5 December 2019

AJ Bell plc

Final results for the year ended 30 September 2019

AJ Bell plc ("AJ Bell" or the "Company"), one of the UK's largest investment platforms, today announces its final results for the year ended 30 September 2019.

Performance overview

- Revenue up 17% to £104.9 million (FY18: £89.7 million)
- Profit before tax (PBT) up 33% to £37.7 million (FY18: £28.4 million)
- Balance sheet strengthened, with net assets increasing to £86.1 million (FY18: £64.0 million)
- Final dividend of 3.33 pence per share, which takes the total ordinary dividend for the year to 4.83 pence per share, an increase of 31%
- Retail customers increased by 34,154 in the period, up 17% to 232,066 (FY18: 197,912)
- Customer retention rate of 95.4% (FY18: 95.1%)
- Assets under administration (AUA) up 13% during the period to £52.3 billion (FY18: £46.1 billion)
- Launch of innovative new Corporate Social Responsibility (CSR) initiative to provide the opportunity for charitable causes to share in the future success of AJ Bell

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

"These results are a strong endorsement of the business model and growth strategy that we outlined in the run up to our IPO a year ago. Our focus on the needs of our customers and helping them to invest has enabled us to continue to add new customers to the platform and retain existing ones. This has resulted in assets under administration increasing to £52.3 billion and helped us to deliver another strong financial performance with revenue up 17% and profit before tax up 33%. Our balance sheet remains strong and the Board has proposed a final dividend of 3.33p which takes the total ordinary dividend for the year to 4.83p, an increase of 31%.

"The structural growth drivers for investment platforms in the UK remain strong and if we continue to meet the needs of customers we are well placed to benefit from these over the coming years.

"Alongside these results, we are announcing an innovative CSR initiative which will see charitable causes share in our success if we exceed our ambitious growth plans, subject to shareholder approval. A new share option plan will result in charitable causes benefiting from circa £10 million if we increase our earnings per share by at least 100% over three years and by at least 150% over five years, subject to certain other conditions. The share options will be granted in favour of the AJ Bell Trust, a charity that predominantly supports disadvantaged young people in the UK and our customers and staff will get the chance to nominate which underlying causes should benefit. This means that the alignment of interests between our community, our customers, our staff and our shareholders is further strengthened."

Financial highlights

	Year ended 30 September 2019	Year ended 30 September 2018	Change
Revenue	£104.9 million	£89.7 million	17%
Revenue per £AUA*	21.9 bps	21.0 bps	0.9bps
PBT	£37.7 million	£28.4 million	33%
PBT margin	35.9%	31.6%	4.3ppts
Diluted earnings per share(1)	7.47 pence	5.63 pence	33%
Total dividend per share(1)	4.83 pence	3.70 pence	31%

(1) Prior year comparative restated to reflect share reorganisation on 15 November 2018

Non-financial highlights

	Year ended 30 September 2019	Year ended 30 September 2018	Change
Number of retail customers	**232,066**	**197,912**	**17%**
- Platform	218,169	183,213	19%
- Non-platform	13,897	14,699	(5%)
AUA	**£52.3 billion**	**£46.1 billion**	**13%**
- Platform	£44.9 billion	£38.6 billion	16%
- Non-platform	£7.4 billion	£7.5 billion	(1%)
Customer retention rate*	**95.4%**	**95.1%**	**0.3ppts**

*see definitions

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Analyst presentation

AJ Bell will be hosting an analyst presentation at 09:00 on Thursday 5 December 2019 following the release of these results for the year ended 30 September 2019. Attendance is by invitation only. Slides accompanying the analyst presentation will be made available on the AJ Bell website after the presentation.

Forward-looking statements

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

Chairman's statement

Overview

It gives me great pleasure to introduce our first Annual Report as a publicly listed company. This represents a new chapter in our history and I am pleased to report a strong set of results in our first year after listing on the Main Market of the London Stock Exchange.

During the past 12 months we have delivered a record profit before tax (PBT) of £37.7m, and broken through the £50bn milestone with assets under administration (AUA) ending the year at £52.3bn. These results, coupled with the listing, provide a sound basis for future success and on behalf of the Board I would like to thank everyone involved for their hard work and diligence during what has been a very busy year.

Whilst the successful completion of our IPO was a significant landmark, our purpose, guiding principles and strategy remain the same and continue to define and shape our culture.

Put simply, we help people to invest and our aim is to become the easiest platform to use. We invest in our propositions, our operating model and our people, focusing on innovative technology to ensure we meet the needs of advisers and customers in the constantly evolving investment platform market. This approach ensures that our customers remain at the heart of everything we do.

Governance

At listing, we became subject to the corporate governance requirements of the UK Listing Authority's Listing Rules and the UK Corporate Governance Code 2016 (the '2016 Code'). The business has always operated with a strong governance framework and we were well positioned to ensure compliance with the additional 2016 Code requirements by the year end as discussed in the Corporate Governance section. The Board is committed to maintaining high standards of corporate governance across the business.

The diverse skills, experience and background of our Board support the strategic direction of the Group. The appointments of Eamonn Flanagan and Laura Carstensen as independent Non-Executive Directors in March 2018 were made to support the management team, and to ensure a smooth transition to a premium listed public company. Laura was also appointed as Senior Independent Director.

There have been no changes to the composition of the Board in the current financial year.

The Board continues to provide strong support and appropriate challenge to the Executive Management Board (EMB) to ensure the strategy is sound, achievable and ultimately delivered. In keeping with our strategic objectives, one area of focus following the listing was the recruitment of a Chief Technology Officer to further enhance EMB and to support the delivery of our technology objectives. We were therefore delighted to welcome Mo Tagari on 1 November 2019. Mo brings with him a wealth of experience in the financial services sector.

During the course of the year, we have taken a number of preparatory steps towards compliance with the additional requirements of the UK Corporate Governance Code 2018, which became applicable to the Group on 1 October 2019. Full details of the work of the Board and its Committees are set out in the Corporate Governance report.

Our culture and our people

Both the Board and EMB play pivotal roles in shaping and embedding a healthy corporate culture within AJ Bell. Our purpose, guiding principles and strategy define and shape our culture and determine how we interact with our colleagues, our customers and other stakeholders. During the course of the year the Board, led by our CEO, reviewed how we articulate, communicate and measure the culture of the business. It was pleasing to see such positive results from this review with only a few improvements proposed to enhance the flow of information between the boardroom and the business and better facilitate the measurement and evolution of our culture.

Enhancing employee engagement is a key priority for us, so we were delighted to launch our 'Employee Voice Forum' during the year. Consisting of employee representatives from different areas of the business, the forum facilitates discussion and brings ideas from our employees directly into the Board's decision-making processes. Laura Carstensen has been appointed as our designated Non-Executive Director and is responsible for engaging with our employees via the forum.

The level of support shown by both our employees and our retail customer base through the high take up of shares during our IPO is just one example of the excellent stakeholder engagement we have seen during the year.

Dividend

The Board continues to adopt a progressive dividend policy which is balanced with holding sufficient funds for future investment and our regulatory capital requirements. The Board has proposed a final ordinary dividend of 3.33p per share which takes the total ordinary dividend for the year to 4.83p per share, representing an increase (excluding the special dividend in the previous year) of 31% on the previous year. The final ordinary dividend will be paid, subject to shareholder approval at our Annual General Meeting (AGM) on 22 January 2020, to shareholders on the register at the close of business on 10 January 2020.

Outlook

The prospects for the UK investment platform market remain positive. We believe that our strong propositions in both the D2C and advised markets, supported by a robust, scalable and efficient operating model will enable us to flourish in this expanding market, and continue to grow our customer numbers, AUA and our profits.

At the time of writing there is ongoing uncertainty surrounding the timing and nature of the UK's anticipated departure from the European Union and the outcome of the UK General Election. While we expect further market volatility, the Board believes that the business is well positioned to manage the challenges and grasp any opportunities presented.

AJ Bell is a financially strong business evidenced by a well-capitalised, profitable and highly cash-generative business model. The business has a track record of delivering growth and has developed a clear strategy to ensure that this continues. The Board is confident about the long-term prospects of the business.

Les Platts

Chairman

4 December 2019

Chief Executive Officer's review

Overview

We have made significant progress in implementing our organic growth strategy for the business during the last 12 months, delivering our most profitable year ever with a record increase of £9.3m in PBT to £37.7m. The growth of the business is driven by our ability to both attract and retain customers. We achieve this by providing an easy-to-use online investment platform underpinned by a high-quality service and excellent value for money.

The key drivers of our business, customer numbers and AUA, grew by 17% and 13% respectively for the 12 months ended 30 September 2019. This growth led to revenue increasing by 17% from £89.7m to £104.9m and PBT rising by 33% from £28.4m to £37.7m.

The number of retail customers increased by 34,154 during the year to a total of 232,066 (FY18: 197,912). This increase reflects the strong growth in our two flagship platform propositions, AJ Bell Investcentre and AJ Bell Youinvest, with customer numbers for each growing by 11% and 27% respectively and our platform customer retention rate remaining high at 95.4% (FY18: 95.1%).

During the year AUA increased by £6.2bn to £52.3bn (FY18: £46.1bn). The principal driver of this growth was the platform business, which had underlying net inflows of £3.2bn (FY18: £3.3bn) and Defined Benefit pension transfer inflows of £0.9bn, which declined from £1.8bn in the prior year. The overall impact from market movements, return on investments and other movements was positive at £2.3bn despite the FTSE All Share index closing the year 2% lower than 12 months earlier.

The ongoing UK political and macroeconomic uncertainty resulted in more cautious investor sentiment during the period, with net fund flows in the retail market remaining volatile throughout 2019. Despite this unsettled backdrop, we have continued to add and retain customers and assets on our platform. This is the result of listening to what our customers tell us and providing them with what they want. Put simply, a high-quality service at a low cost. It is also a clear demonstration of the strength and resilience of our business model.

As I reported at our half-year, we recorded our highest score within the Sunday Times 100 Best Companies to Work For and were awarded a three-star accreditation, representing the highest standard of workplace engagement. We are committed to enhancing employee engagement and one of the ways we do this is through our vibrant and modern office environment.

Our successful listing on the Main Market of the London Stock Exchange in December 2018 was a significant milestone for the business. We believe the listing will, over the long term, increase the profile of the business and we have started to see how this has improved awareness of our brand. A greater awareness and understanding of the AJ Bell business will help us to attract new customers organically and fulfil our ambitious growth plans.

We were delighted with the level of engagement throughout the IPO process from both new and existing investors, including our own retail customers and employees. Both our institutional and retail offers were heavily over-subscribed. This is a real testament to the strength of our business reflecting a shared long-term vision and the exciting opportunities that lie ahead. I am pleased to welcome our new shareholders to our register and look forward to delivering further success for the business.

Strategic update

Our aim is to become the easiest investment platform to use. During the year we continued to invest in technology and innovation to enhance the user experience and extend our range of simple, transparent, low-cost investment solutions.

AJ Bell Investcentre platform proposition

We have focused on improving the functionality of the mobile applications and website for our advised platform proposition. Our advised customers now have the ability to deal via our mobile application in their ISA and GIA's following the extension of our execution-only dealing option to these products. In addition, the AJ Bell Investcentre website has benefited from a series of enhancements including a new, more intuitive layout and improved data-driven functionality. The latest release provided enhanced reporting templates and customisation of our new adviser-facing customer reporting tool.

We also launched a range of 'Pactive' portfolios during the year, the latest addition to our Managed Portfolio Service (MPS). The aim of the portfolios is to provide a blend of passive and active investment solutions. They were created following feedback from advisers seeking to reduce customer costs whilst recognising that the choice between active and passive strategies need not be a binary one.

Following the pension freedoms reforms, we have seen a growing demand from our customers for simple and cost-effective income drawdown solutions. We have listened to this feedback and designed two easy-to-use products to cater for our customers' needs in this area. Firstly, we recently launched the Retirement Portfolio Service, with functionality built using our MPS capabilities that is designed to help advisers construct a robust investment solution for those in their retirement. Secondly, we will be launching a Retirement Investment Account early next year. This is a pension offering with one simple ad valorem charge, tapering down from 0.25% p.a., with no additional charges for administration, drawdown, custody or dealing. Our research tells us that this straightforward, no-nonsense and transparent approach to charging will prove particularly attractive for those with pension portfolios at the sub £200,000 level.

