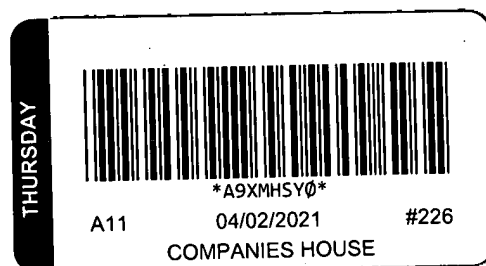


Invest in your tomorrow

AJ Bell plc

Annual report and financial statements 2020



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At AJ Bell, our core purpose is to help people invest in their tomorrow. We do this by making the whole investment process as easy as possible, while always working hard to keep costs low for our customers.

HIGHLIGHTS

ASSETS UNDER ADMINISTRATION (AUA)*

£56.5bn

+8%

(30 September 2019: £52.3bn)

Platform	2020	£49.7bn
	2019	£44.9bn
Non-Platform	2020	£6.8bn
	2019	£7.4bn

REVENUE

£126.7m

+21%

(30 September 2019: £104.9m)

PROFIT BEFORE TAX

£48.6m

+29%

(30 September 2019: £37.7m)

NUMBER OF RETAIL CUSTOMERS

295,305

+27%

(30 September 2019: 232,066)

Platform	2020	281,094
	2019	218,169
Non-Platform	2020	14,211
	2019	13,897

TOTAL ORDINARY DIVIDEND

6.16p

+28%

(30 September 2019: 4.83p)

DILUTED EARNINGS PER SHARE

9.47p

+27%

(30 September 2019: 7.47p)

*See page 20 for definition of 'alternative performance measures'.

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At the heart of our business is a clear and succinct purpose – we help people to invest.

WHAT WE DO

We want to make investing as easy as possible for our customers to enable them to invest in the life they want to live and ultimately to realise their financial goals.

WHAT WE OFFER

As one of the largest investment platforms in the UK, based on the value of our AUA, we operate successfully in both the advised and D2C areas of the platform market through our flagship platform propositions.

OUR PLATFORM PROPOSITIONS

AJ Bell Investcentre is an investment platform proposition for regulated financial advisers and wealth managers providing a suite of products, services, investment solutions and online tools to help manage their retail customers' portfolios.

CUSTOMERS

108,911

(30 September 2019: 98,056)

AUA

£36.3bn

(30 September 2019: £33.8bn)

AJ Bell Youinvest is an investment platform proposition for execution-only retail customers which includes investment solutions through our in-house funds, ready-made portfolios and guidance via the AJ Bell favourite funds list. We have recently launched a cash savings solution.

CUSTOMERS

172,183

(30 September 2019: 120,113)

AUA

£13.4bn

(30 September 2019: £11.1bn)

OUR OTHER PRODUCTS AND SERVICES

In addition to our platform propositions, we offer four non-platform services.

AJ Bell Platinum:

Provides adviser-led and D2C pension administration services to customers with bespoke SIPP and SSAS accounts.

AJ Bell Media:

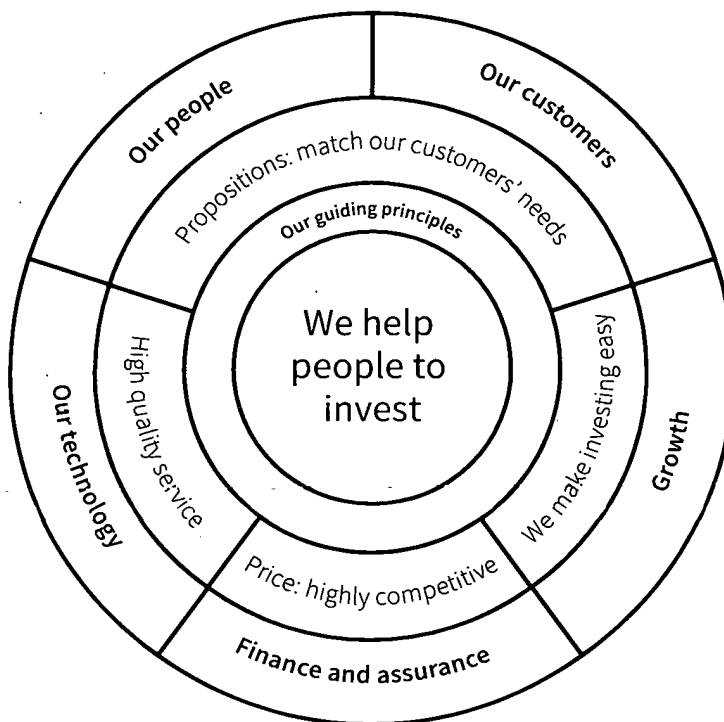
Publishes Shares magazine and other proprietary investment content to support our platform propositions.

White label SIPP administration:
Branded to Barclays Smart Investor and Halifax Share Dealing.

AJ Bell Securities stockbroking:
Provides dealing, settlement and custody services to institutional investment businesses.

HOW WE DO IT

The AJ Bell Way is a structured framework, informed by our guiding principles, that aids the development of our strategy and is the primary tool used for communicating that strategy to all key stakeholders.



Our customers

We help people to invest but will not provide personal recommendations. We will continue to develop our customer propositions with a focus on ease of use, service and price.

Growth

We will grow both customer numbers and AUA in a sustainable and cost-effective manner.

Finance and assurance

We will preserve our financial security, regulatory and reputational standing. We will treat all stakeholders fairly.

Our technology

We will deliver scalable technology solutions that are easy to use for both customers and colleagues, appropriate to their needs and adaptable for future change. The security of our technology is of paramount importance.

Our people

We will develop and support our talent to help them achieve their potential. We will strive to ensure our staff are actively engaged. Our strong employer brand and culture will enable us to attract and retain quality staff.

Our guiding principles

Our company is built on a set of guiding principles that define the way we do business. These principles inform everything we do, creating a culture in which we strive to think like our customers, make investing easier and lead our markets.

Straightforward We make investing easy and accessible	Intelligent We know our stuff	Personal We are human, not robots	Principled We do the right thing	Focused We give customers what they need, not what they don't	Energetic We never stand still
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CHAIRMAN'S STATEMENT

Les Platts
Chairman

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.

OVERVIEW

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 on page 25 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 on pages 22 to 24.

Our full governance report including details of our compliance with the UK Corporate Governance Code 2018 is set out on pages 48 to 61.

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 on page 63.

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 on page 31. 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

DIVIDEND

6.16p
per share

(FY19: 4.83 p per share)

CHIEF EXECUTIVE OFFICER'S REVIEW

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.

OVERVIEW

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

NUMBER OF RETAIL CUSTOMERS

295,305

(FY19: 232,066)

CUSTOMER RETENTION RATE

95.5%

(FY19: 95.4%)

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).

Andy Bell
Chief Executive Officer

“Our continued growth is underpinned by our platform propositions, providing a high-quality service at a competitive price.”

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' on page 11.

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 trillion¹. 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 market¹ 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 billion² 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) data³.

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 billion⁴, 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 Platform, 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 Platform, UK D2C: Market Update, July 2020.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

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 Platform⁶. 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%.

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

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

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

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 Platform's UK D2C Investor Experience⁷ 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.

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

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 at 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.

⁷ Platform, UK DC2 Investor Experience, November 2019.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

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

MARKET OVERVIEW

01 STRATEGIC REPORT

02 GOVERNANCE

03 FINANCIAL STATEMENTS

04 OTHER INFORMATION

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 trillion⁸.

This includes investments held on investment platforms and the significant sums not yet administered on platforms, for example pensions, ISAs, life insurance policies and bonds, individual shares, and deposit accounts with banks or building societies.

UK PLATFORM MARKET

The platform market, within the UK savings and investment market, grew by 14% per annum between 2012 and 2019⁹, with attractive structural growth drivers and a number of barriers to entry.

This rate of growth is expected to continue, driven in particular by increasing demand for online access to a wide range of investments from customers and advisers, as investors move from non-platform to platform providers.

As the platform market has developed, there have been a number of new entrants, primarily in the form of Fintech firms with innovative new technology and digital capabilities. However many smaller firms are unable to build sufficient scale to absorb the cost of regulatory and technological change.

AJ Bell has a 6% share of the UK platform market¹⁰ and we anticipate that market growth will continue in future, representing a significant opportunity for the business.

PLATFORM MARKET AUA GROWTH

Source: Platform UK Adviser Platforms and Platform UK D2C Market Overview

We operate successfully in both the advised and D2C platform markets. The advised platform market is estimated to be worth approximately £554 billion¹¹ and has grown strongly over many years. The D2C platform market is currently smaller, estimated to be worth £210 billion¹².

ADVISED PLATFORM MARKET

£554 bn

(FY19: £530 bn)

D2C PLATFORM MARKET

£210 bn

(FY19: £222 bn)

⁸ Hardman & Co, Platform potential, May 2020.

⁹ Platform UK Adviser Platforms and Platform UK D2C Market Overview.

¹⁰ Based on AUA as at 30 September 2019. Platform UK Adviser Platforms November 2019, Platform UK D2C Market Overview February 2020.

¹¹ Platform, UK Adviser Platforms Autumn update Issue 44 November 2020.

¹² Platform, UK D2C: Market Update, July 2020.

MARKET OVERVIEW CONTINUED

THE UK ADVISED PLATFORM MARKET

Platform estimated total AUA on investment platforms used by advisers, for their customers' assets, to be £554 billion¹³ as at 30 September 2020, up 4.5% year on year. Our share of the advised market is 6.5% by AUA.

The continued growth in the advised platform market has been driven by a number of factors including:

- Increases in the personal wealth of existing advised customers.
- The impact of pension freedoms increasing the consolidation of off-platform defined contribution assets held by advised customers.

THE UK D2C PLATFORM MARKET

The D2C investment platform market was estimated to be worth £210 billion¹⁴ as at 31 March 2020, down 5.4% year-on-year due to the significant fall in global asset prices earlier in the year following the outbreak of COVID-19. However the market had previously experienced strong growth in the period 2012 to 2019 and D2C platform AUA has showed signs of recovery in the second half of the financial year. Our share of the D2C market is 5.0% by AUA.

Continued growth in the D2C market is anticipated to be driven by the following factors:

- Increases in the personal wealth of existing D2C customers.
- The impact of pension freedoms and the consolidation of off-platform defined contribution assets held by D2C customers.
- The mass affluent advice gap created by the Retail Distribution Review (RDR) has resulted in the transition of some previously advised customers to D2C customers.
- 40%¹⁵ of adults hold savings but don't invest. Low rates of return on bank cash deposits are fuelling demand for effective solutions for those customers who seek higher returns.

Barriers to entry

There are a number of barriers to achieving sustained success in the platform market:

- **Scale** – significant scale is required in order to achieve profitability in an increasingly cost-conscious market.
- **Technology** – significant investment is required to create and maintain scalable, robust and secure systems to ensure customers' assets are protected from the increasing number of cyber attacks.
- **Brand** – recognition and trust in a brand are critical in both the D2C and advised markets.
- **Regulatory capital and compliance requirements** – as investment platforms have become more mainstream the regulatory focus on them has increased. The complexity of managing compliance and ongoing regulatory change, requires significant investment in people, systems and processes.
- **Financial** – cost and value for money are becoming increasingly important for customers, particularly during an economic downturn, and several platform providers have found they are unable to reach a point where they can compete for business effectively and operate profitably.

Opportunities

The growth of both the advised and D2C markets is supported by a number of attractive structural growth drivers.

- **Demographics** – the UK has an ageing population which is both living and working for longer. Increasing life expectancy has led to an increased retirement age, whereby people are extending their working lives in order to fund their retirement.
- **Government policy** – individuals are now expected to take more responsibility for their own retirement provision, both in terms of ensuring sufficient pension savings are made and that they are invested appropriately to provide for their needs in later life, as evidenced by the UK Government's changes in relation to pension freedoms, auto-enrolment and tax-efficient savings and investments.
- **Technology** – the development of technology through various distribution channels continues to improve accessibility and drive both customer growth and asset flows. Mobile technology has already revolutionised the way people access and manage their savings, and mobile use for investment is expected to continue to grow in popularity.
- **Financial** – there is a growing awareness of the UK savings gap, which is the gap between the level of current savings and that necessary to provide a reasonable standard of living in retirement, and an ongoing move away from defined benefit to defined contribution pension schemes.

¹³ Platform, UK Adviser Platforms Autumn update Issue 44 November 2020.

¹⁴ Platform, UK D2C: Market Update, July 2020.

¹⁵ Platform, UK Consumer Insights Update, July 2019.

Our response:

AJ Bell has operated for 25 years and has grown to service 295,305 customers with AUA of £56.5bn.

We have a hybrid technology solution, which combines proprietary and third-party systems into a robust, scalable and adaptable platform.

We have a strong and trusted brand which attracts and maintains a loyal base of high-quality customers and advisers.

We have a strong risk and compliance ethos, and hold a healthy surplus of capital to meet our regulatory requirements. We are a highly-profitable business, with a competitive charging structure, offering our customers value for money. This is demonstrated by our low revenue margin, which is 23.9 bps per £ of AUA, and the benefits of operational gearing.

Our robust, scalable operating model ensures we continue to attract customers and assets to our platform by giving customers what they want; straightforward investment solutions, high-quality service and highly-competitive pricing. We operate in both the advised and D2C space and have ambitious organic growth plans to ensure we capitalise on these expanding markets.

Our response:

The long-term growth drivers of the platform market remain strong with customers increasingly needing to take control of their long-term savings. We help people to invest, listening to our customers to understand and respond to their evolving needs. We have developed our Cash savings hub in response to the needs of customers seeking a simple digital solution for managing their cash savings and generating better returns.

We support our customers, offering a range of low-cost investment solutions, which cater for the different needs and stages of their investment lifecycle.

Our aim is to become the easiest platform to use, providing our customers with flexible and intuitive ways of managing their finances online and through mobile applications.

We believe that simplicity and financial education are key to encouraging people to save more. This is evident in our campaigning around simplification of ISAs and pensions and our press activity via our own Shares magazine and the external media.

Regulation

As an investment platform, our principal regulator is the FCA. The FCA has three operational objectives: to protect consumers, ensure market integrity and promote effective competition. The investment platform market continues to be a specific area of focus for the FCA.

In March 2019, the FCA published its final report on the Investment Platforms Market Study. It concluded that the market is generally working well, although switching providers and switching between share classes of funds may still be difficult due to the time, complexity and costs involved. Its final policy statement set out rules making it easier for consumers to switch platforms and remain in the same fund without having to sell their investments. Implementation of the rules has been delayed from 31 July 2020 to 1 February 2021 as a result of the COVID-19 pandemic.

The FCA has also delayed the implementation of the final stage of Retirement Outcomes Review remedies, investment pathways, from 1 August 2020 to 1 February 2021. The ROR policy statement, published in July 2019, set out the requirement for providers to offer investment pathways for customers entering drawdown without taking advice. The rules also mandate that providers must ensure that investment in cash is an active, rather than a passive, decision and provide information to clarify the cost to the customer.

In the UK Budget announced 11 March 2020, the Government confirmed plans to introduce a new framework for prudential requirements for investment firms, the Investment Firms Prudential Regime. The IFPR aims to achieve similar intended outcomes to the EU's Investment Firms Regulation and Directive and will be introduced by January 2022. The new regime introduces changes to how firms' capital requirements are calculated.

While the substantial cost and significant complexity of compliance may act as a barrier to potential new entrants, as a financially-strong, well-capitalised business with a robust governance framework, we are well equipped to navigate the evolving regulatory environment.

OUR BUSINESS MODEL

A profitable and scalable platform with embedded growth and margin expansion opportunities.

WHAT WE DO

Our propositions

Award-winning platform operating in both the advised and D2C markets.

Our two flagship platform propositions, AJ Bell Investcentre an adviser-led investment platform and AJ Bell Youinvest, a D2C investment platform, give access to a wide range of tax wrappers, and investments.

HOW WE DO IT

Our success is built on delivering a high-quality service through the skills and passion of our people.

We deliver to our customers by offering propositions that match their needs: an easy-to-use platform with a high-quality customer service at a highly-competitive price.

We operate a **hybrid technology model** whereby our platform user interfaces are developed in-house, whilst our core back-office systems are outsourced to industry expert software providers. This model provides a number of benefits, including the ability to build adaptable, easy-to-use interfaces and reducing the cost of regulatory compliance.

We grow the business in a sustainable and cost-effective manner acquiring customers through direct marketing and business development activities, whilst raising brand awareness through a combination of sponsorship, PR, social media and referrals.

We are a **materially debt-free** business which holds sufficient funds to more than meet our regulatory capital requirements and for supporting ongoing investment in the business.

HOW WE MAKE MONEY

Revenue

Our revenue model includes a mix of fixed fees, ad valorem and transactional charges which provide a balance of inflation protection and resilience in the face of economic and capital market fluctuations.

A significant portion of our revenues are recurring, in the form of charges levied on an annual or other recurring basis.

Profits

We have high levels of online customer servicing, straight through processing and automation.

This enables us to reduce the marginal cost of adding new customers and assets to the platform.

HOW WE DELIVER VALUE

Our customers and their advisers

A strong, secure and trusted platform which enables them to manage their long-term savings with easy-to-use products at a low cost.

Our people

Our learning and development framework ensures we support and develop our staff to allow them to fulfil their potential and progress their careers.

Our shareholders

The high customer retention rates and diversified revenue model combine to yield predictable and sustainable revenue streams from the business, which quickly convert into cash, supporting a progressive dividend.

Our other stakeholders

We have a strong social conscience and support our local community with a variety of charitable initiatives.



STRATEGY IN ACTION

The progress made for each of our strategic drivers is shown below.

OUR STRATEGIC PRIORITIES

Growth

We will grow both customer numbers and AUA in a sustainable and cost-effective manner.

Our customers

We help people to invest but will not provide personal recommendations. We will continue to develop our customer propositions, with a focus on ease of use, service and price.

LINK TO KPIs

- AUA
- Number of retail customers

- Customer retention rate

LINK TO RISK

- 1 Strategic risks
- 2 Operational risks
- 3 Financial risks

① ② ③

① ②

PROGRESS IN FY20

- Achieved organic growth in customer numbers (up 27%) and AUA (up 8%).
- Continued to enhance the profile of the business and increase brand awareness.
- Strong growth in customer numbers across both our platform propositions, in particular in our D2C offering which has attracted an increasing number of younger and first-time investors.
- Average attendance of 390 advisers at each of our 26 'Off the Road' webinars held in the year.
- Extended our range of low-cost products with the launch of our Retirement Investment Account, our simplified pension proposition, for our advised customers in January 2020.
- Our Cash savings hub was launched in September 2020, giving our D2C customers quick and easy access to a range of fixed-term and notice savings accounts.
- Launched a third-party managed portfolio service in August 2020, giving customers access to external Discretionary Fund Managers.
- Maintained strong service levels throughout the COVID-19 lockdown period.

