For the purposes of impairment testing, £83,000 of goodwill arising on the acquisition of AJ Bell Investments LLP is allocated to the investment administration CGU, with the remaining £32,000 being allocated to the dealing and custody CGU.

Calculation of value-in-use of CGUs

Dealing and custody CGU

The recoverable amount of the assets contained within the dealing and custody CGU is determined by estimating its value-in-use; the discounted future cash flows attributable to the CGU are projected over the four years based on the most recent forecasts approved by the Board.

Investment administration CGU

The recoverable amount of the assets contained within the investment administration CGU is determined by estimating its value-in-use; the discounted future cash flows attributable to the CGU are projected over the remaining four-year life of the key operating system, which was deemed to have a useful life of ten years when it was brought into use six years ago, and was deemed the most prominent asset in the CGU, based on the most recent forecasts approved by the Board.

The directors have exercised the following key judgements in estimating the future cash flows:

Revenue

A rate of 15% has been used, which is considered to be a moderate rate of growth, to extrapolate cash flow projections beyond the most recent budget approved by the Board for the investment administration and dealing and custody CGUs.

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

Administrative expenses

Economies of scale are expected to be gained in the medium- to long-term, although there are not expected to be any significant changes to the nature of administrative expenses.

Asset maintenance

Modest ongoing maintenance expenditure is required on the assets in the CGUs in order to generate the expected level of cash flows.

Discount rate

A pre-tax discount rate of 5% has been applied to the forecast cash flows in order to estimate the value-in-use of the CGUs.

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

In addition to the impairment review carried out as described above, the directors have performed sensitivity analysis on their calculations, with key assumptions being revised adversely to reflect the potential for future performance being below expected levels. 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 CGUs.

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

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

13 Other intangible assets

	Key operating system £ 000	Contractual customer relationships £ 000	Computer software £ 000	Total £ 000
Cost				
At 1 October 2015	8,657	2,135	6,593	17,385
Additions	-	-	115	115
At 30 September 2016	8,657	2,135	6,708	17,500
Additions	-	-	44	44
Disposals	-	-	(370)	(370)
At 30 September 2017	8,657	2,135	6,382	17,174
Amortisation				
At 1 October 2015	2,919	1,516	6,154	10,589
Amortisation charge	1,056	274	220	1,550
Impairment	-	345	-	345
At 30 September 2016	3,975	2,135	6,374	12,484
Amortisation charge	1,057	-	162	1,219
Amortisation eliminated on disposals	-	-	(370)	(370)
At 30 September 2017	5,032	2,135	6,166	13,333
Carrying amount				
At 30 September 2016	4,682	-	334	5,016
At 30 September 2017	3,625	-	216	3,841
Average remaining amortisation period	3 Years 6 months		4 months	

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

14 Property, plant and equipment

	Leasehold improvements £ 000	Office equipment £ 000	Assets under construction £ 000	Computer equipment £ 000	Total £ 000
Cost					
At 1 October 2015	677	1,405	-	2,576	4,658
Additions	-	36	-	568	604
Disposals	-	(12)	-	(136)	(148)
At 30 September 2016	677	1,429	-	3,008	5,114
Additions	1,452	762	163	1,235	3,612
Disposals	(548)	(631)	-	(916)	(2,095)
At 30 September 2017	1,581	1,560	163	3,327	6,631
Depreciation					
At 1 October 2015	536	1,042	-	1,876	3,454
Charge for the year	17	170	-	349	536
Eliminated on disposal	-	(12)	-	(132)	(144)
At 30 September 2016	553	1,200	-	2,093	3,846
Charge for the year	66	231	-	541	838
Eliminated on disposal	(548)	(609)	-	(890)	(2,047)
At 30 September 2017	71	822	-	1,744	2,637
Carrying amount					
At 30 September 2016	124	229	-	915	1,268
At 30 September 2017	1,510	738	163	1,583	3,994

During the year, additions of property, plant and equipment under finance leases totalled £136,000 (2016: £Nil).

The carrying amount of the Group's office equipment includes an amount of £138,000 (2016: £99,000) in respect of assets held under finance leases.

At the year-end, the Group had no commitments (2016: £Nil) to purchase any tangible fixed assets.

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

15 Subsidiaries

A list of the investments in subsidiaries, including the name, country of incorporation, and proportion of ownership interest is given in note 4 to the Company's separate financial statements.

