3 December 2020

AJ Bell plc

Final results for the year ended 30 September 2020

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 2020.

Performance overview

- Revenue up 21% to £126.7 million (FY19: £104.9 million)
- Profit before tax (PBT) up 29% to £48.6 million (FY19: £37.7 million)
- PBT margin up 2.5 percentage points to 38.4% (FY19: 35.9%)
- Balance sheet strengthened, with net assets up 27% in the year to £109.5 million (FY19: £86.1 million)
- Final dividend of 4.66 pence per share, which takes the total ordinary dividend for the year to 6.16 pence per share, an increase of 28%
- Total customers increased by a record 63,239 in the year, up 27% to 295,305 (FY19: 232,066)
- Total net inflows of £4.2 billion (FY19: £3.9 billion), driven by platform net inflows of £4.9 billion (FY19: £4.3 billion)
- Total assets under administration (AUA) up 8% during the year to £56.5 billion (FY19: £52.3 billion) compared to a 19% fall in the FTSE All-Share Index
- Customer retention rate remained high at 95.5% (FY19: 95.4%)

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

"This has been another year of strong growth, with high levels of new customers and record dealing activity driving a 29% increase in profit before tax to £48.6m. Our focus on providing an easy-to-use platform at a competitive price has resulted in growth in customer numbers and assets under administration of 27% and 8% respectively during a year when the FTSE All-Share Index fell by 19%.

"In light of this strong financial performance, the Board recommends a final ordinary dividend of 4.66p per share, taking the total ordinary dividend for the year to 6.16p per share. This is an increase of 28% on the previous year and extends our record of increasing our ordinary dividend every year since we paid our first dividend in 2004.

"The long-term growth drivers of the platform market remain strong, with customers increasingly looking for good value, online solutions and we are well positioned to benefit from those trends."

Financial highlights

	Year ended 30 September 2020	Year ended 30 September 2019	Change
Revenue	£126.7 million	£104.9 million	21%
Revenue per £AUA*	23.9 bps	21.9 bps	2bps
PBT	£48.6 million	£37.7 million	29%
PBT margin	38.4%	35.9%	2.5ppts
Diluted earnings per share	9.47 pence	7.47 pence	27%
Total dividend per share	6.16 pence	4.83 pence	28%

Non-financial highlights

	Year ended 30 September 2020	Year ended 30 September 2019	Change
Number of retail customers	**295,305**	**232,066**	**27%**
- Platform	281,094	218,169	29%
- Non-platform	14,211	13,897	2%
AUA*	**£56.5 billion**	**£52.3 billion**	**8%**
- Platform	£49.7 billion	£44.9 billion	11%
- Non-platform	£6.8 billion	£7.4 billion	(8%)
Customer retention rate	**95.5%**	**95.4%**	**0.1ppts**

*see definitions

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Analyst presentation

A recorded presentation of these results for the year ended 30 September 2020 will be available on our website (ajbell.co.uk/investor-relations) from 07.00 GMT on 3 December 2020. Management will host a Q&A video call for analysts at 09.30 GMT. Those wishing to participate should register their interest with Shaun Yates by emailing ir@ajbell.co.uk.

Forward-looking statements

The full 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

We have successfully navigated the operational challenges arising from COVID-19 during the year; we safeguarded our staff, maintained a full service to our customers and achieved significant progress with our strategy. During this year, more than ever, we have been guided by our core values and principles, which have served us well for many years.

We acted quickly at the start of the pandemic, with our priority being to ensure the safety of our people whilst maintaining a full operational service to our customers. Our operational resilience has allowed us to deliver a high-quality service to our customers throughout the year and the changes we have made to our internal operating practices mean that we are well placed to manage the ongoing impacts, as they unfold over the medium and longer term.

I am pleased to report that we have delivered a very strong financial performance during the year with profit before tax (PBT) of £48.6m. Customer numbers have increased by 63,239 to 295,305 and we have seen significant net inflows of assets under administration (AUA) of £4.2bn, ending the year with total AUA of £56.5bn, despite significant falls in the UK stock market.

Our robust governance and cohesive culture provides a solid framework for achieving our long-term strategic goals and the Board remains focused on delivering on our purpose which is simply to help people to invest.

Governance

The Board is committed to maintaining high standards of corporate governance and a healthy corporate culture within AJ Bell. The business operates a robust governance framework which provides a transparent and open approach to ensure that our key stakeholders' interests are considered.

The Board had to consider the differing interests of our stakeholders at the initial outbreak of COVID-19 when determining our response as a business. We took the decision that none of our people would be furloughed, and that the Government's Job Retention Scheme and other financial support should be preserved for those businesses most in need. Our first Section 172 statement demonstrates how we as a Board have considered our stakeholders in this and other key decisions taken during the year. Further details of how we have engaged with our stakeholders throughout the year are also included within Stakeholder engagement.

Details of our compliance with the UK Corporate Governance Code 2018 are set out in the Chairman's introduction and Corporate Governance report.

At Board level, we have a breadth of skills and experience which brings a diversity of views and perspectives to our discussions. The Board also continues to provide strong support and appropriate challenge to the Executive Management Board (EMB) to ensure the Group's strategy remains appropriate, achievable and ultimately delivered. There have been no changes to the composition of the Board this year.

As announced last year, I will step down as Chairman at the 2022 annual general meeting (AGM). In addition, following further succession plan discussions held at the start of the year, we have commenced recruitment for two additional Non-Executive Directors to further strengthen the Board. Laura Carstensen, our Senior Independent Director, is leading the formal recruitment process for both the Chairman and new Non-Executive Directors and further details are included within the Nomination Committee report.

Our culture and our people

The Board and EMB remain committed to maintaining an open and innovative culture across AJ Bell which is founded on our well-established purpose, principles and strategy. A strong and healthy corporate culture is more important than ever given the continued impact of COVID-19 on businesses' operating models and working arrangements. The Board plays an important role in helping to shape our culture through the promotion of the core values and principles of the Group.

During the year the Board introduced a dashboard to assist in its ongoing monitoring and assessment of culture, using a number of indicators to help monitor behaviours across the business. It has been pleasing to see that these indicators have demonstrated the strength of purpose and resilience of our people during a challenging period, whilst providing the same high level of service to our customers at a time when they have sought increased levels of support from us.

We were delighted to receive presentations and feedback from our Employee Voice Forum representatives during the year. The forum acts as a platform to facilitate discussion and bring ideas from our employees to the Board and it was encouraging to see the level of enthusiasm and engagement shown by the representatives from different areas of the business. Through the forum, we have gained some valuable insights and ideas that have been incorporated into our corporate social responsibility (CSR) initiatives this year.

Health and wellbeing have also been an important focus this year, not only for our own people, but also in the wider community as the impact of COVID-19 was felt and will continue to be for some time to come. Our Wage War on COVID campaign raised over £380,000 for charitable causes and has helped to support our local and wider communities. The CSR steering committee maintained oversight of the funds raised and distributed, with our people and our customers being given the opportunity to nominate beneficiaries of the fund. Further details of the campaign and distribution of funds can be found within Corporate Social Responsibility. We also implemented our long-term CSR initiative during the year, securing an additional contribution to charity through the donation of share options, should a number of stretching targets be met by the Group.

Dividend

We have increased our ordinary dividend every year since we paid our first dividend in 2004 and we recognise the importance of our dividend to both our institutional and private investors. Based on our confidence in the long term prospects of the business, strong capital position and in line with our dividend policy, the Board recommends a final ordinary dividend of 4.66p per share. This takes the total ordinary dividend for the year to 6.16p per share, representing an increase of 28% on the previous year. The final ordinary dividend will be paid, subject to shareholder approval at our AGM on 27 January 2021, to shareholders on the register at the close of business on 8 January 2021.

Outlook

We have seen significant changes to the way we live, work and communicate, some of which may prevail long after the pandemic subsides. As a business, we have adapted extremely well to this unprecedented situation, leveraging our strong culture and operational resilience to manage the challenges posed by the effects of the pandemic.

Perhaps there has never been a greater need to invest for the future given the uncertain outlook. During such times, people will look to financial institutions they feel they can trust to look after their investments and deliver a consistent, high-quality service at a low cost. AJ Bell can deliver on all of these requirements and continues to offer our customers an easy-to-use investment platform at a competitive price.

Whilst there will be challenges ahead, we believe the platform market and broader addressable market will continue to grow. We operate strong platform propositions in both the advised and D2C markets and have a consistent and proven strategy of delivering organic growth.

The long-term social and economic consequences of COVID-19 are difficult to predict and the outcome of the Brexit transition period remains a further source of uncertainty. However, AJ Bell continues to operate as a financially-strong business evidenced by a profitable, well-capitalised and highly cash-generative business model. The Board remains confident about the long-term prospects of the business.

On behalf of the Board, I thank all our people for their outstanding work and commitment throughout the year.

Les Platts

Chairman

2 December 2020

Chief Executive Officer's review

Overview

We delivered another year of very strong growth, achieving a record increase in PBT to £48.6m, driven by high levels of new customers and record levels of dealing activity. Our continued growth is underpinned by our platform propositions, providing a high-quality service at a competitive price.

The key drivers of our business, customer numbers and AUA, grew by 27% and 8% respectively for the 12 months ended 30 September 2020. This growth led to revenue increasing by 21% from £104.9m to £126.7m and PBT rising by 29% from £37.7m to £48.6m.

We attracted record numbers of new customers in the year, at least in part driven by a growing awareness of the AJ Bell brand since we listed on the Main Market of the London Stock Exchange in 2018. Our two flagship platform propositions, AJ Bell Investcentre and AJ Bell Youinvest, continue to deliver strong growth, with customers increasing by 11% and 43% respectively during the year and our platform customer retention rate remaining high at 95.5% (FY19: 95.4%).

We recorded strong net AUA inflows of £4.2bn (FY19: £3.9bn) during the year, with AUA closing at £56.5bn (FY19: £52.3bn), despite the adverse impact of COVID-19 and other factors on market values, which resulted in the FTSE All-Share index closing the year 19% lower than 12 months earlier. The principal driver of this growth was the platform business, which had underlying net inflows of £4.1bn (FY19: £3.2bn) and defined benefit pension transfer inflows of £0.8bn (FY19: £0.9bn).

COVID-19

The COVID-19 crisis continues, affecting individuals and businesses on a global scale. From the outset of the pandemic our priority has been the safety of our people whilst maintaining a full operational service with the same high standards for our customers and their advisers.