FUTURE FOCUS

To grow the platform business by increasing brand awareness and implementing a cost-effective customer acquisition strategy.

Improving the customer journey to ensure we are the easiest platform to use considering the evolving needs of our customer base.

Continue to develop our range of simple investment solutions.

Our technology

We will deliver scalable technology solutions that are easy to use for both customers and colleagues, appropriate to their needs and adaptable for future change. The security of our technology is of paramount importance.

- PBT margin

① ② ③

- PBT margin increased from 35.9% to 38.4%, evidencing the efficiency and scalability of our business.
- Continued investment in our hybrid technology solution ensured our platform was operationally resilient.
- AJ Bell Youinvest mobile application downloaded by over 128,000 users, with 35% of customers who placed a deal, doing so via the mobile application.

Continue to develop the investment platform to ensure it is scalable, adaptable, resilient and secure whilst implementing solutions to deliver operational efficiencies in the business.

Finance and assurance

We will preserve our financial security, and our regulatory and reputational standing. We will treat all stakeholders fairly.

- Revenue
- Revenue per £AUA
- PBT
- Diluted EPS

① ② ③

- Revenue and PBT increased by 21% to £126.7m and by 29% to £48.6m respectively.
- Maintained a strong regulatory capital surplus throughout the year.
- Maintained a progressive dividend, with a total ordinary dividend for the year of 6.16p per share, representing an increase of 28% on the previous year.

Deliver high-quality earnings to facilitate our dividend policy whilst managing the capital base, ensuring sufficient reserves for regulatory requirements and investing in the business.

Our people

We will develop and support our talent to help them achieve their potential. We will strive to ensure our staff are actively engaged. Our strong employer brand and culture will enable us to attract and retain quality staff.

① ②

- Maintained our three-star accreditation and achieved a top 25 position in the 'Sunday Times 100 Best Companies to Work For' in 2020.
- Enhanced our investment operations and digital technology apprenticeship programmes.
- Received feedback from our first two cohorts of Employee Voice Forum representatives, bringing our culture ideas directly into the Board's decision-making process.

Continue to focus on staff engagement and development, promoting our culture whilst enhancing our employer brand.

KEY PERFORMANCE INDICATORS

We use selected key performance indicators (KPIs) to monitor progress against our strategy.

NUMBER OF RETAIL CUSTOMERS

RESULT

295,305

+27%

2020	295,305
2019	232,066

WHY IT IS IMPORTANT

The number of retail customers is the number that have at least one funded account with an AJ Bell product at 30 September 2020.

The number of retail customers can be used as a measurement to determine the success of our propositions, customer service and marketing.

LINK TO STRATEGY

Growth

ASSETS UNDER ADMINISTRATION (AUA)*

RESULT

£56.5bn

+8%

2020	£56.5bn
2019	£52.3bn

WHY IT IS IMPORTANT

AUA is the value of assets for which AJ Bell provides either an administration, custodian or transactional service.

AUA is a measurement of the growth of the business and is the primary driver of ad valorem revenue, which is the largest component of Group revenue.

LINK TO STRATEGY

Growth

CUSTOMER RETENTION RATE

RESULT

95.5%

+0.1ppts

2020	95.5%
2019	95.4%

WHY IT IS IMPORTANT

The customer retention rate is the average number of funded platform customers during the financial year that remain funded at 30 September 2020.

Customer retention is a measurement of customer satisfaction.

LINK TO STRATEGY

Our people

REVENUE

RESULT

£126.7m

+21%

2020	£126.7m
2019	£104.9m

WHY IT IS IMPORTANT

Our revenue is the total income generated by the Group's activities, comprising recurring ad valorem, recurring fixed and transactional revenue.

Revenue provides a measurement of the financial growth of the Group.

LINK TO STRATEGY

Finance and assurance

* Our KPIs include alternative performance measures (APMs), which are indicated with an asterisk. APMs are not defined by International Financial Reporting Standards (IFRS) and should be considered together with the Group's IFRS measurements of performance. We believe APMs assist in providing greater insight into the underlying performance of the Group and enhance comparability of information between reporting periods. For definitions, see page 142.

REVENUE PER £AUA***RESULT**

23.9bps
+2.0bps

2020	23.9bps
2019	21.9bps

WHY IT IS IMPORTANT

Revenue per £AUA is the total revenue generated during the year expressed as a percentage of the average AUA in the year.

Revenue per £AUA provides a simple measurement to facilitate comparison of our charges with our competitors.

LINK TO STRATEGY

Finance and assurance

PBT**RESULT**

£48.6m
+29%

2020	£48.6m
2019	£37.7m

WHY IT IS IMPORTANT

PBT is the profit generated by the Group before Corporation Tax is paid.

PBT is a measurement of the financial performance of the Group. Profits can be used to strengthen the capital base, invest within the business or be returned to investors.

LINK TO STRATEGY

Finance and assurance

PBT MARGIN**RESULT**

38.4%
+2.5ppt

2020	38.4%
2019	35.9%

WHY IT IS IMPORTANT

PBT margin is calculated as PBT divided by total revenue.

PBT margin is a measurement of the efficiency of the Group's business model in converting revenue into profits.

LINK TO STRATEGY

Our technology

DILUTED EPS**RESULT**

9.47p
+27%

2020	9.47p
2019	7.47p

WHY IT IS IMPORTANT

Diluted EPS represents profit after tax divided by the weighted average number of shares and unexercised options in issue during the period.

EPS provides a measurement of profit per share to determine the value created for shareholders.

LINK TO STRATEGY

Finance and assurance

STAKEHOLDER ENGAGEMENT

We believe effective stakeholder engagement is a key element in driving a successful, sustainable business, built for the long term.

We proactively engage with and listen to our stakeholders to understand what is important to them. By understanding our stakeholders, we can factor into boardroom discussions the potential impact of our decisions on each stakeholder group and consider their needs and interests.

The table below sets out who our key stakeholders are, the key reasons we engage with them, the areas they have a material interest in and a brief summary of how we engaged in FY20 when considering what is most likely to promote the success of the Company.

KEY STAKEHOLDERS: WHO ARE THEY AND WHY DO WE ENGAGE WITH THEM?

Our customers and their advisers

Our customers include retail investors, financial advisers and wealth management companies.

Our success is dependent on our ability to understand our customers' needs and develop appropriate products to meet those needs.

WHAT ARE THEIR NEEDS AND MATERIAL INTERESTS?

An investment platform for our customers and advisers that:

- is secure, reliable and is easy to use;
- provides a high-quality service and is low cost; and helps them meet their long-term financial objectives.

HOW WE HAVE ENGAGED AND CONSIDERED THEIR NEEDS AND MATERIAL INTERESTS?

Customer services and websites

Our Investcentre and Youinvest teams have ongoing engagement with our customers and their advisers through telephone contacts, meetings, organised events and forums, newsletters and written communications.

Our proposition websites are also an important medium to communicate with our customers and their advisers and obtain feedback on our products and services. Our Investcentre website provides the tools for our advisers to help manage their retail customers' portfolios, whilst our Youinvest site assists customers at all stages of their investment cycle providing guidance and solutions through our AJ Bell funds, ready-made portfolios and favourite funds.

Both via our websites and our customer services channels, we have given our customers the opportunity to nominate beneficiaries for our Wage War on COVID campaign.

Surveys

Customer and adviser surveys are conducted on an annual basis with the results analysed and reviewed at Board level. Specific user groups also perform beta testing to provide further insight and feedback for us. This engagement and feedback informs the way in which we can best serve our customers and their advisers, both now and in the future.

The expansion of our product ranges to offer the Retirement Investment Account to AJ Bell Investcentre customers and the Cash savings hub to our AJ Bell Youinvest customers this year, are two examples of the enhancements we have introduced in response to customer feedback.

OUTCOMES & HIGHLIGHTS

- Increase in internal NPS from our annual adviser survey
- Retirement Investment Account launched
- Increase in customer satisfaction scores in our annual D2C customer survey
- Cash savings hub launched

KEY STAKEHOLDERS: WHO ARE THEY AND WHY DO WE ENGAGE WITH THEM?

Our people

Our people are the most important asset of our business.

Our success is built on delivering a high-quality service through the skills and passion of our people who bring our values to life across the business.

WHAT ARE THEIR NEEDS AND MATERIAL INTERESTS?

A working environment for our people that:

- facilitates their engagement at all levels;
- provides them with development and progression opportunities;
- promotes their physical and mental wellbeing;
- promotes diversity and inclusion;
- rewards them appropriately, and
- encourages flexible working practices.

HOW WE HAVE ENGAGED AND CONSIDERED THEIR NEEDS AND MATERIAL INTERESTS?

Surveys, staff communications and feedback

We have an open, collaborative and inclusive management structure and engage regularly with our staff. We do this in a number of ways including our annual staff survey, appraisal process, our intranet site, company presentations and leadership breakfasts and our wellbeing programme.

Our CEO hosts regular 'town hall' talks for all our staff and provides an opportunity for staff to ask questions. In addition following positive feedback from the daily updates sent by the CEO during the height of the COVID-19 pandemic, we have enhanced the regular email updates on the business from the CEO.

We also take feedback from our talent development, apprenticeship and training courses and as a result look to improve future training and development programmes.

We have a designated Non-Executive Director, Laura Carstensen who chairs our 'Employee Voice Forum'. Our employee representatives presented to the Board on two key topics in the year: CSR and culture giving some valuable insights into what is important to our staff.

Company share scheme

We continue to encourage employee share ownership through our BAYE scheme (see page 121) to engage our workforce in the performance of the Company and to align employee and shareholder interests.

OUTCOMES & HIGHLIGHTS

- 3* Best Companies rating
- 89% response rate from 2020 annual survey
- 'Employee Assistance Programme' launched to support the health and wellbeing of our people
- 877 hours training delivered
- 10 new apprentices taken on this year
- Awarded Employer Provider status
- Two initiatives in progress following the engagement programmes with the Employee Voice Forum

KEY STAKEHOLDERS: WHO ARE THEY AND WHY DO WE ENGAGE WITH THEM?

Our shareholders

Our shareholders include both institutional and retail investors, as well as our employees.

Delivering on our long-term strategic objectives is dependent on our shareholders' support.

WHAT ARE THEIR NEEDS AND MATERIAL INTERESTS?

Our shareholders want to invest in a business that:

- delivers on its investment case; and
- provides long-term sustainable returns.

HOW WE HAVE ENGAGED AND CONSIDERED THEIR NEEDS AND MATERIAL INTERESTS?

Ongoing investor relations programme

Through our investor relations programme, which includes regular trading updates, management roadshows, investor and analysts meetings and our AGM, we ensure that shareholder views are brought into the boardroom and considered in our decision making.

In September 2020 we also hosted an online investor presentation to update both investors and analysts on our platform propositions.

All members of the Board attend our AGM, which provides an opportunity for shareholders to ask questions and vote on resolutions.

In particular, we sought feedback from 20 of our largest institutional investors and a selection of AJ Bell Youinvest retail customers, who are also shareholders, on the results of the three concert party waiver resolutions being less than 80% in favour. As a result, the Board have taken account of the feedback which it will seek to implement when proposing similar resolutions, as appropriate.

Corporate broker updates

Our corporate brokers and sell-side analysts also provide us with valuable feedback and market insight. Our corporate broker delivers updates on market dynamics and representatives are regularly invited to attend Board meetings.

OUTCOMES & HIGHLIGHTS

- Reported quarterly on our performance
- 28% increase in dividend

STAKEHOLDER ENGAGEMENT CONTINUED

KEY STAKEHOLDERS: WHO ARE THEY AND WHY DO WE ENGAGE WITH THEM?

Our other stakeholders

Other stakeholders represent the local communities in which we operate as well as the wider environment, our suppliers and our regulators.

As a socially responsible business, we believe we have a responsibility to our local communities, wider society and our suppliers.

We operate in a highly regulated environment and engage with our regulators constructively.

WHAT ARE THEIR NEEDS AND MATERIAL INTERESTS?

Our other stakeholders want us to:

- act as a responsible corporate citizen in all respects, and
- conduct our business with integrity.

HOW WE HAVE ENGAGED AND CONSIDERED THEIR NEEDS AND MATERIAL INTERESTS?

Engaging with our suppliers

We continue to maintain and develop our business relationships, inviting key suppliers to present to our Board and EMB. In addition to our normal due diligence processes, we ensure members of the management team have regular feedback sessions with representatives from our key suppliers. We ensure our payment terms are fair and we regularly report on our payment practices.

Engaging with our regulators

We regularly engage with the FCA on consultation papers and industry issues. In addition, we actively seek to lobby via public consultation and with policymakers where we see unfairness or unnecessary complexity. We have continued to engage on ISA simplification and the payment of pension death benefits this year.

We engage with the FCA in an open and collaborative way. Our compliance team is primarily responsible for driving our regulatory compliance.

Engaging with our communities and wider society

We have a strong social conscience and look to support the communities in which we operate as well as encouraging our staff to give something back through charitable and volunteering activities. We have a strong history of engaging with our communities through a variety of activities, donations and promoting volunteering days. This year has seen us cover two key initiatives: the Wage War on COVID campaign and the long-term CSR initiative which considered a range of stakeholder views prior to approval.

Our CSR steering group includes our CEO and Chairman and other representatives from the business, overseeing the key charitable, environmental and social activities.

OUTCOMES & HIGHLIGHTS

- 30 day payment terms
- Implemented the SM&CR
- £380,000 raised through Wage War on COVID campaign
- Long-term CSR initiative launched
- 259 hours of staff volunteering
- £9,000 raised by staff to support our local charities
- Carbon neutral status

Our Section 172 statement for the year ended 30 September 2020 is on page 25 and demonstrates how our stakeholders influenced some of the principal decisions made by the Board during FY20.

Section 172 of the Companies Act 2006 (s172) requires Directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between shareholders and the Company.

We set out below some of the examples of how the Board has had regard to the duties under s172 when considering specific matters and how it has considered the interests of our key stakeholders in those decisions. Further detail on how the Board operates, including the matters it discussed and debated in the year, having regard to its s172 duties, are contained within the Corporate Governance Report on pages 54 to 61.

The Board seeks to understand and carefully consider each of our key stakeholder's interests, priorities and views. The Board recognises that each decision will have a different impact and relevance to each key stakeholder and so having a good understanding of their priorities is important. Where stakeholder priorities conflict, the members of the Board exercise independent judgement when balancing those competing interests in order to determine what it considers to be most likely to promote the long-term sustainable success of the Company.

Although the Board engages directly with some stakeholders, engagement also takes place at different levels within the business. The output from engagement below Board level is reported back to the Board and/or Board Committees and helps to inform both Board and other business-level decisions.

Further information about how we engage with our stakeholders and their needs can be found on pages 22 to 24.

PRINCIPAL BOARD DECISIONS

Operational arrangements during COVID-19:

Process and key stakeholder considerations

We moved quickly in managing our response to the COVID-19 outbreak, reflecting our clear vision and the strong values we have at AJ Bell.

Enhanced governance arrangements were introduced at the height of the pandemic with daily meetings of the EMB and certain members of the senior management, supported by management information which monitored the impact on our key risks and our people. Daily email updates from our CEO to our people were also introduced, together with regular updates to our customers and their advisers. All activity was overseen by the Board through a weekly update. In determining our response, particular regard was paid to the following.

The importance of maintaining our service and keeping communication channels open. As a financial services business we provide an essential service to our customers and their advisers and so maintaining our range of services and service levels was a key priority.

Another key priority was ensuring the health and safety of our people and the adequacy of the safeguarding measures that were put in place to protect them. The vast majority of our people were successfully migrated to working from home. For those performing essential tasks which could not be done from home, such measures as increased social distancing and intensified cleaning regimes were implemented across the business in line with Public Health England's social distancing and other guidelines.

Use of furlough and Government support schemes during COVID-19:

Process and key stakeholder considerations

Consideration was given to a number of factors and their impact on stakeholders when deciding whether AJ Bell should utilise the Government-backed furlough scheme or the ability to defer VAT and other tax payments.

The decision was made that none of our people would be furloughed and that we would not defer any tax payments. Whilst we could have taken advantage of the ability to do so, it was concluded that the furlough scheme and other financial support schemes should be preserved for those businesses that needed them most. We also engaged with those members of staff who were unable to work from home or in the office in order to assure them that their positions were safe and that they would continue to receive full pay whilst they were unable to work.

When reaching that conclusion, it was recognised that in the short term, it would have a negative impact on shareholders as a consequence of reduced profitability. However, it was considered that in the longer-term it would be in the best interests of our shareholders for the business not to take advantage of that support. The factors taken into account when making that decision included that it was considered that it would not have been socially responsible for the business to take advantage of support that it did not need given its relative financial strength and the burden the cost of that support would impose on future generations. Account was also taken of the interest of our people, the impact on the community and wider society, the maintenance of our reputation for high standards of business conduct and the potential impact on the relationship with customers and prospective customers.

Further information about our response to COVID-19 can be found on page 11.

Commitment to making a positive contribution to society:

Process and key stakeholder considerations

In December 2019, the Board approved an innovative long-term CSR initiative under which share options were granted to the AJ Bell Trust, a registered charity founded by our CEO, Andy Bell, and his wife, Tracey Bell, which will be exercisable if the business exceeds its ambitious growth plans. The maximum award, which will result in charitable causes benefiting from a minimum of £10 million, has been underwritten personally by Andy Bell, and is dependent upon earnings per share increasing by at least 100% over three years and at least 150% over five years.

When approving the initiative, consideration was given to the negative impact on shareholders in terms of the dilution of their interests due to the issue of the additional shares and the negative short-term impact on profits. However this was considered to be outweighed by the longer-term benefits, including that the setting of the option targets would further incentivise management and our people to grow the business and, if the targets were achieved, shareholders would benefit from the additional growth in value.

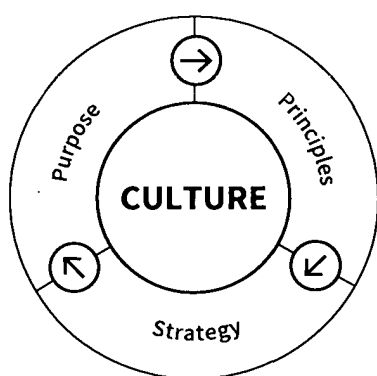
Account was also taken of the wider stakeholder benefits in terms of engagement with our people and our customers, who will both be given the opportunity to direct the use of part of the donation, and our wider community, which will benefit from the charitable support. In particular, in terms of the motivation, retention and attraction of staff who are the right cultural fit for the business and strengthening our employer brand, and the attraction and retention of customers, and the alignment of the initiative with our wider CSR strategy.