The financial statements for the year ended 30 September 2017 of AJ Bell EBT Limited have been exempted from audit under s479C of the Companies Act 2006 by way of parent guarantee from AJ Bell Holdings Limited.

16 Other financial assets

	(as restated)	
	2017 £ 000	2016 £ 000
Trade and other receivables		
Trade receivables	6,248	6,287
Prepayments and accrued income	10,831	8,001
Other receivables	5,093	3,450
	<u>22,172</u>	<u>17,738</u>

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

The maturity profile of the Group's trade receivables was as follows:

	2017 £ 000	2016 £ 000
Neither past due or impaired	5,245	4,451
31 to 60 days	106	87
61 to 90 days	154	82
91 days and over	1,155	1,831
	<u>6,660</u>	<u>6,451</u>
Provision for impairment	<u>(412)</u>	<u>(164)</u>
	<u>6,248</u>	<u>6,287</u>

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

16 Other financial assets (continued)

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

	2017 £ 000	2016 £ 000
At 1 October	164	208
Amounts charged to the income statement as irrecoverable	300	40
Amounts recovered	(52)	(84)
At 30 September	<u>412</u>	<u>164</u>

The directors have reviewed the collectability of all receivables and are satisfied that those balances not otherwise provided against are recoverable.

Cash and cash equivalents

	2017 £ 000	2016 £ 000
Cash and cash equivalents	<u>42,138</u>	<u>39,510</u>

Cash and cash equivalents comprise cash held by the Company and any of its operating subsidiaries. It also includes short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

Financial assets

Financial assets consist of cash and cash equivalents and trade and other receivables and total £53,479,000 (2016: £49,247,000 (restated)).

Risks arising from financial assets

Credit and bank default risk

The Group's credit risk extends to its principal financial assets. These are cash balances held with banks and trade receivables.

As regards trade receivables, the Group has implemented procedures that require appropriate credit or alternative checks on potential customers before business is undertaken. This minimises credit risk in this area.

The directors continue to monitor the strength of the banks used by the Group. The banks currently used by the Group are Bank of Scotland plc, Barclays Bank plc, Lloyds Bank plc, HSBC Bank plc, The Royal Bank of Scotland plc, Santander UK plc, BNP Paribas Securities Services, Close Brothers plc and Brown Brothers Harriman & Co. Bank of Scotland plc, the Group's principal banker, is substantial and is 100% owned by Lloyds Banking Group. All of the banks currently used by the Group have long-term credit ratings of at least A (Fitch), apart from The Royal Bank of Scotland plc which has a rating of BBB+ (Fitch), or Baa3 (Moody's). Where the services of other banks are used, the Group follows a rigorous due diligence process prior to selection. This results in the Group retaining the ability to further mitigate the counterparty risk on its own behalf and that of its customers.

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

16 Other financial assets (continued)

Embedded derivatives

In accordance with IAS39, 'Financial Instruments: Recognition and Measurement', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. The directors are satisfied that there are no material embedded derivatives held by the Group.

17 Deferred tax asset

	2017	2016
	£ 000	£ 000
Deferred tax asset	319	159
Deferred tax liability	<u>(92)</u>	<u>(110)</u>
Net deferred tax asset	<u>227</u>	<u>49</u>

Certain deferred tax assets and liabilities have been offset in accordance with the offset criteria in the standard.

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

	Accelerated capital allowances £'000	Share-based payments £'000	Short-term timing differences £'000	Losses £'000	Total £'000
At 1 October 2015	(4)	96	(38)	-	54
(Charge)/credit to the income statement	(106)	38	49	22	3
Charge to equity	-	(8)	-	-	(8)
At 1 October 2016	<u>(110)</u>	<u>126</u>	<u>11</u>	<u>22</u>	<u>49</u>
Credit to the income statement	18	31	-	41	90
Credit to equity	-	88	-	-	88
At 30 September 2017	<u>(92)</u>	<u>245</u>	<u>11</u>	<u>63</u>	<u>227</u>

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 2017.

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 2017, deferred tax assets have not been provided on trading losses of £1,914,069 (2016: £1,869,565).

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

18 Other financial liabilities (as restated)

Trade and other payables

	2017 £ 000	2016 £ 000
Trade payables	817	1,283
Accruals and deferred income	7,514	6,568
Social security and other taxes	1,411	1,408
Other payables	373	295
	<u>10,115</u>	<u>9,554</u>

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

Financial liabilities

Financial liabilities consist of trade payables and obligations under finance leases. The following details the Group's remaining contractual maturity for its non-derivative financial liabilities.