During March and April we successfully migrated the vast majority of our people to work from home, with no significant disruption to our services or communication channels. Since then, we have been flexible in adapting to new ways of working whilst adopting new guidelines and safety measures for those in the office and at home. We continue to carefully monitor Government guidance in these matters.

Our staff have been assured that their jobs are not at risk of redundancy from COVID-19 related events and every member of staff has been paid as normal throughout the crisis. Particular effort has been made to keep all of our people informed and engaged through regular leadership updates. Our response to the pandemic has been guided by our core values; further details of the actions we have taken can be found in 'Our response to COVID-19'.

We have remained fully operational throughout the pandemic, a testament to our highly-engaged workforce and flexible IT infrastructure, and have been focused on delivering the best possible service to our customers. Our platform has performed strongly against the record levels of customer dealing activity experienced during the year, demonstrating the resilience of our hybrid technology model.

As a successful company it is also important that we give something back to our communities. Our 'Wage War on COVID fund' has helped those who have been negatively impacted by the pandemic. The Fund was initially set up by staff who wanted to donate part of their wages to help people affected by the COVID-19 crisis but it has also received amazing support from our customers, financial advisers and the public.

Market developments

The UK savings and investment market has demonstrated considerable growth in recent years and our addressable market within the industry is estimated to be worth at least £2.5 trillion[1]. We believe this growth will continue in future years in line with established demographic trends, continued Government support for retirement saving and the growing need for individuals to take personal responsibility for their future finances. More recently, the COVID-19 pandemic has led many individuals to focus on the importance of their savings and investments.

The growth rate of the platform market is currently outpacing that of the wider UK savings and investment market[1] with an increasing demand from investors for simple, easy-to-use digital products.

Whilst the long-term structural growth drivers apply across the investment platform market, we closely monitor the different dynamics and trends specific to the advised and D2C segments with a view to ensure that our propositions remain at the forefront of the industry.

Advised market

The advised platform market is estimated to be worth approximately £554 billion[2] and has grown strongly over many years. Our advised platform typically serves smaller, owner-managed IFA firms and although there has been some consolidation in the adviser market in recent years, the number of firms with between one and five advisers remained broadly flat between 2016 and 2019, according to Financial Conduct Authority (FCA) data[3]. Whilst consolidation of IFA firms will continue to be a feature in the market, it can present as many new business opportunities for us as it does threats. The total number of advisers in the UK has increased by 8%[3] over the same three-year period, demonstrating that the adviser market that we serve remains in good health and is well positioned to continue growing strongly.

COVID-19 has been an accelerant of change across many industries and the advised platform market is no different. Our focus has always been on providing an easy-to-use, online platform, which delivers high levels of straight-through processing. Despite this, the industry in general has historically relied on an element of manual, paper-based processing to support the way that advisers have worked. The pandemic has shone a spotlight on this and necessitated a drive towards paperless, digitised processes, which advisers have quickly adopted. This has been a positive change which is here to stay and one which will drive all our future platform developments in the direction of paperless.

D2C market

Whilst the D2C platform market is currently smaller, estimated to be worth £210 billion[4], it is growing faster and has seen a more pronounced change in 2020. More customers are joining D2C platforms – we saw a record increase in customers in the year and other D2C platforms also saw stronger customer growth than in previous years.

Compared to five years ago, today's new customer is typically a younger, less experienced investor who inevitably has a smaller portfolio to begin with. More and more they want help and guidance as they begin their long-term investment journey and are likely to engage with their investments using a mobile device. Whilst this is another trend accelerated by COVID-19, we have seen this as being the direction of travel for a number of years, evidenced by our strategy of providing a range of guided investment solutions to help customers invest and focusing on making our platform easy to use, both on our website and via our mobile app. We see no sign of this trend slowing and will continue to focus our efforts on delivering an easy-to-use platform offering a range of guided investment solutions and a first-class user experience across all devices. This will ensure we remain well positioned to capture an increasing share of the D2C market.

1 Hardman & Co, Platform potential, May 2020.

2 Platforum, UK Adviser Platforms Autumn update Issue 44 November 2020

3 Data taken from: FCA Data Bulletin May 2017 and FCA "The retail intermediary market 2019"

4 Platforum, UK D2C: Market Update, July 2020

Strategic update

Our aim is to become the easiest investment platform to use and our propositions are designed and delivered with that aim clearly in mind.

AJ Bell Investcentre platform

Customer numbers grew by 10,855 in the year to 108,911 (FY19: 98,056), an increase of 11%.

In January, we launched our Retirement Investment Account (RIA), a simple pension proposition, offering a wide range of investment options for a competitive, all-in annual custody fee of 25bps, targeted at customers with pensions worth less than £250,000. The introduction of the RIA extends our highly-competitive pricing across the full range of portfolio values and we are pleased that AJ Bell Investcentre has since been recognised as "firmly at the front of the market in terms of pricing" by the lang cat[5].

We have continued to enhance our investment choice with the launch of our third-party managed portfolio service (MPS), which has been developed in response to adviser feedback. The service allows advisers to use the investment expertise of third-party Discretionary Fund Managers, while we provide the tax wrapper, custody, dealing and settlement service at a highly-competitive price. The third-party MPS sits alongside our existing AJ Bell MPS option and the AJ Bell multi-asset funds, giving advisers access to a wide range of outsourced investment solutions to help manage their clients' portfolios.

In August we introduced 'Fundamentals', a new service designed to help financial advisers complete investment research and due diligence on funds and ETFs. The online service gives advisers free access to AJ Bell's investment research expertise and detailed analysis, while its easy-to-use functionality enables advisers to quickly search for funds meeting specific criteria aligned with their clients' needs.

Following the outbreak of COVID-19, our dedicated customer contact teams maintained our usual strong service levels as we transitioned to a new working environment. There was no significant disruption to our communication channels and we were able to effectively digitise the small number of residual adviser facing paper-based processes. Our commitment to maintaining service levels throughout the crisis has been recognised by advisers. In May 2020 we were rated as the top platform for customer service in light of the COVID-19 crisis in a survey of advisers conducted by Platforum[6]. In addition, we achieved a significant increase in our own internally-assessed net promoter score for 2020, with advisers praising our platform for its ease of use and our consistently high service levels.

We quickly adapted our established channels of adviser engagement, replacing our 'On the Road' seminars with our 'Off the Road' webinars, giving advisers the chance to engage remotely with our technical and market-related experts and content. We have delivered 26 webinars so far, each attracting an average audience of 390 advisers. In light of the popularity of the webinars and positive response from our advisers, we will continue to make greater use of digital communication channels as we adapt to a 'new normal' way of working. We also transformed our annual Investival event to a digital format for 2020, with online broadcasts over two days in November, attended by over 1,200 advisers.

Our advised platform has once again received numerous awards during the year. AJ Bell Investcentre was named 'Platform of the year' at the Money Marketing Awards, 'Best Platform for Advisers (above £25bn)' at the Professional Adviser Awards and received a five-star rating from Moneyfacts Annual Star Ratings 2020.

AJ Bell Youinvest platform

AJ Bell Youinvest enjoyed the most successful year of new business in its history, with a record increase in customer numbers of 52,070 to 172,183 (FY19:120,113) an increase of 43% and record net underlying AUA inflows of £2.1bn (FY19:£1.4bn), an increase of 50%.

5 The lang cat, A review of AJ Bell Investcentre's New Retirement Investment Account, November 2019.

6 Platforum, UK Adviser Platforms Spring Update, May 2020.

We continue to attract an increasingly diversified customer base and have experienced an increase in applications from younger investors and those who are new to investing, with over 57% of new customers aged 40 or under (compared to 38% of existing customers).

To support less experienced investors, we offer a range of guided investment solutions comprising: AJ Bell funds, ready-made portfolios and favourite funds, making it easier for them to compare options and start building their investment portfolio. Our guided investment solutions have proven particularly popular with new customers, with an increasing number of customers opting for AJ Bell funds. During the year we enhanced our range of guided solutions with the introduction of our investment trust 'select list', a researched list of investment trusts, with supporting information and analysis, selected by our investment specialists.

The COVID-19 pandemic has accelerated the increase in customers using mobile technology. The proportion of customers who traded using our AJ Bell Youinvest mobile application increased to 35% (FY19: 25%), demonstrating the ease-of-use, mobile capability and accessibility of our platform.

We have started a journey to reduce the small number of residual customer-facing paper processes and during the year implemented online payslips and paperless direct debits.

The launch of our Cash savings hub, means we can now cater for our customers' cash savings requirements as well as their investment needs. This enables our customers to access a range of competitive notice and fixed-term savings accounts from UK authorised banks which are all FSCS protected up to £85,000. In a persistently low interest rate environment, it is important for people to ensure they receive some return on their money, but it takes time, effort and form-filling to continually monitor bank deposit rates and to open new bank deposit accounts. With the Cash savings hub, customers can set up their account online in minutes, making it easy to generate better returns from their longer-term cash savings without the need to fill in individual bank application forms or pass individual bank KYC checks. Customers can view their cash savings account alongside any other accounts they hold with AJ Bell, providing a single view of their savings and investments in one secure place.

I am delighted that our consistent focus on customers' needs has been recognised once again as we retained top spot in Platforum's UK D2C Investor Experience[7] report in addition to receiving a further eight industry awards during the year. AJ Bell Youinvest was also recognised as a Which? 'Recommended Provider' for the second year running and was also awarded the inaugural Which? 'SIPP Recommended Provider'.

AJ Bell Investments

Our range of simple investment solutions has continued to deliver value for our customers at a highly-competitive price, establishing an excellent three-year performance track-record. We have recently launched a new Responsible Growth Fund for people who want diversified exposure to companies with strong environmental, social and governance (ESG) credentials. Our new fund offers customers a simple and transparent way to add a responsible dimension to their portfolios whilst maintaining the potential for positive returns.

Operational resilience

Our hybrid technology solution, which consolidates proprietary and third-party systems into a single AJ Bell technology platform, provides both flexibility and resilience. Our robust, efficient and stable platform is vital to both attracting and retaining new customers and drives operational gearing.

Whilst the ongoing market volatility and record dealing activity has presented some operational challenges for the industry, our platform performed strongly in the year as we welcomed a record number of new customers and experienced exceptional trading activity compared to prior years.