OUR PEOPLE

Our people are at the heart of our success. We take pride in their career development, and we support and empower them to drive the business forward.

We recognise our people as our most important asset and so we focus on creating a highly-collaborative culture where people feel motivated, valued and supported. Our guiding principles drive our behaviours and ensure that staff are fully engaged with our strategy and goals.

Our people strategy focuses on talent management and employee engagement.



OUR GUIDING PRINCIPLES

Straightforward

Intelligent

Personal

Principled

Focused

Energetic

TALENT MANAGEMENT

Attracting, retaining and developing the right people

The quality of our people is essential to drive the business forward and help us deliver our growth strategy. Our aim therefore, is to attract and retain talent across the business and provide them with the personal growth they need to help us deliver our goals and to realise their ambitions.

We believe it is important for all our people to be given the opportunity to enhance and broaden their skills. We actively encourage our staff to invest in their personal growth, career and future with AJ Bell through taking ownership of their own personal and professional development. Our in-house Learning and Development team also provide extensive training and support to enable our staff to realise their potential.

Building a robust talent pipeline for the future is key to delivering our growth strategy.

Talent programmes

We are immensely proud of the talented people who work here. As we continue to grow, new promotion opportunities are created and our talent management strategy ensures we continue to develop our staff throughout their career as they progress within the business. We were delighted that over 100 of our people were promoted this year.

Our main Talent Development programme has two streams; one for Team Leaders and one for Managers. This programme facilitates developing our staff who have been identified as our rising stars and future leaders, providing the opportunity to attain an externally-recognised qualification.

We also have a number of other development programmes in place that support the growth and progression of our staff at different stages of their career. Our Stepping Up programme, for example is designed to support the development of staff who are keen to progress in the business and put themselves forward for future opportunities.

Apprenticeship programmes

We are proud to have been awarded Employer Provider status by the Education and Skills Fund Agency (ESFA) in September 2020. This presents us with an exciting opportunity to further expand our apprenticeship offering, delivering in-house apprenticeships and

Chartered Management Institute (CMI) qualifications to develop and upskill our future team leaders and managers.

Our Investment Operations Specialist apprenticeship programme is now in its fourth year and continues to receive positive feedback from both apprentices and the business. Our apprentices rotate through different customer services teams to gain a broad understanding of the business over a two year programme becoming skilled and valuable members of the teams in which they have worked.

APPRENTICESHIPS

6%

of our employees are currently in, or have just completed a programme.

Following the success of our first Digital and Technology Solutions degree level apprenticeship programme, we recruited a further cohort who will embark on a four year apprenticeship, combining working in our IT department with studying for a BSc at Manchester Metropolitan University.

Our various schemes have been a great success to date and we have recently been recognised by the National Apprenticeship Service as one of the 'Top 100 Apprenticeship Employers' in the UK as well as being the highly-commended regional finalist in the Apprenticeship National Awards 2020.

EMPLOYEE ENGAGEMENT

Our staff engagement framework focuses on the eight measures used within the Best Companies survey; the largest survey of its kind in the UK.

We were delighted to strengthen our position as a three-star company in the 'Sunday Times 100 Best Companies to Work For' list this year, entering the top 25 for the first time. This is a great achievement and testament to our ongoing commitment to invest in our staff and their place of work, in order to create the best environment to learn, develop and succeed.

Our annual engagement survey for 2020 continues to show very high levels of engagement. In particular, our scores in relation to staff wellbeing and giving something back remain high, reflecting the support given to staff throughout the COVID-19 pandemic and highlighting the strength of our collective efforts in helping to make the Wage War on COVID fund the success it was. We recognise the importance of an engaged workforce and look to continually broaden our approach based upon the feedback and insight we receive.

The AJ Bell intranet continues to be a valuable way to communicate with our staff, via daily business updates, staff feedback surveys and social news. The 'town hall' talks hosted bi-annually by our CEO and our programme of leadership breakfasts have also proved an important way to stay connected with our staff and nurture the strong culture we have developed.

We established the Employee Voice Forum in the autumn of 2019, as another key engagement mechanism between the Board and our employees. The forum consists of employee representatives from different areas of the business and is chaired by Laura Carstensen, our designated Non-Executive Director responsible for Workforce Engagement. The forum meets twice a year to discuss and consider key topics that are affecting the Group. During the year, the Board received two presentations from our employee representatives, the first provided insights and ideas for CSR initiatives, with the second on maintaining our strong culture.

Employee Voice Forum

Our first cohort of representatives were tasked with canvassing staff for their ideas and views on how, as a responsible business, we could further enhance our contribution to both the local community and our environment. Whilst it was widely acknowledged that AJ Bell has a strong social conscience, there was clear sentiment around reducing our carbon footprint and helping eliminate waste. Following presentations to the Board and EMB, a number of initiatives have now progressed and we have since not only implemented a business-wide programme to reduce our paper usage, but we have achieved carbon neutral status.

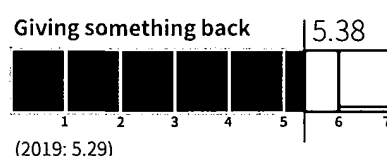
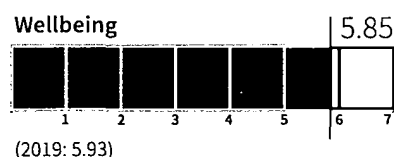
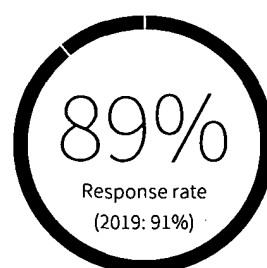
With the onset of the COVID-19 pandemic we have adapted to new working practices and guidelines, which bring their own set of challenges. With this in mind, the Board was keen to understand the thoughts and views of our employees on how we ensure our unique AJ Bell culture and strong staff engagement is maintained as we move to new ways of working. Our second cohort of representatives presented a number of ideas and insights to the Board and EMB during September 2020 and we look forward to integrating a number of these into our strategy during FY21.

We offer our staff a comprehensive employee benefits package which is regularly benchmarked and reviewed to ensure our employees are fairly rewarded and offered a wide range of core benefits, with a continued focus on health and wellbeing.

This year we introduced a number of enhancements to our benefits package which included: additional employer pension contributions, extra holiday entitlement, a facility to donate directly to charity through payroll giving, bike loan scheme, enhanced maternity/adoption and shared parental pay and a critical illness sick pay policy.

We also believe it is important that our staff build a sense of ownership and share in the success of the business. We encourage our people to participate in the Buy as You Earn (BAYE) scheme which has seen over 30% of employees participate.

ENGAGEMENT SCORES 2020



OUR PEOPLE CONTINUED

Promoting health and wellbeing

We are always keen to invest in the health and wellbeing of our staff, providing a wide range of benefits that we continually review and update together with an increasing number of activities and support aids to ensure we provide something for everyone.

We continued to grow our employee wellbeing offering this year with the launch of our Employee Assistance Programme, which gives our people access to independent confidential advice and support should they need it. In addition, we have further improved the support we offer our staff by:

- introducing a dedicated section on our AJ Bell intranet focusing solely on staff mental and physical wellbeing;
- providing additional training to managers and staff across the business on the importance of physical and mental health;
- increasing the number of mental health first aiders; and
- increasing access to one-to-one's and drop-in sessions with our mental health first-aiders.

In the coming year, we will be focusing on developing the wellbeing programme more widely to include topics such as employee financial wellbeing, which will recognise the different stages of our employees' careers and lives.

Our normal programme of activities and events for our staff has been adapted this year following the outbreak of COVID-19, but continues to encourage the social interaction and reflect the culture that we are so proud of at AJ Bell. We hosted our very own Pride in AJ Bell week in August, linked with the LGBT Foundation, held a virtual cook-along for our staff and also partnered with the Edinburgh Fringe to support its digital event this year.

Our in-house gym trainers also worked hard to provide alternatives to keep our staff fit and healthy by launching a series of virtual home workouts and seminars on nutrition.

Diversity and inclusion

At AJ Bell, we value diversity and believe in building a culture that attracts, values and retains people from all backgrounds, regardless of age, caring responsibilities, disability, ethnicity, gender, religion or sexual orientation. We strive to promote an inclusive workforce where our people feel valued, respected as individuals, and empowered to flourish in their chosen career path.

Our commitment to diversity and inclusion is a continuous process, which is embedded by our existing human resource policies, including the Equality and Diversity Policy contained within our Employee Handbook.

This year we have especially focused on our approach to gender diversity, launching a wide programme of initiatives, including rolling out unconscious bias training, bespoke recruitment

campaigns and encouraging female role models in the business. We were therefore delighted to receive recognition for our recruitment campaign, which featured some of our female employees and their career journeys at AJ Bell, through the Diversity Marketing and Recruitment Campaign of the Year award.

We have also supported a number of other initiatives this year, in particular online training for our managers on the subjects of LGBTQ+ and neurodiversity to ensure our working practices continue to support a culture in which the benefits of diversity are valued.

In keeping with our guiding principles, we will continue to evaluate and enhance where appropriate the effectiveness of our recruitment and selection practices. This is intended to ensure that no one is disadvantaged by how we attract, select and develop our people.

“Everyone feels like they’re working towards the same goal and are a valued part of the company.”

Heena Patel
Property Team Leader

Gender pay gap reporting

We published our gender pay gap report earlier in the year which reflects the gender profile of our workforce and the higher number of men in senior roles than women.

We are pleased that our mean and median pay figures have both improved this year, reflecting our continued commitment to promoting greater diversity through our recruitment practices.

We are confident that men and women are paid equally for doing equivalent jobs across the business, and that our gender pay gap is driven primarily by the structure of our workforce at senior executive level, the composition of which has been stable for several years.

Further discussion is covered within the Directors' Remuneration report on pages 72 and 73 and full details of our gender pay gap report can be found on our website at www.ajbell.co.uk.

Our workforce

TOTAL NUMBER OF EMPLOYEES 2020

915

(Total number of employees 2019: 853)

AS AT 30 SEPTEMBER 2020:

Board of Directors

Male	Female
83%	17%
(5)	(1)

Other senior management¹

Male	Female
89%	11%
(17)	(2)

Total employees²

Male	Female
58%	42%
(533)	(382)

1 Other senior management is defined as an employee who has responsibility for planning, direction or controlling the activities of the Group, or strategically significant part of the Group, other than the Board of Directors.

2 Additional employee data is provided within note 7 which shows the average position during the year.

ANTI-BRIBERY AND CORRUPTION

We are committed to maintaining high legal, ethical and moral standards. This is evidenced by our guiding principles which define our business and inform everything we do.

We conduct all our business in an honest and ethical manner and we have zero-tolerance of bribery and other corrupt activities. We are committed to acting professionally, fairly and with integrity in all business dealings and relationships.

AJ Bell maintains a number of policies and procedures to help guard against bribery and corruption. This includes an anti-bribery and corruption policy and policies and procedures on whistle-blowing, fraud and anti-money laundering, market abuse and gifts and hospitality.

All policy and guidance statements are available on our intranet and are updated periodically. Staff are also required to undertake mandatory training, including regular refresher training, to raise staff awareness and ensure they fully understand what is required of them.

HUMAN RIGHTS AND MODERN SLAVERY

AJ Bell has an important role to play in supporting human rights and we have policies and governance processes in place to mitigate risks.

We have a zero-tolerance approach to slavery and human trafficking of any kind and we are committed to acting ethically and with integrity in all our business dealings and relationships. We implement and enforce effective systems and controls to ensure modern slavery is not taking place.

This approach applies to our own business, all persons working for us or on our behalf in any capacity and to all of our supply chains. In accordance with the Modern Slavery Act 2015, we publish our Modern Slavery statement on our website and this sets out the steps that we have taken and our ongoing commitment to this important issue.

As part of our zero-tolerance approach and to increase awareness of modern slavery and human trafficking, our risk and compliance, HR and procurement staff are required to complete mandatory training. All other members of staff have the opportunity to enrol on the training voluntarily.

CORPORATE SOCIAL RESPONSIBILITY

Our Corporate Social Responsibility (CSR) policy ensures our community and the environment share in our business success and the passion of our people.

Overseen by our CSR Steering Group, our CSR policy is founded on two key pillars.

1

INVESTING IN OUR COMMUNITY

At AJ Bell, we have a strong social conscience and encourage our staff to give something back through charitable and voluntary activities. We support our staff through paid time off for volunteering and through our matched fundraising programme, ensuring that good causes close to their hearts receive extra support.

Whether taking part in a sponsored walk, sleeping out to raise money for homeless causes, collecting donations for a local food bank, or volunteering within our community, we are proud of the efforts our staff make, to give something back to their local communities.

During the year 68 staff volunteered for 259 hours at Cash for Kids, Wood Street Mission and The Booth Centre among others. In addition to volunteering days, our staff also raised over £9,000 from events in the year, supporting a variety of charities.

As with many events this year Manchester Pride celebrations were taken online and we were keen to continue our support for our LGBTQ colleagues and communities through Pride in AJ Bell week in August. Linking with the LGBT Foundation, we organised a number of events and educational sessions over the course of a week, to both raise funds and continue to highlight the importance of a highly inclusive culture that embraces diversity in all its forms. This year, we also partnered with the Edinburgh Festival Fringe Society to help it bring its annual celebration of arts and culture to audiences online, whilst supporting its fundraising campaign FringeMakers.

HOURS SPENT VOLUNTEERING

259

MONEY RAISED FROM EVENTS

£9,000

Our team in Manchester continued to support our local homeless charity, the Booth Centre by participating in the Manchester Sleepout event in November 2019. A number of our colleagues participated in the Sleepout event, raising circa £2,000, including matched funding for this great cause.

As title sponsor of the AJ Bell Fringe on Friday and the AJ Bell Fringe Pick n Mix platform, we helped to connect artists and venues with audiences they may not have otherwise reached in the absence of a physical event. The FringeMakers campaign raised over £360,000. The Central Artist and Venue Recovery Fund will be distributed by the Fringe Society in the form of grants.

We pride ourselves in our commitment to support and give something back to our community and this year has seen us drive two key initiatives. In December 2019, we announced our long-term CSR initiative, designed to ensure we are making a positive contribution to society, which aims to share our success with people in the community who need help and support. More recently, we were particularly proud to launch our AJ Bell Wage War on COVID fund in response to the current pandemic to support those in our local community directly affected.

The Group also donates a percentage of its profits on an annual basis to the AJ Bell Trust, a registered charity of which Andy Bell and his wife Tracey Bell are trustees, together with two further independent trustees.

The aim of the Trust is to help disadvantaged people to advance in life, with a particular focus on young people. It makes donations to a range of national and local causes and also funds its own charitable initiatives. In addition to supporting the Wage War on COVID campaign this year, the charity continued to support its two key projects: Snow-Camp North West and Sandy Park Café. Snow-Camp North West

enables disadvantaged youngsters to gain life skills training through the power of snow sports and the Sandy Park Café is a social enterprise providing pupils with special educational needs and disabilities relevant work-based skills to help them gain paid employment after they leave school. The Trust also committed a donation to Speedo Mick, whose foundation supports disadvantaged young people and those who are homeless.

In April we launched our AJ Bell Wage War on COVID fund, under the umbrella of the AJ Bell Trust, a UK registered charity, with the aim of supporting those in need as a result of the pandemic.

The AJ Bell Trust kick-started the fund-raising by allocating £50,000 of its charitable reserves to the fund.

A total of over £380,000 was raised, including donations of April, May and June salaries made by members of the AJ Bell Board and senior management, along with partial wage donations from many other staff members and the donations of customers, advisers and the general public.

Proceeds were distributed to over 30 charities including the following.

£30,000 cash donation to foodbanks

This was our first initiative at the beginning of lockdown, in response to the immediate crisis. The donation was split between vital foodbanks services in and around Manchester and London through FareShare, the UK's largest food redistribution charity, and Salford Community and Voluntary Services.

Free tablets

- 606 tablets were distributed to care homes and hospitals nominated by our employees, customers or through our social media channels. The aim of this initiative was to help isolated residents and patients keep in touch with their loved ones.
- 144 tablets were sent out to Onside Youth Zones in an effort to help them reconnect young people with education over the summer holiday period.

Employee-nominated charities

Over £116,000 of cash donations, ranging from £750 to £10,000, were made to charities nominated by our employees, to support causes that were providing either a direct response to COVID-19 or had adapted their services to support their beneficiaries through the pandemic.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

2

INVESTING IN OUR ENVIRONMENT

At AJ Bell, we recognise our responsibility to conserve and protect our environment as far as possible across the business.

ENVIRONMENTAL INITIATIVES

As a financial services business, our main environmental impacts are primarily through the consumption of resources and emissions at our business premises together with employee travel. We look to reduce waste where possible and minimise the environmental impact of our business and activities as far as we can through sensible policies and initiatives.

We continue to keep energy efficiency across our two offices under review, from lighting and water usage to investing in more efficient IT equipment and use of video conferencing facilities. As we move into new ways of working as a result of the COVID-19 pandemic, we see further opportunities for us to reduce our impact on the environment with a higher proportion of our employees utilising flexible working arrangements and less travel required.

Throughout the business, we recycle 100% of our confidential waste. In addition, we send 100% of our general waste from EQ4 to be recycled, none of which goes to landfill. This is sorted off-site at a waste recovery facility, by a waste management company which reports on its recycling activity on our behalf.

This year, we reviewed the use of paper across our offices and implemented a business-wide initiative to drive down our paper usage. As the COVID-19 pandemic took hold, it provided us with an opportunity to accelerate our strategy in this area and move us further towards our ambition to become a paperless platform.

Whilst we are committed to reducing our carbon footprint, we also recognise that there is more that can be done to take action for our residual emissions. We have partnered with Carbon Footprint Limited to invest in overseas projects, alongside adopting our own reduction strategies, to ensure we could offset our carbon emissions this year and have consequently obtained carbon neutral status. To offset our 2019 carbon footprint, we have chosen to support a project in India which provides renewable energy through the installation and maintenance of wind turbines.

GREENHOUSE GAS EMISSIONS

The table below summarises our greenhouse gas (GHG) emissions for scope 1 and 2, together with our energy usage for the year ended 30 September 2020. As a business we have been assessing our carbon emissions since 2019, our baseline year.