	Less than 1 month £ 000	1 to 3 months £ 000	3 to 12 months £ 000	1 to 5 years £ 000	Total £ 000
2017					
Trade payables	701	-	116	-	817
Obligations under finance leases	-	-	75	68	143
	<u>701</u>	<u>-</u>	<u>191</u>	<u>68</u>	<u>960</u>
2016 (restated)					
Trade payables	718	51	514	-	1,283
Obligations under finance leases	-	-	75	34	109
	<u>718</u>	<u>51</u>	<u>589</u>	<u>34</u>	<u>1,392</u>

Risks arising from financial liabilities

Liquidity risk

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

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

19 Obligations under finance leases

	Minimum lease payments £ 000	Less finance charges £ 000	Present value of lease obligations £ 000
2017			
Within one year	82	(7)	75
In two to five years	72	(4)	68
	<u>154</u>	<u>(11)</u>	<u>143</u>
	Minimum lease payments £ 000	Less finance charges £ 000	Present value of lease obligations £ 000
2016			
Within one year	79	(4)	75
In two to five years	35	(1)	34
	<u>114</u>	<u>(5)</u>	<u>109</u>

Finance leases

It is the Group's policy to lease certain items of office equipment under finance leases. The average lease term is between three and five years. All lease obligations are denominated in sterling. The fair value of the Group's lease obligations approximates to their carrying amount.

20 Other payables

	2017 £ 000	2016 £ 000
Non-current loans and borrowings		
Unsecured debentures	-	848
Other payables		
Non current payables	<u>178</u>	<u>124</u>
	<u>178</u>	<u>972</u>

The unsecured loan debenture of £848,000 bearing interest at 5% per annum was settled in full on 07 April 2017.

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

21 Provisions

	Office dilapidations £ 000	FSCS Levy £ 000	Other provision £ 000	Restructuring costs £ 000	Total £ 000
At 1 October 2016	1,081	36	-	-	1,117
Additional provisions	-	-	1,095	492	1,587
Provisions used	(291)	(36)	-	-	(327)
At 30 September 2017	<u>790</u>	<u>-</u>	<u>1,095</u>	<u>492</u>	<u>2,377</u>
Included in non-current liabilities	790	-	-	-	790
Included in current liabilities	-	-	1,095	492	1,587

Office dilapidations

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

Other provision:

During the year a provision of £1.1m (2016: £Nil) has been recognised to cover the settlement of a one-off tax liability that has arisen during the year. There is some uncertainty regarding the amount of the outflow required to settle the obligation; therefore a best estimate has been made by assessing a number of different outcomes considering the potential areas and time periods at risk and any associated interest. The timings of the outflows are uncertain but the Group expects that settlement will be within the next 12 months.

Restructuring costs:

During the year a restructuring provision of £0.5m (2016: £Nil) has been recognised to cover the estimated costs associated with the closure of the Tunbridge Wells office by October 2018 when the lease expires. The provision represents the best current estimate and is based upon a number of key variables for the staff affected, including grade and remuneration package. As a result there is some uncertainty around the value and timing of the liability. It is expected that all costs will be incurred within the next financial year.

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

22 Share capital

	2017	2016
	£	£
Issued, fully-called and paid:		
38,654,846 (2016: 38,650,070) ordinary shares of 0.1p each	38,655	38,650
75,000 (2016: 75,000) ordinary non-voting shares of 0.1p each	75	75
955,484 (2016: 846,081) A non-voting ordinary shares of 0.1p each	955	846
767,465 (2016: 773,994) X non-voting ordinary shares of 0.1p each	767	774
	<u>40,452</u>	<u>40,345</u>
Issued, partly-called and paid:		
104,000 (2016: 74,000) A non-voting ordinary shares of 0.1p each – 0.2% partly-called and paid	-	-
221,104 (2016: 221,104) A non-voting ordinary shares of 0.1p each – 0.3% partly-called and paid	-	-
158,890 (2016: 167,102) B non-voting ordinary shares of 0.1p each	-	-
194,633 (2016: 201,631) C non-voting ordinary shares of 0.1p each	8	8
275,317 (2016: Nil) D non-voting ordinary shares of 0.1p each	10	-
117,037 (2016: 121,956) X non-voting ordinary shares of 0.1p each – 0.2% partly-called and paid	-	-
57,597 (2016: 57,597) X non-voting ordinary shares of 0.1p each – 10% partly-called and paid	7	7
143,863 (2016: 143,863) A non-voting ordinary shares of 0.1p each – 0.3% partly-called and paid	-	-
	<u>25</u>	<u>15</u>
Total value of fully or partly-paid shares	<u>40,477</u>	<u>40,360</u>