7 Platforum UK D2C Investor Experience November 2019

On 9 November 2020, two significant announcements occurred on the same day, with ground-breaking news of a potential vaccine for COVID-19 and clarity on the outcome of the US election, which created a sharp spike in customer activity over a few hours. This caused issues across the market which unfortunately impacted our platform for a short period of time. While the total number of real-time trades placed on our D2C platform on 9 November was one of the highest on record, some of our customers, regrettably, experienced intermittent service issues during the afternoon. A full service was restored by the end of the day as our real-time monitoring and alerting capabilities triggered corrective actions over the course of the afternoon. We have carried out a detailed root-cause analysis and taken additional steps since the incident to further strengthen the resilience of our platform during times of unexpected market activity and volatility.

We are continually investing in our technology solution to ensure we maintain resilience as our business continues to grow. In September 2020, the Board approved a significant further investment in cloud-based technology as part of our ongoing commitment to ensure our platform remains scalable.

Our people have adapted with remarkable agility to new working environments, and have continued to work effectively despite the challenges presented by social distancing measures, by embracing greater use of technology to ensure we maintain our high-quality customer service levels.

People and culture

An engaged workforce is vital to the ongoing success of our business and it is pleasing to have achieved a three-star accreditation, representing the highest standard of workplace engagement, in the 'Sunday Times 100 Best Companies to Work For', for the second consecutive year.

As we grow our business, it becomes increasingly important that we maintain and preserve the positive culture we have built over the years. This was no more evident than in the way our people responded and worked together during the challenges of the pandemic. I was truly impressed by the commitment and flexibility of our staff, who adapted quickly and positively and embraced new ways of working.

As we move to a 'new normal' and a more flexible way of working with our staff and other stakeholders, our challenge will be, as for many, to ensure we maintain our cohesive culture. Our second cohort of the Employee Voice Forum presented some interesting ideas and insights during September 2020 and I look forward to us implementing a number of the recommendations in due course.

Regulatory developments

We operate in a highly-regulated environment. As a result of the COVID-19 pandemic the FCA has taken the decision to delay the implementation of the 'Making Transfers Simpler' rules outlined in its final policy statement following its Platform Market Study and has also delayed the final stage of its Retirement Outcomes Review (ROR) remedies, investment pathways, to February 2021.

We will continue to engage with the FCA as, whilst we understand and support the intention behind investment pathways, we feel the rules could be improved in several areas, and have put forward alternative proposals.

In the UK Budget announced on 11 March 2020, the Government confirmed plans to introduce a new framework for prudential requirements for investment firms, the Investment Firms Prudential Regime (IFPR). The IFPR aims to achieve similar intended outcomes to the EU's Investment Firms Regulation and Directive (IFR and IFD), which is currently under consultation, but due to be introduced in January 2022. The new regime introduces changes to how firms' capital requirements are calculated which is more tailored to the specific needs of investment firms rather than banks.

Outlook

Our focus throughout the COVID-19 crisis has been the health and wellbeing of our staff, whilst ensuring we continue to maintain our high-quality service levels to customers and advisers at a time when they need us most. We have managed the initial difficulties caused by the crisis well, and in doing so, have laid foundations for the future operating model.

The long-term impact of the pandemic on the global economy is hard to predict, but we do expect interest rates to remain low for the foreseeable future. Whilst this will have an impact on revenue, we have a diversified revenue model and have operated in a low interest environment successfully for several years.

It is during economic downturns that people need security more than ever together with an investment platform they can trust to provide them with a reliable, high-quality, easy-to-use service at a low cost. At AJ Bell we have an established brand with over 25 years of experience, which has delivered on these needs in the past and is committed to doing so in the future.

The long-term growth drivers of the platform market remain strong, with customers increasingly looking to take control of their savings using flexible, low-cost, online solutions, either directly or with the support of an adviser. Our ongoing commitment and ability to invest in our award-winning platform propositions mean that we are well positioned within our market to benefit from opportunities as they arise.

Finally, I would like to thank the staff at AJ Bell for their commitment and the quality of their work whilst operating under extremely challenging circumstances.

Andy Bell

Chief Executive Officer

2 December 2020

Our response to COVID-19

Our response to the global pandemic has been shaped by our guiding principles which inform everything we do. Some of the key decisions and actions we took during the year are summarised below.

OUR PEOPLE

Our first priority was to ensure the health, safety and wellbeing of our staff and their families.

- Significant numbers of our people were successfully migrated to work from home where possible, facilitated through the use of remote login and video conferencing. Those working in the office continue to following Public Health England’s social distancing and other guidelines.

- We continued to support the physical and mental wellbeing of our staff, making home workout programmes available through video conferencing, providing Mental Health First Aiders equipped to support our staff through drop-in sessions, and with the launch of our Employee Assistance Programme.

- None of our staff were furloughed. Whilst we identified a number of staff who could have been furloughed, it was our belief that the Government’s Job Retention Scheme should be preserved for those companies in most need.

- Our staff have been assured that their jobs are not a risk of redundancy from COVID-19 related events and every member of staff has been paid as normal throughout the crisis.

- We adapted our communications, delivering our CEO’s first ever virtual ‘town hall’ talk and introduced a new series of leadership videos to complement our online leadership breakfasts and ‘lunch and learn’ sessions.

- We converted many of our traditional face-to-face training courses into online sessions to ensure we maintain our focus on personal development opportunities for our staff.

- We launched a series of initiatives to help our staff stay connected and productive during lockdown, issuing manager and employee guidance on a number of topics relating to working and managing a team from home.

- We continued to embrace our culture and maintain a sense of community through online social events such as comedy nights and a virtual ‘cook-along’ with a Michelin Star chef.

OUR CUSTOMERS AND THEIR ADVISERS

As a financial services business we provide an essential service to our customers and their advisers.

- We maintained our high-quality service throughout lockdown with no significant disruption to our communication channels.
- We adapted our established channels of adviser engagement to an online format.
- We digitised our residual paper-based processes.

OUR SHAREHOLDERS

- We issued an RNS in early March to update the market on the potential impact of COVID-19 and re-affirm previous guidance provided.
- In addition, we contacted our key institutional shareholders offering one-to-one meetings to discuss the impact of COVID-19 on the business.

OUR OTHER STAKEHOLDERS

- We continued to pay our suppliers in line with our usual payment terms.
- Given our financial strength and robust liquidity position, we did not participate in any of the financial support schemes which the UK Government put in place in response to the economic crisis.
- We launched our Wage War on COVID fund, raising over £380,000 to support those in need as a result of the pandemic.

Financial review

The Group has delivered another set of strong financial results this year, with revenue up 21% from £104.9m to £126.7m and PBT increasing 29% to £48.6m (FY19: £37.7m). This financial performance was a result of the continued success of our platform propositions. The two key drivers of our growth, customer numbers and AUA, grew by 27% and 8% respectively in the 12-month period. The 8% increase in AUA was particularly pleasing against a backdrop of the FTSE All-Share Index falling by 19% during the same period.

Business performance

Customers

Customer numbers increased by 63,239 during the year to a total of 295,305 (FY19: 232,066). This growth has been driven by our platform propositions which saw a 29% increase in customer numbers to 281,094 as at 30 September 2020. In addition, our platform customer retention rate remained high at 95.5% (FY19: 95.4%).

	Year ended 30 September 2020	**Year ended 30 September 2019**
Platform	281,094	218,169
Non-platform	14,211	13,897
Total	**295,305**	**232,066**

Assets under administration

Year ended 30 September 2020

	Advised platform £bn	D2C platform £bn	**Total platform £bn**	Non-platform £bn	**Total £bn**
As at 1 October 2019	33.8	11.1	**44.9**	7.4	**52.3**
Underlying inflows	3.6	3.0	**6.6**	0.1	**6.7**
Outflows	(1.6)	(0.9)	**(2.5)**	(0.8)	**(3.3)**
Underlying net inflows/(outflows)	2.0	2.1	**4.1**	(0.7)	**3.4**
Defined benefit inflows	0.8	-	**0.8**	-	**0.8**
Total net inflows/(outflows)	2.8	2.1	**4.9**	(0.7)	**4.2**
Market and other movements	(0.3)	0.2	**(0.1)**	0.1	**-**
As at 30 September 2020	36.3	13.4	**49.7**	6.8	**56.5**

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**

We have continued to attract AUA onto our platform whilst maintaining high customer retention rates with total AUA increasing by 8% to £56.5bn at 30 September 2020, despite the adverse market movements in the period. The growth in the year was driven by the strength of both of our platform propositions, with total platform underlying inflows increasing from £5.4bn to £6.6bn.

Advised platform inflows from defined benefit transfers remained slightly below 2019 levels, in line with expectations, contributing £0.8bn to inflows during the year compared with £0.9bn in the prior year.

Non-platform net outflows of £0.7bn in the year were primarily due to the anticipated loss of a small number of institutional stockbroking clients.

Financial performance

Revenue

	Year ended 30 September 2020 £000	**Year ended 30 September 2019 £000**
Recurring fixed	26,618	25,395
Recurring ad valorem	72,422	63,095
Transactional	27,709	16,412
Total	**126,749**	**104,902**

Revenue increased by 21% to £126.7m (FY19: £104.9m). We have three categories of revenue, these being recurring fixed fees, recurring ad valorem fees and transactional fees.

Recurring fixed revenue saw an increase of 5% to £26.6m (FY19: £25.4m). This was primarily driven by increased pension administration revenue from our advised platform customers.

Recurring ad valorem revenue grew by 15% to £72.4m (FY19: £63.1m). The key driver of the growth in ad valorem revenue was the increase in average AUA in the year held on our platform propositions.

Transactional revenue grew by 69% to £27.7m (FY19: £16.4m). This increase was driven by higher levels of customer dealing, beginning in March and continuing throughout the year as customer engagement remained high.

Our revenue margin increased by 2.0bps, from 21.9bps to 23.9bps, with the increase largely caused by the increase in transactional revenue.

Administrative expenses

	Year ended 30 September 2020 £000	**Year ended 30 September 2019 £000**
Distribution	10,245	9,228
Technology	20,027	17,789
Operational and support	45,646	39,528
IPO	-	948
CSR initiative	1,595	-
Total	**77,513**	**67,493**

Administrative expenses increased by 15% to £77.5m (FY19: £67.5m). We have three core categories of administrative expenses, distribution, technology, and operational and support.

Distribution costs increased by 11% from £9.2m to £10.2m. This increase was predominately driven by the increase in headcount in our platform marketing and business development teams.

Technology costs increased by 13% to £20.0m (FY19: £17.8m). This increase reflects the growth of the business and our ongoing investment in technology with average staff numbers increasing from 137 in the prior year to 167 in the year ended September 2020.