Operational scope	Greenhouse gas emissions source	Tonnes of CO ₂ e 2020	Tonnes of CO ₂ e 2019
Scope 1: Direct emissions	Combustion of fuel and operations	174.7	185.5
Scope 2: Indirect emissions	Purchased electricity for own use	164.5	196.6
Total		339.2	382.1
Intensity measure: Emissions per full-time employee equivalent (FTE)		0.36	0.45
		kWh 2020	kWh 2019
Energy usage			
Energy consumption in the UK		1,655,479	n/a

Our greenhouse gas emissions inventory is calculated for the Group under the financial control approach and in accordance with ISO 14064-1: 2018 standard using the 2020 conversion factors developed by DEFRA and BEIS. The inventory is independently calculated by Carbon Footprint Limited.

Under the GHG guidelines, scope 1 and 2 emissions are key mandatory areas to report, illustrating the environmental impact of the Group for activities where we have direct control, i.e. operation of our business premises. We have also chosen to report emissions per FTE as our intensity measure as we believe this is the best indicator for the Group. For the year ended 30 September 2020, all of our scope 1 and 2 emissions and emissions per FTE have fallen.

NON-FINANCIAL INFORMATION STATEMENT

01 STRATEGIC REPORT

02 GOVERNANCE

03 FINANCIAL STATEMENTS

04 OTHER INFORMATION

We aim to comply with all areas of the Non-Financial Reporting requirements contained within sections 414C and 414B of the Companies Act 2006. Information regarding non-financial matters is included throughout our Strategic report and the following table summarises the policies and outcomes together with references to where further information can be found.

Reporting requirement	Some of our relevant policies and standards	Where to read more in this report about our impact	Pages
Environmental matters	— Environmental Policy	Investing in our environment	32
Employees	— Employee handbook — Health and Safety Policy — Equality and Diversity Policy — Whistleblowing Policy — Safeguarding Policy	Our people	26-29
Social	— Treating Customers Fairly — CSR Policy	Corporate social responsibility	30-32
Human rights	— Human Rights Policy — Modern Slavery Statement	Human rights and modern slavery	29
Anti-corruption and anti-bribery	— Anti-Bribery and Corruption Policy — Anti-Money Laundering Policy — Gifts and Hospitality Policy — Market Abuse Policy	Anti-bribery and corruption	29
Additional information	Where to read more in this report		Pages
Business model	Our business model		16-17
Principal risks and how they are managed	Principal risks and uncertainties		40-44
Non-financial key performance indicators	Key performance indicators		20-21

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.

Michael Summersgill
Chief Financial Officer

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

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.

	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

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

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.

	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

FINANCIAL REVIEW CONTINUED

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 £45.6m (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.

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.

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

	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%

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.

RISK MANAGEMENT

01 STRATEGIC REPORT
02 GOVERNANCE
03 FINANCIAL STATEMENTS
04 OTHER INFORMATION

The Group defines its risk appetite as representing the amount and type of risk it is prepared to seek, accept or tolerate at any point in time in the context of its business model and in the course of achieving its strategic objectives.

RISK MANAGEMENT FRAMEWORK

The Board is ultimately responsible for the Group's Risk Management Framework (RMF), but has delegated certain responsibilities to the Risk and Compliance Committee (R&CC), a sub-committee of the Board.

The Group operates the following risk management structure which incorporates a three-lines-of-defence approach to controlling risks within the Group.

RISK APPETITE FRAMEWORK

Risk appetite is integrated into the business via the Group's business planning, capital planning and the RMF. These enable the Board to set the overarching parameters for the Group's risk appetite and to monitor their performance. The process streams are illustrated overleaf.

3RD LINE OF DEFENCE

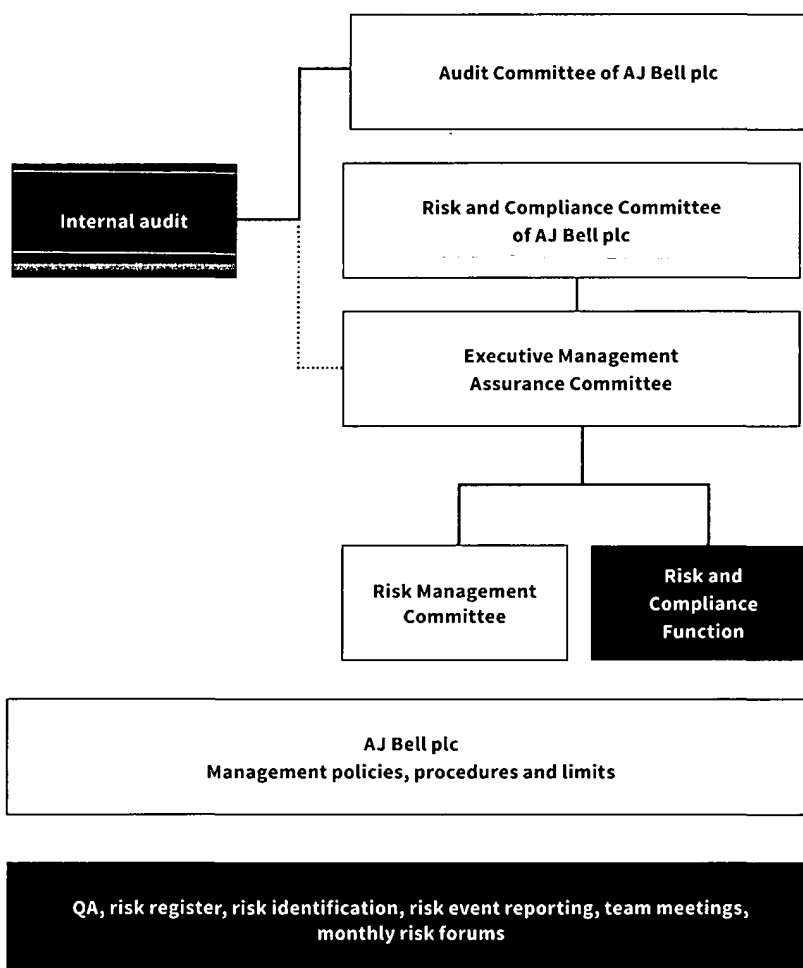
Independent assurance protections

2ND LINE OF DEFENCE

In-house assurance functions

1ST LINE OF DEFENCE

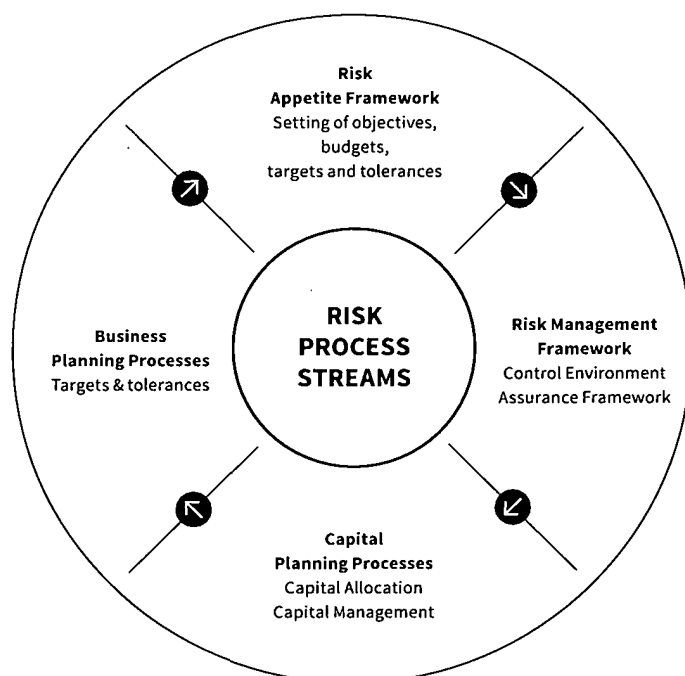
Policies and procedures,
Quality Audit (QA) function



● Principal components of AJ Bell combined assurance framework

RISK MANAGEMENT CONTINUED

RISK APPETITE FRAMEWORK (CONTINUED)



The objective of the Group's risk appetite framework is to ensure that the Board, EMB and senior management are properly engaged in agreeing and monitoring the Group's appetite for risk and setting acceptable boundaries for business activities and behaviours. The Group's high-level risk appetite statement provides a means of expressing senior management's attitude to risk (a top-down process) which can then be communicated throughout the Group as part of promoting a risk-aware culture (a bottom-up process). This in turn forms the basis of a framework for risk decision-making and for the allocation of risk management resources, tolerances and capital where applicable.

The Group defines its risk appetite as representing the amount and type of risk it is prepared to seek, accept or tolerate at any point in time in the context of its business model and in the course of achieving its strategic objectives.

The Group has defined a number of key statements (risk appetite statements) which detail the general approach to risk management and can be used both internally and externally as appropriate.

The Group risk management policy provides the mechanism to define our risk appetite. The Group has generally adopted an overall conservative approach to achieving controlled growth which is reflected in its risk appetite

RISK APPETITE CATEGORIES AND RISK APPETITE STATEMENTS

The Group's RMF is based on a defined set of risk appetite categories. These are the high-level enterprise-wide risk categories the Group manages. Each risk appetite category has a defined risk appetite statement.

Risk appetite category	Rationale	Risk appetite statement
Strategic, business or market risk	Largely external risks that can impact the Group.	The Group is willing to accept some risk in the pursuit of its strategic goals within agreed tolerances.
Operational risk including: a) Technology b) People c) Process d) Change e) Information Security f) Business Continuity/Disaster Recovery g) Financial Crime h) Conduct i) Legal/Regulatory/Litigation j) Financial control environment k) Third-party suppliers	Largely internal risks undertaken as part of the fulfilment of Group strategy.	The Group is willing to accept such operational risks in the pursuit of its strategic goals within agreed tolerances but has no appetite for unfair client outcomes or material breaches of regulations arising from systemic failures.
Credit	Specific and limited credit risks strictly within the context of the Group strategy.	The Group has a strictly limited appetite to take credit risk in the pursuit of revenue or profit.
Liquidity	Specific and limited liquidity risks strictly within the context of the Group strategy.	The Group's liquidity risk appetite is to maintain its liquidity resources in excess of its liquidity resource requirement.
Capital	Prudential risk taking capacity of the Group.	The Group's risk appetite is to maintain its capital resources in excess of the Group's ICAAP capital resource requirement.

statements and in our overall approach to risk management.

TOP-DOWN MEASUREMENT AND REPORTING OF RISK APPETITE

The Group adopts both a quantitative and qualitative approach to measuring risks against its risk appetite, incorporating both absolute and relative measurements of risks within each of the categories.

Where the Group has assessed that it faces a significant individual risk, it seeks to set appropriate individual quantitative tolerance levels. In cases where such risks have crystallised materially in the past, the Group performs a review of the amount and distribution of past losses, or uses other techniques, and sets an appropriate tolerance level in the context of the overall risk appetite.

The Board and EMB have identified key risks that, should they crystallise, could impact the Group's ability to meet its strategic objectives. These risks are referred to as the high-impact top risks (HITR). The relationship between the HITR and the risk appetite categories is not a one to one relationship, as it is recognised that the HITR could impact the delivery of several of the strategic objectives.

The Risk team collate the underlying Key Risk Indicators (KRIs) mapped to the HITR and highlight any breaches of tolerances to the Chief Risk Officer (CRO) and through onwards reporting to the Executive Management Assurance Committee (EMAC), R&CC, EMB and Board.

AMENDMENTS TO RISK APPETITE STATEMENTS

The risk appetite statements are reviewed by the EMB and R&CC and approved by the Board on an annual basis in line with the Internal Capital Adequacy Assessment Process (ICAAP) and the Group business planning process. Accordingly, the risk appetite is reviewed and updated in line with the Group's evolving strategy, operating model, financial capacity, business opportunities, regulatory constraints and any other internal or external factors.

RISK IDENTIFICATION AND ASSESSMENT OF RISKS

The Group adopts a top-down and a bottom-up approach to the identification of risks. The EMB and the Board have identified the HITR that could impact the ability of the business to meet its strategic objectives and these are reviewed, against the Group's risk appetite statements, on an ongoing basis by the R&CC and EMAC. They are also reviewed as part of the ICAAP and business planning process each year.

In addition to the HITR, the Group maintains a risk register of bottom-up risks.

RISK REPORTING

The Group adopts two methodologies for the purpose of risk reporting.

A summary of all risks recorded on the risk registers, including both quantifiable and non-quantifiable risks or uncertainties, is reported to the Risk Management Committee (RMC), together with any relevant KRIs with significant changes or risks outside of appetite presented to the EMAC and R&CC. As referred to above, these risks are reported in the context of the qualitative comparison to risk appetite, and for those risks outside appetite, progress is reported as to the actions required to bring the risk back within appetite.

For significant quantifiable risks (e.g. operational losses), individual tolerance levels are set in the context of the Group's risk appetite. Actual results are reported against tolerance levels to the Risk team, the EMB and the Board on a monthly basis. In the event that tolerance levels are breached, the appropriate remedial action may be taken immediately.

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.
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.

Risk	Potential impact	Mitigations
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 a fine/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.
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 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.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Potential impact	Mitigations
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 off-site 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 and/or levels of change activity, the Group is unable to process work within agreed service levels and/or to an acceptable quality for a sustained period.	— A decline in the quality of work will have a financial impact through increased operational losses. — Unexpectedly high volumes coupled with staff recruitment and retention issues could lead to poor customer outcomes and reputational damage.	The Group focuses on increasing the effectiveness of its operational procedures and, through its business improvement function, aims to improve and automate more of its processes. This reduces the need for manual intervention and the potential for errors. There is an on-going programme to train staff on multiple operational functions. Diversifying the workforce enables the business to deploy staff when high work volumes are experienced. Causes of increased volumes of work, for example competitor behaviour, are closely monitored in order to plan resource effectively. The Group maintains succession plans for key members of management and has also sought to mitigate this risk by facilitating equity ownership for senior employees through various share schemes and the development of a staff engagement strategy.
Financial control environment risk The risk that the financial control environment is weak. This includes the risk of loss to the business, or its customers, because of either the actions of an associated third-party or the misconduct of an employee.	— Reputational damage with regulators, leading to increased capital requirement. — Customer detriment damaging the AJ Bell brand. — Increased expenditure in order to compensate customers for loss incurred.	The Group's financial control and fraud prevention policies and procedures are designed to ensure that the risk of fraudulent access to customer or corporate accounts is minimised. Anti-fraud training is provided to all members of staff who act as first line of defence to facilitate early detection of potentially fraudulent activity. Strong technology controls are in place to identify potential money laundering activity or market abuse.

Risk	Potential impact	Mitigations
Retail conflicts/conduct risk The risk that the fair treatment of customers is not central to the Group's corporate culture.	— Poor conduct could have a negative effect on customer outcomes, impacting the growth of our business. — Reputational damage resulting from poor levels of customer service. — Additional regulatory scrutiny and financial loss.	The Group's customer focus is founded on our guiding principles, which drive the culture of the business and ensure customers remain at the heart of everything we do. Training on the importance and awareness of the delivery of good customer outcomes is provided to all staff on a regular basis. The Group continues to focus on enhancements to its risk management framework, in relation to the identification, monitoring and mitigation of risks of poor customer outcomes, and to its product management process to reduce the potential for customer detriment. All developments are assessed for potential poor customer outcomes, and mitigating actions are delivered alongside the developments as appropriate.
FINANCIAL RISK		
Economic and capital markets fluctuation risk The risk that a significant and prolonged capital market or economic downturn has an adverse effect on customer confidence, asset values and interest rates. Ongoing Brexit negotiations regarding future relations between the UK and the EU mean there is considerable uncertainty over the longer-term impact on the UK economy and this is likely to remain until, at least, 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 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.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Potential impact	Mitigations
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 risks specific to the AJBI entity include operational, reputational and conduct risks.	— 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 services is 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

01 STRATEGIC REPORT
02 GOVERNANCE
03 FINANCIAL STATEMENTS
04 OTHER INFORMATION

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 on pages 4 to 45. 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 event 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

02 GOVERNANCE

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CHAIRMAN'S INTRODUCTION

Les Platts
Chairman

"A well-embedded culture, which is founded on a clearly established purpose, principles and strategy, has enabled us to continue to deliver our strategic goals for the benefit of all our stakeholders in challenging macro-economic times."

DEAR SHAREHOLDER

I am pleased to introduce our Corporate Governance report which gives an overview of the governance structure and the oversight which has been maintained by the Board during the financial year which ended on 30 September 2020. This has been a particularly challenging period for many of our stakeholders and others, in light of the macro-economic conditions which have prevailed during the year. Firstly, with the uncertainty around Brexit, followed by that in relation to the General Election and, more recently, the unprecedented social and economic upheaval caused by the COVID-19 pandemic.

The benefits of our commitment to maintain high standards of corporate governance, which is reflected in the robust framework which we have in place for the control and management of the Group, has enabled us to continue to deliver our strategy in the best long-term interests of our shareholders and other stakeholders in the face of what are unprecedented macro-economic conditions. Enhanced governance arrangements were introduced in order to monitor and react to the impact of the COVID-19 pandemic on the business and our stakeholders. During the height of the pandemic, this included daily meetings of the EMB and other key members of the senior management team, supported by the production of daily management information which monitored the impact on our key risks, the issue of daily updates to our people and regular updates to our customers and their advisers, all of which were overseen by the Board via a weekly call.

I have highlighted below further examples of how we discharged our corporate governance responsibilities during the year. Further examples are set out elsewhere in this report.

OUR PEOPLE

As a financial services business we were designated as an essential service by the Government and required by the Financial Conduct Authority to continue to provide services to our customers when the COVID-19 'stay at home' lockdown restrictions were imposed in March 2020. The way in which our people responded to the related challenges was exceptional. I would personally like to take

this opportunity to thank them all publicly on behalf of the Board for the contribution which they made, as a consequence of which we managed to continue to provide a full service to our customers and their advisers and maintain service levels throughout the peak tax year end period and beyond.

During the year we established an Employee Voice Forum for the purpose of enabling our people to provide feedback directly to the Board and EMB on strategic business and stakeholder issues. Each meeting of the forum is comprised of a range of representatives from different parts of the business who are tasked with obtaining feedback from the wider workforce on the selected topic. The meetings of the forum are chaired by our Senior Independent Director, Laura Carstensen, who is also our nominated employee engagement director. The two topics considered by the forum during the year were CSR and Culture and Engagement. Following each meeting nominated members of the forum presented their findings to both the Board and EMB. Further details are set out on page 27.