We continue to keep our pricing under review to ensure our platform propositions remain highly competitive. From 1 January 2019 we removed the £1 dealing charge for AJ Bell Investcentre deals executed through the Bulks & Models tool. In addition, we removed the majority of standard pension administration charges for Junior SIPPs that use our Funds and Shares Service.

We were pleased to have received multiple accolades for our advised platform. During the year, AJ Bell Investcentre was named 'Best Overall Advised Platform of the Year' at the lang cat awards 2018, 'Best Full SIPP Provider 2019' at the Professional Paraplanner Awards and received three Money Marketing Awards. All of the awards consider a comprehensive range of criteria and are further evidence that we provide advisers and their customers with a consistent, high-quality service at a competitive price.

AJ Bell Youinvest platform proposition

We launched a new website for our D2C platform proposition in March this year, delivering a modern design and improved mobile responsiveness. We have continued to enhance investment content on our website including the successful launch of our new podcast, 'Money & Markets', together with a range of investment-focused seminars and webinars. We also launched a fully updated Android application in September and further developed our iOS application, continuing to align the functionality of both and ensuring that all of our online content can be easily accessed via the mobile applications.

During the year, we enhanced our 'investment ideas' pages which are aimed at less experienced investors who are new to the D2C execution-only platform market. These pages set out the key features of our three investment solutions, AJ Bell passive fund range, Ready-made portfolios and Favourite funds, making it easier for our customers to compare options and start building their investment portfolio.

We have reduced our foreign exchange charges for international dealing and foreign currency funds, and increased our tiered interest rates for AJ Bell Youinvest customers during the year. We have also reduced the ongoing charges figure (OCF) cap on our AJ Bell passive fund range from 0.5% p.a. to 0.35% p.a., demonstrating our commitment to lowering costs and delivering value for our customers.

AJ Bell Youinvest was recently recognised as a Which? 'Recommended Provider' for 2019 and commended for its 'highly functional service' and 'value for money' range of investment options by the consumer organisation. In 2019 we also retained top spot in Platforum's UK D2C Investor Experience report, which looks at the customer experience of investing and how it has evolved, in addition to receiving a further 11 industry awards. It is also pleasing to see that in our annual customer survey we achieved the highest service scores ever in response to the question, "How easy is it to use AJ Bell Youinvest?"

Technology

We operate with a hybrid technology solution following a successful re-platforming in 2014 which consolidates proprietary and third-party systems into a single AJ Bell technology platform. The user interfaces are proprietary technology and we invest in them to ensure they are adaptable and easy to use. The core back-office systems are outsourced to an established software business providing a long-term strategic partnership, supplying scalable systems that are continuously updated to keep pace with evolving industry and regulatory requirements. This technology solution provides a robust and stable platform, which is critical to delivering good consumer outcomes and, in turn, to both attracting and retaining new customers.

During the year we increased the size of our development teams to provide greater capacity for delivering change within the business. In addition we have invested in the use of Robotic Process

Automation (RPA), to automate labour-intensive and routine back-office administration functions, allowing our staff to concentrate on more value-add activities. RPA software aims to reduce the risk of manual error and yield additional operational efficiencies.

I am pleased to welcome Mo Tagari to the team as Chief Technology Officer. Mo joined us on 1 November and brings significant experience to help shape and drive our technology strategy, having operated at a senior level in a number of businesses within the financial services sector.

People and culture

At the heart of our business is a clear and succinct purpose; we help people to invest. The underlying values of our business are set out in our guiding principles and inform everything we do. Our purpose and guiding principles, in combination with our strategy, define and shape our culture and all these elements are captured in the AJ Bell Way.

The Board and EMB, acting together, seek to embed and continually reinforce our culture by both encouraging open, honest communication and engagement across the business and by promoting individual accountability. Our established governance framework is also used to positively influence culture, leading by example and ensuring the tone from the top is appropriate.

Culture is measured in a number of ways including direct feedback from our customers and their advisers, our staff and other stakeholders. I am proud of the culture that we have nurtured over the years, and as we grow, it is ever more important that we preserve it.

We believe it is important to give something back to the community and for many years have operated a policy of donating 0.5% of the full year PBT to charities that help people in need. The Board has recently approved a long-term CSR initiative for implementation in FY20, with the intention of giving an additional contribution to charity through the donation of share options should a number of stretching targets be met by the Group.

An engaged workforce is absolutely vital to our business. Our success is built on delivering a high-quality service through the skills and passion of our people who bring our values to life across the business. We focus on ensuring that employees are inspired, sourcing talented people and developing them to realise their potential. We have progressed a number of programmes for our staff during the year, including talent management and other staff development initiatives which are further discussed within 'Our people'.

Our apprenticeship programmes continue to go from strength to strength. We currently employ 31 apprentices in investment operations and digital technology. During their contract, our apprentices benefit from a dedicated mentor and work towards either a professional or academic qualification, as well as completing in-house technical training. It is always pleasing to see first-hand the enthusiasm and commitment demonstrated by our recruits, as we aim to help the next generation develop their career in a supportive learning environment.

Market and regulatory developments

We have seen consolidation in the platform market in recent years, but also a number of new entrants, principally in the form of Fintech firms. The barriers to entry remain high and new entrants in particular struggle to obtain scale and become profitable. Our customers want easy-to-use products and, just as importantly, a secure platform that they can trust with their assets over the long-term. We invest in technology to ensure we provide both the flexibility and security required by our customers, whilst remaining profitable with a strong capital base.

How customers use investment platforms will continue to evolve as their needs change. In response to positive feedback, we continue to develop our Mywealth proposition within AJ Bell Youinvest. This enables our D2C customers to see their other assets and liabilities alongside those held with AJ Bell, and will shortly be extended to utilise open banking interfaces where available.

We operate in a highly regulated environment that continues to evolve with the investment platform market having been a specific area of focus for the FCA in recent years. The FCA's final report on its Investment Platforms Market Study, published in March 2019, concluded that the platform market is generally working well. A key finding of the report was that switching providers is still too difficult and we fully support this finding along with the collaborative work that the industry is carrying out to address this issue.

We believe that any restriction on platform exit fees should be applied consistently across the industry and go wider than platforms to ensure there is a level playing field for similar products. The FCA's consultation on the issues raised in its Market Study closed in June 2019 and we look forward to the publication of its final policy statement.

The FCA published its final policy statement on retirement outcomes in July 2019 which sets out the requirement for providers to offer investment pathways for customers entering drawdown without taking advice. The policy statement also sets out rules requiring providers to ensure that investment in cash and cash-like assets is an active, rather than a passive decision and to provide information to further clarify costs and charges to the customer. We will continue to engage with the FCA regarding the investment pathways as, whilst we understand and support the intention behind the rules, we have expressed our concerns that the outcomes targeted by the investment pathways take no account of a customer's risk appetite.

The Senior Managers and Certification Regime (SMCR) aims to improve standards in the Financial Services sector by making individuals more accountable for their conduct and competence. The initial stage of the regulation comes into effect on 9 December 2019 and the Group is preparing to ensure compliance with all the regulation required for this date.

We believe that increased stability, simplicity and clarity in the UK savings and investments industry has long-term benefits for our customers, AJ Bell, the wider industry and society. We continue to campaign for reforms in a number of areas including ISA simplification, simplifying pension tax reliefs and finally giving customers the right to determine who receives their pension fund on death. All of our campaigning initiatives have simplicity and fairness at their heart and we will continue to lobby tirelessly for change where we see unfairness or unnecessary complexity.

Simplification of long-term savings

The UK has six variations of an ISA, which makes it difficult for people to know which one best suits their needs. I believe that a radically simpler system with a single ISA product would be easier for customers to understand, easier for advisers to recommend and ultimately get ISAs back to what they originally were; a simple, tax-efficient, long-term savings account.

In July I wrote to the Chancellor, Sajid Javid, calling for a review of the ISA system in order to simplify it for customers and make it easier for them to invest. I outlined our vision for 'One ISA' and detailed how the existing versions could be consolidated into a single product. I believe this would be an extremely positive and popular change that would be welcomed by consumers, financial advisers and ISA managers alike and could be achieved in a way that is cost neutral to the Government. I look forward to meeting with the Treasury to discuss our One ISA proposals in more detail.

Under current UK pension legislation, we have three different annual allowances and a lifetime allowance restricting how much people can save. I believe there needs to be a single control on how much people can save via pensions and that is a single annual allowance for defined contribution pension schemes and a lifetime allowance for defined benefit schemes. This would dramatically simplify pensions for millions of people.

The basis of distributing death benefits from personal pensions, including SIPPs, has historically been at the discretion of the scheme administrator or trustee. Few pension savers truly appreciate that they have no legal right to determine who will receive the proceeds of their pension fund when they die. How death benefits are distributed needs to be decoupled from the inheritance tax exemption of these benefits so that pension savers are in control of who will receive benefits on their death.

Improving access to financial guidance

The advice gap in the UK has never been bigger and guidance solutions are the best way for platforms to help non-advised customers invest in a responsible manner. Best buy lists and other guidance tools have recently come under scrutiny for good reason. We have an absolute conviction that these guidance solutions, if constructed with integrity and transparency, are a force for good. It would be easy for the FCA to turn against guided solutions or put obstacles in the way of retail investors wishing to invest in illiquid asset classes, such as commercial property, via open-ended funds, but we would urge caution against any knee-jerk regulatory reactions. If anything, there is a coherent argument that the FCA should loosen the reins a little, allowing guided solutions to be more easily matched with a customer's appetite for risk, without this inadvertently straying into personal recommendation and regulated advice.

Outlook

We have delivered another strong set of results for 2019, strengthened our balance sheet and increased our ordinary dividend for a 15th successive year in line with the Group's progressive dividend policy. Our continued growth is underpinned by our purpose to help people to invest and our strategic aim of being the easiest platform to use.

The UK's anticipated departure from the EU has resulted in continued economic and political uncertainty causing volatility in the market and weakened investor sentiment. We consider these conditions will continue beyond the UK General Election and until the future relationship with the EU is clarified. In uncertain times such as these, customers have a greater need for established, trustworthy businesses offering a high-quality service, at a low cost to meet their evolving investment needs. We will continue to listen to our customers to ensure we deliver the service they want, when they want it, at a price recognised as excellent value for money.

The UK platform market continues to grow and we are well placed to capitalise on the opportunities that lie ahead. We have an increasingly recognisable brand, two award-winning platform propositions and a robust, efficient operating model on which to deliver our ambitious growth plans.

This year, we have successfully listed our business on the Main Market of the London Stock Exchange and delivered the most profitable trading performance in our history. These significant achievements would not have been possible without the outstanding commitment and hard work of our staff, who deliver such a consistent, high-quality service to our customers, day in day out. I would like to take this opportunity to thank them as we approach our 25 year anniversary.

Andy Bell

Chief Executive Officer

4 December 2019

Financial review

The Group has continued to deliver significant growth in the year. Revenue increased by 17% from £89.7m to £104.9m and we achieved a record increase in PBT, which increased by £9.3m to £37.7m, representing a 33% year-on-year growth rate. This excellent result was primarily due to the continued success of our platform propositions. The two key drivers of our performance, customers and AUA, grew by 17% and 13% respectively in the 12-month period, with AUA breaking the £50bn milestone, at £52.3bn as at 30 September 2019 (FY18: £46.1bn).

Business performance

Customers

Customer numbers increased by 34,154 during the year to a total of 232,066 (FY18: 197,912). This growth has been driven by our platform propositions which saw a 19% increase in customer numbers to 218,169 as at 30 September 2019. In addition, our platform customer retention rate remained high at 95.4% (FY18: 95.1%).

