

**AJ Bell Limited**  
**Annual Report and Financial Statements**  
**For the year ended 30 September 2017**  
**Company Registration No: 03091664**



**AJ Bell Limited**

**Company No: 03091664**

**Company Information**

<b>Directors</b>	A J Bell M T Summersgill F J Lyons C W Galbraith R J Stott C B Robinson L Petherick
<b>Company Secretary</b>	C B Robinson
<b>Company number</b>	03091664
<b>Registered office</b>	4 Exchange Quay Salford Quays Manchester M5 3EE
<b>Auditor</b>	KPMG LLP 1 St Peter's Square Manchester M2 3AE
<b>Principal banker</b>	Bank of Scotland plc 1 Lochrin Square 92-98 Fountainbridge Edinburgh EH3 9QA

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**Strategic report**

for the year ended 30 September 2017

The directors have pleasure in presenting their report along with the financial statements of AJ Bell Limited (the "Company") for the year ended 30 September 2017.

**Business review**

In the year ended 30 September 2017 revenue remained stable at £2,177,000 (2016: £2,203,000).

Operating profit increased to £1,302,000 (2016: £291,000). This was due to an increase in the level of administration services charged to other companies within the Group.

**Key business and financial information**

The Company's key financial and other performance indicators for the year ended 30 September 2017 were as follows:

	Unit	2017	2016	Change
Revenue	£'000	2,177	2,203	(1)%
Profit before taxation	£'000	1,292	287	350%

**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 is to ensure that the business identifies both existing and emerging risks, and continues to develop appropriate mitigation strategies.

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

The risks are considered on a Group basis but are relevant for the Company. The principal risks and uncertainties facing the Group are detailed below along with potential impacts and mitigating actions.

**Strategic report (continued)**

for the year ended 30 September 2017

<b>Risk</b>	<b>Potential impact</b>	<b>Mitigations</b>
<b>Taxation law change risk</b> Risk of taxation legislation or regulatory restriction severely reducing the attractiveness of core products	<ul style="list-style-type: none"> <li>- Loss of competitive advantage</li> <li>- Severe financial loss</li> </ul>	The directors are not expecting any change in legislation over the coming year that would make the Group's products significantly less attractive.
<b>Competitor or market risk</b> Risk of products and services becoming out of date or uncompetitive in peer group, increased competitor activity, lack of marketing focus and spend to keep pace with competitors	<ul style="list-style-type: none"> <li>- Loss of competitive advantage</li> <li>- Severe financial loss</li> <li>- Reputational loss</li> </ul>	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.
<b>Conduct risk</b> Risk that the fair treatment of customers is not central to AJ Bell's corporate culture leading to significant customer detriment.	<ul style="list-style-type: none"> <li>- Potential for poor consumer outcomes</li> <li>- Reputational loss</li> <li>- Regulatory risk</li> <li>- Severe financial loss</li> </ul>	<p>The Group continues to focus on enhancements to its risk management framework, in relation to the identification, monitoring and mitigation of risks of poor customer outcomes, and to its product management process to reduce the potential for customer detriment.</p> <p>All developments are assessed for potential poor consumer outcomes and mitigating actions are delivered alongside the developments as appropriate.</p>

**Strategic report (continued)**

for the year ended 30 September 2017

<p><b>Economic and capital market fluctuations risk</b></p> <p>Risk that a significant and prolonged capital market or economic downturn has an adverse effect on consumer confidence.</p>	<ul style="list-style-type: none"> <li>- Decreased contribution levels</li> <li>- Decreased transactional activity</li> <li>- Reduction in asset values</li> <li>- Financial loss</li> </ul>	<p>The Group's products are targeted at UK residents and we do not do business in any other countries and have relatively few customers outside the UK.</p> <p>Capital market fluctuations can have an effect on customer transactional activity and the value of assets under administration. The Group has a variety of transactional and recurring revenue streams, some of which are monetary amounts while others are ad valorem. This mix of revenue types helps to limit the Group's exposure to capital market fluctuations.</p>
<p><b>Counterparty credit risk</b></p> <p>Risk of market/client default on settlement. Risk of concentration of large individual exposures or significant exposure with single counterparty.</p>	<ul style="list-style-type: none"> <li>- Unintended market exposure</li> <li>- Customer compensation</li> <li>- Increased future capital requirements</li> </ul>	<p>There is a risk that unexpected losses may arise as a result of our customers, market counterparties or banks used by the Group failing to meet their financial obligations.</p> <p>The Group carries out initial and ongoing due diligence on the market counterparties and banks that it uses and regularly monitors the level of exposure. The Group holds an appropriate amount of capital against the materialisation of this risk.</p>