Operational and support costs increased by 15% to £45.7m (FY19: £39.5m). Excluding both the significant increase in the Financial Services Compensation Scheme (FSCS) levy and the costs associated with elevated levels of customer dealing activity this year, the underlying year-on-year increase was 7% in support of the longer term growth of the business.

Our share-based payment expense includes a one-off charge of £1.6m relating to the CSR initiative announced in December 2019, which granted market value share options to the AJ Bell Trust (a registered charity) conditional on the achievement of DEPS targets for the financial years 2022, 2023 and 2024. Further details can be found within note 24.

Profit before tax

PBT rose to £48.6m (FY19: £37.7m), an increase of 29% compared with the prior year and our PBT margin increased to 38% (FY19: 36%). This was due to the higher revenue margins, combined with continued growth in the business and the associated operational gearing.

Tax

The effective rate of tax for the year was 20.0% (FY19: 19.5%), slightly higher than the standard rate of UK Corporation Tax of 19.0%, as a result of the disallowable one-off charge of £1.6m relating to the CSR initiative.

Earnings per share

Basic earnings per share increased by 27% to 9.51p. Diluted earnings per share (DEPS) increased by 27% to 9.47p. The increase in DEPS is in line with the increase in PBT as both tax rates and the number of shares and options in issue were only subject to minor year-on-year variances.

Financial position

The Group's balance sheet remains strong, with net assets totalling £109.5m (FY19: £86.1m) at 30 September 2020 and a return on assets of 35% (FY19: 35%). We have no significant borrowings with the exception of the lease liability that arose on adoption of IFRS 16 noted below.

New accounting standard - IFRS 16

The Group implemented IFRS 16 Leases with effect from 1 October 2019, the details and impact of which are set out in note 2: Significant accounting policies to these financial statements. On adoption of IFRS 16, we recognised right-of-use assets and the associated lease liabilities on the balance sheet in relation to leases of office space and office equipment, which had previously been classified as operating leases under IAS 17. There has been no significant impact on net assets. Lease costs are now replaced by depreciation and finance costs within the income statement, the impact of which is not material.

Financial resources and regulatory capital position

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

	Year ended 30 September 2020 £000	**Year ended 30 September 2019 £000**
Total shareholder funds	109,466	86,063
Less: unregulated business capital	(3,703)	(3,015)
CRD consolidation group – CET1 capital	**105,763**	**83,048**
Less: provision for dividend	(19,050)	(13,601)
Less: non-qualifying assets	(4,109)	(4,577)
Total capital resources	**82,604**	**64,870**
Less: capital requirement	(35,439)	(30,810)
Surplus capital	**47,165**	**34,060**
% of capital resource requirement held	233%	211%

Our regulatory requirement increased to £35.4m (FY19: £30.8m) which results in surplus capital of £47.2m (FY19: £34.1m). After making appropriate deductions, our total capital resources at 30 September 2020 was £82.6m (FY19: £64.9m).

Cash balances increased by 25% from £69.1m to £86.4m. Our short working capital cycle means that PBT is quickly converted into cash, and we maintain sufficient financial resources to support the liquidity requirements of our growing operation.

Dividends

The Board has proposed a final dividend of 4.66p per share (FY19: 3.33p per share), resulting in a total ordinary dividend of 6.16p (FY19: 4.83p) and equating to a dividend payout ratio of 65% of statutory profit after tax.

Our business is profitable, well-capitalised and we have a highly cash-generative business model. This allowed the Board to maintain a progressive dividend, whilst also ensuring we have sufficient capital for future investment in the business and an appropriate surplus over and above our regulatory capital requirements.

Michael Summersgill

Chief Financial Officer

2 December 2020

Principal risks and uncertainties

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

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

The Group has continually reviewed its risk management and internal control systems during the COVID-19 pandemic, to identify any areas that required further attention or action. Whilst the level of inherent risk for some of Group's principal risks and uncertainties has increased, the Group's controls continue to mitigate this increase in risk.

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

Risk	Potential impact	Mitigations
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 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.

Risk	Potential impact	Mitigations
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 Regulations.	• Regulatory censure and/or fine. • Related negative publicity could reduce customer confidence and affect ability to generate new inflows. • Poor conduct could have a negative impact on customer outcomes, impacting the Group's ability to achieve strategic objectives.	The Group maintains a strong compliance culture geared towards positive customer outcomes and regulatory compliance. The compliance function is responsible for ensuring all standards of the regulatory system are being met by the Group. This is achieved by implementing policies and procedures across the business, raising awareness and developing an effective control environment through 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 afine/censure from regulators, such as the ICO and FCA.	The Group continually reviews its cyber security position to ensure that it protects the confidentiality, integrity and availability of its network and the data that it holds. A defence in depth approach is in place with firewalls, web gateway, email gateway and anti-virus amongst the technologies deployed. Staff awareness is seen as being a key component of the layered defences, with regular updates, training and mock phishing exercises. Our security readiness is subject to independent assessment by a penetration testing partner that considers both production systems and development activities. This is supplemented by running a programme of weekly vulnerability scans to identify configuration issues and assess the effectiveness of the software patching schedule. The volume of cyber attacks (particularly phishing) has increased since the onset of COVID-19, however the Group's information security controls continue to mitigate this risk.

Risk	Potential impact	Mitigations
Fraud and financial crime risk The risk of failure to protect against cyber crime, 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. There has been increase in fraud attempts and financial crime alerts, since the onset of COVID-19, however the Group's fraud and financial controls continue to mitigate this risk and no fraud and financial crime losses have materialised since the onset of COVID-19.
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

Risk	Potential impact	Mitigations
		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 penalties, and reputational damage.	The Group continues to implement a programme of increasing annual investment in the technology platform. This is informed by recommendations that result from regular architectural reviews of applications and 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 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 or 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. The Group has successfully responded to the changes to its operating model, caused by a shift in employees working from home during the COVID-19 pandemic. Social-distancing measures have been employed in order to maintain office-working capability. Working from home guidance and mental health guidance have been issued to all colleagues.
Operational capability risk The risk that, due to unexpectedly high volumes	• A decline in the quality of work will have a financial impact through increased operational losses.	The Group focuses on increasing the effectiveness of its operational procedures and, through its business improvement function,

Risk	Potential impact	Mitigations
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.	Unexpectedly high volumes coupled with staff recruitment and retention issues could lead to poor customer outcomes and reputational damage.	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.

Risk	Potential impact	Mitigations
		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, the nature of the future relationship with the EU is understood.	• 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 25 to the consolidated financial statements.	The Group's products are targeted at UK residents. We do not do business in any other countries and have relatively few customers outside the UK. However, in the event that the economy falls back into a prolonged recession, this may impact contribution levels and confidence generally in the savings and investment markets. The Directors believe that the Group's overall income levels and in particular the balance between the different types of assets and transactions from which that income is derived, provide a robust defensive position against a sustained economic downturn. Revenue from retained interest income is derived from the pooling of customer cash balances. The Group has a variety of transactional and recurring revenue streams, some of which are monetary amounts while others are ad valorem. This mix of revenue types helps to limit the Group's exposure to interest rate fluctuations and capital market fluctuations.
Counterparty credit risk The risk of potential failure of clients, market counterparties or banks used by the Group to fulfil contractual obligations.	• Unintended market exposure. • Customer detriment. • Increased future capital requirements.	The Group's credit risk extends principally to its financial assets, cash balances held with banks and trade and other receivables. The Group carries out initial and ongoing due diligence on the market counterparties and banks that it uses, and regularly monitors the level of exposure. The Group holds an appropriate amount of capital against the materialisation of this risk. The Group continues to diversify across a range of approved banking counterparties, reducing the concentration of credit risk as exposure is spread over a larger number of counterparties. The

Risk	Potential impact	Mitigations
		banks currently used by the Group are detailed in note 25 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. Since the onset of COVID-19 the risk of generic bank failure has increased, particularly for less well capitalised banks and those with lower credit ratings. The Group will maintain its existing strategy of diversification to ensure acceptable exposure across a wide range of well-capitalised banks with appropriate credit ratings. It will continue to regularly monitor its level of exposure and to assess the financial strength of its banking counterparties.
Liquidity risk The risk that the Group suffers significant settlement default or otherwise suffers major liquidity problems or issues of liquidity deficiency which severely impact on the Group's reputation in the markets. The risk that the Group does not have available readily realisable financial resources to enable it to meet its obligations as they fall due, or can only secure such resources at excessive cost.	• Reputational damage. • Potential customer detriment. • Financial loss. • Unable to meet obligations as they fall due.	The Group has robust systems and controls, and monitors all legal entities to ensure they have sufficient funds to meet their liabilities as they fall due. Since the onset of COVID-19, increased market volatility has increased daily cash settlement activity and associated liquidity risk. The Group continues to monitor trade settlement on both an intra-day and daily basis. The Group continues to be a highly cash-generative business and to maintain sufficient cash and standby banking facilities to fund its foreseeable trading requirements.
Investment risk Risk of failures surrounding the investment activities carried out by AJ Bell Investments (AJBI). The	• Operational risks. • Reputational damage. • Potential customer detriment.	The Group maintains robust Investment Governance arrangements for decision-making in relation to the AJBI products and services. The performance of AJBI products and

Risk	Potential impact	Mitigations
risks specific to the AJBI entity include operational, reputational and conduct risks.		services are monitored on an ongoing basis for alignment with customer expectations and mandates, including through dedicated committees and by an independent Risk function. Operational Risks are reviewed and monitored through AJBI's Department Risk Committee (DRC). Any trading undertaken on the AJ Bell Funds is subject to a number of internal controls to minimise the risk of any operational losses.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the viability of the Group, considering a four-year period to September 2024.

This 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 based on its business model and strategy and are derived from both the Group's business activities and the wider macroeconomic environment in which the Group operates but does not control.

As an FCA-regulated entity, a continual assessment is undertaken by the Group to identify and quantify its principal risks and uncertainties. This process is known as the Internal Capital Adequacy Assessment Process (ICAAP) and uses a combination of techniques including stress-testing and scenarios to consider remote but plausible events to determine the capital requirements for the Group over a four-year period. 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 12 months. The estimated capital required for the crystallisation of risks arising from the wider macroeconomic environment is used to determine if the Group is able to maintain sufficient capital resources over its regulatory capital requirements arising from its business activities over the four-year assessment period.

As part of preparing the current ICAAP, the Board has considered the potential impact of three stress test scenarios, two for macroeconomic factors covering, a significant reduction in equity market values and negative Bank of England base interest rates with a further Group-specific, idiosyncratic stress test relating to a scenario whereby prolonged IT issues cause a reduction in customers. The Board has considered the ongoing impact of the COVID-19 pandemic and the UK Government's remediation measures on UK base rates and economy in determining the stress test scenarios. The Board has also considered the management actions that could be taken in the events that the modelled scenarios crystallise.