	Year ended 30 September 2019	**Year ended 30 September 2018**
Platform	218,169	183,213
Non-platform	13,897	14,699
Total	**232,066**	**197,912**

Assets under administration

Year ended 30 September 2019

	Advised platform £bn	D2C platform £bn	**Total platform £bn**	Non-platform £bn	**Total £bn**
As at 1 October 2018	29.9	8.7	**38.6**	7.5	**46.1**
Underlying inflows	3.4	2.0	**5.4**	0.1	**5.5**
Outflows	(1.6)	(0.6)	**(2.2)**	(0.5)	**(2.7)**
Underlying net inflows/(outflows)	1.8	1.4	**3.2**	(0.4)	**2.8**
Defined benefit inflows	0.9	-	**0.9**	-	**0.9**
Bulk migration inflows	-	0.2	**0.2**	-	**0.2**
Total net inflows/(outflows)	2.7	1.6	**4.3**	(0.4)	**3.9**
Market and other movements	1.2	0.8	**2.0**	0.3	**2.3**
As at 30 September 2019	33.8	11.1	**44.9**	7.4	**52.3**

Year ended 30 September 2018

	Advised platform £bn	D2C platform £bn	**Total platform £bn**	Non-platform £bn	**Total £bn**
As at 1 October 2017	24.3	6.6	**30.9**	8.9	**39.8**
Underlying inflows	3.3	1.9	**5.2**	0.2	**5.4**
Outflows	(1.4)	(0.5)	**(1.9)**	(0.5)	**(2.4)**
Underlying net inflows/(outflows)	1.9	1.4	**3.3**	(0.3)	**3.0**
Defined benefit inflows	1.8	-	**1.8**	-	**1.8**
Bulk migration inflows/(outflows)	0.5	0.3	**0.8**	(1.2)	**(0.4)**
Total net inflows/(outflows)	4.2	1.7	**5.9**	(1.5)	**4.4**
Market and other movements	1.4	0.4	**1.8**	0.1	**1.9**
As at 30 September 2018	29.9	8.7	**38.6**	7.5	**46.1**

In spite of unsettled markets, we have continued to add and retain AUA on our platform, with total AUA increasing 13% to £52.3bn at 30 September 2019, demonstrating the resilience and robustness of our business model. The growth in the year was primarily driven by our platform propositions, which saw total underlying inflows increase from £5.2bn to £5.4bn, with both advised and D2C platforms registering an increase.

Advised platform inflows from defined benefit transfers declined, contributing £0.9bn to inflows during the year compared with £1.8bn in the prior year.

D2C platform inflows included £0.2bn that related to AJ Bell plc shares held by current and former employees of the Company. These shares were migrated onto the D2C platform in October 2018, ahead of our listing on the Main Market of the London Stock Exchange in December 2018.

Financial performance

Revenue

	Year ended 30 September 2019 £000	**Year ended 30 September 2018 £000**
Recurring fixed	25,395	25,212
Recurring ad valorem	63,095	47,890
Transactional	16,412	16,589
Total	**104,902**	**89,691**

Revenue increased by 17% to £104.9m (FY18: £89.7m), with the proportion of recurring revenue increasing from 82% to 84%. We have three categories of revenue, these being recurring fixed fees, recurring ad valorem fees and transactional fees.

Recurring fixed revenue (which includes recurring pension administration fees and media revenue) saw an increase of 1% to £25.4m (FY18: £25.2m). This modest increase was a result of the increased revenues from our advised platform customers being offset by a reduction in pension administration from our non-platform business. The reduction in non-platform revenue was due to our decision to discontinue two of our third-party administration contracts during the prior financial year.

Recurring ad valorem revenue (comprising custody fees, retained interest income, and investment management fees) grew by 32% to £63.1m (FY18: £47.9m). The key drivers of the growth in ad valorem revenue were the growth in AUA and higher interest rates. Retained interest income has continued to benefit from the increases in the UK base rate during the previous financial year, from 0.25% to 0.50% in November 2017 and from 0.50% to 0.75% in August 2018.

Transactional revenue (comprising dealing fees and pension scheme activity fees) fell by 1% to £16.4m (FY18: £16.6m). This was partially due to a fall in dealing activity per customer during the year with many adopting a cautious approach to investing as the ongoing UK political and macroeconomic uncertainty continued. In addition, prior year fees also included £0.5m of one-off revenue, relating to the termination of one of our third-party SIPP administration contracts in the prior year.

Revenue margin increased by 0.9bps from 21.0bps to 21.9bps in the year, a modest increase of 4%. This was caused by a combination of the faster growth of our higher margin D2C platform proposition and the increase in retained interest income discussed above.

Administrative expenses

	Year ended 30 September 2019 £000	**Year ended 30 September 2018 £000**
Distribution	9,228	7,711
Technology	17,789	15,208
Operational and support	39,528	36,747
IPO	948	1,769
Total	**67,493**	**61,435**

Administrative expenses increased by 10% to £67.5m (FY18: £61.4m). We have three categories of administrative expenses, distribution, technology, and operational and support.

Distribution costs increased by 19% from £7.7m to £9.2m due to an increase in our marketing activity, which was a key driver of our growth in both customer numbers and AUA in the year.

Technology costs increased by 17% to £17.8m (FY18: £15.2m). This increase reflects the investment we have made in our IT department with staff numbers increasing from 116 in the prior year to 137 at the end of September 2019. This investment will allow us to implement changes at a faster rate, enhancing our platform propositions and delivering operational efficiencies.

Operational and support costs increased by 8% to £39.5m (FY18: £36.7m). There was an underlying increase in our operational and support cost base year on year to support the growth of the business. However, this increase was far lower than the increase in the rate of growth in customers served and AUA administered, which was a result of the operational gearing that is inherent in our business model.

The majority of the cost increase was caused by increased headcount. Other significant increases include the uplift in the Financial Services Compensation Scheme (FSCS) levy, and an increase in property costs which was caused by the expansion into additional space in our London and Exchange Quay offices.

Prior year costs included one-off costs for the relocation of the stockbroking operation from Tunbridge Wells to our Manchester office.

Costs relating to our IPO, which was successfully completed in December 2018, amounted to £0.9m in the year, increasing the overall costs of the project to £2.7m in line with expectations.

Profit before tax (PBT)

PBT rose to £37.7m (FY18: £28.4m), an increase of 33% compared with the prior year and our PBT margin increased to 36% (FY18: 32%). This was due to the continued growth in the business, higher revenue margins and operational gearing.

Tax

The effective rate of tax for the year was 19.5% (FY18: 20.1%), slightly higher than the standard rate of UK Corporation Tax of 19.0%, reflecting the IPO-related costs that are partially disallowable.

Earnings per share

Basic earnings per share increased by 30% to 7.51p. Diluted earnings per share (DEPS) increased by 33% to 7.47p.

Financial position

Capital and liquidity

The Group's balance sheet remains strong, with net assets totalling £86.1m (FY18: £64.0m) at 30 September 2019 and a return on assets of 35% (FY18: 35%). A healthy surplus over our regulatory capital requirement was held at all times during the year. Cash balances increased by 39% from £49.7m to £69.1m. Our short working capital cycle means that PBT is quickly converted into cash and our significant cash surplus ensures we have sufficient liquidity buffers to support our growing operation.

Dividends

The Board has proposed a final dividend of 3.33p per share (FY18: 2.24p per share), equating to a dividend payout ratio of 65% of statutory profit after tax. The Board remains committed to a progressive dividend policy, whilst also ensuring we have sufficient capital for future investment in the business and to maintain an appropriate surplus over and above our regulatory capital requirements.

Michael Summersgill

Chief Financial Officer

4 December 2019

Principal risks and uncertainties

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

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

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

Risk	Potential impact	Mitigations
Strategic risk		
Competitor or market risk The risk that the Group fails to remain competitive in its peer group, due to lack of innovative products and services, increased competitor activity, regulatory expectations, and lack of marketing focus and spend to keep pace with competitors.	- Loss of competitive advantage, such that AUA and customer number targets are adversely impacted. This would have a negative impact on profitability. - Reputational damage as a result of underperformance and/or regulatory scrutiny.	The Group regularly reviews its products against competitors, in relation to pricing, functionality and service, and actively seeks to make enhancements where necessary to maintain or improve its competitive position in line with the Group's strategic objectives. The Group remains closely aligned with trade and industry bodies, and other policy makers across our market. The use of ongoing competitor analysis provides insight and an opportunity to adapt strategic direction in response to market conditions.
Operational risk		
Forward-looking regulatory and tax law risk The risk of changes to taxation legislation or regulatory restriction severely reducing our ability to operate.	- Non-compliance with regulation leading to customer detriment. - Financial loss due to reduction in customer numbers and/or fines from regulators. - Missed opportunities to achieve competitive advantage through the approach to implementation.	The Board is supported by a Risk and Compliance Committee, Executive Management Assurance Committee, and a Risk Management Committee in each of which all regulatory changes are reported and scrutinised as appropriate. Strong compliance policy and technical teams responsible for ensuring all applicable new rules and regulations, as well as changes to industry practice, are captured, interpreted and implemented appropriately.
Regulatory and litigation risk The risk that the Group fails to comply with the existing standards of the regulatory system, including FCA, ICO, HMRC and European	- Regulatory censure and/or fine. - Related negative publicity could reduce customer confidence and affect ability to generate new inflows. - Poor conduct could have a negative impact on customer	The Group maintains a strong compliance culture geared towards positive customer outcomes and regulatory compliance. The compliance function is responsible for ensuring all

Regulations.	outcomes, impacting the Group's ability to achieve strategic objectives.	standards of the regulatory system are being met by the Group. This is achieved by implementing policies and procedures across the business, raising awareness and developing an effective control environment through providing comprehensive training. Where appropriate, the compliance monitoring team conducts reviews to ensure a high standard of compliance has been embedded into the business.
Information security risk The threat of a vulnerability in the Group's infrastructure being exploited or user misuse that causes harm to service, data and/or an asset causing material business impact.	- Related negative publicity could damage customer and market confidence in the business, affecting our ability to attract and retain customers. - Information security breaches could result in fine/censure from regulators, such as ICO and FCA.	The Group continually reviews its cyber security position to ensure that it protects the confidentiality, integrity and availability of its network and the data that it holds. A defence in depth approach is in place with firewalls, web gateway, email gateway and anti-virus amongst the technologies deployed. Staff awareness is seen as being a key component of the layered defences, with regular updates, training and mock phishing exercises. Our security readiness is subject to independent assessment by a penetration testing partner that considers both production systems and development activities. This is supplemented by running a programme of weekly vulnerability scans to identify configuration issues and assess the effectiveness of the software patching schedule.
Fraud and financial crime risk The risk of failure to protect against cybercrime, fraud or security breaches, as a result of staff or third-party dishonesty, including cyber attack, causing major misappropriation of customer funds or theft of customers' identities.	- Loss of data or inability to maintain our systems, resulting in reputational damage through negative press exposure. - Potential customer detriment as customers are at risk of losing funds or personal data, which can subject them to further loss via other organisations. - Fraudulent activity leading to identity fraud and/or loss of customer holdings to fraudulent activity.	Extensive controls are in place to minimise the risk of fraud and financial crime. Policies and procedures, including mandatory anti-fraud training, are in place for all employees to aid the detection, prevention and reporting of internal fraud. The Group has an extensive recruitment process in place to screen potential employees. The Group actively maintains defences against a broad range of likely attacks by global actors, bringing together tools from well-known providers,

		external consultancy and internal expertise to create multiple layers of defence. The latter includes intelligence shared through participation in regulatory, industry and national cyber security networks. We regularly assess our maturity against an acknowledged security framework, which includes an ongoing programme of staff training and assessment through mock security exercises.
Third-party IT failure risk The risk that a third party provider materially fails to deliver the contracted services.	- Loss of service from a third party technology provider could have a negative impact on customer outcomes due to website unavailability, delays in receiving and/or processing customer transactions or interruptions to settlement and reconciliation processes. - Financial impact through increased operational losses. - Regulatory fine and/or censure.	To mitigate the risk posed by third party software suppliers, the Group continues to build strong partnerships with key suppliers, managing relationships day-to-day under formal governance structures, and monitoring performance against documented service standards to ensure their continued commitment to service, financial stability and viability. Performance metrics are discussed monthly with documented actions for any identified improvements. This is supplemented by attendance at formal user groups with other clients of the key suppliers, sharing experience and leveraging the strength of the user base. Where relevant and appropriate, annual financial due diligence on critical IT suppliers and on-site audits are also undertaken.
IT system performance, capacity and resilience risk The risk that the design, implementation and management of applications, infrastructure and services fail to meet current and future business requirements.	- The reliance on evolving technology remains crucial to the Group's effort to develop its services and enhance products. Prolonged underinvestment in technology will affect our ability to serve our customers and meet their needs. - Failing to deliver and manage a fit-for-purpose technology platform could have an adverse impact on customer outcomes and affect our ability to attract new customers. - IT failures may lead to financial or regulatory	The Group continues to implement a programme of increasing annual investment in the technology platform. This is informed by recommendations that result from regular architectural reviews of applications and of the underpinning infrastructure and services. Daily monitoring routines provide oversight of performance and capacity, and regular reviews of those routines. Our rolling programme of both