**Strategic report (continued)**

for the year ended 30 September 2017

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

**Strategic report (continued)**

for the year ended 30 September 2017

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



**Strategic report (continued)**

for the year ended 30 September 2017

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

Approved by the Board on 13 December 2017 and signed on its behalf by:



**C B Robinson (Company Secretary)**  
**for and on behalf of AJ Bell Limited**  
 4 Exchange Quay  
 Salford Quays  
 Manchester  
 M5 3EE

13 December 2017

**Directors' report**

for the year ended 30 September 2017

The directors have pleasure in presenting their report along with the financial statements of AJ Bell Limited (the "Company") for the year ended 30 September 2017.

**Principal activities**

The principal activity of the Company is the provision of investment administration services for Small Self-Administered Schemes ("SSASs"), and to act as a central supplier of administration services to the other operating companies (including the ultimate holding company) in the AJ Bell Group (the "Group").

**Results and dividends**

The profit attributable to the shareholder for the year ended 30 September 2017 was £1,016,000 (2016: £204,000). No dividend was paid during the year (2016: £Nil).

**Outlook**

The focus for the year ending 30 September 2018 will be to continue providing a quality service to the Company's SSAS customers, as well as maintaining its supply of administration services to the other operating companies in the Group.

**Directors of the company**

The directors, who held office during the year, were as follows:

A J Bell

M T Summersgill

F J Lyons

C W Galbraith

R J Stott

C B Robinson - Company secretary and director

L Petherick (appointed 1 July 2017)

R S Taylor (resigned 30 June 2017)

**Directors' report (continued)**

for the year ended 30 September 2017

**Financial risks**

<b>Interest rate risk</b> Risk of market, commercial or regulatory pressures on Interest rate margins	- Reduction in revenue	The Group has a variety of transactional and recurring revenue streams, some of which are monetary amounts while others are ad valorem. This mix of revenue types helps to limit the Group's exposure to interest rate fluctuations. In addition, the Group does not have any borrowing.
<b>Liquidity risk</b> This is the risk that the Company may be unable to meet its liabilities as and when they fall due. These liabilities arise from the day-to-day activities of the Company and from its obligations to customers.	- Reputational loss - Potential customer detriment - Financial loss	The Group is a highly cash generative business and maintains sufficient cash and standby banking facilities to fund its foreseeable trading requirements.
<b>Credit and bank default risk</b> The Company's credit risk extends to its principal financial assets. These are cash balances held with banks and trade and other receivables.	- Financial loss	With regards to trade receivables, the Company has implemented procedures that require appropriate credit or alternative checks on potential customers before business is undertaken. This minimised credit risk in this area.

**Disabled employees**

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

**Employee consultation**

The Company places considerable value on the involvement of its employees. It has continued to keep them informed on matters affecting them as employees and arising from the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and internal publications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

**Directors' report (continued)**

for the year ended 30 September 2017

**Going concern**

After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found within note 1.3 to the financial statements

**Disclosure of information to auditors**

Each of the persons who are a director at the date of approval of this Directors' report and financial statements confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- the director has taken all steps that he ought to have taken as a director in order to make him aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

**Auditor**

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

Approved by the Board on 13 December 2017 and signed on its behalf by:



**C B Robinson (Company Secretary)  
for and on behalf of AJ Bell Limited**

4 Exchange Quay  
Salford Quays  
Manchester  
M5 3EE

13 December 2017

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

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS101 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 company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

**Independent Auditor's Report to the members of AJ Bell Limited**

**Opinion**

We have audited the financial statements of AJ Bell Limited ("the Company") for the year ended 30 September 2017 which comprise the income statement, statement of financial position, statement of changes in equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Going concern**

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

**Other information**

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

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

**Matters on which we are required to report by exception**

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

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

**Independent Auditor's Report to the members of AJ Bell Limited (continued)**

- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



**Alexander Simpson (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 St Peter's Square  
Manchester  
M2 3AE

13 December 2017

**Income statement**

for the year ended 30 September 2017

	Note	2017 £ 000	2016 £ 000
<b>Revenue</b>	2	2,177	2,203
Administrative expenses		<u>(875)</u>	<u>(1,912)</u>
<b>Operating profit</b>		1,302	291
Finance costs	3	<u>(10)</u>	<u>(4)</u>
<b>Profit before tax</b>	4	1,292	287
Tax on profit	7	<u>(276)</u>	<u>(83)</u>
<b>Profit for the financial year</b>		<u><u>1,016</u></u>	<u><u>204</u></u>

The notes and information on pages 17 to 32 form part of these financial statements.