The results have confirmed that the Group would be able to withstand the adverse financial impact of these three scenarios occurring simultaneously over the four-year assessment period, whilst retaining a surplus of capital over and above the Group's regulatory requirements, with or without any management remediation actions.

The Group's strategy and four-year financial forecasts were approved by the Board in September 2020. 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 2024.

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

Andy Bell

Chief Executive Officer

2 December 2020

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

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

- The 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 2 December 2020 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 2020

	Note	2020 £ 000	2019 £ 000
Revenue	5	126,749	104,902
Administrative expenses		(77,513)	(67,493)
Operating profit	6	49,236	37,409
Investment income	8	162	328
Finance costs	9	(848)	(42)
Profit before tax		48,550	37,695
Tax expense	10	(9,721)	(7,342)
Profit for the financial year attributable to:			
Equity holders of the parent company		38,829	30,353
Earnings per share:			
Basic (pence)	12	9.51	7.51
Diluted (pence)	12	9.47	7.47

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

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

Consolidated statement of financial position

as at 30 September 2020

	Note	2020 £ 000	2019 £ 000
Assets			
Non-current assets			
Goodwill	13	3,660	3,660
Other intangible assets	14	1,986	2,453
Property, plant and equipment	15	3,224	4,062
Right-of-use assets	16	14,522	-
Deferred tax asset	18	1,003	1,094
		24,395	11,269
Current assets			
Trade and other receivables	19	30,561	22,954
Cash and cash equivalents	20	86,384	69,067
		116,945	92,021
Total assets		**141,340**	**103,290**
Liabilities			
Current liabilities			
Trade and other payables	21	(12,368)	(9,965)
Current tax liabilities		(17)	(2,804)
Other financial liabilities		-	(338)
Lease liabilities	16	(1,323)	-
Provisions	22	(1,595)	(1,095)
		(15,303)	(14,202)
Non-current liabilities			
Trade and other payables	21	-	(1,241)
Other financial liabilities		-	(234)
Lease liabilities	16	(15,022)	-
Provisions	22	(1,549)	(1,550)
		(16,571)	(3,025)
Total liabilities		(31,874)	(17,227)
Net assets		**109,466**	**86,063**
Equity			
Share capital	23	51	51
Share premium		8,459	7,667
Own shares		(1,147)	(1,147)
Retained earnings		102,103	79,492
Total equity		**109,466**	**86,063**

The financial statements were approved by the Board of Directors and authorised for issue on 2 December 2020 and signed on its behalf by:

Michael Summersgill
Chief Financial Officer

AJ Bell plc

Company registered number: 04503206

Consolidated statement of changes in equity

for the year ended 30 September 2020

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Own shares £ 000	Total equity £ 000
Balance at 30 September 2019	51	7,667	79,492	(1,147)	86,063
Adjustments on initial application of IFRS 16 (note 2)	-	-	(356)	-	(356)
Balance at 1 October 2019 – as restated	51	7,667	79,136	(1,147)	85,707
Total comprehensive income for the year:					
Profit for the year	-	-	38,829	-	38,829
Transactions with owners, recorded directly in equity:					
Issue of shares	-	792	-	-	792
Dividends paid	-	-	(19,733)	-	(19,733)
Equity settled share-based payment transactions	-	-	3,364	-	3,364
Deferred tax effect of share-based payment transactions	-	-	(304)	-	(304)
Tax relief on exercise of share options	-	-	811	-	811
Total transactions with owners	-	792	(15,862)	-	(15,070)
Balance at 30 September 2020	**51**	**8,459**	**102,103**	**(1,147)**	**109,466**

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Own shares £ 000	Total equity £ 000
Balance at 1 October 2018	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 payment transactions	-	-	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**

Consolidated statement of cash flows

for the year ended 30 September 2020

	Note	2020 £ 000	2019 £ 000
Cash flows from operating activities			
Profit for the financial year		38,829	30,353
Adjustments for:			
Investment income		(162)	(328)
Finance costs		848	42
Income tax expense		9,721	7,342
Depreciation and amortisation		3,574	2,110
Share-based payment expense	24	3,364	1,100
Increase in provisions and other payables		499	1,223
Loss on disposal of property, plant and equipment		1	4
Increase in trade and other receivables		(7,644)	(2,626)
Increase / (decrease) in trade and other payables		2,485	(1,473)
Cash generated from operations		51,515	37,747
Income tax paid		(11,827)	(5,704)
Net cash from operating activities		**39,688**	**32,043**
Cash flows from investing activities			
Purchase of other intangible assets	14	(201)	-
Purchase of property, plant and equipment	15	(856)	(858)
Proceeds from sale of property, plant and equipment		3	-
Interest received		180	324
Net cash flows used in investing activities		(874)	(534)
Cash flows from financing activities			
Payments of principal in relation to lease liabilities		(1,708)	(373)
Payments of interest on lease liabilities		(848)	(42)
Proceeds from issue of share capital		792	1,081
Proceeds from settlement of part-paid shares		-	2,186
Payments for purchase of own shares		-	(1)
Purchase of own shares for employee share schemes		-	(50)
Dividends paid	11	(19,733)	(14,938)
Net cash used in financing activities		(21,497)	(12,137)
Net increase in cash and cash equivalents		**17,317**	**19,372**
Cash and cash equivalents at beginning of year	20	69,067	49,695
Total cash and cash equivalents at end of year	**20**	**86,384**	**69,067**

Notes to the consolidated financial statements

for the year ended 30 September 2020

1 General information

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

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

The consolidated financial statements were approved by the Board on 2 December 2020.

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 2020 Annual Report and Financial Statements, which have been approved by the Board of Directors on 02 December 2020. The Auditors have reported on the 2019 and 2020 accounts, their reports were (i) unqualified; (ii) did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under sections 498(2) or (3) of the Companies Act 2006.

2 Significant accounting policies

Basis of accounting

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

The financial statements are prepared on the historical cost basis and prepared on a going concern basis. 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 16	Leases	1 Jan 2019

The Group applies IFRS 16 Leases as a new standard for the first time. The impact of the adoption of this standard is disclosed below. There are no other new standards that have had a material impact on the financial statements of the Group.

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

		Effective for periods commencing
IFRIC 23	Uncertainty over income tax treatments	1 Jan 2019

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

IFRS 16 – Leases

The Group has applied IFRS 16 Leases (IFRS 16) and the related amendments in the current period. IFRS 16 replaces IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease for annual periods beginning on or after 1 January 2019.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

Adoption of IFRS 16

The Group has lease contracts for various items of property, plant and other equipment. Prior to the adoption of IFRS 16, the Group classified each of its leases at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

Finance leases

Assets held under finance leases were capitalised at the commencement of the lease at the fair value of the asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs), depreciation of the leased asset and reduction of the lease liability. On adoption of IFRS 16, these have been reclassified as lease liabilities.

Operating leases

For leases classified as an operating lease, the asset was not capitalised and the lease payments were recognised as an expense in the income statement on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases where it is the lessee. The Group recognised lease liabilities to make future lease payments and right-of-use assets representing the right to use the underlying assets.

The accounting policies of the Group applied from 1 October 2019 are disclosed in note 2.14. Due to the transition method chosen in applying IFRS 16, comparative information has not been restated.

Transition impact

The Group has adopted IFRS 16 using the modified retrospective approach on 1 October 2019. 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 16.C5(b).

On adoption of IFRS 16, the Group recognised right-of-use assets and liabilities in relation to leases of office spaces and office equipment, which had previously been classified as operating leases under IAS 17. The Group has recognised right-of-use assets as if the new standard had always applied using the incremental borrowing rate at the date of initial application in accordance with the transition provisions in IFRS 16.C8(b)(i).

Practical expedients applied

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied to grandfather the assessment of which contracts are leases and applied IFRS 16 only to those that were previously identified as leases; contracts not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease;
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

Measurement

Operating leases:

The Group's property lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 October 2019. The Group's incremental borrowing rate is the rate at which similar borrowing could be obtained from an independent creditor under comparable terms and conditions and has been calculated at 5%.

The Group is required to identify the difference between the present value of its operating lease commitments disclosed at 30 September 2019 under IAS 17, discounted by using the Group's incremental borrowing rate, and its lease liabilities recognised at the date of initial application to IFRS 16.

The operating lease commitments disclosed at 30 September 2019 related to the rental of office space.

	£ 000
Operating lease commitment at 30 September 2019	22,838
Effect of discounting using incremental borrowing rate at 1 October 2019	(5,378)
Lease liabilities recognised on adoption	17,460

Finance leases:

Assets previously classified as finance leases under IAS 17 have been measured using the rate implicit in the lease.

Impact on the statement of financial position

The following table presents the impact of adopting IFRS 16 on the consolidated statement of financial position on 1 October 2019:

Extract from statement of financial position	As at 30 September 2019	Adjustment	As restated 1 October 2019
	£ 000	£ 000	£ 000
Non-current assets:			
Property, plant and equipment	4,062	(578)	3,484
Right-of-use assets	-	16,310	16,310
Deferred tax asset	1,094	83	1,177
Current assets:			
Trade and other receivables	22,954	(19)	22,935
Current liabilities:			
Trade and other payables	(9,965)	82	(9,883)
Other financial liabilities	(338)	338	-
Lease liabilities	-	(1,512)	(1,512)
Non-current liabilities			
Trade and other payables	(1,241)	1,241	-
Other financial liabilities	(234)	234	-
Lease liabilities	-	(16,535)	(16,535)
Retained earnings	79,492	(356)	79,136

Impact on the income statement

The impact on the consolidated income statement for the year ended 30 September 2020 was as follows:

	Difference (increase) / decrease
	£ 000
Depreciation expense (included in administrative expenses)	(1,458)
Lease rental expense (included in administrative expenses)	2,096
Finance costs	(823)
Tax expense	42
Impact on profit for the year	(143)

Basis of consolidation

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

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

2.1 Going concern

The Group's business activities, together with its financial position and the factors likely to affect its future development and performance are set out in the Strategic report and the Directors' report. Note 25 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, considering the impacts of the COVID-19 pandemic, covering a significant reduction in equity market values and negative Bank of England base interest rates with a further Group-specific, idiosyncratic stress relating to a scenario whereby prolonged IT issues cause a reduction in customers. These provide assurance that the Group has sufficient capital and liquidity to operate under stressed conditions.