	penalties, and reputational damage.	business continuity planning and testing, and single point of failure management, maintains our focus on the resilience of key systems in the event of an interruption to service.
Business continuity risk The risk of the inability to maintain critical operations in the event of either an internal or external disruptive event e.g. loss of building, IT failure, loss of key supplier and staff shortages.	- Failure to maintain or quickly recover operations would lead to inability to service customer needs, generating negative publicity. - The loss of services could lead to a significant financial loss.	The Group has a comprehensive and tested business continuity management model. Agreements are in place with specialist suppliers for geographically remote disaster recovery facilities for all of its operations, including separate offsite IT recovery facilities. There is a rolling programme of testing of business continuity plans.
Operational capability risk The risk that, due to unexpectedly high volumes and/or levels of change activity, the Group is unable to process work within agreed service levels and/or to an acceptable quality for a sustained period.	- A decline in the quality of work will have a financial impact through increased operational losses. - Unexpectedly high volumes coupled with staff recruitment and retention issues could lead to poor customer outcomes and reputational damage.	The Group focuses on increasing the effectiveness of its operational procedures and, through its business improvement function, aims to improve and automate more of its processes. This reduces the need for manual intervention and the potential for errors. There is an on-going programme to train staff on multiple operational functions. Diversifying the workforce enables the business to deploy staff when high work volumes are experienced. Causes of increased volumes of work, for example competitor behaviour, are closely monitored in order to plan resource effectively. The Group maintains succession plans for key members of management and has also sought to mitigate this risk by facilitating equity ownership for senior employees through various share schemes and the development of a staff engagement strategy.
Financial control environment risk The risk that the financial control environment is weak. This includes the risk of loss to the business, or its customers, because of either the actions of an associated third-party or the misconduct of an employee.	- Reputational damage with regulators, leading to increased capital requirement. - Customer detriment damaging the AJ Bell brand. - Increased expenditure in order to compensate customers for loss incurred.	The Group's financial control and fraud prevention policies and procedures are designed to ensure that the risk of fraudulent access to customer or corporate accounts is minimised. Anti-fraud training is provided to all members of staff who act as first line of defence to facilitate early detection of potentially fraudulent activity.

		Strong technology controls are in place to identify potential money laundering activity or market abuse.
Retail conflicts / conduct risk The risk that the fair treatment of customers is not central to the Group's corporate culture.	- Poor conduct could have a negative effect on customer outcomes, impacting the growth of our business. - Reputational damage resulting from poor levels of customer service. - Additional regulatory scrutiny and financial loss.	The Group's customer focus is founded on our guiding principles, which drive the culture of the business and ensure customers remain at the heart of everything we do. Training on the importance and awareness of the delivery of good customer outcomes is provided to all staff on a regular basis. The Group continues to focus on enhancements to its risk management framework, in relation to the identification, monitoring and mitigation of risks of poor customer outcomes, and to its product management process to reduce the potential for customer detriment. All developments are assessed for potential poor customer outcomes, and mitigating actions are delivered alongside the developments as appropriate.
Financial risk		
Economic and capital markets fluctuation risk The risk that a significant and prolonged capital market or economic downturn has an adverse effect on customer confidence, asset values and interest rates. Ongoing Brexit negotiations regarding future relations between the UK and the EU mean there is considerable uncertainty over the longer-term impact on the UK economy and this is likely to remain until, at least, exit terms are agreed.	- Adverse effect on customer transactional activity or ad valorem fees generated from assets under administration from which the Group derives revenue. Sensitivities for interest rate and market movements are shown in note 24 to the consolidated financial statements.	The Group's products are targeted at UK residents. We do not do business in any other countries and have relatively few customers outside the UK. However, in the event that the economy falls back into a prolonged recession, this may impact contribution levels and confidence generally in the savings and investment markets. The Directors believe that the Group's overall income levels and in particular the balance between the different types of assets and transactions from which that income is derived, provide a robust defensive position against any economic downturn. Revenue from retained interest income is derived from the pooling of customer cash balances. The Group has a variety of transactional and recurring

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

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have performed an assessment of the viability of the Group. As a FCA regulated entity, a continual assessment is undertaken by the Group to identify and quantify its principal risks and uncertainties. This process is known as the Internal Capital Adequacy Assessment Process (ICAAP) and the potential impact of these risks crystallising is considered over a four year period using the Group's Board-approved forecasts, which are prepared over the same period. The Board believes this is an appropriate time horizon over which it can make a robust and well informed assessment of the critical factors likely to impact on the Group's viability.

The viability assessment has been made considering the Group's financial position and regulatory capital requirements in the context of its business model, strategy and four year financial forecasts and in consideration of the principal risks and uncertainties, as detailed in the strategic report. The principal risks and uncertainties are those that may adversely impact the Group as a result of both the Group's business activities and those arising from the wider macroeconomic environment.

The Group's financial forecasts for the four year period to September 2023 were approved by the Board in September 2019. The first year of the financial forecasts are based on the FY20 budget for the business, prepared on a detailed bottom-up basis, following guidance from the Board at the start of the business planning process. The remaining three years are prepared using detailed revenue assumptions provided by management with high level assumptions made for the growth in the cost base, informed by historical trends and the agreed strategy of the business.

The Group's ICAAP uses a combination of techniques including stress testing and scenarios to consider severe but plausible events to determine the capital requirements for the Group over the four year period covered by the Group's financial forecasts to September 2023. The estimated capital required for the crystallisation of risks arising from its business activities is used to inform the Group's regulatory capital requirements for the next twelve months. The estimated capital required for the crystallisation of risks arising from the wider macroeconomic environment, considering the impact of three different scenarios, is used to determine if the Group is able to maintain sufficient capital resources over the total four year assessment period.

As part of its ICAAP, the Group has considered severe but plausible stress and scenario testing of the potential impact of three critical factors arising from the macroeconomic environment. This covers changes in UK savings tax legislation and falls in either the Bank of England base rate or capital markets. This has been modelled over a four year period to determine if the Group has sufficient capital to withstand the potential impact of all three scenarios occurring simultaneously, whilst retaining adequate capital resources to meet its projected regulatory capital requirements.

The principal risks to the Group arising from the UK's potential departure from the EU are considered to be those listed in the principal risks and uncertainties section under 'economic and capital markets fluctuation risk'. These risks are considered under the stress testing and scenarios arising from the wider macroeconomic environment.

The results have confirmed that the Group would be able to withstand the adverse financial impact of these three severe but plausible scenarios arising from the macroeconomic environment. The Group would continue to retain a surplus of capital above the Group's regulatory requirements, in the event that all three scenarios occurred simultaneously, with or without any management remediation actions.

As a result, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the four year period ending September 2023.

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

Andy Bell

Chief Executive Officer
4 December 2019

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

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

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

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

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

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

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

The Group and Parent Company financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Parent Company and the undertakings included in the Group taken as a whole; and

The Strategic report and the financial statements include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

Approved by the Board on 4 December 2019 and signed on its behalf by:

Christopher Bruce Robinson
Company Secretary

4 Exchange Quay
Salford Quays
Manchester
M5 3EE

Consolidated income statement

For the year ended 30 September 2019

	Note	2019 £ 000	2018 £ 000
Revenue	5	104,902	89,691
Administrative expenses		(67,493)	(61,435)
Operating profit	6	37,409	28,256
Investment income		328	128
Finance costs	8	(42)	(25)
Profit before tax		37,695	28,359
Tax expense	9	(7,342)	(5,713)
Profit for the year		30,353	22,646
Profit for the financial year attributable to:			
Equity holders of the parent company		30,353	22,646
Earnings per share:			
Basic (pence)	11	7.51	5.76
Diluted (pence)	11	7.47	5.63

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

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

Consolidated statement of financial position

as at 30 September 2019

	Note	2019 £ 000	2018 £ 000
Assets			
Non-current assets			
Goodwill	12	3,660	3,660
Other intangible assets	13	2,453	3,124
Property, plant and equipment	14	4,062	4,433
Deferred tax asset	16	1,094	372
		11,269	11,589
Current assets			
Trade and other receivables	17	22,954	20,075
Cash and cash equivalents	18	69,067	49,695
		92,021	69,770
Total assets		**103,290**	**81,359**
Liabilities			
Current liabilities			
Trade and other payables	19	(9,965)	(11,438)
Current tax liabilities		(2,804)	(2,491)
Other financial liabilities	20	(338)	(300)
Provisions	21	(1,095)	(1,282)
		(14,202)	(15,511)
Non-current liabilities			
Trade and other payables	19	(1,241)	(603)
Other financial liabilities	20	(234)	(431)
Provisions	21	(1,550)	(778)
		(3,025)	(1,812)
Total liabilities		(17,227)	(17,323)
Net assets		**86,063**	**64,036**
Equity			
Share capital	22	51	42
Share premium		7,667	4,410
Own shares		(1,147)	(1,364)
Retained earnings		79,492	60,948
Total equity		**86,063**	**64,036**

The financial statements were approved by the Board of Directors and authorised for issue on 4 December 2019 and signed on its behalf by:

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Michael Summersgill
Chief Financial Officer

AJ Bell plc
Company registered number: 04503206

Consolidated statement of changes in equity

as at 30 September 2019

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Own shares £ 000	Total equity £ 000
Balance at 30 September 2018	42	4,410	60,948	(1,364)	64,036
Adjustments on initial application of IFRS 9	-	-	78	-	78
Adjustments on initial application of IFRS 15	-	-	172	-	172
Balance at 1 October 2018 – as restated	42	4,410	61,198	(1,364)	64,286
Total comprehensive income for the year:					
Profit for the year	-	-	30,353	-	30,353
Transactions with owners, recorded directly in equity:					
Issue of shares	-	1,081	-	-	1,081
Settlement of part-paid shares	1	2,185	-	-	2,186
Bonus issue	9	(9)	-	-	-
Dividends paid	-	-	(14,938)	-	(14,938)
Equity settled share-based payment transactions	-	-	1,100	-	1,100
Deferred tax effect of share-based payments	-	-	663	-	663
Tax relief on exercise of share options	-	-	1,383	-	1,383
Purchase of own share capital	(1)	-	-	-	(1)
Share transfer to employees	-	-	(267)	267	-
Own shares acquired	-	-	-	(50)	(50)
Total transactions with owners	9	3,257	(12,059)	217	(8,576)
Balance at 30 September 2019	**51**	**7,667**	**79,492**	**(1,147)**	**86,063**

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Own shares £ 000	Total equity £ 000
Balance at 1 October 2017	40	2,806	58,516	-	61,362
Total comprehensive income for the year:					
Profit for the year	-	-	22,646	-	22,646
Transactions with owners, recorded directly in equity:					
Issue of shares	1	1,291	-	-	1,292
Settlement of part-paid shares	1	313	-	-	314
Dividends paid	-	-	(20,095)	-	(20,095)
Equity settled share-based payment transactions	-	-	112	-	112
Deferred tax effect of share-based payments	-	-	51	-	51
Tax relief on exercise of share options	-	-	128	-	128
Purchase of own share capital	-	-	(410)	-	(410)
Own shares acquired	-	-	-	(1,364)	(1,364)
Total transactions with owners	2	1,604	(20,214)	(1,364)	(19,972)
Balance at 30 September 2018	**42**	**4,410**	**60,948**	**(1,364)**	**64,036**