Another highlight of the year was the further improvement in our rating in the Sunday Times' Best Companies top 100 companies to work for survey. We entered the top 25 of the list for the first time, which reflects our focus on maintaining high levels of engagement with all of our people. This was especially pleasing, given the added challenge to engagement of having the majority of our people working from home for a significant part of the year.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

I am pleased to report that, having considered the provisions of the UK Corporate Governance Code 2018 (the '2018 Code'), the Board is satisfied that we have complied with the 2018 Code throughout the financial period which ended on 30 September 2020, except as a consequence of (i) my remaining in office for more than 9 years from the date of first appointment to the Board and (ii) the omission to explain details of the actions we intended to take to consult with shareholders about the votes of less than 80% in favour of the concert party resolutions at the 2020 AGM when we announced the AGM results. As explained in the 2019 annual report, a succession plan has been put in place and the intention remains for me to step down from the Board at the 2022 AGM, which is expected to be held in January 2022. Details of progress with that succession plan are set out in the Nomination Committee report on page 63. Further details of the actions taken to consult with shareholders about the concert party resolutions and a final summary of the impact of the feedback we received from shareholders on the votes is set out on page 57.

The UK Corporate Governance Code 2018 is available on the Financial Reporting Council website at www.frc.org.uk. Details of how we have applied the main principles of the 2018 Code and further information can be found as follows:

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Overview of the composition and evaluation process together with the report from the Nomination Committee on its work during the year on Board and Senior Executive composition and succession planning.	
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Overview of the framework for oversight of the Group's financial reporting and risk management and internal controls together with the reports from the Audit Committee and Risk and Compliance Committee on the work undertaken during the year.	
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Report from the Remuneration Committee on overseeing the Group's remuneration policies and practices, performance outcomes and annual report on remuneration.	

OUR COMMUNITY

Our Wage War on COVID campaign to support our local and wider communities, which raised over £380,000 for charitable causes by way of salary sacrifice and donations from our people and customers, strongly reflected our culture. We also gave our people and customers the opportunity to nominate beneficiaries for the campaign. Further details are set out on page 31.

We made an early decision not to use the Job Retention Scheme or to otherwise take advantage of any Government support, including the deferral of VAT payments, which the business was eligible to receive. We did so because we considered it would have gone against our guiding principles and not have been socially responsible for us to take advantage of support that we did not need and in order to help relieve the burden on future generations.

As announced in December 2019, we launched our innovative long-term CSR initiative, which we believe to have been the first of its kind, and which our shareholders approved at the AGM in January 2020. The aim of the initiative is to donate at least £10 million to charitable causes via the scheme, which involved the grant of share options to the AJ Bell Trust, a registered

charity founded by our CEO, Andy Bell, and his wife Tracey Bell. Further details are set out on page 121.

Our CSR steering committee coordinates our charitable activities and the actions we take to reduce our impact on the environment. Key activities that the steering committee undertook during the year included maintaining oversight of the funds raised and distributed for our Wage War on COVID campaign, together with ensuring we achieved carbon neutral status by supporting an overseas project committed to renewable energy. Further details are set out on pages 30 to 32.

SECTION 172 DUTIES

This is the first time that the Board has been required to include a statement in the Strategic report on how we had regard to our duties under Section 172(1)(a) to (f) of the Companies Act 2006 when discharging our duties under Section 172. This was nowhere more evident than when maintaining oversight of the reaction of the executive management team to COVID-19, including the decision referred to above about not taking advantage of Government support, and also when we as a Board needed to directly balance the competing interests of different stakeholders

when we approved the long-term CSR initiative. Further details are set out on pages 25.

EXTERNAL AUDITOR

I would also like to take this opportunity to welcome BDO LLP, as the Group's external auditor for this financial year, who were appointed by the shareholders at the AGM in January 2020.

CONCLUSION

Our immediate focus in the ongoing unprecedented economic conditions, is to maintain and reinforce the culture of our business and the wellbeing of our people, whilst many of them are working remotely, and to continue to provide our usual high standard of service to our customers and their advisers. As a Board, we firmly believe that this approach will result in the delivery of greater long-term value for our shareholders.

Further details of how the Board has discharged its corporate governance responsibilities are set out elsewhere in this report.

Les Platts
Chairman
2 December 2020

BOARD OF DIRECTORS

Les Platts
Chairman

APPOINTMENT DATE

January 2014

SKILLS AND EXPERIENCE

Les, who is a Chartered Accountant, joined the Board as an independent Non-Executive Director in September 2008 and was appointed Chairman in January 2014. He had a 33 year executive career with Deloitte LLP where he was an audit partner, the practice senior partner in the North East and a UK board member. His clients included FTSE 100 and FTSE 250 companies in a range of sectors and he advised on strategic, financial, governance and risk matters.

Les was influential in the development of listed plc level corporate governance policies and procedures at AJ Bell whilst it was still a private company. As Chairman, he ensures that the Board operates effectively and that there is both a constructive relationship with, and appropriate challenge to, the executive team. He believes that governance works best when the interests of all stakeholders are considered in strategy development and major decisions.

In addition to his work at AJ Bell, Les was a director and vice chairman of Leeds Building Society until December 2018 and is the honorary treasurer of Lancashire County Cricket Club. Les was appointed as acting chair of Lancashire County Cricket Club during the year and stepped down from the role on 9 November 2020.

The 2018 Corporate Governance Code, which applied to AJ Bell with effect from 1 October 2019, provides that the chairman should not remain in post beyond nine years from their first appointment to the Board. This matter is addressed on page 60.

COMMITTEE MEMBERSHIP



Andy Bell
Chief Executive Officer

APPOINTMENT DATE

co-founded AJ Bell in 1995

SKILLS AND EXPERIENCE

Andy co-founded AJ Bell in 1995, after having spent a number of years working within the financial services sector. Having graduated from Nottingham University in 1987 with a first class degree in mathematics, he qualified as a Fellow of the Institute of Actuaries in 1993 and has built AJ Bell into one of the UK's largest online investment platforms.

Andy's early career shaped his thinking about the importance of developing propositions that truly meet customer needs, spending much of his time working closely with customers and their financial advisers. His involvement in the pricing of insurance and long term savings products informed his view that value for money is a key ingredient of any financial services proposition.

As AJ Bell has grown, Andy's focus has gravitated to developing strategy, managing the business and crucially, ensuring that AJ Bell's primary purpose, vision and culture are engrained in the business.

Andy believes that a strong and effective governance framework is one of the most important foundations on which to successfully grow a business. This approach to governance has stood the test of time as AJ Bell has grown from being a small enterprise to a FTSE 250 listed company.

Andy wrote The DIY Investor, which is now in its second edition and set up a charitable trust, the AJ Bell Trust in 2011.

COMMITTEE MEMBERSHIP



Michael Summersgill
Chief Financial Officer

APPOINTMENT DATE

May 2011

SKILLS AND EXPERIENCE

Michael joined AJ Bell in 2007 and was appointed as Chief Financial Officer in 2011. Michael studied economics at the University of Sheffield, completed the Transition to General Management programme at INSEAD business school and is a Fellow of the Association of Chartered Certified Accountants.

In addition to overseeing the financial management of AJ Bell, Michael is also responsible for operational aspects of the business. His key focus day-to-day is to ensure that AJ Bell's finances and operations provide a solid foundation for the continued growth of the business.

Identifying those areas that require investment is a high priority for Michael. The combination of his financial and operational responsibilities allow him to maintain a hands-on approach in delivering large change initiatives. Recent examples of such initiatives include the move to a new head office in Manchester, the relocation of the Group's stockbroking operation to Manchester and the IPO that saw the business list on the Main Market of the London Stock Exchange.

Michael's main outward-facing role is shareholder engagement. Michael meets regularly with the Group's key shareholders to ensure they are updated on the Group's strategy and performance, whilst also providing the Board with clear feedback from the Group's key shareholders.

COMMITTEE MEMBERSHIP



Key

- (N) Nomination Committee
(A) Audit Committee
(D) Disclosure Committee

- (R) Remuneration Committee
(C) Risk and Compliance Committee
● Committee Chair

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04 OTHER INFORMATION

Laura Carstensen
Senior Independent Director

APPOINTMENT DATE

March 2018

SKILLS AND EXPERIENCE

Laura became a Non-Executive Director of AJ Bell in March 2018 and was appointed as Senior Independent Director in April 2018.

Laura had been an equity partner in Slaughter and May, a leading City law firm, until 2004 and has since held numerous national level public appointments and gained boardroom experience as a non-executive director and chair of both listed and private companies. Currently she is chair of AIM-listed financial services business, Appreciate Group plc, formerly Park Group plc.

Previous roles have included serving as a non-executive director and chair of the values and ethics committee of The Co-operative Bank plc, as deputy chair of the Competition Commission (now Competition and Markets Authority) and as a Commissioner of the Equality & Human Rights Commission.

This diversity of experience – spanning the City, the public sector and corporate boardrooms – has provided an unusually rich mix of experience, approaches and networks.

Laura is adept at developing strategy in complex operating environments and has developed particular expertise in relation to values-driven branding, strategic external engagement and business-embedded corporate social responsibility, all of which provides valuable insights.

COMMITTEE MEMBERSHIP



Simon Turner
Non-Executive Director

APPOINTMENT DATE

July 2014

SKILLS AND EXPERIENCE

Simon has impressive broad experience, initially as a senior executive and, subsequently, for 18 years as a non-executive director.

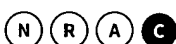
In his executive career, Simon was the managing director of Philips Consumer Electronics in the UK and group managing director at Dixons Retail for over ten years with wide responsibility in the UK and Europe. These roles have given him strong insights into process change resulting in, not just lower costs, but a much improved customer experience, and given him a passion for improving customer service.

As a non-executive director, he has previously served on the boards of Yorkshire Building Society, where he chaired the remuneration committee, and Allied Irish Bank UK, where he was deputy chair of the risk committee. Simon also served on the audit committee of both boards. This gave him strong insights into all governance issues within the financial services sector. Although not a risk specialist by training, Simon has strong insights into risk and risk governance.

He has also served on the boards of several international internet businesses which has added to his knowledge of both online and traditional marketing and customer communications.

This, combined with his extensive management experience, means that Simon contributes widely to AJ Bell, with a particular focus on digital marketing, IT change and strategy.

COMMITTEE MEMBERSHIP



Eamonn Flanagan
Non-Executive Director

APPOINTMENT DATE

March 2018

SKILLS AND EXPERIENCE

Eamonn is a Fellow of the Institute of Actuaries, having qualified at Royal Insurance, before moving to the capital markets where he was director and head of European insurance at a leading investment bank. He co-founded Shore Capital Markets, a respected independent securities business, where he was a director.

His time as a financial analyst provided Eamonn with considerable experience of analysing the business and financial models of companies across various financial sectors. This period also provided Eamonn with the opportunity to observe and analyse how companies within all financial sectors responded to changes in regulation, accounting standards and strategic focus, whilst, at the same time, delivering good and appropriate outcomes for customers.

All of this has proved invaluable to his roles as a Non-Executive Director of AJ Bell, whose Board he joined in March 2018, and as Chair of both the Audit Committee and the Disclosure Committee.

Eamonn was appointed as an independent non-executive director of AIM-listed legacy acquisitions/management and program partnering services provider, Randall & Quilter Investment Holdings Ltd, with effect from 1 June 2020 and of FTSE main market listed life and pensions policies administrator Chesnara plc, with effect from 1 July 2020. Previously Eamonn was a non-executive director of a number of subsidiaries of Jardine Lloyd Thompson Group, the global insurance broker, and stepped down from these roles during the year. Eamonn retains an advisory role within Shore Capital.

COMMITTEE MEMBERSHIP



EXECUTIVE MANAGEMENT BOARD

The management expertise and experience of each of the members of the Executive Management Board, other than the Chief Executive Officer, Andy Bell, and Chief Financial Officer, Michael Summersgill, is set out below:

Fergus Lyons
Managing Director,
AJ Bell Investcentre

SKILLS AND EXPERIENCE

Fergus worked at Bank of Ireland for over 20 years before joining AJ Bell in September 2000. Since then he has worked in many areas of the business, including Commercial, Operations and Technology Services, and is currently the Managing Director of AJ Bell Investcentre. Fergus is also responsible for AJ Bell's investment and Platinum SIPP and SSAS products.

His experience at AJ Bell and before has led to a strong belief in the power of focus on exceptional customer service – he believes in truly putting the customer at the heart of what AJ Bell does.

He also brings a deep understanding of the UK advised platform market and plays a key hands-on role in developing and maintaining key adviser relationships.

Charles Galbraith
Managing Director,
AJ Bell Youinvest

SKILLS AND EXPERIENCE

Charles has over 30 years' experience in stockbroking and investment platform businesses in both the retail and institutional arenas. Before joining AJ Bell, he held a range of advisory, marketing and operational roles in various City stockbroking firms and was the managing director of Lloyds Bank Stockbrokers Limited, which included responsibility for the bank's retail stocks and shares ISA business.

He joined AJ Bell in 2007, when the business he was running as managing director, Lawshare (now AJ Bell Securities), was acquired by AJ Bell. Following the full integration of the stockbroking business within AJ Bell, Charles's primary focus in his current role as the Managing Director of AJ Bell Youinvest has been on developing the scope and size of AJ Bell Youinvest, the Group's D2C retail product.

He is also responsible for the institutional stockbroking part of AJ Bell's business and AJ Bell Media.

He brings deep experience of the UK investment platform market, customer requirements and business opportunities within a regulated environment.

Mo Tagari
Chief Technology Officer

SKILLS AND EXPERIENCE

Mo has 20 years of global industry experience, predominantly within large investment banks in London, Mumbai, Hong Kong and Singapore.

Mo brings hands on and in-depth technical experience within the financial services sector including building and sustaining large global, diverse teams driving digital, engineering and cultural transformation across multiple business lines.

Mo started his career in Cambridge at EMBL-EBI, leveraging his BSc in Genetics and MSc in Software Engineering.

Mo moved into financial services in 2004 at Morgan Stanley London, building out platforms for a global operations user base within Prime Brokerage which led to opportunities in Mumbai and Hong Kong where he built out and managed the Securities Lending platform. He subsequently moved to Singapore as the APAC Head of Equity Finance and Synthetics IT at Barclays Capital, before returning to Hong Kong as the Head of APAC Prime Brokerage Technology. Immediately prior to joining AJ Bell, Mo served as Asia CTO for Wealth Management at JP Morgan Hong Kong.

Roger Stott Group Finance Director

SKILLS AND EXPERIENCE

Roger joined AJ Bell in July 2008, having qualified as a Chartered Accountant with KPMG in 1990 and then moved on to hold a number of senior in-house finance roles.

Roger has extensive experience within the financial services sector as a result of having specialised in retail stockbroking for over 20 years. This included seven years as the finance director of a well-known stockbroker between 1999 and 2006, having joined that company at start-up and taken it through a successful MBO and subsequent sale.

During his time at AJ Bell he has held a wide range of roles, including Group Risk Director and Chief Risk Officer, and has been responsible for AJ Bell's Internal Capital Adequacy Assessment Process (ICAAP) since 2008.

He was appointed to his current role as Group Finance Director in November 2014. This includes responsibility for AJ Bell's financial management systems and controls and its Commercial Finance function.

He is also responsible for the management of AJ Bell's white label third-party SIPP relationships.

He brings an in-depth knowledge of the financial and operational activities of the business and its risk management and related governance practices.

Louis Petherick Chief Risk Officer

SKILLS AND EXPERIENCE

Louis has extensive experience of risk and regulatory environments, which he gained from the senior risk, compliance and conduct roles that he held before he joined AJ Bell in September 2016. This included time spent at HSBC Bank, where he was part of the executive team for Marks & Spencer Bank and the HSBC Regulatory Compliance leadership team for the UK, and at the Co-operative Bank, where he was head of regulatory advice.

Louis began his career at AJ Bell as Group Risk and Compliance Director, before being appointed as Chief Risk Officer in July 2017. As Chief Risk Officer he has responsibility for the risk, compliance, data protection and financial crime functions within AJ Bell. Additionally he is the key contact for the FCA, AJ Bell's main regulator, and the ICO.

His in-depth knowledge of the risk and regulatory environments within which AJ Bell operates and the related internal governance practices and procedures, and practical approach, brings a balanced risk and compliance focus.

Christopher Bruce Robinson Group Legal Services Director and Company Secretary

SKILLS AND EXPERIENCE

Bruce joined AJ Bell in October 2012 as Group Legal Services Director and Company Secretary, having previously acted as one of AJ Bell's external legal advisers for around ten years. Before joining AJ Bell, Bruce spent 20 years in private practice as a corporate and commercial lawyer, initially with Mace & Jones, and then following their merger in 2011, with Weightmans LLP.

Bruce specialised in private company mergers and acquisitions, group reorganisations, joint ventures, share option schemes and shareholder, investment and collaboration agreements. During his time in private practice Bruce developed a broad range of corporate and commercial legal knowledge, including company law and constitutions, as well as specific knowledge of the corporate and commercial aspects of the AJ Bell business. This included advising on the reorganisation of the business which resulted in the establishment of what is now AJ Bell plc as the holding company of the Group in 2004, the acquisition of AJ Bell Securities Limited in 2007 and the establishment of the Group's initial share incentive schemes.

Whilst at AJ Bell he has developed a more in-depth knowledge of the business, including its internal corporate governance structures, so is well placed to advise the Board on governance related matters.

CORPORATE GOVERNANCE REPORT

BOARD LEADERSHIP AND COMPANY PURPOSE

An effective Board

The role of the Board is to provide effective and entrepreneurial leadership of the Group for the purposes of promoting long-term sustainable success, generating value for shareholders and contributing to wider society.

The Board is responsible for leading and controlling the Group and has overall authority for the management and conduct of AJ Bell's business, strategy and development. The Board is also responsible for ensuring the maintenance of a robust system of internal controls and risk management (including financial, operational and compliance controls) and for reviewing the overall effectiveness of the systems in place, as well as for the approval of any changes to the capital, corporate and management structure of the Group. The Board is collectively responsible to shareholders for protecting their interests and promoting the long-term sustainable success of the business.

At the heart of our business is a clear and succinct purpose, we help people to invest. We want to make investing as easy as possible for our customers to enable them to invest in the lives they want to live and ultimately to realise their financial goals. The underlying values of our business are set out in our guiding principles, which inform everything we do. Our strategic drivers are the critical components that determine the success of our strategy. These are: our customers, our people, our technology, growth and finance and assurance. Our purpose, guiding principles and strategy all define and shape our culture.

The Board reviews strategy annually during a dedicated business planning process with a view to promoting the long-term success of the Group. During the course of that business planning process, the Board reviews our purpose and guiding principles and is required to satisfy itself that these are aligned with our culture. In order to monitor our culture on an ongoing basis, we introduced a culture dashboard this year, which identified the core characteristics of our culture and created a benchmark for the purpose of enabling the Board to monitor future changes. The intention is for the culture dashboard to be presented to the Board bi-annually on an ongoing basis in order to enable us to track any changes.