The following transactions have taken place during the year:

Transaction type	Share class	Number of shares	Premium £ 000
New issue under OTB	A non-voting ordinary shares of 0.1p each, 0.2% partly-paid	30,000	-
New issue under OTB	D non-voting ordinary shares of 0.1p each	275,317	55
Exercise of EMI options	A non-voting ordinary shares of 0.1p each	42,545	42
Exercise of CSOP options	Ordinary shares of 0.1p each	23,011	59

22 Share capital (continued)

New issue	A non-voting ordinary shares of 0.1p each	76,923	400
Full payment	X non-voting ordinary shares of 0.1p each	4,919	21
Repurchase and cancellation	A non-voting ordinary shares of 0.1p each	(6,998)	-
Repurchase and cancellation	C non-voting ordinary shares of 0.1p each	(11,308)	-
Repurchase and cancellation	Ordinary shares of 0.1p each	(16,927)	-
Repurchase and cancellation	X non-voting ordinary shares of 0.1p each	(11,448)	-
Repurchase and cancellation	B non-voting ordinary shares of 0.1p each	(8,212)	-
			<u>577</u>

The ordinary non-voting shares, A non-voting shares and X non-voting ordinary shares have the same rights as to dividend and on winding-up as to the ordinary shares except they cannot vote at meetings of shareholders.

The B non-voting, C non-voting and D non-voting shares do not have the same rights to a dividend and on winding-up as the ordinary shares and cannot vote at meetings of shareholders.

23 Operating leases**Lessee:**

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

	Property	
	2017	2016
	£ 000	£ 000
Within one year	2,615	2,112
In the second and fifth years inclusive	9,496	5,743
After five years	20,436	15,936
	<u>32,547</u>	<u>23,791</u>

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

	Property	
	2017	2016
	£ 000	£ 000
Within one year	2,615	2,173
In the second to fifth years inclusive	9,748	5,764
After five years	20,875	16,580
	<u>33,238</u>	<u>24,517</u>

Operating lease payments represent rentals payable by the Group for its office properties, under non-cancellable operating lease agreements. At original inception, office property leases are negotiated for an average term of ten to fifteen years and rentals are fixed for an average of three years.

24 Share-based payments**Equity-settled share option schemes**

During the year there have been two HMRC-approved share option schemes in operation, an EMI scheme and CSOP. Following amendments to the EMI thresholds, the Group ceased to qualify as an eligible participant and the EMI scheme was closed to new entrants in July 2008. The CSOP was created in July 2009 to replace the EMI scheme, and to ensure that equity ownership for all levels of employees within the organisation continued to be facilitated.

All remaining unexercised EMI options were exercised during the year. There were no unvested EMI scheme options in existence during the current or prior year. Therefore, there was no share-based payment expense in respect of the EMI scheme in either the prior year or current year, nor will there be any expense in future accounting periods.

Options granted under the CSOP vest between three and ten years after the date of grant 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. The expense recognised in the year to 30 September 2017 was £44,903 (2016: £30,040).

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

During the period, a total of 104,896 options were granted under the CSOP. The fair value of these options has been estimated using the Black-Scholes method.

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

Grant date	15/12/2016	13/03/2017	07/04/2017
Number of shares under option	93,358	5,769	5,769
Fair value of share option from generally accepted business model (£)	5.20	5.20	5.20
Exercise price of an option (£)	5.20	5.20	5.20
Expected volatility	25%	25%	25%
Expected dividend yield	4.95%	4.95%	4.95%
Risk-free interest rate	0.24%	0.24%	0.22%
Expected option life to exercise (months)	36	36	36

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

24 Share-based payments (continued)

Options are exercisable at a price equal to the market value of the Company's shares on the date of grant. As the Company is unlisted, it has no readily available share price and so its share value is calculated using dividend and earnings-based models to determine a range of valuations. The average price indicated by these valuations is assumed to be the approximate market value at the date of grant and is agreed with HMRC prior to the granting of options. The expected life of the options is based on the minimum period between the grant of the option, the earliest possible exercise date and an analysis of the historical exercise data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the case.