Consequently, after making reasonable enquiries, the Directors are satisfied that the Group has sufficient 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 the 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 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.

2.4 Revenue recognition

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

Recurring fixed

Recurring fixed revenue comprises recurring administration fees and media revenue.

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

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

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

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

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

Recurring ad valorem

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

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

Transactional fees

Transactional revenue comprises dealing fees and pension scheme activity fees.

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

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

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

2.5 Share-based payments

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

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

The total expense is recognised, together with a corresponding increase in the equity reserves, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and management's estimate of shares that will eventually vest. At the end of each reporting period, the entity revises its estimates of the number of share options expected to vest based on the non-market vesting conditions. It recognises any revision to original estimates in the income statement, with a corresponding adjustment to equity reserves.

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

Fair value is measured using the Black-Scholes option pricing model or the Monte Carlo simulation 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. Following the listing of AJ Bell plc in December 2018, share price volatility has been estimated as the average volatility applying to a comparable group of listed companies.

2.6 Investment income

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

2.7 Finance costs

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

2.8 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised if the temporary difference arises from:

• the initial recognition of goodwill; or
• investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable they will not reverse in the foreseeable future; or
• the initial recognition of an asset and liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting nor taxable profit or loss.

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

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

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

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

2.9 Dividends

Dividend distributions to the Company’s shareholders are recognised in the period in which the dividends are declared and approved. 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.

2.10 Goodwill

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

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

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

2.11 Intangible assets (excluding goodwill)

Intangible assets comprise computer software, 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 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 customer relationships - 5 - 10 years

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

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

2.12 Internally-generated intangible assets

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

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

The amount initially recognised for internally-generated intangible assets is the sum of expenditure incurred from the date when the asset first meets the recognition criteria listed above. Development expenditure that does not meet the criteria is recognised as an expense in the period which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

2.13 Property, plant and equipment

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

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

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

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

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

2.14 Leased assets and lease liabilities

Leases - accounting policy applied from 1 October 2019

(i) Right-of-use assets

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

Depreciation is applied in accordance with IAS16: Property, Plant and Equipment. Right-of-use assets are depreciated over the lease term.

Right-of-use assets are subject to impairment.

(ii) Lease liabilities

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

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

Leases - accounting policy applied until 30 September 2019

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.

Finance 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.

Operating leases

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.

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

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

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

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

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

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

2.16 Retirement benefit costs

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

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

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

2.17 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.

2.18 Provisions

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

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

2.19 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.

2.20 Financial instruments

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

Financial assets

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

Financial assets at amortised cost

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

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

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, on demand deposits with banks and other short-term highly-liquid investments with original maturities of three months or less. Where appropriate, bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

Impairment of financial assets

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 September 2020 and the corresponding historical credit losses experienced within this period.

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

Financial liabilities

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

Lease liabilities

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

Other financial liabilities

The Group's other financial liabilities recognised in the prior year comprised 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 and other payables consist of amounts payable to clients and other counterparties and obligations to pay suppliers for goods and services in the ordinary course of business, including amounts recognised as accruals. Trade and other payables are measured at amortised cost using the effective interest method.

2.21 Employee benefit trust

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

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

3 Critical accounting adjustments and key sources of estimation uncertainty

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

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

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

4 Segmental reporting

It is the view of the Directors that the Group has a single operating segment. 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:

	2020 £ 000	2019 £ 000
Recurring fixed	26,618	25,395
Recurring ad valorem	72,422	63,095
Transactional	27,709	16,412
	126,749	104,902

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 the Financial instruments note.

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

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:

	2020 £ 000	2019 £ 000
Amortisation of intangible assets	668	671
Depreciation of:		
- property, plant and equipment	1,112	1,439
- right-of-use assets	1,794	-
Loss on the disposal of:		
- property, plant and equipment	1	4
Operating lease rentals:		
- property	-	1,733
Auditor's remuneration (see below)	284	465
Staff costs (see note 7)	40,183	34,213
CSR initiative (see note 24)	1,595	-
IPO related costs	-	948

IPO related costs included in 2019 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.

Following the adoption of IFRS 16 operating lease rentals in relation to properties has now been recognised as a lease liability and right-of-use asset and resulted in an increase in depreciation costs.

During the year there was no expenditure in relation to research and development expensed to the income statement (2019: £nil).

Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2020 £ 000	2019 £ 000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	95	92
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	90	173
- Audit-related assurance services	60	84
- Other assurance services	39	44
- Corporate finance services	-	65
- Non-audit services	-	7
	284	465

Of the above, audit-related services for the year totalled £284,000 (2019: £393,000).

7 Staff costs

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

	2020 No.	2019 No.
Operational and support	625	596
Technology	167	137
Distribution	87	77
	879	810

Employee benefit expense for the Group during the year:

	2020 £ 000	2019 £ 000
Wages and salaries	32,305	27,761
Social security costs	3,557	3,355
Retirement benefit costs	2,542	1,924
Termination benefits	11	73
Share-based payments	1,768	1,100
	40,183	34,213

8 Investment income

	2020 £ 000	2019 £ 000
Interest income on cash balances	123	328
Other income	39	-
	162	328

9 Finance costs

	2020 £ 000	2019 £ 000
Interest on other financial liabilities	-	42
Interest on lease liabilities	848	-
	848	42

Interest incurred on lease liabilities is in relation to the right-of-use assets following the adoption of IFRS 16.

10 Taxation

Tax charged in the income statement:

	2020 £ 000	2019 £ 000
Current taxation		
UK Corporation Tax	9,830	7,478
Adjustment to current tax in respect of prior periods	21	(78)
	9,851	7,400
Deferred taxation		
Origination and reversal of temporary differences	(132)	(59)
Adjustment to deferred tax in respect of prior periods	23	(5)
Effect of changes in tax rates	(21)	6
	(130)	(58)
Total tax expense	9,721	7,342

Corporation Tax is calculated at 19% of the estimated assessable profit for the year to 30 September 2020 (2019: 19%).

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

	2020 £ 000	2019 £ 000
Deferred tax relating to share-based payments (see note 18)	304	(663)
Current tax relief on exercise of share options	(811)	(1,383)
	(507)	(2,046)

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

	2020 £ 000	2019 £ 000
Profit before tax	48,550	37,695
UK Corporation Tax at 19% (2019: 19%)	9,225	7,162
Effects of:		
Expenses not deductible for tax purposes	448	257
Change in recognised deductible temporary differences	25	-
Effect of rate changes to deferred tax	(21)	6
Adjustments to current tax in respect of prior periods	44	(83)
	9,721	7,342
Effective tax rate	20.0%	19.5%

It is expected that the ongoing effective tax rate will remain at a rate approximating to the standard UK Corporation Tax rate in the medium term, except for the impact of deferred tax arising from the timing of exercising of share options which is not under our control. Following the enactment of the Finance Act 2020 the standard UK Corporation Tax rate will now remain at 19% rather than reducing to 17%.

Accordingly, the Group's profits for this accounting year are taxed at 19%.

Deferred tax has been recognised at 19% (2019: 17%), being the rate at which the temporary differences are expected to reverse. A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price at 30 September 2020.

11 Dividends

	2020 £ 000	2019 £ 000
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the year ended 30 September 2019 of 3.33p (2018: 21.50p) per share	13,601	8,827
Interim dividend for the year ended 30 September 2020 of 1.50p (2019: 1.50p) per share	6,132	6,111
Total dividends paid on equity shares	19,733	14,938
Proposed final dividend for the year ended 30 September 2020 of 4.66p (2019: 3.33p) per share	19,050	13,565

A final dividend declared of 4.66p per share is payable on 5 February 2021 to shareholders on the register on 8 January 2021. The ex-dividend date will be 7 January 2021. The final dividend is subject to approval by the shareholders at the Annual General Meeting on 27 January 2021 and has not been included as a liability within these financial statements.

Dividends are payable on all ordinary shares as disclosed in note 23.

AJ Bell Employee Benefit Trust, which held 1,369,428 ordinary shares (2019: 1,369,896) in AJ Bell plc at 30 September 2020, has agreed to waive all dividends. This represented 0.3% (2019: 0.3%) of the Company's called-up share capital. The maximum amount held by the Trust during the year was 1,369,896.

12 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:

	2020 £ 000	2019 £ 000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent company	38,829	30,353

	2020 No.	2019 No.
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS in issue during the year	408,342,783	404,203,556
Effect of potentially dilutive share options	1,722,941	2,296,539
Weighted average number of ordinary shares for the purposes of fully diluted EPS	410,065,724	406,500,095

	2020	2019
Earnings per share (EPS)		
Basic (pence)	9.51	7.51
Diluted (pence)	9.47	7.47

13 Goodwill

	2020 £ 000	2019 £ 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 three-year period representing the remaining useful economic life of the asset using a growth rate of nil% (2019: 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 6% (2019: 12%) has been used to assess the expected growth in revenue for the three-year forecast period. This is based on a combination of historical and expected future performance.

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

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

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

Cash flows have been discounted using a pre-tax discount rate of 11.35% (2019: 8.2%).
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 2020 goodwill is not impaired.

14 Other intangible assets

	Key operating system £ 000	Contractual customer relationships £ 000	Computer software £ 000	Total £ 000
Cost				
At 1 October 2018	8,657	2,135	5,234	16,026
At 30 September 2019	8,657	2,135	5,234	16,026
Additions	50	-	151	201
At 30 September 2020	8,707	2,135	5,385	16,227
Amortisation				
At 1 October 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
Amortisation charge	614	-	54	668
At 30 September 2020	6,854	2,135	5,252	14,241
Carrying amount				
At 30 September 2020	1,853	-	133	1,986
At 30 September 2019	2,417	-	36	2,453
At 30 September 2018	3,021	-	103	3,124
Average remaining amortisation period	3 years		2 years	

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

15 Property, plant and equipment

	Leasehold improvements £ 000	Office equipment £ 000	Assets under construction £ 000	Computer equipment £ 000	Total £ 000
Cost					
As at 1 October 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
IFRS 16 derecognition of leased assets (note 16)	-	(342)	-	(747)	(1,089)
Additions	202	70	4	580	856
Disposals	-	(78)	(2)	(113)	(193)
Transfers	175	97	(272)	-	-
At 30 September 2020	2,144	942	5	4,704	7,795
Depreciation					
At 1 October 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
IFRS 16 derecognition of leased assets (note 16)	-	(158)	-	(353)	(511)
Charge for the year	153	231	-	728	1,112
Eliminated on disposal	-	(78)	-	(111)	(189)
At 30 September 2020	471	645	-	3,455	4,571
Carrying amount					
At 30 September 2020	1,673	297	5	1,249	3,224
At 30 September 2019	1,449	545	275	1,793	4,062
At 30 September 2018	1,552	583	-	2,298	4,433

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

The net carrying amount of property, plant and equipment included the following amounts held under finance leases for the period ended 30 September 2019: computer equipment and office equipment £578,000. For the period ended 30 September 2020, assets arising from leases where the Group is a lessee have been accounted for under IFRS 16. See note 2 for adjustments recognised on adoption of IFRS 16 on 1 October 2019.