The Board oversees the setting of objectives for the members of the EMB which are aligned with the Group's high-level strategy and long-term vision and monitors progress with their delivery at Board meetings.

There are certain powers and financial limits sitting alongside those powers, which are reserved to the Board because their exercise is considered to be of overriding importance and significance to the Group. Those reserved powers, details of which are set out on the website at www.ajbell.co.uk, are reviewed each year by the Board.

Although a wide range of the Board's powers and authorities are delegated to the CEO, the Board retains ultimate responsibility and authority for their exercise. Each member of the Board acts in a way which they consider to be in the best long-term interests of the Group and in compliance with their duties under sections 170 to 177 of the Companies Act 2006.

All of the members of the Board are expected to attend all meetings of the Board, the Board Committees on which they serve and the AGM. If any member of the Board is not able to attend a meeting, they are given the opportunity to provide feedback on the matters under consideration via the chair of the relevant body in advance of the meeting. They are also expected to devote such time to the affairs of the Group as is necessary to enable them to perform their duties as Directors. The Company Secretary attends all meetings as secretary to the Board. Other members of the senior management team, external advisers and key suppliers are also invited to attend Board meetings to present items of business and provide insight into strategic issues and relationships.

The Board has 10 scheduled meetings each year and arranges additional meetings as and when required. The Board held four additional meetings during the last financial year, plus a number of video and telephone conference calls. Due to the impact of COVID-19, the Board held a number of virtual meetings. In addition, the Chairman and the Non-Executive Directors each spent time on-site meeting with management and other employees prior to the onset of COVID-19, for example, by attending our annual managers' day, breakfast briefings and other staff social events and sitting in on some day-to-day business meetings. The extent that the members of the Board could do so by being physically present was restricted this year by the impact of COVID-19. One new event

which was attended this year was a knowledge sharing/networking event, at which a number of our people made back-to-back five minute presentations to the Board and EMB on their roles within the business. These activities provide the Board with valuable insight into the operation and culture of the business which has a positive impact on the quality of discussions at Board meetings and decision-making generally.

Member	Attended meetings
Les Platts Chairman	14/14
Andy Bell Chief Executive Officer	14/14
Michael Summersgill Chief Financial Officer	14/14
Laura Carstensen Senior Independent Director	13/14
Simon Turner Non-Executive Director	14/14
Eamonn Flanagan Non-Executive Director	13/14

All other significant commitments and potential conflicts of interest which a Director may have are required to be disclosed before appointment and on an ongoing basis, and arrangements are put in place, as and when it is considered appropriate, to manage conflicts, including any which result from significant shareholdings. Any additional external appointments require prior approval. During the year the Board approved two new external non-executive appointments for Eamonn Flanagan, neither of which was considered to be significant in terms of commitment or shareholding.

Except as stated in note 29 of this report, no Director has, or has had, any material interest in any contract or arrangement with the Group during the year.

The Group maintains what the Board considers to be appropriate insurance cover in respect of legal action against the Directors.

The Board has delegated responsibility for the oversight of whistleblowing to the Risk and Compliance Committee. Details of the related oversight arrangements are set out in the Committee's report on page 70. The Board reviewed the Group's anti-bribery and corruption policy and modern slavery policy during the year.

KEY BOARD ACTIVITIES

STRATEGY

- Oversight of annual business planning process
- Approval of the strategy for FY21
- Consideration of current and future technology initiatives
- Review and approval of the product propositions for AJ Bell products
- Analysis of recent developments in the advised and D2C platform markets

RISK MANAGEMENT

- Approved the Group's risk framework and appetite
- Review and approval of Group Risk Management Policy
- Challenge and approval of the Group's ICAAP
- Receipt and review of CASS reports
- CASS training provided by an external firm
- Oversight of operational measures in response to the COVID-19 UK national lockdown

PERFORMANCE

- Approval of final and interim dividend payments in accordance with the Group's dividend policy
- Review and approval of revisions to the Group's treasury policy statements
- Review of the information provided in the monthly reports on business performance
- Oversight of financial performance against the budget and market expectations

CULTURE AND GOVERNANCE

- Review and approval of a £10m long-term CSR initiative
- Engagement with staff via two employee voice forums and the employee survey
- Meetings with key suppliers
- Review and approval of a dashboard to monitor culture
- Review and refresh of the annual Board calendar
- Evaluation of the Board and its committees
- Oversight of the transition to working with new external auditors

Relations with stakeholders

Our business strategy document, which is reviewed by the Board each year as part of the annual business planning process, identifies our key stakeholders with whom the Board endeavours to engage so the Board is aware of their views and can take them into account as part of its decision-making processes.

The Board recognises the importance and benefits of engaging with shareholders and other stakeholders, and has a strong history of doing so. This year, as a consequence of the impact of COVID-19, the Board has in some cases had to engage with its stakeholders in different ways.

Our key stakeholders and the principal engagement activities undertaken by, or on behalf of the Board, during the year are set out within the Strategic report on pages 22 to 24.

OUR STAKEHOLDER GROUPS

The Board has identified four key stakeholder groups:



See more on our stakeholder engagement activities on pages 22 to 24.

Workforce engagement

In line with the requirements of the 2018 Code, our Employee Voice Forum was established as the primary engagement mechanism between the Board, EMB and the wider workforce. The forum comprises employee representatives from across the business and is chaired by Laura Carstensen, our designated Non-Executive Director responsible for engagement with our workforce. The forum meets twice a year to consider key topics that affect the Group, canvassing views and opinions from their colleagues. Further details of the presentations and feedback from the first two meetings are set out in the Our people section of the Strategic report on page 27.

As well as the Employee Voice Forum the Board and EMB also engaged with the wider workforce during the year via existing channels, including our CEO's bi-annual 'town hall' talks and regular business updates, leadership videos posted on our intranet and informal open forums such as breakfast briefings with other members of our senior management team. As referenced above, a knowledge sharing and networking event was introduced this year, at which a number of our people made back-to-back five minute presentations to the Board and EMB on their roles within the business. This proved to be a valuable engagement event which the Board will look to build on next year.

Whistleblowing arrangements are in place to enable our staff to raise concerns in confidence. As stated above, the Risk and Compliance Committee monitors the operations of the whistleblowing arrangements, with the ability to escalate matters to the Board if considered necessary. The Board reviews the operation and effectiveness of these arrangements annually.

Relations with shareholders

The Board is committed to proactive and constructive engagement with the Company's investors and is keen to ensure that shareholder views are understood. A prime example is set out in the next section, which contains details of how we obtained feedback from shareholders on the concert party resolutions which were passed at the 2020 AGM.

In addition to providing regular trading updates to the market, the Company has a comprehensive investor relations programme to ensure that the market, including sell-side analysts, investors and proxy voting advisers, understand the Company's strategy and performance.

The Chief Executive Officer and Chief Financial Officer, supported by the Head of Investor Relations, engage with analysts and investors regularly through meetings and presentations, particularly following the publication of the Company's interim and full year results. The Chairman and other Non-Executive Directors are also available to meet with shareholders as required. The Chief Executive Officer also made a video presentation on the interim and full year results, which was published on our website and primarily aimed at our retail shareholders.

Feedback is sought directly from analysts and investors after all meetings held. This feedback is shared with the Board on a regular basis and is supplemented by frequent updates from our corporate broker, Numis Securities Limited (Numis), which provides insights into current market perception of the business and wider platform market. Numis also shares its views with the Board on share price performance, recent trading activity and changes to the composition of the shareholder register.

The AGM also provides the Board with an opportunity to communicate directly with, and answer questions from, both retail and institutional shareholders. All Directors were present and available for questions at the AGM in 2020 with the exception of one director who was unable to attend because of personal circumstances.

In March, the impact of COVID-19 meant that our investor engagement activities switched to being fully virtual. Since then, all meetings have been held remotely and a planned investor site visit to our Manchester head office was replaced by an online investor presentation in September 2020. This shift has enabled us to continue engaging directly with investors, ensuring that the Board continues to be informed of their views.

The use of technology has also enabled management to meet a number of potential investors from outside the UK. This has helped diversify our shareholder register slightly in the year, with a number of overseas investors having acquired shares in the business, particularly in the US.

An overview of our investor relations programme is detailed below. In addition to the formal programme, the management team engages with analysts and investors throughout the course of the year.

CALENDAR OF EVENTS IN FY20

Q1

- Full-year trading update announced
- Annual results announced
- Investor roadshow and analyst presentations
- Annual Report published
- CEO video presentation on website

Q2

- Q1 trading update announced
- Engagement with shareholders and proxy advisers prior to AGM
- AGM
- Engagement with key institutional shareholders

Q3

- Q2 trading update announced
- Interim results announced
- Interim results investor roadshow and analyst presentation (held virtually)
- CEO video presentation on website
- Post-AGM shareholder engagement

Q4

- Q3 trading update announced
- Online investor presentation to update the market on the AJ Bell platform propositions

The Company's website has a dedicated investor relations section which includes details of AJ Bell's investment case along with the Annual Report and Accounts, historical financial reports and presentations, regulatory announcements, financial calendar, analyst consensus and other important shareholder information.

AGM Concert Party resolutions

In order to understand the reasons for the majority votes in favour of the three concert party waiver resolutions at the 2020 AGM being less than 80% (albeit by only 0.49%), the original intention in relation to institutional shareholders had been to seek feedback on the matter from the representatives of 20 key institutional shareholders who would be invited to attend a meeting with the Chairman, Les Platts, and Senior Independent Director, Laura Carstensen. However, as a consequence of the impact of COVID-19, it was not possible to arrange that meeting, so feedback was instead obtained remotely. In addition, direct feedback was obtained from a number of our AJ Bell Youinvest retail customers who are shareholders, either by telephone or email. The outcome was that shareholders had voted against the resolutions (i) as a matter of policy, and not because of the specific circumstances in which the resolutions had been proposed (ii) in relation to the share buyback related resolution, because they did not agree with the Association of British Insurers guideline on the main buyback resolution to which it applied and (iii) in the case of some retail shareholders, because they had not fully understood the nature and effect of the resolutions.

As a consequence of the above, and it presently being considered unlikely that any concert party waiver resolutions will be proposed at future general meetings, as the concert party to which they related now holds less than 30% of the voting rights, the Board concluded that in relation to future AGMs it would:

- review the level of the authority it will seek in relation to the market purchase of ordinary shares to take account of the feedback received; and
- endeavour to explain the nature and effect of all of the proposed resolutions in a way which can be more readily understood by shareholders.

The outcome of the above was that no change has been made in the scope of the market purchase authority being sought from shareholders at the 2021 AGM, it remained at 10% in line with Investment Association guidelines, but a clearer explanation of the proposed AGM resolutions has been set out in the notice of AGM.

In addition, we also received feedback to the effect that some shareholders objected to the extent of the authority obtained for the allotment of shares and the incorporation of an authority for political donations of up to £50,000.

Having taken account of that feedback, the Board has:

- reduced the scope of the authority being sought in relation to the allotment of shares from two-thirds to one-third of the issued share capital; and
- as the authority for political donations had only been sought for technical reasons and as the Board has no intention of making any political donation, decided that a mirror authority will not be sought this year.

The Board welcomed the opportunity to engage with our shareholders on this matter and would like to thank those who responded for having done so.

CORPORATE GOVERNANCE REPORT CONTINUED

GOVERNANCE FRAMEWORK



DIVISION OF RESPONSIBILITIES

There is a clear division of responsibilities between the Chairman, Les Platts, who was considered to be independent upon appointment, and the CEO, Andy Bell. This is set out in writing in their respective terms of reference which have been approved and are reviewed annually by the Board.

At the year end, the Board was comprised of the Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. A formal review of the independence of the three Non-Executive Directors was undertaken during the year which considered relevant issues, including the number and nature of their other appointments, any potential conflicts of interest which they had identified and their length of service. Their individual circumstances were also assessed against independence criteria, including those set out in the 2018 Code. The outcome of the review was that they were all considered to be independent in character and judgement and, as a consequence, the Board continued to be comprised of a majority of independent non-executive directors.

The Board believes the current structure of the Board to be appropriate and that no single individual or group dominates the decision-making process. As discussed within the Nomination Committee report, further succession plan discussions took place at the start of the year and recruitment has commenced for an additional two Non-Executive Directors to further strengthen the Board.

There were no new appointments to the Board during the year.

The Board is satisfied that the Chairman and each of the Non-Executive Directors devote sufficient time to their duties.

The terms and conditions of appointment of each of the Chairman and the Non-Executive Directors are available for inspection during normal business hours at the Company's registered office and at the AGM for 15 minutes before and during the meeting. In light of the current COVID-19 restrictions, any shareholder wishing to review will need to make an appointment in order to do so. Details of how shareholders can do so will be set out in the notice of the 2021 AGM.

Role of the Chairman

The Chairman is responsible for the leadership and overall effectiveness of the Board. The Chairman sets the agenda for each meeting of the Board in conjunction with the Company Secretary, in line with the annual calendar agreed by the Board. The Chairman manages the meeting timetable, promotes open and effective discussion and challenge at meetings and creates an environment in which all of the participants feel comfortable. The Chairman also meets regularly with the Senior Independent Director and Non-Executive Directors and separately with the CEO outside of formal meetings.

Board Committees

The Board has five main committees: the Nomination Committee, Remuneration Committee, Audit Committee, Risk and Compliance Committee and the Disclosure Committee. The terms of reference for each committee are available on the Group's website at www.ajbell.co.uk.

Details of the roles and responsibilities of the Committees, other than the Disclosure Committee, are set out in the sections following this report. The Disclosure Committee is responsible for the review and implementation, on an ongoing basis, of the Group's disclosure policy to ensure it addresses our ongoing compliance with the Disclosure Guidance and Transparency Rules, Listing Rules and Prospectus Rules and the Market Abuse Regulation. It is also responsible for ensuring that the disclosure policy is properly communicated within the business. The Disclosure Committee meets as and when required.

The day-to-day management of the Group is delegated by the Board to the CEO, who is supported by the EMB, which he chairs. The day-to-day management of operations is delegated to the EMB. The CEO and the EMB exercise their respective delegated responsibilities within the confines of the risk and control framework set by the Board. We consider that this simplified management structure more effectively enables the Board to ensure that its governance responsibilities are properly discharged. The EMB sub-delegates certain authorities to the:

- Executive Management Assurance Committee (EMAC), which has oversight responsibility for all the assurance functions within the Group, including regulatory compliance and risk management, but excluding external and internal audit
- Investment Committee, which has oversight responsibility for the investment products manufactured by the Group and associated investments services
- Treasury Committee, which has delegated responsibility for the management of cash funds held on behalf of customers, as well as the Group's corporate funds and the approval of eligible counterparties including those on the panel for our new Cash savings hub
- Strategic Portfolio Management Committee, which has responsibility for oversight of the allocation of IT business change resource. It was agreed during the annual review of our corporate governance structure by the Board in September 2020, that this committee would cease to form part of that structure.

Role of the Senior Independent Director

The Senior Independent Director, Laura Carstensen, provides a sounding board for the Chairman and, if necessary, acts as an intermediary for the other Non-Executive Directors. The Senior Independent Director is also available for communication with shareholders where normal lines of communication via the Chairman, CEO and Chief Financial Officer are not successful or where it is considered more appropriate. The Senior Independent Director also leads the annual appraisal of the Chairman by the Non-Executive Directors.

Role of Executive Directors

The CEO, Andy Bell, is responsible for the leadership and management of the business within the scope of the authorities delegated to him by the Board. The CEO must exercise those authorities to achieve the strategic objectives set by the Board, implement Board decisions and ensure that the Group complies with all of its regulatory and legal obligations. The CEO is also responsible for communicating the views of the senior management team on business issues to the non-executive members of the Board.

The role of the Chief Financial Officer, Michael Summersgill, as the other Executive Director who is a member of the Board, is to add a commercial and internal perspective to discussions at Board meetings and to support the CEO in communicating the views of the senior management team on business issues to the non-executive members of the Board. The Chief Financial Officer is responsible for oversight of the development of the Group's strategy and leading the financial management and operational aspects of the business.

Role of Non-Executive Directors

The Non-Executive Directors, Laura Carstensen, Eamonn Flanagan and Simon Turner, help to set the strategy for the business, offer specialist advice, constructively challenge the Executive Directors and scrutinise the performance of the EMB in relation to the delivery of that strategy and the personal objectives which are set for the individual members of the EMB, the implementation of Board decisions and compliance with the Group's regulatory and legal obligations.

Board support and the role of the Company Secretary

The Board and Board Committees receive accurate, clear and up-to-date information in sufficient time for them to review it before each meeting and are provided with sufficient resources to discharge their respective duties.

The Directors have access to independent professional advice at the Group's expense, as well as to the advice and services of the Company Secretary, Bruce Robinson, who advises the Board on corporate governance matters.

The role of the Company Secretary is to ensure that all Board and Board Committee procedures are complied with and to advise on corporate governance and related regulatory compliance. In addition, the Company Secretary is responsible for the provision of legal advice and support to all of the members of the Board as and when required. The Company Secretary is also responsible for ensuring that Board and Board Committee members receive clear and accurate information and papers in a timely manner and that the minutes of meetings clearly record the discussions held and the reasons for decisions.

CORPORATE GOVERNANCE REPORT CONTINUED

COMPOSITION, SUCCESSION AND EVALUATION

Role of the Nomination Committee

The Board has established a Nomination Committee, which has delegated responsibility for reviewing the leadership needs of the business to ensure it can continue to succeed in the marketplace. Further details of the work of the Committee are set out on pages 62 and 63.

Succession planning

This falls within the scope of the responsibilities of the Nomination Committee. Further details of the work of the Committee in that regard are set out on page 63.

Length of service of the Chair and Non-Executive Directors

Under the provisions of the 2018 Code, the Chairman should not remain in post beyond nine years from the date of their first appointment to the Board. That period can, however, be extended for a limited time to facilitate effective succession and the development of a diverse board, if the Chairman was an existing Non-Executive Director on appointment. As Les Platts was appointed to the Board as a Non-Executive Director on 15 September 2008 and assumed the role of Chairman on 1 January 2014, the Group is not currently compliant with that provision. As was reported last year, a succession plan for Les Platts was considered by the Nomination Committee during that year and details of the progress which has been made with the plan are set out on page 63.

Evaluation of the performance of the Board and Directors

The Board and each of its Committees undertook an annual review of its own performance in line with the requirements of the 2018 Code during the year. That process involved the members of the relevant governance body and, where appropriate, other key individuals involved in its workings, providing feedback to the Chairman, in the case of the Board, and to the Chair, in the case of each Board Committee. They then collated the feedback provided and presented their findings to the relevant body and then, where applicable, details of any approved recommendations were presented at a meeting of the Board. Following discussion of the findings and recommendations, a number of actions were agreed, the implementation of which will be overseen by the Board.