The profit for the financial year arose from continuing operations.

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



**Statement of financial position**  
as at 30 September 2017

	Note	2017 £ 000	2016 £ 000
<b>Non-current assets</b>			
Intangible assets	8	3,841	5,003
Property, plant and equipment	9	<u>3,940</u>	<u>1,175</u>
		<u>7,781</u>	<u>6,178</u>
<b>Current assets</b>			
Trade and other receivables	11	5,991	3,656
Cash and cash equivalents		<u>1,877</u>	<u>4,425</u>
		<u>7,868</u>	<u>8,081</u>
<b>Current liabilities</b>			
Trade and other payables	12	(6,228)	(5,101)
Loans and borrowings	13	(75)	(75)
Current tax liabilities		(61)	(21)
Provisions	14	<u>(492)</u>	<u>(327)</u>
		<u>(6,856)</u>	<u>(5,524)</u>
<b>Net current assets</b>		<u>1,012</u>	<u>2,557</u>
<b>Total assets less current liabilities</b>		<u>8,793</u>	<u>8,735</u>
<b>Non-current liabilities</b>			
Other payables	12	(178)	(123)
Loans and borrowings	13	(3,519)	(4,537)
Deferred tax liability	7	(225)	(257)
Provisions	14	<u>(698)</u>	<u>(661)</u>
		<u>(4,620)</u>	<u>(5,578)</u>
<b>Net assets</b>		<u>4,173</u>	<u>3,157</u>
<b>Equity</b>			
Share capital	15	2	2
Share premium account		1	1
Retained earnings		<u>4,170</u>	<u>3,154</u>
<b>Total equity</b>		<u>4,173</u>	<u>3,157</u>


The notes and information on pages 17 to 32 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 13 December 2017. They were signed on its behalf by:

**AJ Bell Limited**

**Company No: 03091664**

**Statement of financial position**  
as at 30 September 2017 (continued)

  
.....  
**M T Summersgill (Director)**  
**for and on behalf of AJ Bell Limited**  
4 Exchange Quay  
Salford Quays  
Manchester  
M5 3EE

13 December 2017

AJ Bell Limited

Company No: 03091664

**Statement of changes in equity**  
for the year ended 30 September 2017

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 October 2016	2	1	3,154	3,157
Profit for the year	-	-	1,016	1,016
At 30 September 2017	<u>2</u>	<u>1</u>	<u>4,170</u>	<u>4,173</u>
	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 October 2015	2	1	2,950	2,953
Profit for the year	-	-	204	204
At 30 September 2016	<u>2</u>	<u>1</u>	<u>3,154</u>	<u>3,157</u>

**Notes to the financial statements**

for the year ended 30 September 2017

**1 Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**1.1 Basis of accounting**

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

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

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

**1.2 Disclosure exemptions**

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

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

**1.3 Going concern**

The financial statements have been prepared on a going concern basis. The directors believe that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the 12 months from the date on which the financial statements are approved.

**Notes to the financial statements**

for the year ended 30 September 2017 (continued)

**1 Accounting policies (continued)****1.4 Revenue**

Revenue is stated net of VAT and trade discounts. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the reporting date, revenue represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of current liabilities.

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

**1.5 Investment income**

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

**1.6 Intangible assets (excluding goodwill)**

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

Computer software	3-4 years
Key operating system ("KOS")	10 years
KOS enhancements	Over the remaining life of the KOS

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

**1.7 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset evenly using a straight-line method over its expected useful life, as follows:

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

**Notes to the financial statements**

for the year ended 30 September 2017 (continued)

**1 Accounting policies (continued)**

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.

Where an asset is under construction at the end of a reporting period, the costs involved that meet the relevant recognition criteria are disclosed as a separate class of asset. As these assets are not available for use by the business they are not depreciated or amortised, instead they are reviewed for impairment.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required they are made prospectively.

**1.8 Impairment of assets**

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro-rata or more appropriate basis. An income-generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

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.

**Notes to the financial statements**

for the year ended 30 September 2017 (continued)

**1 Accounting policies (continued)**

**1.9 Investments**

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

**1.10 Taxation**

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

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

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

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

**1.11 Pension costs**

The Company makes discretionary payments into the personal pension schemes of certain employees. Contributions are recognised in the income statement as they are payable.