At the year-end, the Group had no commitments (2019: £nil) to purchase any property, plant and equipment.

16 Leases

On adoption of IFRS 16, the Group recognised right-of-use assets and liabilities in relation to leases of office spaces and office equipment, which had previously been classified as operating leases, and computer and office equipment previously classified as finance leases under IAS 17.

i) Right-of-use assets

	Property £ 000	**Computer and office equipment £ 000**	**Total £ 000**
Cost			
Recognised on adoption of IFRS 16 at 1 October 2019	15,735	575	16,310
Additions	-	9	9
Effect of modification to leases	-	(2)	(2)
Reduction in dilapidations provision	(1)	-	(1)
At 30 September 2020	15,734	582	16,316
Depreciation			
Charge for the year	1,455	339	1,794
At 30 September 2020	1,455	339	1,794
Carrying amount			
At 30 September 2020	14,279	243	14,522

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

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

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

ii) Lease liabilities

	2020 £ 000
Current	1,323
Non-current	15,022
	16,345

The undiscounted maturity analysis of lease liabilities is shown below:

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

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

17 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.

18 Deferred tax asset

	2020 £ 000	2019 £ 000
Deferred tax asset	1,050	1,146
Deferred tax liability	(47)	(52)
	1,003	1,094

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 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
Change in accounting policy - IFRS 16 (note 2)	-	-	83	-	83
Balance as at 1 October 2019	(52)	1,063	117	49	1,177
Credit / (charge) to the income statement	5	181	(15)	(41)	130
Charge to equity	-	(304)	-	-	(304)
At 30 September 2020	(47)	940	102	8	1,003

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 2020.

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 2020, deferred tax assets have not been provided on trading losses of £1,551,000 (2019: £1,407,000).

19 Trade and other receivables

	2020 £ 000	2019 £ 000
Trade receivables	2,001	2,529
Prepayments	2,904	3,245
Accrued income	21,132	14,469
Other receivables	4,524	2,711
	30,561	22,954

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

Included in accrued income is £919,000 (2019: £902,000) relating to contract assets, a movement of £17,000 during the year due to increased revenues.
The ageing profile of trade receivables was as follows:

	2020 £ 000	2019 £ 000
Current – not past due	928	1,245
Past due:		
0 to 30 days	452	346
31 to 60 days	95	220
61 to 90 days	82	48
91 days and over	859	973
	2,416	2,832
Provision for impairment	(415)	(303)
	2,001	2,529

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

	2020 £ 000	2019 £ 000
Opening loss allowance as at 1 October	303	385
Loss allowance recognised	137	100
Receivables written off during the year as uncollectable	(8)	(157)
Amounts recovered during the year	(4)	(8)
Unused amount reversed	(13)	(17)
Balance at end of year	415	303

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.

20 Cash and cash equivalents

	2020 £ 000	2019 £ 000
Group cash and cash equivalent balances	86,384	69,067

All cash held at bank at 30 September 2020 and 30 September 2019 had a maturity date of less than one month.

21 Trade and other payables

Current liabilities

	2020 £ 000	2019 £ 000
Trade payables	918	993
Accruals	7,514	5,217
Deferred income	1,796	1,559
Social security and other taxes	1,586	1,643
Other payables	554	553
	12,368	9,965

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

Deferred income in the current and prior year relates to contract liabilities. The prior year deferred revenue balance has now all been recognised as revenue and the current year balance all relates to cash received in the current period.

Non-current liabilities

	2020 £ 000	2019 £ 000
Other payables	-	1,241

Other payables related to lease incentives in 2019 and have been adjusted following the adoption of IFRS 16.

22 Provisions

	Office dilapidations £ 000	Other provisions £ 000	Total £ 000
At 1 October 2019	1,550	1,095	2,645
Additional provisions	-	500	500
Unused provision reversed	(1)	-	(1)
At 30 September 2020	**1,549**	**1,595**	**3,144**
Included in current liabilities	-	1,595	1,595
Included in non-current liabilities	1,549	-	1,549

Office dilapidations:

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

Other provisions:

The other provisions relate to the settlement of an operational tax dispute and the costs associated with defending a legal case. There is some uncertainty regarding the amount and timing of the outflows required to settle the obligations; therefore a best estimate has been made by assessing a number of different outcomes considering the potential areas and time periods at risk and any associated interest. The timings of the outflows are uncertain but the Group expects that settlement will be within the next 12 months.

23 Share capital

Issued, fully-called and paid:	2020 Number	2019 Number	2020 £	2019 £
Ordinary shares of 0.0125p each	410,168,330	408,730,211	51,271	51,091

All ordinary shares have full voting and dividend rights.

The following transactions have taken place during the year:

Transaction type	Share class	Number of shares	Share premium £ 000
Exercise of CSOP options	Ordinary shares of 0.0125p each	814,935	424
BAYE share purchase	Ordinary shares of 0.0125p each	190,235	368
Exercise of EIP options	Ordinary shares of 0.0125p each	432,949	-
		1,438,119	792

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 (2019: £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. The Trust waived the right to receive dividends on these shares.

24 Share-based payments

Company Share Option Plan (CSOP)

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

Option To Buy Scheme (OTB) - Growth shares

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

Buy As You Earn plan (BAYE)

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

The Company may grant free shares up to a maximum of £3,600 per employee in a tax year. During the year, no free shares have been issued (2019: £750 per employee).

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

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

Executive Incentive Plan (EIP)

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

CSR initiative

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

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

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

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

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

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

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

The tables below summarise the outstanding options and awards for each share-based payment scheme. The prior year includes the impact of the share reorganisation undertaken immediately prior to admission to the London Stock Exchange.

CSOP

	2020 Number	**2019 Number**
Outstanding at beginning of the year	1,484,709	394,076
Granted during the year	364,365	52,750
Bonus issue and share split	-	3,641,632
Forfeited during the year	(30,171)	(140,147)
Exercised during the year	(814,935)	(2,463,602)
Outstanding at the end of the year	1,003,968	1,484,709
Exercisable at the end of the year	84,807	235,924

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

	2020 £	**2019 £**
Outstanding at beginning of the year	0.65	4.52
Granted during the year	3.94	7.01
Bonus issue and share split	-	0.51
Forfeited during the year	2.49	0.44
Exercised during the year	0.52	0.71
Outstanding at the end of the year	1.90	0.65
Exercisable at the end of the year	0.48	0.45

The lowest exercise price for share options outstanding at the end of the period was 36p (2019: 20p) and the highest exercise price was 394p (2019: 160p). The weighted average remaining contractual life of share options outstanding at the end of the period was 7.7 years (2019: 6.7 years).

OTB - Growth shares

	2020 Number	**2019 Number**
Outstanding at beginning of the year	3,387,627	1,724,795
Bonus issue and share split	-	14,833,165
Converted to ordinary shares	-	(7,116,258)
Converted to deferred shares and cancelled	-	(6,054,075)
Forfeited during the year	(20,407)	-
Call option expired	(154,545)	-
Outstanding at the end of the year	3,212,675	3,387,627
Exercisable at the end of the year	-	-

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

	2020 £	2019 £
Outstanding at beginning of the year	0.63	5.60
Bonus issue and share split	-	0.58
Converted to ordinary shares	-	0.56
Converted to deferred shares and cancelled	-	0.59
Forfeited during the year	0.63	-
Call option expired	0.63	-
Outstanding at the end of the year	0.63	0.63
Exercisable at the end of the year	**-**	**-**

Upon listing to the London Stock Exchange, all growth shares were converted to ordinary shares and therefore no exercise price exists for growth shares outstanding at the end of the period. The weighted average remaining contractual life of growth shares converted to ordinary shares under a call option agreement at the end of the period was 1.9 years (2019: 2.9 years).

BAYE - Free shares

	2020 Number	2019 Number
Outstanding at beginning of the year	286,038	-
Granted during the year	-	324,882
Forfeited during the year	(22,932)	(38,844)
Outstanding during the year	263,106	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 1.2 years (2019: 2.2 years).

EIP

	2020 Number	2019 Number
Outstanding at beginning of the year	1,454,424	-
Granted during the year	703,235	1,454,424
Exercised during the year	(432,949)	-
Forfeited during the year	(516,017)	-
Outstanding during the year	1,208,693	1,454,424
Exercisable at the end of the year	31,272	-

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

	2020 £	2019 £
Outstanding at beginning of the year	0.000125	-
Exercised during the year	0.000125	-
Forfeited during the year	0.000125	-
Granted during the year	0.000125	0.000125
Outstanding during the year	0.000125	0.000125
Exercisable at the end of the year	0.000125	**-**

The weighted average remaining contractual life of EIP shares outstanding at the end of the period was 8.8 years (2019: 9.3 years).

CSR initiative

	2020 Number	2019 Number
Granted during the year	2,493,766	-
Outstanding during the year	2,493,766	-
Exercisable at the end of the year	-	-

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

	2020 £	2019 £
Granted during the year	4.01	-
Outstanding during the year	4.01	-
Exercisable at the end of the year	-	-

The weighted average remaining contractual life of CSR options outstanding at the end of the period was 9.2 years.

Weighted average share price of options exercised

The weighted average share price of all options exercised during the year was £3.89 (2019: £3.05).