The Chairman evaluated the performance of the Non-Executive Directors during the year. The Non-Executive Directors, led by the Senior Independent Director, evaluated the performance of the Chairman during the year.

Overall, the Board concluded that the Board and its Committees operate effectively and that each Director continues to contribute effectively and demonstrate commitment to the role.

The Chairman considered having an externally-facilitated Board evaluation undertaken, but following discussions with other members of the Board, concluded that the appropriate time for one to be undertaken would be during 2021 when it is planned that his successor will have joined the Board.

Board induction, training and development

All Directors undertake a formal induction programme when they are appointed to the Board. The Nomination Committee report on pages 62 and 63 provides further details on the procedures for the appointment of new Directors and succession planning.

All Directors are kept informed of changes in relevant legislation and regulations and changing financial and commercial risks. If considered appropriate, external advisers are engaged to provide training for members of the Board.

As part of their annual appraisal process, the personal and professional development needs of the Executive Directors are considered and agreed. During the annual appraisal process for the Non-Executive Directors, the Chairman reviews and agrees their training and personal development requirements. Non-Executive Directors are also encouraged to attend external seminars on topics which they consider appropriate for their professional development needs.

Re-election of Directors

All of the Directors are subject to annual re-election and intend to submit themselves for re-election at the 2021 AGM.

AUDIT, RISK AND INTERNAL CONTROL

The statement of Directors' responsibility for preparing the Annual Report and Financial Statements is set out on page 89. Within this, the Directors have included a statement that the Annual Report and Financial Statements present a fair, balanced and understandable assessment of the Group's position and prospects.

The Board has established an Audit Committee, the role of which is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the integrity of the financial and narrative statements and other financial information provided to shareholders, the Group's system of internal controls, the internal and external audit process and auditors and the processes for compliance with related laws, regulations and ethical codes of practice. Further details of the work of the Committee are set out on pages 64 to 68.

With the support of the Audit Committee, the Board has reviewed the 2020 Annual Report and Financial Statements and considers that, taken as a whole, they are fair, balanced and

BOARD COMPOSITION

Chairman	1
Executive Directors	2
Non-Executive Directors	3

BOARD TENURE

0-4 years	2
5-8 years	1
9+ years	3

understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Please see:

- details of the review work carried out by the Audit Committee in relation to the 2020 Annual Report and Financial Statements on pages 65 to 67
- the description of the business model and strategy for delivering the objectives of the Group on pages 16 to 19.

Viability statement

The Directors have assessed the viability of the Group over a period that exceeds the 12 months required by the going concern provision. Details of that assessment are set out on page 45.

Risk management and internal controls

In accordance with the 2018 Code, the Board is required to monitor the Group's risk management and internal control systems on an ongoing basis and carry out a review of their effectiveness. Details of the Group's ongoing process for identifying, assessing and managing the principal risks faced by the Group are contained in the risk management section on pages 37 to 39, together with details of those principal risks and their related mitigating factors. Whilst the Board retains overall responsibility for the Group's risk management and internal control systems, it has delegated oversight to the Audit and Risk and Compliance Committees.

The Risk and Compliance Committee assists the Board in fulfilling its oversight responsibilities, by reviewing and monitoring the Group's attitude to and appetite for risk and its future risk strategy, the Group's risk management framework, how risk is reported both internally and externally and the processes for compliance with related laws, regulations and ethical codes of practice and prevention of fraud. Further details of the work of the Committee are set out on pages 69 to 71.

The Board confirms that, through the activities of the Risk and Compliance Committee, a robust assessment of the principal risks facing the Group, including those that would threaten its business model, performance, solvency and liquidity has been carried out. In accordance with the 2018 Code, the Board has also considered the Group's longer-term viability,

which can be found within the viability statement on page 45.

The Board has delegated responsibility for the annual review of the Group's internal control systems to the Audit Committee, assisted by the Risk and Compliance Committee (responsible for the Group's risk management framework). Further details of the review and monitoring procedures can be found within the Audit Committee report on page 67.

In satisfying the requirements to ensure that the Group has adequate risk management and internal control systems, the Audit Committee has:

- monitored the Group's internal control systems on an ongoing basis; and
- reviewed an annual effectiveness assessment of the Group's risk management and internal control systems.

REMUNERATION

Role of the Remuneration Committee

The Board has established a Remuneration Committee, which has delegated responsibility for determining the policy for executive remuneration and setting remuneration for the Chairman of the Board, CEO and other senior executives. When doing so, the Remuneration Committee takes account of wider workforce remuneration and related policies and the alignment of incentives and rewards with culture. Further details of the work of the Committee are set out on pages 72 and 73 and page 76.

Remuneration policy

A summary of the executive remuneration policy and details of the remuneration packages of individual Directors are set out on pages 74 and 75. During the year no individual Director was present when their own remuneration was determined.

ANNUAL GENERAL MEETING

The AGM will be held on 27 January 2021 at 10 am at AJ Bell, 4 Exchange Quay, Salford Quays, Manchester M5 3EE. As a consequence of the impact of the COVID-19 related Government measures which are presently in place to restrict social gatherings, and overriding health and safety concerns, the Board has decided that it would not be socially responsible for us to invite shareholders to attend the 2021 AGM in person. As a consequence, we are currently planning to hold the 2021 AGM as a closed meeting with only the

minimum quorum of two shareholders present, which will be facilitated by AJ Bell. In the interests of safety, anyone seeking to attend in person (other than those forming the quorum) will be refused entry.

We do, however, intend to give shareholders the opportunity to view the AGM proceedings online and ask questions via a chat function. Please note that shareholders will not be able to vote via that online facility, so it is particularly important to vote by proxy this year. We also intend to enable shareholders to ask the Board questions about the business at the AGM by email in advance of the meeting. We will endeavour to respond to all questions directly and also to publish answers to common questions on our website. Further details about how shareholders can view the AGM proceedings online, ask questions and vote by proxy will be set out in the notice of the 2021 AGM.

We are aware that the AGM would normally give shareholders the opportunity to engage directly with the members of the Board and to hear in person about the Company's performance and strategy. As an alternative means of engagement with our retail shareholders, Andy Bell, our Chief Executive Officer and, Michael Summersgill, our Chief Financial Officer, will be hosting a virtual Q&A session for retail investors, including AJ Bell Youinvest customers who are shareholders, on 10 December 2020. A video recording of the session will be available for all shareholders to view at www.ajbell.co.uk/nvestor-relations/aggm.

The Board will, however, continue to monitor developments in case the position changes. If it does, we will notify shareholders of any changes in our plans both by a Regulatory News Service announcement and via our website. Further details will be set out in the notice of the 2021 AGM.

Les Platts

Chairman

2 December 2020

NOMINATION COMMITTEE REPORT

Les Platts
Chair of the Nomination
Committee

ROLE AND RESPONSIBILITIES

The Nomination Committee is responsible for reviewing the leadership needs of the business to ensure it can continue to succeed in the marketplace. This includes succession planning, considering and making recommendations to the Board in respect of appointments to the Board, the Board Committees, EMB and the chairmanship of the Board Committees. The Committee is responsible for keeping the structure, size and composition of the Board and the other governance bodies under regular review, and for making recommendations to the Board with regard to any changes necessary, taking into account the skills and expertise required to deliver the Group's strategy.

The Board considers the current balance of skills, knowledge and experience on the Board or EMB, as applicable, when determining the capabilities and time commitment required for any new role. Succession plans for Executive and Non-Executive Directors and senior management, in particular for the key roles of Chairman of the Board and CEO, are considered by the Nomination Committee.

The role and responsibilities of the Committee are set out in its formal terms of reference, a copy of which can be viewed on the Group's website www.ajbell.co.uk.

COMMITTEE ATTENDANCE

The Committee meets at least once a year and may meet at other times as agreed by the Chair or at the request of another member of the Committee.

Member	Position	Meetings attended and held
Les Platts	Chair	6/6
Laura Carstensen	Senior Independent Director	6/6
Eamonn Flanagan	Non-Executive Director	6/6
Simon Turner	Non-Executive Director	6/6

DEAR SHAREHOLDER

As Chair of the Nomination Committee, I am pleased to present the Committee's report for the year ended 30 September 2020.

The Committee's focus this year has been on succession planning, the composition of the Board and Board Committees, along with recruitment planning.

Further information on the activities of the Nomination Committee is provided below.

MEMBERSHIP

Appointments to the Committee are made by the Board on the recommendation of the Nomination Committee, in consultation with the Committee Chair.

The Committee comprises a majority of independent Non-Executive Directors in Laura Carstensen, Eamonn Flanagan and Simon Turner.

The current Chair is the Chairman of the Board, Les Platts, who was considered independent on appointment.

Appointments to the Committee are for a period of up to three years, which may be extended for two further periods of three years provided the majority of the Committee members remain independent.

The Company Secretary acts as secretary to the Committee. The Chief Executive Officer, Chief Financial Officer, members of the senior management team and external advisers are invited to attend the Committee's meetings as and when appropriate.

An annual review is conducted of the time required from Non-Executive Directors to fulfil their Group responsibilities and compliance with any applicable FCA requirements in relation to their total number of directorships.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

The Committee met six times during the year and a summary of the work undertaken in the last year is presented below.

Activity	Dec	Mar	Apr	Jun	Jul	Sep
Board composition	●	●				
Recruitment process		●	●	●	●	●
Succession planning	●	●				
Diversity						●

Board composition

In consideration of Les Platts stepping down as Chairman at the 2022 AGM and following succession plan discussions held at the start of the year, it has been determined that we will recruit up to two additional Non-Executive Directors to further strengthen the Board. The candidate search and selection for these roles will take place in conjunction with the recruitment process to find a Chairman successor.

Recruitment process

Work has already commenced on the formal recruitment process to find a Chairman and new Non-Executive Directors. This process is being led internally by Laura Carstensen, the Senior Independent Director with the support of an external search consultancy, Warren Partners. Warren Partners is an independent party with no other connection with the company or individual directors.

Improving the level of diversity generally will be a particular area of focus during the recruitment process and we are mindful of the targets set by the Hampton Alexander and Parker reviews although in accordance with our diversity policy, the appointment will be made on the basis of merit and objective criteria.

Succession planning

In relation to succession planning for the other members of the Board and EMB, the Nomination Committee undertook a review of existing plans during the year and was satisfied with the extent of the contingency arrangements which are in place.

There have been no changes to the composition of the EMB, other than the addition of Mo Tagari as Chief Technology Officer with effect from 1 November 2019, which was reported last year.

Diversity

The Group is committed to ensuring that Executives and Non-Executives have a range of skills, knowledge, experience, backgrounds and perspectives to maximise their effectiveness in delivering our strategic objectives and supporting business growth. To further strengthen that commitment, we will look to ensure that our Chairman and Non-Executive Director recruitment process enables us to select diverse candidates to complement the knowledge and skills of existing Board members.

It is the Board's policy for all appointments to be made on merit, in the context of the skills, experience and knowledge which the business as a whole requires to be effective. Independence is also seen as a prerequisite for Non-Executive appointments. Selection processes take into account wider elements of diversity, to ensure the composition of the Board is appropriately balanced to support the strategic direction of the Group.

Further information on gender balance of those in senior management and their direct reports is included within the strategic report on page 29.

RE-ELECTION OF DIRECTORS

The Committee was satisfied that the Board continued to be effective and has therefore recommended all of the members of the Board for re-election at the 2021 AGM.

COMMITTEE EVALUATION

As indicated within the Corporate Governance report, the Nomination Committee conducted an assessment of its own effectiveness during the year. This identified the need for a small number of improvements which will be implemented during the forthcoming year. Overall, the Committee was satisfied that it continues to operate effectively.

NOMINATION COMMITTEE PRIORITIES FOR 2020/21

Our main priority is the selection of a new Chairman to succeed Les Platts in 2022 alongside the selection of new Non-Executive Directors to strengthen the Board.

Signed on behalf of the Nomination Committee:

Les Platts
Chair of the Nomination Committee
2 December 2020

AUDIT COMMITTEE REPORT

Eamonn Flanagan
Chair of the Audit Committee

ROLE AND RESPONSIBILITIES

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the:

- integrity of the Group's financial and narrative statements and other financial information provided to shareholders
- Group's systems of internal controls
- Group's internal and external audit processes and auditors
- Group's processes for compliance with laws, regulations and ethical codes of practice.

Full terms of reference for the Committee are reviewed annually and are available on the Group's website: www.ajbell.co.uk.

The Committee members receive ongoing regular training regarding matters relevant to their role and responsibilities.

COMMITTEE ATTENDANCE

The Committee meets at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. The Committee is comprised solely of independent Non-Executive Directors. There have been no changes to the Committee's membership during the year.

Member	Position	Meetings attended and held
Eamonn Flanagan	Chair	5/5
Laura Carstensen	Senior Independent Director	5/5
Simon Turner	Non-Executive Director	5/5

DEAR SHAREHOLDER

As Chair of the Audit Committee, I am pleased to present the Committee's report for the year ended 30 September 2020.

The Committee continued to focus on its key responsibilities of assisting the Board in monitoring the preparation of the Group's financial reporting statements, the effectiveness of the internal controls and risk management and providing oversight and governance around the integrity of the Group's external and internal audit processes, including assessing the independence and objectivity of the external auditors.

We continue to see increased demands from regulators and investors on oversight and challenge both within the audit profession and audit committees. The Audit Committee plays an important role to assist the Board in meeting these demands, by challenging management on key judgements, estimates, disclosures and transparency in reporting, to give stakeholders confidence in the Group's financial performance and position.

The Committee has continued to work closely with the other Board Committees during the year and in particular with the Risk and Compliance Committee, as part of assessing the impact of COVID-19 on the risk, controls and the going concern and viability of the Group. I am pleased to report that there were no changes to our reporting calendar in the year despite the challenges COVID-19 imposed on us and we adapted quickly and effectively to remote working with our internal and external auditors. We have considered the impact of COVID-19 on our business and reporting and you will find details of this in other sections of the Annual Report.

The Financial Reporting Council Corporate Reporting Review team wrote to us in the second half of the year indicating that they had carried out a review of our 2019 Annual Report and Financial Statements. I am pleased to report that no questions or queries arose from this review that required a substantive response. A small number of disclosure points were noted as part of the review which require minor amendment and, as a result, we have enhanced the relevant disclosures in our 2020 Annual Report and Financial Statements.

Following the Competitive Tender Process in 2019 the Committee placed particular focus on the transition to our new external auditor BDO LLP (BDO) who were appointed at our 2020 AGM. We are pleased to note that the transition to BDO was completed effectively and efficiently.

Further information on the activities of the Audit Committee is provided below.

MEMBERSHIP

Membership of the Committee is reviewed annually by the Chair of the Committee as part of its annual performance evaluation. Recommendations for new appointments are considered with the Nomination Committee, prior to Board approval. There is some cross-membership with the Risk and Compliance Committee, to help ensure that agendas are aligned and key information is shared appropriately across the Board Committees.

The Board is satisfied that the Chair of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the business sector in which the Group operates.

Biographical information on each member is set out on pages 50 and 51.

The Company Secretary is secretary to the Committee. The Chairman, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Group Finance Director and other senior members of the Finance team are routinely invited to attend Committee meetings. The external auditor attended all meetings during the year and the internal auditor attended specific meetings in relation to the planning and presentation of reports.

The Chair has regular meetings with the Group Finance Director, external audit partner and internal audit partner to discuss key audit-related topics ahead of each Committee meeting. In addition, the Committee also meets privately with the external audit partner and Deloitte, the internal auditor, at least once a year.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

The Committee has an annual cycle of work to ensure that all responsibilities are met over a calendar year. The Committee met five times during the year and a summary of the work undertaken in the last year is presented below.

Activity	Nov	Mar	May	Jul	Sep
Financial reporting (including accounting judgements and significant issues)	●	●	●		●
CASS	●				
Internal controls (including annual effectiveness)					●
Internal audit	●	●	●		●
External audit (including transition)	●	●	●		●
Committee evaluation				●	

FINANCIAL REPORTING

Financial statements

During the financial year, the Committee:

- reviewed the Interim and Annual Report and Financial Statements, and the preliminary announcements and recommended approval by the Board
- reviewed the clarity and completeness of financial reporting disclosures
- reviewed reports from management, considered all significant financial reporting judgements for the financial statements and reviewed any related disclosures
- assessed the application and appropriateness of significant accounting policies including reporting standard changes relating to IFRS 16 in the year
- reviewed the Group's going concern assumptions and viability statement; and
- considered the correspondence from the Financial Reporting Council (FRC) in relation to the 2019 Annual Report and Financial Statements.

Accounting judgements and significant issues

The Committee assessed and challenged the appropriateness of the judgements and estimates applied by management in the preparation of the Interim and Annual Report and Financial Statements. As part of its review, the Committee considered the following:

AUDIT COMMITTEE REPORT CONTINUED

Significant judgements and estimates

Area for consideration	Committee review and conclusion
Intangible assets and impairment	The Committee reviewed management's paper to support the carrying amount of intangible assets held by the Group. The review is supported by Board approved forecasts and the sensitivities applied concluded that no impairment was required. The Committee was satisfied with the conclusions.
Goodwill and CGUs	The Committee considered the impairment review carried out by management. This included assumptions on the underlying calculation of the value-in-use of the Cash Generating Unit (CGU) tested for impairment. The underlying cash flow assumptions are supported by Board approved forecasts. The main assumptions, discount rate and sensitivities are included within note 13 of the Financial Statements. The Committee was comfortable with the assumptions and judgements made concluding that the carry value of goodwill within the Financial Statements is appropriate.
Deferred tax asset	The Committee reviewed the approach to the recognition of deferred tax assets, with particular reference to the impact of the share incentive schemes. No concerns were raised and the recognition and disclosure appears appropriate.
Share-based payments	The Committee reviewed the key assumptions used for the valuation of options granted under the Company's share-based incentive schemes, with particular reference to the long-term CSR initiative which was implemented in the year. The basis of accounting and disclosures made were also considered appropriate and consistent with the external auditor's findings. The Committee was satisfied that the assumptions used, including the performance period over which fair values are recognised were appropriate.
Provisions	The Committee reviewed management's paper presenting the assumptions and calculation methodologies applied in determining provisions. In addition to considering the appropriate application of IFRS and the recognition principles, the Committee was satisfied that the procedures performed by management to estimate and quantify provisions were sufficiently robust.
New accounting standards	The Committee considered the impact of IFRS 16: Leases which has been applied for the first time within the Annual Report and Financial Statements and Interim Financial Statements for the year ended 30 September 2020. The Committee received updates throughout the year on the impact and key judgements made for IFRS 16. The Committee reviewed and approved management's proposed calculation methodology, with particular focus on the determination of the discount rate and incremental borrowing rate applied, together with disclosure impacts. The introduction of the standard has not had a significant impact on the Group. Details of the transition can be found in note 2 of the Financial Statements.