We have estimated the value of Growth shares using the Black-Scholes method, taking into account the terms and conditions upon which the options were granted. The expense recognised in the period was the fair value of the growth shares less the 20 pence issue price. This resulted in a charge to the income statement of £62,102 (2016: £38,617), relating to the issue of 261,855 Growth shares in December 2016 and 13,462 Growth shares in April 2017.

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

Grant date	15/12/2016	07/04/2017
Number of shares granted	261,855	13,462
Fair value of share from generally accepted business model (£)	5.20	5.20
Expected volatility	25%	25%
Expected dividend yield	4.95%	4.95%
Risk-free interest rate	0.15%	0.22%
Expected time to reach growth target (months)	19	15

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

Notes to the consolidated financial statements
for the year ended 30 September 2017 (continued)

24 Share-based payments (continued)

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

Reconciliation of the movement in the number of share options:

	2017	2016
	Number	Number
Outstanding, start of period	566,936	529,902
Granted during the period	104,896	113,984
Forfeited during the period	(15,579)	(26,480)
Exercised during the period	(130,101)	(50,470)
Outstanding, end of period	<u>526,152</u>	<u>566,936</u>
Exercisable, end of period	<u>194,900</u>	<u>254,438</u>

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

	2017	2016
	£	£
Outstanding, start of period	3.28	2.89
Granted during the period	5.20	5.00
Forfeited during the period	3.37	2.99
Exercised during the period	1.22	3.18
Outstanding, end of period	<u>4.17</u>	<u>3.28</u>
Exercisable, end of period	<u>3.48</u>	<u>2.94</u>

The Company is unlisted; therefore no quoted price is available for its stock.

The lowest exercise price for share options outstanding at the end of the period was 190p (2016: 22p) and the highest exercise price was 520p (2016: 500p). The weighted average remaining contractual life of share options outstanding at the end of the period was seven years (2016: five years).

25 Related party transactions

Subsidiaries

The Company has a related party relationship with its subsidiaries. Transactions between the Company and its subsidiaries and between subsidiaries have been eliminated on consolidation.

Key management personnel

The Group has a related party relationship with its directors and members of the senior management team (the 'key management personnel'). Remuneration of key management personnel is disclosed in note 7. 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.

Directors

Remuneration of the directors is disclosed in note 7.

Charitable donations

During the year, the Group made donations totalling £109,125 (2016: £85,279) 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 a lease with EQ Property Services Limited for rental of the Head Office premises, 4 Exchange Quay, Salford Quays, Manchester M5 3EE. Mr A J Bell and Mr M T Summersgill are directors and shareholders of both AJ Bell Holdings Limited and EQ Property Services Limited. The 15 year lease was signed for rental of the building on 17 August 2016, at a market rate of £1,593,582 per annum. No amount was outstanding at year end.

26 Events after the date of the consolidated statement of financial position

At the date of approval of these consolidated financial statements, the directors are not aware of any material events after the date of the consolidated statement of financial position.

AJ Bell Holdings Limited
Company statement of financial position
as at 30 September 2017

Company No: 04503206

	Note	2017 £ 000	2016 £ 000
Assets			
Non-current assets			
Investments	4	10,102	10,130
Current assets			
Trade and other receivables - due within one year	5	788	1,226
Trade and other receivables - due after one year	5	3,694	5,806
Cash and cash equivalents		<u>10,569</u>	<u>15,068</u>
		<u>15,051</u>	<u>22,100</u>
Liabilities			
Current liabilities			
Trade and other payables	6	(1,236)	(585)
Current tax liabilities		<u>(62)</u>	<u>(1,089)</u>
		<u>(1,298)</u>	<u>(1,674)</u>
Net assets		<u>23,855</u>	<u>30,556</u>
Equity			
Share capital	7	40	40
Share premium		2,806	2,229
Retained earnings		<u>21,009</u>	<u>28,287</u>
Total equity		<u>23,855</u>	<u>30,556</u>

Approved by the Board on 12 December 2017 and signed on its behalf by:



Mr Michael Summersgill (Director)
for and on behalf of AJ Bell Holdings Limited

4 Exchange Quay
Salford Quays
Manchester
M5 3EE

12 December 2017

The notes on pages 77 to 81 form an integral part of these financial statements.