Consolidated statement of cash flows

for the year ended 30 September 2019

	Note	2019 £ 000	2018 £ 000
Cash flows from operating activities			
Profit for the financial year		30,353	22,646
Adjustments for:			
Investment income		(328)	(128)
Finance costs		42	25
Income tax expense		7,342	5,713
Depreciation and amortisation		2,110	1,971
Share-based payment expense		1,100	112
Net increase in provisions and other payables		1,223	108
Loss on disposal of property, plant and equipment		4	11
(Increase) / decrease in trade and other receivables		(2,626)	2,137
(Decrease) / increase in trade and other payables		(1,473)	1,323
Cash generated from operations		37,747	33,918
Interest paid		(42)	(25)
Income tax paid		(5,704)	(5,045)
Net cash from operating activities		**32,001**	**28,848**
Cash flows from investing activities			
Purchase of other intangible assets	13	-	(6)
Purchase of property, plant and equipment	14	(858)	(951)
Interest received		324	128
Net cash flows used in investing activities		(534)	(829)
Cash flows from financing activities			
Payments of obligations under finance leases and hire purchase contracts	26	(373)	(199)
Proceeds from issue of share capital		1,081	1,292
Proceeds from settlement of part-paid shares		2,186	314
Payments for purchase of own shares		(1)	(410)
Purchase of own shares for employee share schemes		(50)	(1,364)
Dividends paid	10	(14,938)	(20,095)
Net cash used in financing activities		(12,095)	(20,462)
Net increase in cash and cash equivalents		**19,372**	**7,557**
Cash and cash equivalents at beginning of year	18	49,695	42,138
Total cash and cash equivalents at end of year	**18**	**69,067**	**49,695**

Notes for the consolidated financial statements

for the year ended 30 September 2019

1 General information

AJ Bell plc (formerly AJ Bell Holdings Limited) (the ‘Company’) is the Parent Company of the AJ Bell group of companies (together the ‘Group’). The Group provides investment administration, dealing and custody services. The nature of the Group's operations and its principal activities are set out in the Strategic report and the Directors’ report.

The Company is a public limited company which is listed on the Main Market of the London Stock Exchange and incorporated and domiciled in the United Kingdom. The Company's number is 04503206 and the registered office is 4 Exchange Quay, Salford Quays, Manchester, M5 3EE. A list of investments in subsidiaries, including the name, country of incorporation, registered office, and proportion of ownership is given in note 6 of the Company's separate financial statements.

On 12 December 2018 the Company was admitted to the premium listing segment of the Official List of the Main Market for listed securities of London Stock Exchange plc.

The consolidated financial statements for the Company and its subsidiaries were approved by the Board on 4 December 2019.

2 Significant accounting policies

Basis of accounting

The consolidated financial statements of AJ Bell plc 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 information contained in this report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information set out in this report has been extracted from the Group's 2019 Annual Report and Financial Statements, which have been approved by the Board of Directors on 4 December 2019 and agreed with KPMG LLP, the Company's Auditor. The Auditor's Report was unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

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

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

Changes to International Reporting Standards

Interpretations and standards which became effective during the year:

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

		Effective for periods commencing
IFRS 9	Financial Instruments	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018

The Group applies IFRS 9 and IFRS 15 for the first time and the impact of the adoption of these standards is disclosed below. The remaining new standards have not had a material impact on the financial statements of the Group. The following amendments and interpretations are effective for the first time for periods beginning on or after 1 January 2018 but have not had a material effect on the Group and so have not been discussed in detail in the notes to the financial statements:

IFRS 2	Share-Based Payments (amendments)
IFRIC 22	Foreign Currency Transactions and Advance Consideration
IFRS 1	Annual Improvements to IFRSs: 2014-2016 cycle (IFRS 1 First-time Adoption of IFRS, IFRS 12 Disclosures of interest in Other Entities and IAS 28 Investments in Associates and Joint Ventures)

IFRS 9 - Financial Instruments

The Group has applied IFRS 9 Financial Instruments (IFRS 9) and the related amendments in the current period. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) for annual periods beginning on or after 1 January 2018. IFRS 9 introduces new requirements for:

i) classification and measurement of financial assets and financial liabilities
ii) impairment for financial assets
iii) hedge accounting

Classification and measurement

The basis of classification for financial assets under IFRS 9 has changed from those of IAS 39. Under IFRS 9 financial assets are classified as; amortised cost, fair value through profit or loss, or fair value through other comprehensive income, which replace the categories of available-for-sale, loans and receivables and held to maturity. An assessment of the classification of financial assets has been undertaken, taking into account both the business model within which the asset is held and the contractual cash flow characteristics of the asset.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 October 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 October 2018 relates solely to the new impairment requirements.

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
			£ 000	**£ 000**
Trade and other receivables	Loans and receivables	Amortised cost	20,075	20,153
Cash and cash equivalents	Cash and cash equivalents	Amortised cost	49,695	49,695

The Group's financial assets consist of trade and other receivables and cash and cash equivalents. The cash flows arising on these assets are solely payments of principal and interest and therefore continue to be recognised at amortised cost on transition.

The classification and measurement of financial liabilities remains unchanged from IAS 39, therefore there has been no impact on the Group's financial liabilities on adoption of the new standard.

Impairment of financial assets

IFRS 9 replaces the 'incurred-loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The expected credit loss model requires the Group to account for credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Essentially this means that it is not necessary for a credit event to have occurred before credit losses are recognised.

A large proportion of trade receivables relate to outstanding fees from individual customers who hold asset balances far exceeding the value of their outstanding fees. Outstanding fees may be recovered through the sale of assets, therefore the expected loss relating to these balances is not material.

The Group has applied the IFRS 9 simplified approach in respect of financial assets without this type of collateral and has calculated ECLs based on lifetime expected credit losses.

As a result of adopting the expected credit loss model, the loss allowance for trade receivables on 1 October 2018 is as follows:

	£ 000
Opening loss allowance - calculated under IAS 39	**463**
Amounts restated through opening retained earnings	*(78)*
Opening loss allowance - calculated under IFRS 9	**385**

Hedge accounting

IFRS 9 incorporates new hedge accounting requirements. The Group does not carry out, and does not intend to carry out, any material hedging activities which would be accounted for in accordance with IFRS 9.

Transition impact

The date of initial application is 1 October 2018. The Group has elected not to restate comparatives, and to recognise the impact of the new accounting requirements in opening retained earnings on the date of adoption in accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26). Accordingly the comparatives presented do not reflect the accounting requirements of IFRS 9 but rather those of IAS 39.

On application of IFRS 9 the Group has recognised an increase in retained earnings and a corresponding decrease in the provision for trade receivables following the introduction of a new expected credit loss impairment model. The total impact on the Group's retained earnings as at 1 October 2018 is as follows:

	£ 000
Opening retained earnings IAS 39	60,948
Decrease in provision for trade receivables	*78*
Total adjustment to retained earnings from adoption of IFRS 9	***78***
Opening retained earnings IFRS 9	61,026

There has been no material impact on the income statement.

IFRS 15: Revenue from Contracts with Customers

The Group has applied IFRS 15 Revenue from Contracts with Customers (IFRS 15) and the related amendments in the current period. IFRS 15 replaces IAS 18 Revenue (IAS 18), IAS 11 Construction Contracts (IAS 11) and related interpretations for annual periods beginning on or after 1 January 2018.

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

IFRS 15 establishes a more systematic approach for revenue measurement and recognition by introducing a five-step revenue recognition model. The five-step model includes: 1) identifying the contract with the customer, 2) identifying each of the performance obligations included in the contract, 3) determining the amount of consideration in the contract, 4) allocating the consideration to each of the identified performance obligations and 5) recognising revenue as each performance obligation is satisfied.

Impact on revenue recognition

The Group performed an assessment to determine the impact of the new standard on the Group's statement of financial position and performance.

It considered the five-step model prescribed by the standard, taking into account the different types of contracts it has with its customers, the corresponding types of services provided to customers and when these performance obligations are satisfied. The assessment concluded that the accounting treatment for the majority of revenue streams remains unchanged, except for annual pension administration fees for certain products and cash incentives for acquiring new customers. The application of IFRS 15 required the acceleration of certain annual pension administration fees and the deferral of others due to the charging mechanism and timing of satisfying the performance obligations. Under IFRS 15, cash incentives for acquiring new customers should be recognised as a reduction of the transaction price, and therefore of revenue, whereas previously these incentives were considered to be an operating cost.

Transition impact

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients) with the effect of initially applying this standard recognised at the date of the initial application, i.e. 1 October 2018. The Group has elected not to restate comparatives, and to recognise the impact of the new accounting requirements in opening retained earnings on the date of adoption in accordance with the transitional provisions in IFRS 15 (C3(b)). Accordingly the comparatives presented do not reflect the accounting requirements of IFRS 15 but rather those of IAS 18.

The following table summarises the impact on the Group's retained earnings as at 1 October 2018:

	£ 000
Opening retained earnings IAS 18	**60,948**
Increase in deferred income	(192)
Increase in deferred cash incentives	93
Increase in accrued income	271
Total adjustment to retained earnings from adoption of IFRS 15	*172*
Opening retained earnings IFRS 15	**61,120**

The impact on the income statement for the year is a reduction in revenue of £145,000.

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

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

		Effective for periods commencing
IFRS 16	Leases	1 Jan 2019
IFRIC 23	Uncertainty over income tax treatments	1 Jan 2019
IAS 1 and IAS 8	Definition of Material	1 Jan 2020

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

IFRS 16 - Leases

The Group is required to adopt IFRS 16 Leases from 1 October 2019.

IFRS 16 introduces a single accounting model for lessees and eliminates the classification of leases as either operating or finance leases. The Group has elected to take advantage of the exemptions for short-term leases and leases of low-value items.

The Group will recognise right-of-use assets and associated lease liabilities in respect of the Group's various leasehold offices in the statement of financial position. The right-of-use asset will be depreciated over the shorter of the expected life of the asset and the lease term on a straight-line basis, recognised in the income statement. The lease liability will be reduced by the lease payments over the lease term with interest being recognised on the lease liability and charged to the income statement. Depreciation and interest charges will replace the lease costs currently charged to the income statement. Higher interest charges will be recognised in the earlier years of the lease and lower in later years as the liability is reduced.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

At transition, lease liabilities will be measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 October 2019. Right-of-use assets will be measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of application. Therefore the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to opening retained earnings at 1 October 2019 and no restatement of comparatives.

On transition to IFRS 16, the Group estimates that it will recognise right-of-use assets of £16m and lease liabilities of £18m. This is subject to change until the Group presents its first full financial statements that include the date of application i.e. 1 October 2019.

The Group will take advantage of the practical expedient to apply a single discount rate to a portfolio of leases with similar characteristics when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

IFRIC 23 - Uncertainty over income tax treatments

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments under IAS 12 and is effective for accounting periods commencing on or after 1 January 2019. It is anticipated this clarification update will not have an impact on the Group on application.

Basis of consolidation

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

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

2.1 Going concern

The Group's business activities, together with its financial position and the factors likely to affect its future development and performance are set out in the Strategic report and the Directors' report on . Note 24 includes the Group's policies and processes for managing exposure to credit and liquidity risk. The Group's forecasts and objectives, taking into account a number of potential changes in trading performance, show that the Group should be able to operate at adequate levels of both liquidity and capital for the foreseeable future. The Directors have performed a number of stress tests on capital and liquidity and these provide assurance that the Group has sufficient capital to operate under stressed conditions.

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

2.2 Business combinations

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

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

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

2.3 Goodwill

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

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

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.4 Segmental reporting

The Group determines and presents operating segments based on the information that is provided internally to the Board, which is the Group's Chief Operating Decision Maker (CODM). In assessing the Group's operating segments the Directors have considered the nature of the services provided, product offerings, customer bases, operating model and distribution channels amongst other factors. The Directors concluded there is a single segment as it operates with a single operating platform and model;

operations, support and technology costs are managed and reported centrally to the CODM. A description of the services provided is given within note 4.

2.5 Revenue recognition

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in note 2. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

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

Recurring fixed:

Recurring fixed revenue comprises recurring administration fees and media revenue.