The Company also contributes to an employee's stakeholder pension scheme up to a maximum of 5% of their salary. The assets of the scheme are held separately from those of the Company 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 Company will pay contributions to an employee's AJ Bell Youinvest SIPP, if they wish, instead of the stakeholder pension.

**Notes to the financial statements**

for the year ended 30 September 2017 (continued)

**1 Accounting policies (continued)**

**1.12 Leases**

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives.

The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

**1.13 Interest payable and similar charges**

Interest payable on financial liabilities is recognised in the income statement over the term of such instruments at a constant rate on the carrying amount.



**Notes to the financial statements**

for the year ended 30 September 2017 (continued)

**1 Accounting policies (continued)****1.14 Financial instruments**

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

All financial assets are classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents. Loans and receivables are carried at amortised cost using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred all the risks and rewards of ownership.

Non-derivative financial liabilities are classified as other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. The Company's other financial liabilities comprise trade and other payables. Other financial liabilities are carried at amortised cost using the effective interest method. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

*Trade and other receivables*

Trade and other receivables are recognised initially at the fair value of the amount receivable and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment is established when there is objective evidence there is a difference between the carrying value and the recoverable amount.

*Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short term highly liquid investments with original maturities of three months or less.

*Trade and other payables*

Trade and other payables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method.

**1.15 Provisions**

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

**Notes to the financial statements**

for the year ended 30 September 2017 (continued)

**2 Revenue**

The total revenue of the Company for the year has been derived from its principal activity undertaken in the United Kingdom, being the provision of administration services to Small Self Administered Schemes.

**3 Finance costs (net)**

	2017 £ 000	2016 £ 000
Investment income	-	9
Interest on obligations under finance leases	(10)	(13)
	<u>(10)</u>	<u>(4)</u>

**4 Profit before tax**

Profit before taxation is stated after charging:

	Note	2017 £ 000	2016 £ 000
Depreciation of tangible fixed assets:			
- Owned	9	690	379
- Held under finance leases and hire purchase contracts	9	96	98
Amortisation of intangible fixed assets	8	1,206	1,254
Loss on disposal of tangible fixed assets		48	3
Operating lease rentals:			
- Land and buildings		2,987	1,015
Restructuring cost		492	-
Auditor's remuneration:			
- Fees for the audit of the Company		11	11

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

Fees paid to the company's auditor, KPMG LLP, and its associates for services other than the statutory audit of the company are not disclosed in AJ Bell Limited's accounts since the consolidated accounts for AJ Bell Limited's parent, AJ Bell Holdings Limited, are required to disclose non-audit fees on a consolidated basis.

**Notes to the financial statements**

for the year ended 30 September 2017 (continued)

**5 Staff costs**

	<b>2017</b>	<b>2016</b>
Average number of staff	656	607
Company full-time equivalent staff	26	23

The aggregate payroll costs (including directors' remuneration) were as follows:

	<b>2017</b>	<b>2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Wages and salaries	811	728
Social security costs	87	81
Pension costs	40	45
Termination costs	21	81
	<u>959</u>	<u>935</u>

All employees within the AJ Bell Group are jointly employed by all Group companies. However, all staff costs are paid by the Company on behalf of its ultimate holding company.

For the purposes of clarity, the directors have disclosed the total number of employees to which the Company owes a contractual obligation during the year ended 30 September 2017, along with the number of employees whose services were utilised by the Company in the same period.

Payments made to employees on behalf of other companies within the Group are classified as amounts due from group undertakings and are settled in the month following that to which the payment relates.

**6 Directors' remuneration**

The directors' remuneration for the year was as follows:

	<b>2017</b>	<b>2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Emoluments other than pension costs (excluding NI)	95	109
Pension costs	<u>2</u>	<u>3</u>
	<u>97</u>	<u>112</u>

**Notes to the financial statements**

for the year ended 30 September 2017 (continued)

**6 Directors' remuneration (continued)**

Common directorships are held by certain directors across the Group. The costs of these directors are recharged to other companies within the Group so as to fairly reflect the time spent by the director on that company's affairs. It is assumed that this reflects the fair value that the Company derives from receiving the services of that director.

**Directors' transactions**

There were no transactions with directors during the year.