AJ Bell Holdings Limited

Company No: 04503206

Company statement of changes in equity
for the year ending 30 September 2017

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

AJ Bell Holdings Limited

Company No: 04503206

Company statement of changes in equity
for the year ending 30 September 2016

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
Balance at 1 October 2015	40	1,913	30,811	32,764
Total comprehensive income for the year:				
Profit for the financial year	-	-	9,107	9,107
Transactions with owners, recorded directly in equity:				
Issue of share capital	-	316	-	316
Dividends	-	-	(11,763)	(11,763)
Equity settled share-based payment transactions	-	-	69	69
Deferred tax effect of share-based payments	-	-	(8)	(8)
Tax relief on exercise of share options	-	-	72	72
Balance at 30 September 2016	40	2,229	28,287	30,556

The notes on pages 77 to 81 form an integral part of these financial statements.

Notes to the Company financial statements

For the year ended 30 September 2017

1 Significant accounting policies

Basis of accounting

AJ Bell Holdings Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in the UK. The address of the registered office is stated within 'Company information'. The financial statements are presented in sterling, which is the Company's functional and presentational currency.

The financial statements are prepared in accordance with Financial Reporting Standard FRS101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS101 (2014/15 cycle) issued in 2015 have been applied.

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

Disclosure exemptions

The Company is included in the consolidated financial statements of AJ Bell Holdings Limited, a company incorporated in the United Kingdom, whose consolidated financial statements are publicly available. Consequently, the Company has, in compliance with FRS101, taken advantage of the exemption from preparing the following disclosures that would otherwise have been required by IFRS:

- IAS 7 Presentation of a cash flow statement;
- IAS 8 Disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 Disclosure of key management personnel compensation and the disclosure of transaction with group companies;
- IAS16 and IAS 38 Comparative information in respect of the reconciliation of net carrying value;
- IFRS 7 Disclosure in respect of financial instruments, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated; and
- IFRS 13 Fair Value Measurement paragraphs 91 to 99, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

Investments

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

Notes to the Company financial statements

For the year ended 30 September 2017 (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

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. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the year end and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Profit for the financial year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the year ended 30 September 2017 of £3,199,000 (2016: £9,107,000). This profit was generated from the Company's principal activity which is that of a holding company.

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

3 Charitable donations

During the year, the Company made charitable donations of £109,125 (2016: £85,279).

Notes to the Company financial statements
for the year ended 30 September 2017 (continued)

4 Investments

	2017 £ 000	2016 £ 000
Cost		
At 1 October	10,532	18,412
Additions	3,772	2,120
Capital reduction	-	(10,000)
At 30 September	<u>14,304</u>	<u>10,532</u>
Accumulated impairment losses		
At 1 October	402	402
Impairment in the year	3,800	-
At 30 September	<u>4,202</u>	<u>402</u>
Carrying value at 30 September	<u>10,102</u>	<u>10,130</u>

The Company has investments in the ordinary share capital of the following subsidiaries at 30 September 2017:

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held	
			2017	2016
AJ Bell Limited *	Investment / Group administration	England and Wales	100%	100%
AJ Bell Trustees Limited	Dormant	England and Wales	100%	100%
Ashby London Trustees Limited	Dormant	England and Wales	100%	100%
AJ Bell Platinum Limited*	Dormant	England and Wales	100%	100%
Ashby London Actuarial Services Limited*	Dormant	England and Wales	100%	100%
AJ Bell Management Limited*	Investment administration	England and Wales	100%	100%
Sippdeal Trustees Limited	Dormant	England and Wales	100%	100%
AJ Bell (PP) Trustees Limited	Dormant	England and Wales	100%	100%
Whitehead Trustees Limited	Dormant	England and Wales	100%	100%

4 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held	
			2017	2016
Ashby London (PP) Trustees Limited	Dormant	England and Wales	100%	100%
Sippdeal Limited	Dormant	England and Wales	100%	100%
MSM Media Limited*	Dormant	England and Wales	100%	100%
AJ Bell Securities Limited*	Dealing and custody	England and Wales	100%	100%
Lawshare Nominees Limited	Dormant	England and Wales	100%	100%
AJ Bell EBT Limited*	Dormant	England and Wales	100%	100%
AJ Bell Media Limited*	Media	England and Wales	100%	100%
MoneyAM Limited	Dormant	England and Wales	100%	100%
AJ Bell Asset Management Limited*	Investment management services	England and Wales	100%	75%
AJ Bell Investments LLP	Investment management services	England and Wales	100%	75%
Indexx Markets Limited	Dormant	England and Wales	100%	75%
AJ Bell Capital Limited	Dormant	England and Wales	100%	75%

* indicates direct investment of AJ Bell Holdings Limited

The financial statements for the year ended 30 September 2017 of AJ Bell EBT Limited have been exempted from audit under s479C of the Companies Act 2006 by way of parent guarantee from AJ Bell Holdings Limited.