Media revenue is recognised evenly over the period in which the related service is provided. Media revenue includes advertising, subscriptions, events and award ceremony and corporate solutions contracts.

Administration fees include fees charged in relation to the administration services provided by the Group and are recognised over time as the related service is provided.

Included within administration fees are annual pension administration fees. Under IAS 18, annual pension administration fees were recognised in the period to which the service was rendered using the percentage completion method. Percentage completion was determined by the different work activity profiles of the associated individual service. On adoption of IFRS 15, the Group changed its accounting treatment in relation to the timing of income recognised in relation to annual pension administration fees for certain products. The Group recognises revenue from such fees over time, using an input method to measure progress towards complete satisfaction of a single performance obligation. The Group determined that the input method is the best method in measuring progress of the services relating to these fees because there is a direct relationship between the Group's effort (i.e. labour hours incurred) and the transfer of service to the customer.

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

There were no other material changes to fee recognition from the adoption of IFRS 15.

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

Recurring ad valorem:

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

Ad valorem fees include custody fees charged in relation to the holding of client assets and interest received on client money balances. Custody fees and investment management fees are accrued on a time basis by reference to the AUA.

Transactional fees:

Transactional revenue comprises dealing fees and pension scheme activity fees.

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

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

On adoption of IFRS 15, the Group has changed its accounting treatment in respect of cash incentives offered to acquire new retail customers. Cash incentives paid to new retail customers are considered to be a reduction in revenue under IFRS 15, whereas previously they would have been recognised as an operating cost. In line with IFRS 15, cash incentives to acquire new customers are offset against recurring ad valorem revenue and spread over a period of 12 months, i.e. the period over which the incentive is earned.

2.6 Leasing and hire purchase contracts

Leasing:

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

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

Rental payments under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a liability. The aggregate benefit of the incentive is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Hire purchase contracts:

Assets held under hire purchase contracts are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the contract. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to the asset. The corresponding liability is included in the consolidated statement of financial position as an obligation under hire purchase contracts. Payments are apportioned between finance charges and reduction of the obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

2.7 Investment income

Investment income comprises the returns generated on corporate cash and cash equivalents. Investment income is recognised in the income statement as it accrues.

2.8 Finance costs

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

2.9 Retirement benefit costs

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

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

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

2.10 Taxation

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

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

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

• the initial recognition of goodwill; or
• investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable they will not reverse in the foreseeable future; or
• the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

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

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

2.11 VAT

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

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

2.12 Property, plant and equipment

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

Leasehold improvements - Over the life of the lease

Office equipment - 4 years

Computer equipment - 3 - 5 years

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

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

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

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

2.13 Intangible assets (excluding goodwill)

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

Computer software - 3 - 4 years

KOS - 13 years

KOS enhancements - Over the remaining life of the KOS

Customer contracts and non-contractual - 5 - 10 years

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

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

2.14 Internally-generated intangible assets

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

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

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

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

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

2.15 Impairment of tangible and intangible assets (excluding goodwill)

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

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

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

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

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

2.16 Financial instruments

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

Financial assets

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

Financial assets at amortised cost

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

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

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, 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.

Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and number of days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 September 2019 and the corresponding historical credit losses experienced within this period.

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

Financial liabilities

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

Other financial liabilities

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

Trade and other payables

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

2.17 Provisions

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

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

2.18 Share-based payments

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

The share incentive plans have conditions attached before the employee becomes entitled to the award. These can be performance and/or service conditions.

The total employee expense is recognised on a straight-line basis over the vesting period, based on management's estimate of shares that will eventually vest. At the end of each reporting period, the entity revises its estimates of the number of share options expected to vest based on the non-market vesting conditions. It recognises any revision to original estimates in the income statement, with a corresponding adjustment to equity reserves. Where a grant of equity-settled share-based payments is not subject to vesting conditions, the fair value determined at the grant date is expensed immediately.

Fair value is measured using the Black-Scholes option pricing model. The expected life applied in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Prior to 12 December 2018, the Company's shares were not listed on a recognised stock exchange and therefore no readily available market price existed for the shares, the share price of options granted prior to 12 December 2018 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 declared and approved. 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 that an entity should recognise a liability when it conducts the activity that triggers the payment of the levy under law or regulation.

2.21 Employee Benefit Trust

The Group has an employee benefit trust, the AJ Bell Employee Benefit Trust, used for satisfying share awards under the Company's employee share plans. AJ Bell plc is considered to be the sponsoring employer and so the assets and liabilities of the Trust are recognised as those of AJ Bell plc.

Shares of AJ Bell plc held by the Trust are treated as 'own shares' held and shown as a deduction from equity at the price paid for them. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sales proceeds and original cost being taken to retained earnings.

3 Critical accounting adjustments and key sources of estimation uncertainty

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

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

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

4 Segmental reporting

It is the view of the Directors that the Group has a single operating segment. Investment services in the advised and D2C space administering investments in SIPP's, ISA's and General Investment/ Dealing accounts. Details of the Group's revenue, results and assets and liabilities for the reportable segment are shown within the consolidated income statement and consolidated statement of financial position.

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

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

5 Revenue

The analysis of the consolidated revenue is as follows:

	2019 £ 000	2018 £ 000
Recurring fixed	25,395	25,212
Recurring ad valorem	63,095	47,890
Transactional	16,412	16,589
	104,902	89,691

Recurring ad valorem fees include custody fees. These recurring charges are derived from the market value of retail customer assets, based on asset mix and portfolio size, and are therefore subject to market and economic risks. The spread of rate charged is variable dependent on portfolio size and asset mix within the portfolio. The risks associated with this revenue stream in terms of its nature and uncertainty is discussed further within note 24.

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

The total revenue for 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:

	2019 £ 000	2018 £ 000
Amortisation of intangible assets	671	723
Depreciation of property, plant and equipment	1,439	1,248
Loss on the disposal of property, plant and equipment	4	11
Operating lease rentals:		
- property	1,733	1,617
Auditor's remuneration (see below)	465	817
Staff costs (see note 7)	34,213	32,629
IPO related costs	948	1,769
Restructuring costs	-	364

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

Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2019 £ 000	2018 £ 000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	92	56
Fees payable to the Company's auditor and its associates for other services to the Group:		
- Audit of the Company's subsidiaries' accounts, pursuant to legislation	173	63
- Audit-related assurance services	84	81
- Other assurance services	44	19
- Corporate finance services	65	592
- Non-audit services	7	6
	465	817

Of the above, audit related services for the year totalled £349,000 (2018: £200,000).

7 Employees

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

	2019 Number	2018 Number
Operational and support	596	578
Technology	137	116
Distribution	77	64
	810	758

Employee benefit expense for the Group during the year:

	2019 £ 000	2018 £ 000
Wages and salaries	27,761	27,742
Social security costs	3,355	3,010
Retirement benefit costs	1,924	1,423
Termination benefits	73	342
Share-based payments	1,100	112
	34,213	32,629

As described in note 23, an Executive Incentive Plan was introduced during the year to replace the Executive Bonus Scheme. Bonus remuneration classified under wages and salaries for the year ended 30 September 2018 has been replaced by a share-based payment charge for the year ended 30 September 2019.

8 Finance costs

	2019 £ 000	2018 £ 000
Interest on obligations under finance leases and hire purchase contracts	42	25

9 Taxation

Tax charged in the income statement:

	2019 £ 000	2018 £ 000
Current taxation		
UK Corporation Tax	7,478	5,694
Adjustment to current tax in respect of prior periods	(78)	113
	7,400	5,807
Deferred taxation		
Origination and reversal of temporary differences	(59)	(16)
Adjustment to deferred tax in respect of prior periods	(5)	(80)
Effect of changes in tax rates	6	2
	(58)	(94)
Total tax expense	7,342	5,713

Corporation Tax is calculated at 19% of the estimated assessable profit for the year to 30 September 2019 (2018: 19%).

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

	2019 £ 000	2018 £ 000
Deferred tax relating to share-based payments (see note 16)	(663)	(51)
Current tax relief on exercise of share options	(1,383)	(128)
	(2,046)	(179)

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

	2019 £ 000	2018 £ 000
Profit before tax	37,695	28,359
UK Corporation Tax at 19% (2018: 19%)	7,162	5,388
Effects of:		
Expenses not deductible for tax purposes	257	338
Change in recognised deductible temporary differences	-	(47)
Effect of rate changes to deferred tax	6	2
Adjustments to current tax in respect of prior periods	(83)	32
	7,342	5,713
Effective tax rate	19.5%	20.1%

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

Deferred tax has been recognised at 17% (2018: 17%), being the rate at which the deferred tax assets are expected to reverse.

10 Dividends

	2019 £ 000	2018 £ 000
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the year ended 30 September 2018 of 21.50p (2018: 15.50p) per share	8,827	6,362
Interim dividend for the year ended 30 September 2019 of 1.50p (2018: 14.00p) per share	6,111	5,728
Special dividend for the year ended 30 September 2019 of Nil (2018: 19.50p) per share	-	8,005
Total dividends paid on equity shares	14,938	20,095
Proposed final dividend for the year ended 30 September 2019 of 3.33p (2018: 21.50p) per share	13,565	8,826

A final dividend declared of 3.33p per share is payable on 31 January 2020 to shareholders on the register on 10 January 2020. The ex-dividend date will be 9 January 2020. The final dividend is subject to approval by the shareholders at the Annual General Meeting on 22 January 2020 and has not been included as a liability within these financial statements.

As disclosed in note 22, prior to the listing of AJ Bell plc, a share reorganisation took place. The restated equivalent comparable dividend per share for the prior period was 5.73p per share. This included a special dividend paid on 28 September 2018.

Dividends are payable on all ordinary shares as disclosed in note 22.

AJ Bell Employee Benefit Trust, which held 1,369,896 ordinary shares (30 September 2018: 1,619,645) in AJ Bell plc at 30 September 2019, has agreed to waive all dividends. This represented 0.3% (2018: 0.4%) of the Company's called up share capital. The maximum amount held by the Trust during the year was 1,619,645.

11 Earnings per share

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

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

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

	2019 **£ 000**	**2018** **£ 000**
Earnings		
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent company	30,353	22,646

	2019 **No.**	**2018** **No.**
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS in issue during the year	404,203,556	393,407,642
Effect of potentially dilutive share options	2,296,539	8,821,105
Weighted average number of ordinary shares for the purposes of fully diluted EPS	406,500,095	402,228,747

	2019	**2018**
Earnings per share (EPS)		
Basic (pence)	7.51	5.76
Diluted (pence)	7.47	5.63

On 15 November 2018, as part of the AJ Bell plc listing process, a bonus issue and sub-division of shares occurred resulting in the number of shares in issue increasing from 42,950,663 to 407,055,994. The nominal value of each share was reduced from 0.1p to 0.0125p per share. The calculation of earnings per share for the comparative periods presented have been adjusted to reflect these changes.

12 Goodwill

	2019 £ 000	2018 £ 000
Cost		
At 1 October and 30 September	3,772	3,772
Impairment		
At 1 October and 30 September	(112)	(112)
Carrying value at 30 September	3,660	3,660

Goodwill relates to historical acquisitions allocated to the Group's single cash generating unit (CGU).

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

The recoverable amount of the assets within the CGU is determined using value-in-use calculations. In assessing the value-in-use the estimated future cash flows of the CGU are discounted to their present value using a pre-tax discount rate. Cash flows are based upon the most recent forecasts, approved by the Board, covering a 4 year period and then extrapolated for the remaining useful economic life of the asset using a growth rate of nil% (2018: nil%).

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

- a rate of 12% (2018: 13%) has been used to assess the expected growth in revenue for the 4 year forecast period. This is based on historical performance.

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

- modest ongoing maintenance expenditure is required on the assets within the CGU in order to generate the expected level of cash flows.

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

Cash flows have been discounted using a pre-tax discount rate of 8.2% (2018: 5.5%).

The Directors have performed sensitivity analysis on their calculations, with key assumptions being revised adversely to reflect the potential for future performance being below expected levels. Changes to revenue are the most sensitive as they would have the greatest impact on future cash flows. However, even with nil growth in revenue, there would still be sufficient headroom to support the carrying value of the assets under the CGU.