Measurement

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

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

CSOP

Grant date	**31/01/2020**	**11/02/2020**
Number of shares under option	359,289	5,076
Fair value of share option from generally accepted business model (£)	0.56	0.56
Share price (£)	3.90	3.93
Exercise price of an option (£)	3.94	3.94
Expected volatility	23%	23%
Expected dividend yield	1.20%	1.20%
Risk-free interest rate	0.88%	0.88%
Expected option life to exercise (months)	36	36

EIP

Grant date	12/12/2019
Number of shares under option	703,235
Fair value of share option from generally accepted business model (£)	3.76
Weighted average share price (£)	3.87
Weighted average exercise price of an option (£)	0.000125
Expected volatility	23%
Expected dividend yield	1.20%
Risk-free interest rate	0.88%
Expected option life to exercise (months)	12 - 48

The inputs into the Monte Carlo simulation model and assumptions used in the calculations are as follows:

CSR initiative

Grant date	12/12/2019
Number of shares under option	2,493,766
Fair value of share option from generally accepted business model (£)	0.64
Share price (£)	4.04
Exercise price of an option (£)	4.01
Expected volatility	23%
Expected dividend yield	1.20%
Risk-free interest rate	0.88%
Expected option life to exercise (months)	36 - 60

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

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

During the year, the Group recognised share-based payment expenses under each share scheme as follows:

Share scheme	2020 £ 000	2019 £ 000
CSOP	67	34
OTB – Growth shares	29	39
BAYE – Free shares	138	80
BAYE – Partnership shares	6	32
EIP	1,529	915
CSR initiative	1,595	-
	3,364	1,100

25 Financial instruments and risk management

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

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

Risk management objectives

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

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

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

Significant accounting policies

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

Categories of financial instrument

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

		2020			2019	
	Amortised cost £ 000	**Financial liabilities £ 000**	**Carrying value £ 000**	**Amortised cost £ 000**	**Financial liabilities £ 000**	**Carrying value £ 000**
Financial assets						
Trade receivables	2,001	-	2,001	2,529	-	2,529
Other receivables	4,524	-	4,524	2,711	-	2,711
Cash and cash equivalents	86,384	-	86,384	69,067	-	69,067
	92,909	**-**	**92,909**	**74,307**	**-**	**74,307**
Financial liabilities						
Trade and other payables*	-	8,469	8,469	-	6,231	6,231
Other financial liabilities	-	-	-		572	572
Lease liabilities	-	16,345	16,345	-	-	-
	-	**24,814**	**24,814**	**-**	**6,803**	**6,803**

*The prior year comparative has been amended to include accruals within trade and other payables.

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:

	2020	**2019**
	£ 000	**£ 000**
+ 25bps (0.25%)	245	142
- 25bps (0.25%)	(151)	(142)

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

The Group retains a proportion of the interest income generated from the pooling of customer cash balances and as a result, the Group has an indirect exposure to interest rate risk. The cash balances are held with a variety of banks and are placed in a range of fixed-term, notice and call deposit accounts with due regard for counterparty credit risk, capacity risk, concentration risk and liquidity risk requirements. The spread of rate retained by the Group is variable dependent on rates received by banks (disclosed to customers at between 0.10% below and 0.60% above the prevailing base rate) and amounts paid away to customers.

The impact of a 25bps increase or decrease in UK base interest rates on the Group's revenue has been calculated and shown below. This has been modelled on a historical basis for each year separately assuming that the UK base rate was 25bps higher or lower than the actual position at the time. For the second half of FY20, when UK base interest rates dropped to 10bps, we assume a minimum rate of return on call cash of 0bps.

	2020	**2019**
	£ 000	**£ 000**
+ 25bps (0.25%)	6,341	2,155
- 25bps (0.25%)	(4,744)	(4,150)

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.

	2020	2019
	£ 000	£ 000
+ 10% higher	3,409	3,401
- 10% lower	(3,409)	(3,401)

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 19.

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

The credit and concentration risk on liquid funds, cash and cash equivalents is limited as deposits are held across a number of major banks. The Directors continue to monitor the strength of the banks used by the Group. The principal banks currently used by the Group are Bank of Scotland plc, Barclays Bank plc, Lloyds Bank plc, Lloyds Bank Corporate Markets plc, HSBC Bank plc, HSBC Global Asset Management, Santander UK plc, MUFG Bank Ltd 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 and in accordance with London Stock Exchange Rules.

Any settlement risk during the period between trade date and the ultimate settlement date is substantially mitigated as a result of the Group's agency status, its settlement terms and the delivery versus payment mechanism whereby if a counterparty fails to make payment, the securities would not be delivered to the counterparty. Therefore any risk exposure is to an adverse movement in market prices between the time of trade and settlement. Conversely, if a counterparty fails to deliver securities, no payment would be made.

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

Liquidity risk

This is the risk that the Group may be unable to meet its liabilities as and when they fall due. These liabilities arise from the day-to-day activities of the Group and from its obligations to customers. The

Group is a highly cash-generative business and maintains sufficient cash and standby banking facilities to fund its foreseeable trading requirements.

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

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

	Due within 1 year £ 000	1 to 5 years £ 000	After 5 years £ 000	Total £ 000
2020				
Trade and other payables	8,469	-	-	8,469
Lease liabilities	2,102	8,317	10,500	20,919
	10,571	8,317	10,500	29,388
2019				
Trade and other payables*	6,231	-	-	6,231
Other financial liabilities*	362	242	-	604
	6,593	242	-	6,835

*The prior year comparatives have been amended to reflect the contractual maturity of accruals within trade and other payables and the undiscounted cash flows relating to other financial liabilities previously disclosed at the discounted value.

Capital management

The Group's objectives in managing capital are to:

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

The capital structure of the Group consists of share capital, share premium and retained earnings. As at the reporting date the Group had capital of £109,466,000 (2019: £86,063,000).

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 ICAAP, as required by the FCA to assess the appropriate amount of regulatory capital to be held by the Group. Regulatory capital resources for ICAAP are calculated in accordance with published rules.

The ICAAP compares the Group’s financial resources against regulatory capital requirements as specified by the relevant regulatory authorities. Our current financial resources and regulatory capital requirements can be found in the Financial review.

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.

26 Interests in unconsolidated structure entities

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

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

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

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

Year	Type	Number of funds	Net AUM of funds £m	Annual management charge £ 000	Management charge receivable at 30 September £ 000
2020	OEIC	8	493.1	418	48
2019	OEIC	8	277.7	288	34

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.

27 Reconciliation of liabilities arising from leasing activities

2020	1 October 2019 £ 000	Adoption of IFRS 16 £ 000	Cash flows £ 000	Change in lease liability £ 000	30 September 2020 £ 000
Other financial liabilities	572	(572)	-	-	-
Lease liabilities	-	18,047	(1,708)	6	16,345
Total liabilities from leasing activities	**572**	**17,475**	**(1,708)**	**6**	**16,345**

2019	1 October 2018 £ 000	Cash flows £ 000	Acquisition £ 000	30 September 2019 £ 000
Other financial liabilities	731	(373)	214	572
Total liabilities from financing activities	**731**	**(373)**	**214**	**572**

28 Operating leases

The Group leases office space with varying lease end dates. Prior to the adoption of IFRS 16 Leases on 1 October 2019 these were classified as operating leases. The following table represents the future minimum lease payments under non-cancellable operating leases. No disclosure is provided for 2020 as from 1 October 2019, the distinction between finance and operating leases disappeared for lessees, with the Group now recognising right-of-use assets for these leases.

Further information on leases for which the Group is a lessee is provided in note 2.

	Property	
	2020 £ 000	2019 £ 000
Within one year	-	1,764
In the second and fifth years inclusive	-	8,298
After five years	-	12,776
	-	22,838

29 Related party transactions

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

Transactions with key management personnel:

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

The remuneration expense of key management personnel is as follows:

	2020 £ 000	2019 £ 000
Short-term employee benefits (excluding NI)	2,069	1,595
Retirement benefits	29	53
Share-based payment	1,066	632
Gain on the exercise of share options	1,400	658
	4,564	2,938

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 £4,888,000 (2019: £4,098,000) 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 share options during the year were £547,000 (2019: £64,000).

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

Other related party transactions:

Charitable donations

During the year the Group made donations of £239,000 (2019: £407,000) to the AJ Bell Trust, a registered charity of which Mr A J Bell is a trustee. The Company also introduced a CSR initiative during the year with the intention of giving an additional contribution to charity through the donation of share options to the AJ Bell Trust. Further details of the transaction can be found in note 24.

EQ Property Services Limited

The Group is party to three leases with EQ Property Services Limited for rental of the Head Office premises, 4 Exchange Quay, Salford Quays, Manchester, M5 3EE. Mr A J Bell and Mr M T Summersgill are directors and shareholders of both AJ Bell plc and EQ Property Services Limited. Mr C Galbraith, Mr R Stott and Mr F Lyons are members of key management personnel and shareholders of AJ Bell plc and are directors and shareholders of EQ Property Services Limited. The leases for the rental of the building were entered into on 17 August 2016 for terms which expire on 30 September 2031, at an aggregate market rent of £1,825,000 (2019: £1,594,000) per annum.

At the reporting date, there is no payable outstanding (2019: £nil) with EQ Property Services Limited.

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

30 Subsequent events

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

Glossary

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
CSR	Corporate Social Responsibility
DEPS	Diluted Earnings Per Share
DTR	Disclosure Guidance and Transparency Rules
D2C	Direct to Consumer
EMB	Executive Management Board
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FRS	Financial Reporting Standards
FTSE	The Financial Times Stock Exchange
GIA	General 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
IFA	Independent Financial Adviser
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
KYC	Know Your Customer

LISA	Lifetime ISA
MiFID II	Markets in Financial Instruments Directive II
MPS	Managed Portfolio Service
OCF	Ongoing Charges Figure
OEIC	Open-Ended Investment Company
OTB	Option To Buy
PBT	Profit Before Tax
PLC	Public Limited Company
SIPP	Self-Invested Personal Pension
SMRC	Senior Manager & Certification Regime
SREP	Supervisory Review and Evaluation Process
SSAS	Small Self-Administered Scheme

Definitions

Ad valorem	According to value
AUA	Assets Under Administration
Brexit	The exit of the United Kingdom from the European Union
Customer retention rate	Relates to platform customers
Lang Cat	An insight, marketing and communications consultancy business specialising in Financial Services
Listing rules	Regulations subject to the oversight of the FCA applicable to companies listed on a UK stock exchange.
Own shares	Shares held by the Group to satisfy future incentive plans
Platforum	The advisory and research business specialising in investment platforms
Recurring ad valorem revenue	Includes custody fees, retained interest income and investment management fees
Recurring fixed revenue	Includes recurring pension administration fees and media revenue
Revenue per £ AUA	Represents revenue as a percentage of the average AUA in the year. Average AUA is calculated as the average of the opening and closing AUA in each quarter averaged for the year.
Transactional revenue	Includes dealing fees and pension scheme activity fees
UK Corporate Governance Code	A code which sets out standards for best boardroom practice with a focus on Board leadership and effectiveness, remuneration, accountability and relations with shareholders.

Company information

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