**7 Tax on profit**

Tax charged in the income statement

	<b>2017</b> <b>£ 000</b>	<b>2016</b> <b>£ 000</b>
<b>Current taxation</b>		
UK corporation tax	337	239
Adjustment to corporation tax in respect of prior periods	<u>(29)</u>	<u>(114)</u>
	<u>308</u>	<u>125</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(43)	(109)
Effect from changes in tax rates	(10)	(29)
Adjustments to deferred tax in respect of prior periods	<u>21</u>	<u>95</u>
Total deferred taxation	<u>(32)</u>	<u>(42)</u>
Tax expense in the income statement	<u><u>276</u></u>	<u><u>83</u></u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK of 19.5% (2016: higher than the standard rate of corporation tax in the UK of 20%).

The differences are reconciled below:

	<b>2017</b> <b>£ 000</b>	<b>2016</b> <b>£ 000</b>
Profit before tax	<u>1,292</u>	<u>287</u>
Corporation tax at standard rate	252	57
Adjustments to tax in respect of prior periods	(8)	(19)
Expenses not deductible for tax purposes	48	77
Effect of rate changes for deferred tax	(10)	(29)
Other	<u>(6)</u>	<u>(3)</u>
Total tax charge	<u><u>276</u></u>	<u><u>83</u></u>

**Notes to the financial statements**

for the year ended 30 September 2017 (continued)

**7 Tax on profit (continued)**

Corporation tax is calculated at 19.5% of the estimated assessable profit for the financial year (2016: 20.0%).

The Company is part of a larger group and group tax loss relief is available. Where such losses are utilised in other group companies, consideration is paid by the receiving company equivalent to the tax benefit it receives.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. Further reductions to 18% (effective 1 April 2020) were also substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 September 2017 has been calculated based on these rates.

**Deferred tax**

	<b>2017</b>	<b>2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Opening balance	257	299
Charge to the income statement	<u>(32)</u>	<u>(42)</u>
Closing balance	<u><u>225</u></u>	<u><u>257</u></u>

The company has recognised a deferred tax liability of £225,000 in respect of accelerated capital allowances based upon rates substantively enacted on 6 September 2016.

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

**8 Intangible assets**

	Key operating system £ 000	Computer software £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 October 2016	8,657	2,251	10,908
Additions	-	44	44
Disposals	-	(370)	(370)
At 30 September 2017	8,657	1,925	10,582
<b>Amortisation</b>			
At 1 October 2016	3,974	1,931	5,905
Amortisation charge	1,057	149	1,206
Amortisation eliminated on disposals	-	(370)	(370)
At 30 September 2017	5,031	1,710	6,741
<b>Carrying amount</b>			
At 30 September 2017	3,626	215	3,841
At 30 September 2016	4,683	320	5,003
Average remaining amortisation period	3 years 6 months		

**Notes to the financial statements**

for the year ended 30 September 2017 (continued)

**9 Property, plant and equipment**

	Leasehold improvements £ 000	Office equipment £ 000	Assets under construction £ 000	Computer equipment £ 000	Total £ 000
<b>Cost or valuation</b>					
At 1 October 2016	678	959	-	2,528	4,165
Additions	1,451	757	163	1,228	3,599
Disposals	(548)	(631)	-	(916)	(2,095)
At 30 September 2017	<u>1,581</u>	<u>1,085</u>	<u>163</u>	<u>2,840</u>	<u>5,669</u>
<b>Depreciation</b>					
At 1 October 2016	552	787	-	1,651	2,990
Charge for the year	66	205	-	515	786
Eliminated on disposal	(548)	(609)	-	(890)	(2,047)
At 30 September 2017	<u>70</u>	<u>383</u>	<u>-</u>	<u>1,276</u>	<u>1,729</u>
<b>Carrying amount</b>					
At 30 September 2017	<u>1,511</u>	<u>702</u>	<u>163</u>	<u>1,564</u>	<u>3,940</u>
At 30 September 2016	<u>126</u>	<u>172</u>	<u>-</u>	<u>877</u>	<u>1,175</u>

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

**10 Investments**

	Shares in subsidiary undertakings £
<b>Cost or valuation</b>	
At 30 September 2016 and 30 September 2017	200
<b>Provision for impairment</b>	
At 30 September 2016 and 30 September 2017	-
<b>Carrying amount</b>	
At 30 September 2016 and 30 September 2017	<u>200</u>

**Notes to the financial statements**

for the year ended 30 September 2017 (continued)

**10 Investments (continued)**

Name of subsidiary	Class of share	Proportion of ownership interest and voting rights held	
		2017	2016
AJ Bell Trustees Limited	Ordinary	100%	100%
Ashby London Trustees Limited	Ordinary	100%	100%

The subsidiary undertakings have been dormant companies throughout the current and prior year. The registered office of all subsidiary undertakings is 4 Exchange Quay, Salford Quays, Manchester, M5 3EE.