Based upon the review above the estimated value-in-use of the CGU comfortably supports the carrying value of the assets held within it, and so the Directors are satisfied that for the period ended 30 September 2019 goodwill is not impaired.

13 Other intangible assets

	Key operating system £ 000	Contractual customer relationships £ 000	Computer software £ 000	Total £ 000
Cost				
At 1 October 2017	8,657	2,135	6,382	17,174
Additions	-	-	6	6
Disposals	-	-	(1,154)	(1,154)
At 30 September 2018	8,657	2,135	5,234	16,026
At 30 September 2019	8,657	2,135	5,234	16,026
Amortisation				
At 1 October 2017	5,032	2,135	6,166	13,333
Amortisation charge	604	-	119	723
Eliminated on disposals	-	-	(1,154)	(1,154)
At 30 September 2018	5,636	2,135	5,131	12,902
Amortisation charge	604	-	67	671
At 30 September 2019	6,240	2,135	5,198	13,573
Carrying amount				
At 30 September 2019	2,417	-	36	2,453
At 30 September 2018	3,021	-	103	3,124
At 30 September 2017	3,625	-	216	3,841
Average remaining amortisation period	4 years		11 months	

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

14 Property, plant and equipment

	Leasehold improvements £ 000	Office equipment £ 000	Assets under construction £ 000	Computer equipment £ 000	Total £ 000
Cost					
As at 1 October 2017	1,581	1,560	163	3,327	6,631
Additions	161	132	-	1,405	1,698
Disposals	-	(754)	-	(302)	(1,056)
Transfers	-	-	(163)	163	-
At 30 September 2018	1,742	938	-	4,593	7,273
Additions	25	257	275	515	1,072
Disposals	-	-	-	(124)	(124)
At 30 September 2019	1,767	1,195	275	4,984	8,221
Depreciation					
At 1 October 2017	71	822	-	1,744	2,637
Charge for the year	119	279	-	850	1,248
Eliminated on disposal	-	(746)	-	(299)	(1,045)
At 30 September 2018	190	355	-	2,295	2,840
Charge for the year	128	295	-	1,016	1,439
Eliminated on disposal	-	-	-	(120)	(120)
At 30 September 2019	318	650	-	3,191	4,159
Carrying amount					
At 30 September 2019	1,449	545	275	1,793	4,062
At 30 September 2018	1,552	583	-	2,298	4,433
At 30 September 2017	1,510	738	163	1,583	3,994

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

During the year the Group acquired assets under finance lease of £214,000 (2018: £747,000). The carrying amount of office equipment and computer equipment includes an amount of £578,000 (2018: £686,000) in respect of assets held under finance leases and hire purchase contracts.

At the year end, the Group had no commitments (2018: £Nil) to purchase any property, plant and equipment.

15 Subsidiaries

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

16 Deferred tax asset

	2019 £ 000	2018 £ 000
Deferred tax asset	1,146	386
Deferred tax liability	(52)	(14)
	1,094	372

Deferred tax asset

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

	Accelerated capital allowances £ 000	Share-based payments £ 000	Short-term timing differences £ 000	Losses £ 000	Total £ 000
At 1 October 2017	(92)	245	11	63	227
Credit / (charge) to the income statement	78	19	11	(14)	94
Credit to equity	-	51	-	-	51
At 1 October 2018	(14)	315	22	49	372
(Charge) / credit to the income statement	(38)	85	12	-	59
Credit to equity	-	663	-	-	663
At 30 September 2019	(52)	1,063	34	49	1,094

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 2019.

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 2019, deferred tax assets have not been provided on trading losses of £1,407,000 (2018: £1,407,000).

17 Trade and other receivables

	2019 £ 000	2018 £ 000
Trade receivables	2,529	2,203
Prepayments	3,245	3,522
Accrued income	14,469	10,147
Other receivables	2,711	4,203
	22,954	20,075

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

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

The ageing profile of trade receivables were as follows:

	2019 £ 000	2018 £ 000
Neither past due or impaired	1,245	550
Past due but not impaired:		
0 to 30 days	346	705
31 to 60 days	220	188
61 to 90 days	48	58
91 days and over	973	1,165
	2,832	2,666
Provision for impairment	(303)	(463)
	2,529	2,203

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

	2019 £ 000	2018 £ 000
Balance at beginning of year - calculated under IAS 39	463	412
Amounts restated through opening retained earnings	(78)	-
Opening loss allowance as at 1 October	385	412
Loss allowance recognised	100	135
Receivables written off during the year as uncollectable	(157)	(27)
Amounts recovered during the year	(8)	(57)
Unused amount reversed	(17)	-
Balance at end of year	303	463

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

18 Cash and cash equivalents

	2019 £ 000	2018 £ 000
Cash at bank and in hand	69,067	49,695

All cash held at bank at 30 September 2019 and 30 September 2018, had a maturity date of less than one month.

19 Trade and other payables

Current liabilities

	2019 £ 000	2018 £ 000
Trade payables	993	1,052
Accruals	5,217	6,656
Deferred income	1,559	1,437
Social security and other taxes	1,643	1,711
Other payables	553	582
	9,965	11,438

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

Non-current liabilities

	2019 £ 000	2018 £ 000
Other payables	1,241	603

Other payables relate to lease incentives of £1,241,000 (2018: £603,000).

20 Other financial liabilities

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

2019	Minimum lease payments £ 000	Less finance charges £ 000	Present value of lease obligations £ 000
Within one year	363	(25)	338
In the second to fifth years inclusive	241	(7)	234
	604	(32)	572

2018	Minimum lease payments £ 000	Less finance charges £ 000	Present value of lease obligations £ 000
Within one year	330	(30)	300
In the second to fifth years inclusive	447	(16)	431
	777	(46)	731

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

21 Provisions

	Office dilapidations £ 000	Other provision £ 000	Restructuring costs £ 000	Total £ 000
At 1 October 2018	795	1,095	170	2,060
Additional provisions	772	-	-	772
Utilisation of provision	(17)	-	(117)	(134)
Unused provision reversed	-	-	(53)	(53)
At 30 September 2019	**1,550**	**1,095**	**-**	**2,645**
Included in current liabilities	-	1,095	-	1,095
Included in non-current liabilities	1,550	-	-	1,550

Office dilapidations:

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

Other provision:

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

Restructuring costs:

The restructuring provision represented the estimated costs associated with the closure of the Tunbridge Wells office.

22 Share capital

Issued, fully-called and paid:	2019 Number	2018 Number	2019 £	2018 £
Ordinary shares of 0.0125p each	408,730,211	-	51,091	-
Ordinary shares of 0.1p each	-	38,840,741	-	38,841
Ordinary non-voting shares of 0.1p each	-	75,000	-	75
A non-voting ordinary shares of 0.1p each	-	957,692	-	958
X non-voting ordinary shares of 0.1p each	-	767,465	-	767
B non-voting ordinary shares of 0.1p each	-	158,890	-	159
C non-voting ordinary shares of 0.1p each	-	188,056	-	188
D non-voting ordinary shares of 0.1p each	-	255,189	-	255
E non-voting ordinary shares of 0.1p each	-	919,160	-	919
F non-voting ordinary shares of 0.1p each	-	203,500	-	203
	408,730,211	**42,365,693**	**51,091**	**42,365**
Issued, partly-called and paid:				
A Non-voting ordinary shares of 0.1p each	-	260,973	-	-
X Non-voting ordinary shares of 0.1p each	-	318,497	-	7
	-	579,470	**-**	**7**
	408,730,211	**42,945,163**	**51,091**	**42,372**

On 15 November 2018 the Company passed an ordinary and special resolution authorising:

- a bonus issue to the holders of Ordinary Shares, Non-voting Ordinary Shares, A Shares, B Shares, C Shares, D Shares, E Shares, F Shares and X Shares in issue at close of business on 31 October 2018, in the proportion of one for every five shares held;

- the sub-division of those Ordinary Shares, Non-voting Ordinary Shares, A Shares, B Shares, C Shares, D Shares, E Shares, F Shares and X Shares into eight shares of the same class with a nominal value of 0.0125p each.

Immediately prior to admission on the London Stock Exchange each Non-voting Ordinary Shares, A Shares, B Shares, C Shares, D Shares, E Shares, F Shares and X Shares were then re-designated as Ordinary Shares of 0.0125p each.

All Ordinary Shares have full voting and dividend rights.

The following transactions have taken place during the year:

Transaction type	Share class	Number of shares	Premium £ 000
Exercise of CSOP options	Ordinary shares of 0.1p each	213,895	112
Full payment	X non-voting ordinary shares of 0.1p each	318,497	1,064
Full payment	A non-voting ordinary shares of 0.1p each	260,973	1,120
Bonus issue	All share classes of 0.1p each	8,590,131	(9)
Sub-division	All share classes of 0.1p each to 0.0125p each	360,785,390	-
Exercise of CSOP options	Ordinary shares of 0.0125p each	2,249,707	970
Deferred shares cancellation	Ordinary shares of 0.0125p each	(6,054,075)	-
		366,364,518	**3,257**

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

Own shares

The Group has an employee benefit trust in order to acquire own shares in the Company to satisfy future share incentive plans. Shares held by the Trust are valued at £1,147,000 and the carrying value is shown as a reduction within shareholders' equity. The costs of operating the Trust are borne by the Group but are not material.

During the year ended 30 September 2019 the Trust purchased 12,701 ordinary own shares in exchange for cash consideration of £50,000 in order to satisfy share awards under the Company's employee share plans. The share purchase took place before the share reorganisation, the post reorganisation shares purchased equates to 122,272. The Trust waived the right to receive dividends on these shares.

23 Share-based payments

Company Share Option Plan ('CSOP')

The CSOP is a HMRC approved scheme in which the Board, at their discretion, grant options to employees to purchase ordinary shares. Each participating employee can be granted options up to the value of £30,000. Options granted under the CSOP can be exercised between the third and tenth anniversary after the date of grant. The expense for share-based payments under the CSOP is recognised over the respective vesting period of these options.

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

The OTB scheme is an award scheme whereby the Board at their discretion grant growth shares to employees. Growth shares entitle the holder to participate in the growth value of the Group above a certain threshold level, set above the current market value of the Group at the time the shares were issued. Growth shares granted under the OTB have different vesting conditions. The vesting condition attached to all growth shares granted is that the threshold level needs to be met and an exit event needs to have occurred. As part of the AJ Bell listing process all awards were converted into ordinary shares and those awards granted with an additional employment condition of four or six years after the date of grant, continue to be recognised as a share-based payment. Awards that were issued subject to employment conditions are subject to buy back options under which the Group can buy back the shares for their issue price if the employee leaves the Group before the expiry of the employment condition period.

Buy As You Earn Plan ('BAYE')

During the year the Company introduced a BAYE plan which is an all-employee share plan under which shares can be issued to employees as either free shares or partnership shares. During the year, free shares up to a maximum value of £750 have been offered to all employees who were employed by the Company at 6 December 2018.

Employees have been offered the opportunity to participate in the partnership plan where employees are required to save an amount of their gross monthly salary, up to a maximum of £150 per month, for a period of 12 months. Under the terms of the plan, at the end of the 12 month period the employees are entitled to purchase shares using funds saved at the lower of the IPO price of £1.60 or the market value at the date of purchase. Employees who cease their employment before the 12 month period expires, will be refunded their saved amounts.

Executive Incentive Plan ('EIP')

An EIP has been introduced during the year to replace the Executive Bonus Scheme and OTB scheme. This is a performance share plan that involves the award of nominal cost options to participants conditional on the achievement of specified performance targets and continuous employment over a certain period of time. Individual grants will be dependent on the assessment of performance against a range of financial and non-financial targets set at the beginning of the financial year.

As described in note 22, the Company passed an ordinary and special resolution authorising a bonus issue and sub-division of all classes of shares referred to as the share reorganisation. The share reorganisation also applied to all options granted before 15 November 2018.

The tables below summarises the outstanding options and awards including the impact of the share reorganisation.