AJ Bell Capital Limited and Indexx Markets Limited are now wholly owned subsidiaries of AJ Bell Asset Management Limited following the acquisition of the 25% minority interest during the year ending 30 September 2017.

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

Notes to the Company financial statements
for the year ended 30 September 2017 (continued)

5 Trade and other receivables

	2017	2016
	£ 000	£ 000
Due within one year:		
Amounts owed by Group undertakings	1	371
Prepayments and accrued income	787	855
	<u>788</u>	<u>1,226</u>
Due after one year:		
Deferred tax asset relating to share-based payments	245	126
Amounts owed by Group undertakings	3,449	5,680
	<u>3,694</u>	<u>5,806</u>

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

6 Trade and other payables

	2017	2016
	£ 000	£ 000
Trade payables	8	-
Amounts owed to Group undertakings	1,228	570
Accruals and deferred income	-	15
	<u>1,236</u>	<u>585</u>

7 Called-up share capital

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

Unaudited five-year summary

For the year ended 30 September 2017

	IFRS				
	2017	(restated) 2016	(restated) 2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Results					
Revenue	75,576	64,466	57,038	53,493	57,043
Profit from operations	21,776	16,749	15,387	15,914	23,725
Profit before tax	21,697	16,779	15,469	16,117	23,902
Profits attributable to equity holders of AJ Bell Holdings Limited	17,571	13,440	12,329	12,523	18,164
Assets employed					
Non-current assets	11,722	9,993	10,011	11,487	11,863
Current assets	64,310	57,248	52,231	88,034	83,908
Current liabilities	(13,634)	(11,693)	(9,372)	(49,309)	(48,420)
Non-current liabilities	(246)	(1,006)	(199)	(428)	(358)
Long-term provisions	(790)	(754)	(398)	(398)	(315)
Net assets	61,362	53,788	52,273	49,386	46,678
Financed by					
Equity	61,362	53,788	52,273	49,386	46,678
Key statistics					
Earnings per share (pence)	42.85	32.85	30.23	30.87	45.08
Fully diluted earnings per share (pence)	42.60	32.73	30.17	30.76	44.82
Dividends paid in year (pence per share)	25.75	28.75	25.25	25.00	24.75
Dividend declared with respect to profits generated in year (pence per share)	28.25	25.75	25.50	25.25	25.00

Definitions

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

AJBIC	AJ Bell Investcentre
AJBYI	AJ Bell Youinvest
AUA	Assets Under Administration
BAU	Business as Usual
Board	The Board of Directors of AJ Bell Holdings Limited
CGT	Capital Gains Tax
CGU	Cash Generating Unit
CRD IV	The Capital Requirements Directive IV
CRR	Capital Requirement Regulation
CSOP	Company Share Option Plan
DEPS	Diluted Earnings Per Share
DIY	Do It Yourself
EBA	European Banking Authority
EMB	Executive Management Board
EMI	Enterprise Management Incentives
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FRS	Financial Reporting Standards
FTSE	The Financial Times Stock Exchange
GDPR	General Data Protection Regulations
GIA	General Investment Account
HMRC	Her Majesty's Revenue and Customs
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IOC	Investment Operations Certificate
ISA	Individual Savings Account
KOS	Key Operating System
LISA	Lifetime ISA
MBO	Management Buy Out
MiFID II	Markets in Financial Instruments Directive II
MPS	Managed Portfolio Service
OCF	Ongoing Charges Figure
OTB	Option To Buy
PBT	Profit Before Tax
PLC	Public Limited Company
PSA	Professional Squash Association

AJ Bell Holdings Limited**Company No: 04503206**

SIPP	Self-Invested Personal Pension
SREP	Supervisory Review and Evaluation Process
SSAS	Small Self-Administered Scheme
UK GAAP	UK Generally Accepted Accounting Principles
VT	Valu-Trac
XO	Execution Only

AJ Bell Holdings Limited
Company information

Company No: 04503206

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