**11 Trade and other receivables**

	2017 £ 000	2016 £ 000
Trade receivables	591	342
Amounts owed by group undertakings	2,762	1,353
Prepayments and accrued income	2,626	1,507
Other receivables	12	454
	<u>5,991</u>	<u>3,656</u>

**12 Trade and other payables**

	2017 £ 000	2016 £ 000
<b>Due within one year</b>		
Trade payables	647	217
Accruals and deferred income	4,491	3,793
Amounts due to related parties	4	0
Social security and other taxes	941	1,028
Other payables	145	63
	<u>6,228</u>	<u>5,101</u>
<b>Due after one year</b>		
Non-current payables	<u>178</u>	<u>123</u>



**Notes to the financial statements**

for the year ended 30 September 2017 (continued)

**13 Loans and borrowings**

	2017 £ 000	2016 £ 000
<b>Non-current loans and borrowings</b>		
Finance lease liabilities	68	34
Amounts owed to group undertakings	3,451	4,503
	<u>3,519</u>	<u>4,537</u>
	2017 £ 000	2016 £ 000
<b>Current loans and borrowings</b>		
Finance lease liabilities	75	75

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

The maturity of obligations under finance leases is as follows:

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

**Notes to the financial statements**

for the year ended 30 September 2017 (continued)

**14 Provisions**

	Office dilapidations £'000	Restructuring costs £'000	Total £'000
At 1 October 2016	988	-	988
Additional provisions	36	492	528
Provisions used	(326)	-	(326)
Balance as at 30 September 2017	<u>698</u>	<u>492</u>	<u>1,190</u>
Included in non-current liabilities	698	-	698
Included in current liabilities	-	492	492

The Company is contractually obliged to reinstate its leased property to its original state and layout at the end of the lease term. The office dilapidations provision represents the directors' best estimate of the present value of costs which will ultimately be incurred in settling this obligation.

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

**15 Share capital****Allotted, called up and fully paid shares**

	No.	2017 £	No.	2016 £
Ordinary shares of £1 each	1,500	1,500	1,500	1,500
Non-voting ordinary shares of £1 each	<u>75</u>	<u>75</u>	<u>75</u>	<u>75</u>
	<u>1,575</u>	<u>1,575</u>	<u>1,575</u>	<u>1,575</u>

The Ordinary shares and the Non-voting ordinary shares rank equally in all respects except that the holder of Non-voting ordinary shares cannot attend or vote at general meetings of the Company.

**Notes to the financial statements**

for the year ended 30 September 2017 (continued)

**16 Financial commitments**

There are no capital commitments contracted for but not provided for as at 30 September 2017 (2016: £Nil).

At the reporting date the Company had outstanding commitments for future lease payments under non-cancellable operating leases as shown in the table presented below. The calculations represent the minimum payments up to the next available break point of the Company's leases.

	2017 £ 000	2016 £ 000
<b>Operating leases which expire:</b>		
Within one year	2,436	1,988
Between two to five years	9,494	5,576
After five years	20,079	16,580
	<u>32,009</u>	<u>24,144</u>

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

**17 Related party transactions****EQ Property Services Limited**

AJ Bell Limited is party to a lease with EQ Property Services Limited for rental of the Head Office premises, 4 Exchange Quay, Salford Quays, Manchester M5 3EE. Andrew Bell, Michael Summersgill, Fergus Lyons, Charles Glabraith and Roger Stott are directors of both AJ Bell Limited and EQ Property Services Limited. The 15 year lease was signed for rental of the building on 17 August 2016, at a market rate of £1,593,582 per annum. No amount was outstanding at year end.

**18 Ultimate parent company and parent undertaking of larger group**

The Company is a subsidiary undertaking of AJ Bell Holdings Limited which is the ultimate parent company.

The largest group in which the results of the Company are consolidated is that headed by AJ Bell Holdings Limited, incorporated in the United Kingdom. No other consolidated financial statements include the results of the Company. The consolidated financial statements of AJ Bell Holdings Limited are available to the public and may be obtained from 4 Exchange Quay, Salford Quays, Manchester, M5 3EE or [www.ajbell.co.uk](http://www.ajbell.co.uk).