CSOP

	2019 Number	**2018 Number**
Outstanding at beginning of the year	394,076	526,152
Granted during the year	52,750	35,039
Bonus issue and share split	3,641,632	-
Forfeited during the year	(140,147)	(30,316)
Exercised during the year	(2,463,602)	(136,799)
Outstanding at the end of the year	1,484,709	394,076
Exercisable at the end of the year	235,924	168,066

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

	2019 £	**2018 £**
Outstanding at beginning of the year	4.52	4.17
Granted during the year	7.01	6.00
Bonus issue and share split	0.51	-
Forfeited during the year	0.44	4.79
Exercised during the year	0.71	3.39
Outstanding at the end of the year	0.65	4.52
Exercisable at the end of the year	0.45	3.56

The lowest exercise price for share options outstanding at the end of the period was 20p (2018: 190p) and the highest exercise price was 160p (2018: 600p). The weighted average remaining contractual life of share options outstanding at the end of the period was seven years (2018: six years).

OTB - Growth shares

	2019 Number	**2018 Number**
Outstanding at beginning of the year	1,724,795	628,840
Granted during the year	-	1,135,160
Repurchased and cancelled	-	(39,205)
Bonus issue and share split	14,833,165	-
Converted to ordinary shares	(7,116,258)	-
Converted to deferred shares and cancelled	(6,054,075)	-
Outstanding at the end of the year	3,387,627	1,724,795
Exercisable at the end of the year	-	-

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

	2019 £	2018 £
Outstanding at beginning of the year	5.60	4.86
Granted during the year	-	6.00
Repurchased and cancelled	-	5.42
Bonus issue and share split	0.58	-
Converted to ordinary shares	0.56	-
Converted to deferred shares and cancelled	0.59	-
Outstanding at the end of the year	0.63	5.60
Exercisable at the end of the year	**-**	**-**

Upon listing to the London Stock Exchange, all growth shares were converted to ordinary shares and therefore no exercise price exists for growth shares outstanding at the end of the period. The weighted average remaining contractual life of growth shares converted to ordinary shares under a call option agreement at the end of the period was 2.9 years (2018: 1.4 years).

BAYE
Free shares

	2019 Number	2018 Number
Granted during the year	324,882	-
Forfeited during the year	(38,844)	-
Outstanding during the year	286,038	-
Exercisable at the end of the year	-	-

Free shares are issued to employees for free and therefore do not have an exercise price. The weighted average remaining contractual life of free shares outstanding at the end of the period was 2.2 years (2018: nil).

Partnership shares

Under the terms of the partnership plan, employees will be entitled to purchase shares in December 2019 from funds saved during the 12 month accumulation period.

EIP

	2019 Number	2018 Number
Granted during the year	1,454,424	-
Outstanding during the year	1,454,424	-
Exercisable at the end of the year	-	-

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

	2019 £	2018 £
Granted during the year	0.000125	-
Outstanding during the year	0.000125	-
Exercisable at the end of the year	-	**-**

The weighted average remaining contractual life of EIP shares outstanding at the end of the period was 9.3 years (2018: Nil).

The fair value of equity-settled share options and awards granted is estimated as at the date of grant using the Black-Scholes method for all share-based payment arrangements except free shares, taking into account the terms upon which the options and awards were granted.

The fair value of a free share is based on the share price at the date of grant being £1.60.

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

Grant date	CSOP 07/11/2018	CSOP 06/12/2018	Partnership shares 06/12/2018
Number of shares under option	34,000	18,750	-
Fair value of share from generally accepted business model (£)	10.00	1.60	1.60
Exercise price of an option (£)	10.00	1.60	1.60
Expected volatility	30%	30%	30%
Expected dividend yield	3.55%	3.55%	3.55%
Risk-free interest rate	0.84%	0.75%	0.75%
Expected option life to exercise (months)	36	36	12

EIP	Annual award	Deferred award	
Grant date	**07/12/2018**	**07/12/2018**	**07/12/2018**
Number of shares under option	721,247	278,958	454,219
Fair value of share from generally accepted business model (£)	1.60	1.60	1.60
Exercise price of an option (£)	0.000125	0.000125	0.000125
Expected volatility	30%	30%	30%
Expected dividend yield	3.55%	3.55%	3.55%
Risk-free interest rate	0.79%	0.83%	0.88%
Expected option life to exercise (months)	12	36	48

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

The expected life of the options is based on the minimum period between the grant of the option, the earliest possible exercise date and an analysis of the historical exercise data that is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the case.

During the year the Group recognised total share-based payment expenses of £1,100,000 (2018: £112,000).

24 Financial instruments and risk management

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

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

Risk management objectives

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

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

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

Significant accounting policies

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

Categories of financial instrument

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

	2019			2018		
	Amortised cost £ 000	**Financial liabilities £ 000**	**Carrying value £ 000**	**Loans & receivables £ 000**	**Financial liabilities £ 000**	**Carrying value £ 000**
Financial assets						
Trade receivables	2,529	-	2,529	2,203	-	2,203
Other receivables	2,711	-	2,711	4,203	-	4,203
Cash and cash equivalents	69,067	-	69,067	49,695	-	49,695
	74,307	**-**	**74,307**	**56,101**	**-**	**56,101**
Financial liabilities						
Trade payables	-	993	993	-	1,052	1,052
Obligations under finance leases and hire purchase contracts	-	572	572	-	731	731
	-	**1,565**	**1,565**	**-**	**1,783**	**1,783**

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

Market risk
Interest rate risk

The Group holds interest bearing assets in the form of cash and cash deposits. Cash at bank earns interest at floating rates based on daily bank deposit rates. Term deposits can also be made for varying periods depending on the immediate cash requirements of the Group, and interest is earned at the respective fixed-term rate. Based on the cash balances shown in the Group's statement of financial position at the reporting date, if interest rates were to move by 25bps it would change profit before tax by approximately:

	2019	2018
	£ 000	£ 000
+ 25 bps (0.25%)	142	129
- 25 bps (0.25%)	(142)	(89)

As at the year end the Group had no significant borrowings, as disclosed in note 20, and therefore was not exposed to a material interest rate risk related to debt as the interest rate is fixed as the inception of the lease.

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

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

	2019	2018
	£ 000	£ 000
+ 25 bps (0.25%)	2,155	3,150
- 25 bps (0.25%)	(4,150)	(5,119)

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

Market movement sensitivity

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

	2019	2018
	£ 000	£ 000
+ 10% higher	3,401	2,860
- 10% lower	(3,401)	(2,860)

Foreign exchange risk

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

Credit risk

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

Trade receivables are presented net of expected credit losses within the statement of financial position. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and number of days past due. Details of those trade receivables that are past due are shown within note 17.

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

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

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

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

Liquidity risk

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

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

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

	Less than 1 month £ 000	1 to 3 months £ 000	3 to 12 months £ 000	1 to 5 years £ 000	Total £ 000
2019					
Trade payables	993	-	-	-	993
Obligations under finance leases and hire purchase contracts	21	62	255	234	572
	1,014	62	255	234	1,565

2018					
Trade payables	1,052	-	-	-	1,052
Obligations under finance leases and hire purchase contracts	-	-	300	431	731
	1,052	-	300	431	1,783

Capital management

The Group's objectives in managing capital are to:

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

The capital structure of the Group consists of share capital, share premium and retained earnings. As at the reporting date the Group had capital of £86,063,000 (2018: £64,036,000).

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

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

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

25 Interests in unconsolidated structure entities

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

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

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

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

		Number of funds	Net AUM of funds	Annual management charge	Management charge receivable at 30 September
Year	Type		£m	£ 000	£ 000
2019	OEIC	8	277.7	288	34
2018	OEIC	6	141.1	157	52

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

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

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

26 Reconciliation of liabilities arising from financing activities

2019	1 October 2018 £ 000	Cash flows £ 000	Acquisition £ 000	30 September 2019 £ 000
Finance lease and hire purchase contracts liabilities	731	(373)	214	572
Total liabilities from financing activities	**731**	**(373)**	**214**	**572**

2018	1 October 2017 £ 000	Cash flows £ 000	Acquisition £ 000	30 September 2018 £ 000
Finance lease and hire purchase contracts liabilities	143	(199)	787	731
Total liabilities from financing activities	**143**	**(199)**	**787**	**731**

27 Operating leases

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

	Property	
	2019 £ 000	2018 £ 000
Within one year	1,764	1,350
In the second and fifth years inclusive	8,298	6,243
After five years	12,776	12,912
	22,838	20,505

During the year the Group recognised £1,733,000 as an expense (2018: £1,617,000).

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

28 Related party transactions

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

Transactions with key management personnel:

Key management personnel is represented by the Board of Directors and the Executive Management Board.

The remuneration expense of key management personnel is as follows:

	2019 £ 000	2018 £ 000
Short-term employee benefits (excluding NI)	1,595	2,353
Retirement benefits	53	54
Share-based payment	632	45
Gain on the exercise of share options	658	64
	2,938	2,516

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

Transactions with directors:

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

Dividends totalling £4,098,000 (2018: £5,848,000) were paid in the year in respect of ordinary shares held by the Company's Directors.

The aggregate gains made by the Directors on the exercise of shares options during the year were £64,000 (2018: £64,000).

Other related party transactions:

Charitable donations

During the year the Group made two donations totalling £407,000 (2018: £140,000) to the AJ Bell Trust, a registered charity of which Mr A J Bell is a trustee. The first donation was for £187,000 and represented 0.5% of the PBT for the year as per the Group's donation policy. The second donation for £220,000 was approved separately by the Board and represented the value of a salary sacrifice made by Andy Bell during the year.

EQ Property Services Limited

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

At the reporting date, there is no payable outstanding (2018: £116,000) with EQ Property Services Limited.

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

29 Subsequent events

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

Glossary

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

AGM	Annual General Meeting
AJBIC	AJ Bell Investcentre
AJBYI	AJ Bell Youinvest
Android	Mobile Operating System
Board	The Board of Directors of AJ Bell plc
BPS	Basis points
CASS	Client Assets Sourcebook
CGU	Cash Generating Unit
CODM	Chief Operating Decision Maker
CRD IV	The Capital Requirements Directive IV
CRR	Capital Requirement Regulation
CSOP	Company Share Option Plan
DEPS	Diluted Earnings Per Share
DTR	Disclosure Guidance and Transparency Rules
D2C	Direct to Consumer
EMB	Executive Management Board
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FRS	Financial Reporting Standards
FTSE	The Financial Times Stock Exchange
GIA	General Investing Account
HMRC	Her Majesty's Revenue and Customs
HR	Human Resources
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
ICO	Information Commissioner's Office
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
iOS	Mobile Operating System developed by Apple Inc.
IPO	Initial Public Offering
ISA	Individual Savings Account
IT	Information Technology
KOS	Key Operating System
KPI	Key Performance Indicator
LISA	Lifetime ISA
MiFID II	Markets in Financial Instruments Directive II
MPS	Managed Portfolio Service
OCF	Ongoing Charges Figure
OEIC	Open-Ended Investment Company
OTB	Option To Buy
PBT	Profit Before Tax
PLC	Public Limited Company
SIPP	Self-Invested Personal Pension

SMRC	Senior Manager and Certification Regime
SREP	Supervisory Review and Evaluation Process
SSAS	Small Self-Administered Scheme

Definitions

AUA	Assets Under Administration
Brexit	The exit of the United Kingdom from the European Union
Customer retention rate	Relates to platform customers
FY19	Our financial year 1 October 2018 – 30 September 2019
FY20	Our financial year 1 October 2019 – 30 September 2020
Listing rules	Regulations subject to the oversight of the FCA applicable to companies listed on a UK stock exchange.
Own shares	Shares held by the Group to satisfy future incentive plans
Platforum	The advisory and research business specialising in investment platforms
Recurring revenue	Recurring revenue is revenue that is derived from an ongoing service provided to the customer.
Return on assets	Profit after tax divided by net assets.
Revenue per £ AUA	Represents revenue as a percentage of the average AUA in the year. Average AUA is calculated as the average of the opening and closing AUA in each quarter averaged for the year.
Transactional revenue	Transactional revenue is revenue that is derived from a customer's transactional activity.
UK Corporate Governance Code	A code which sets out standards for best boardroom practice with a focus on Board leadership and effectiveness, remuneration, accountability and relations with shareholders.

Company information

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04503206

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