These areas have been discussed with the external auditor to ensure the Group makes appropriate judgements and provides the required level of disclosure. Following consideration of the above, the Committee concluded that there are no items that should be classified as significant or critical judgements in the context of the 2020 Annual Report and Financial Statements.

Going concern and viability

The Committee reviewed a detailed paper presented by management setting out the assumptions underlying the going concern and viability statements. The paper covered the Group's expected future profitability, capital position and liquidity. The Committee also considered additional stress test scenarios covering a significant reduction in equity markets, negative Bank of England base interest rates and an idiosyncratic stress relating to a scenario whereby prolonged IT issues cause a reduction in customers. The Committee also considered management actions that could be taken in the event that the modelled scenarios crystallise.

Financial Reporting Council

During the second half of the year, we received a letter from the Financial Reporting Council Corporate Reporting Review team as part of its ongoing monitoring of UK corporate reporting. This letter informed us that it had carried out a review of our 2019 Annual Report and Financial Statements, and that at this stage, the review had not raised any further questions or queries which required a substantive response. A small number of disclosure points were also noted as part of the review which require minor amendment and as a result, we have enhanced the relevant disclosures in our 2020 Annual Report and Financial Statements.

The Financial Reporting Council (FRC) requested that it be made clear the inherent limitations of the review; in particular it noted in its letter that its review provides no assurance that the 2019 Annual Report and Financial Statements are correct in all material respects and that the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. The FRC also noted its review did not benefit from detailed knowledge of the Group's business or an understanding of the underlying transactions entered into.

Fair, balanced and understandable assessment

At the request of the Board, the Committee considered whether the 2020 Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders and other stakeholders to assess the Group's position and performance, business model and strategy.

The Committee considered the procedures around the preparation, review and challenge of the Annual Report and Financial Statements; the information and reporting it received from management and the external auditor; and the discussions that took place during the year. The Committee also considered the narrative sections of the reports to ensure there was consistency in the information reported, that appropriate weight had been given to both positive and negative aspects of business performance and that key messages had been presented coherently.

Following its review, the Committee is satisfied that the Annual Report and Financial Statements are fair, balanced and understandable and provide the information necessary for shareholders and other stakeholders to assess the Group's position and performance and has advised the Board accordingly.

The Directors' statement on a fair, balanced and understandable Annual Report and Financial Statements is set out on page 89.

CASS

The Committee reviewed the reasonable assurance reports and limited assurance reports in relation to CASS for all regulated entities within the Group. The Committee also challenged management as required on the content and procedures surrounding those reports.

INTERNAL CONTROLS

Together with the Risk and Compliance Committee, the Audit Committee is responsible for monitoring and reviewing the effectiveness of the Group's internal control and risk management systems. The Group's systems of internal control and risk management are designed to identify, evaluate and manage rather than eliminate the risk of not achieving business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Through monitoring the effectiveness of its internal controls and risk management, the Committee is able to maintain a good understanding of business performance, key judgemental areas and management's decision-making processes. Details of the Group's risk management process and the management and mitigation of principal risks together with the Group's viability statement, can be found on pages 37 to 45.

During the financial year the Committee:

- reviewed the adequacy and effectiveness of the Group's internal controls and internal control systems
- reviewed the adequacy and effectiveness of financial reporting
- considered and approved the internal audit plan for the year
- considered reports from the internal auditor, challenged the robustness of findings and agreed actions

- monitored progress in management's responsiveness to resolving audit issues raised
- assessed the effectiveness of the internal auditor
- reviewed and approved the internal controls and risk management statements in the Annual Report and Financial Statements

The Committee is satisfied that the Group had appropriate procedures in place throughout the year and to the date of signing, which accord with the FRC guidance on risk management, internal control and related financial and business reporting.

The Board's statement on internal control and risk management can be found on page 60.

INTERNAL AUDIT

The provision of internal audit services is outsourced to Deloitte LLP.

The internal audit plan for the upcoming year is approved annually in advance by the Committee. A rolling three-year plan is maintained to ensure all critical areas of the business are covered over this period. This is overlaid by a risk assessment to determine the prioritisation of the internal audit plan for the coming year.

The Committee reviews all internal audit reports in order to assess the effectiveness of mitigating controls and proposed actions by management to address any issues found. The Committee ensures that all management actions arising are tracked to completion on a timely basis.

During the year, seven reviews were undertaken by internal audit and reviewed by the Committee.

EXTERNAL AUDIT

Tenure

As set out in the report last year, the Committee led a Competitive Tender Process (CTP) in early 2019 to review its external audit services for the year ending 30 September 2020. BDO was subsequently appointed as the Group's external auditor at the 2020 AGM with Neil Fung-On as the lead audit partner. Further details of the Committee's oversight of the transition from KPMG to BDO are given below.

The Committee confirms that the Group has complied with the requirements of the

Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year under review.

Oversight of external audit

The Committee oversees the relationship with and work undertaken by the external auditor, BDO. The Committee's responsibilities include making a recommendation on the appointment, reappointment and removal of the external auditor and overseeing their effectiveness and independence. The Committee assesses the qualifications, expertise, resources and independence of the external auditor and the effectiveness of the audit process.

A key focus for the Committee this year has been overseeing the transition process and the preparations for BDO's first audit to ensure its effectiveness. This transition was complicated by the disruption caused by COVID-19. The Committee commends the efforts of both BDO and the Finance team to ensure that this process was effected smoothly.

In addition to monitoring the auditor transition plan, the Committee approved the audit plan, the proposed audit fee and terms of engagement for 2020. The Committee reviewed and challenged reports from BDO which outlined its risk assessments and audit plans, together with audit findings and management responses.

The Chair of the Committee has regular contact with the external audit partner outside of Committee meetings and without the management of the business present.

As this is BDO's first year as external auditor, the Committee will perform a full review of its effectiveness at the March 2021 Committee meeting once the audit cycle is complete. To ensure the effectiveness of the current year audit, the Committee has considered the interactions and meetings with BDO as part of the transition, reviewed the latest reports issued by the FRC's Audit Quality Review team and considered the extent and nature of challenge demonstrated by BDO in its work and interactions with management.

AUDIT COMMITTEE REPORT CONTINUED

Based upon this assessment, and acknowledging both the quality and experience of the audit partner, considered as part of the CTP and the more recent FRC Audit Quality Reviews, the Committee is satisfied with the performance of BDO during the period and the policies and procedures in place to maintain its objectivity and independence.

Non-audit fees

A non-audit services policy was formalised during the year and approved by the Committee reflecting the latest guidance contained in the Revised Ethical Standard (2019) issued by the FRC.

The Committee recognise that there are often advantages in using the external auditor to provide certain non-audit services due to their knowledge of the business. In the event that BDO is engaged to provide non-audit services, procedures are in place to ensure that the provision of any such services does not impair the external auditor's independence and objectivity.

Prior to undertaking any non-audit service, external auditor independence is considered together with the nature of the services and fee levels relative to the audit. The approval of the Committee must be obtained before the external auditor is engaged to provide any permitted non-audit services. For permitted non-audit services that are considered not to be material, the Committee has pre-approved the use of the external auditor for cumulative amounts totalling less than £25,000 on the approval of the Chief Financial Officer and the Chair of the Committee.

Fees for non-audit services paid to the external auditor should not, in aggregate, exceed 70% or more of the average audit fees for the preceding three years.

As part of the planning, half-year and full-year processes, the Committee also received and reviewed an analysis of all non-audit work provided by BDO in addition to the results of BDO's own independence confirmation checks.

During 2020, the external auditor undertook non-audit work in relation to other assurance services and was paid a total fee of £99,000 (2019: £200,000 paid to KPMG). Analysis of the fees paid to BDO during the current year and KPMG during prior year can be found in note 6 to the financial statements.

The Committee is satisfied that the external auditor's independence has not been impaired by their provision of non-audit services.

COMMITTEE EVALUATION

As indicated within the Corporate Governance report, the Audit Committee assessed its effectiveness during the year. This concluded that the Committee was effective in fulfilling its role during 2020 and that there were no areas for concern.

AUDIT COMMITTEE PRIORITIES FOR 2020/21

As well as considering the standing items of business, the Committee will focus on the following key areas during the forthcoming year:

- ongoing implications of COVID-19
- impact of Brexit on the Group's financial statements
- developments in relation to the future of the UK audit regime.

Signed on behalf of the Audit Committee:

Eamonn Flanagan
Chair of the Audit Committee
2 December 2020

RISK AND COMPLIANCE COMMITTEE REPORT

01 STRATEGIC REPORT
02 GOVERNANCE
03 FINANCIAL STATEMENTS
04 OTHER INFORMATION

Simon Turner
Chair of the Risk and
Compliance Committee

ROLE AND RESPONSIBILITIES

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- the Group's attitude to and appetite for risk and its future risk strategy
- the Group's risk management framework
- how risk is reported both internally and externally
- the processes for compliance with laws, regulations and ethical codes of practice and prevention of fraud.

The role and responsibilities of the Committee are set out in formal terms of reference, a copy of which can be viewed on the Group's website www.ajbell.co.uk.

More detail on the Group's approach to managing risk is detailed in the risk management framework section of the Annual Report.

COMMITTEE ATTENDANCE

The Committee meets at least four times a year and may meet at other times as agreed by the Chair or as requested by another member of the Committee.

Member	Position	Meetings attended and held
Simon Turner	Chair	5/5
Laura Carstensen	Senior Independent Director	5/5
Eamonn Flanagan	Non-Executive Director	5/5
Les Platts	Non-Executive Director (Chairman)	5/5

DEAR SHAREHOLDER

As Chair of the Risk and Compliance Committee, I am pleased to present the Committee's report for the year ended 30 September 2020.

During the year, the Committee considered a wide range of existing and emerging risk and compliance matters. Key areas of focus included:

- the impact of COVID-19 on the Group
- customer outcomes, including the consideration of vulnerable customers
- the Group's risk appetite statements and key risk indicators (KRIs) to ensure the Group risks remain within appetite
- stress testing and the potential impacts of severe economic scenarios on the Group's business model and strategy
- operational resilience, including against cyber attacks
- whistleblowing across the Group
- financial crime
- regulatory items concerning the platform sector and asset management sector

The Committee receives regular training from external subject matter experts; this year it has received cyber security training, in order to ensure its knowledge of this area is appropriate.

The Committee concluded that the Group continues to have strong discipline in the management of both emerging and existing risks, and the Committee's work continues to help support the Group in achieving controlled growth in fast growing markets and providing an acceptable level of return.

Further information on the activities of the Committee is provided below.

RISK AND COMPLIANCE COMMITTEE REPORT CONTINUED

MEMBERSHIP

The Committee maintains close links with the Audit Committee, with the Chair of each Committee being a member of the other. This cross-membership and liaison between the Committees on agenda items and reports facilitates effective linkage between both Committees and ensures that any matters relating to both internal control and financial reporting are considered in an effective manner.

The Company Secretary is the secretary to the Committee. The Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Group Finance Director, Head of Risk and other members of the senior management team are routinely invited to attend Committee meetings.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

The Committee met five times during the year and a summary of the work undertaken in the last year is presented below.

Activity	Nov	Mar	May	Jul	Sep
Impact of COVID-19			●	●	●
Risk management framework	●	●			
Risk reporting	●	●	●		●
Annual whistleblowing report	●				
Combined assurance model	●	●			●
Client money and assets	●	●			●
Cyber security		●			
Annual report by the Money Laundering Reporting Officer		●			
ICAAP	●	●	●	●	●
Emerging risks		●	●		●
Regulatory items		●			
Review risks inherent in targets and criteria for executive remuneration					●

IMPACT OF COVID-19 ON THE GROUP

Since the onset of COVID-19, the Group has reviewed its risk management and internal control systems to ensure they are operating effectively. 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.

RISK MANAGEMENT FRAMEWORK

The Group operates an established 'three lines of defence' approach to managing risk. Review and challenge across the three lines of defence continues to work well. The Chief Risk Officer provided his annual assessment of risk and compliance in November 2019 and confirmed good progress had been made with the delivery of both the risk and compliance plans over the previous financial year. The Committee also approved the annual risk and compliance plans for financial year 2020 in November 2019. The Group Risk Management Policy provides the mechanism to define our risk appetite. The Group defines 'risk appetite' as representing the amount and type of risk it is prepared to seek, accept or tolerate at any point in time in the context of its business model and in the course of achieving its strategic objectives. The Committee conducted its annual review of the Group Risk Management Policy in March 2020 and approved the Policy with minor amendments to the Group's risk appetite statements.

RISK REPORTING

The Group has identified key risks that should they crystallise, could impact the Group's ability to meet its strategic objectives. These risks are referred to as the high impact top risks (HITR). KRIs are linked to the HITR, with measurements of performance against a pre-defined target. For each KRI a tolerance threshold is set in addition to a budget or target measure. Relative measurements are based on trend information to provide early warning indicators that the Group's risk appetite may be close to being breached for that measure.

The HITR are reviewed annually after the Board strategy and budget have been approved and the appropriate KRIs and tolerances are then set. The HITR and associated KRIs are monitored at each Committee meeting. None of the Group's HITR have been outside of appetite during the last financial year. If the HITR were outside of appetite, the Committee would agree and monitor any remedial action required to bring the HITR back into appetite. The Committee receives a quarterly Chief Risk Officer's update and reports from the different areas of the business, including information security and conduct risk reporting.

ANNUAL WHISTLEBLOWING REPORT

The annual whistleblowing report was presented to the Committee for consideration. There were no concerns to note regarding whistleblowing, however areas of focus from the FCA were taken into consideration and addressed where necessary.

COMBINED ASSURANCE MODEL

The purpose of the combined assurance model (CAM) is to monitor the consistency of approach, completeness of coverage and co-ordination of activities of the Risk, Compliance and Internal Audit functions. All of the Group's risks and controls are recorded in the Group's risk register. The senior management for each business area is responsible for performing a Risk and Control Self-Assessment (RCSA), reviewing this assessment on an ongoing basis and providing an annual RCSA attestation. Depending on this assessment the senior manager will then determine whether action is required to improve the controls to ensure the relevant risk(s) is brought back or remain within appetite. The second (Risk and Compliance) and third (Internal Audit) lines of defence then coordinate their assurance activities across the key areas of risk across the Group. The assurance output has been reviewed by the Committee, in

conjunction with the Audit Committee, over the course of the financial year.

CLIENT MONEY AND ASSETS

The Committee reviews a quarterly client money and assets (CASS) report, which includes progress on the Group's CASS automation and process simplification, which is looking to improve the Group's CASS processes.

CYBER SECURITY

The Committee monitors the Group's defences against cyber threats. The Committee has reviewed information from our internal subject matter experts on key cyber threats and the strength of our corresponding key controls. The Committee has also sought out assurance and cyber security threat testing from third-party cyber security companies to ensure the Group's cyber defences are working appropriately.

ANNUAL REPORT BY THE MONEY LAUNDERING REPORTING OFFICER

The Committee received its annual report from the Money Laundering Reporting Officer (MLRO) in March 2020 which confirmed the Group's anti-money laundering and fraud systems and controls continue to operate effectively. Since then the Group has invested in new anti-money laundering technology and additional resource to further improve its control environment. The Committee monitors the effectiveness of the Group's anti-money laundering and fraud systems and controls as part of its quarterly risk reporting.

ICAAP

The Group has conducted ICAAP scenario workshops with subject matter experts from across the Group to assess the material risks the Group may be exposed to. A Committee meeting was convened in July to review and challenge the output, with the revised output being subject to further review and challenge by the Committee in September. The Committee has also reviewed liquidity risk assessments and the wind-down plan.

EMERGING RISKS

The Committee receives regular emerging risks updates from the CRO and also external updates from Deloitte. Key items discussed have been regulatory priorities, such as operational resilience, firm governance, management of conflicts of interest and EU withdrawal.

REGULATORY ITEMS

The Committee has reviewed 'Dear CEO' letters issued by the FCA, including letters on Platform Portfolio Strategy and Asset Management Supervision Strategy and concluded that there are no concerns for the Group around any of the issues identified in the FCA letters. The Committee has also reviewed the FCA Sector Views and FCA Business Plan to ensure that the FCA's key priorities are aligned with the Group's key priorities and again no areas of concern have been identified.

REVIEW RISKS INHERENT IN TARGETS AND CRITERIA FOR EXECUTIVE REMUNERATION

Having reviewed the risks inherent in targets and criteria for executive remuneration, the Committee concluded that the executives have not taken inappropriate risks to deliver their objectives.

COMMITTEE EVALUATION

The Committee conducted its annual effectiveness review in July 2020, which confirmed the Committee is operating effectively.

RISK AND COMPLIANCE COMMITTEE PRIORITIES FOR 2020/21

The Committee will continue to focus on any emerging risks that may materialise, particularly in light of the COVID-19 pandemic. Ensuring the Group's cyber and operational resilience is maintained and additional risk oversight of key third-party suppliers are priorities for the Committee.

The new prudential regime for investment firms is currently being finalised by the FCA and is scheduled to be implemented in January 2022. Once finalised the Committee will review any impact on the Group.

Signed on behalf of the Risk and Compliance Committee:

Simon Turner
Chair of the Risk and
Compliance Committee
2 December 2020

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE

Laura Carstensen
Chair of the
Remuneration Committee

DEAR SHAREHOLDER

As Chair of the Remuneration Committee, I am pleased to present the Committee's report for the year ended 30 September 2020.

We moved quickly to keep our people safe in response to the COVID-19 pandemic and successfully adapted to remote working, with the vast majority of our people working from home during the period. Very early in the crisis we confirmed that none of our staff would be furloughed, no redundancies would be made and we would not claim any other Government benefits.

We have been able to maintain our services throughout the crisis ensuring minimal disruption to our customers and advisers, including during a particularly busy tax year end, demonstrating the commitment and skills of our people. We have seen record trading days over this period, demonstrating the robustness and stability of our platform, and this has translated into strong net inflows on to the platform and continued strong organic growth in new customers.

This strong financial performance, combined with a robust capital position and a cash-generative business model, and no reliance on the public purse, meant we were able to pay an interim dividend. We were also in a position to pay out well-earned mid-year bonuses to staff below management level, as per our normal performance management processes.

As discussed within Corporate Social Responsibility on page 31 the AJ Bell Wage War on COVID Fund was established during the early stages of the crisis and has been supported by the AJ Bell Board and senior managers, with some members donating three months' salary.

REMUNERATION POLICY AND APPLICATION

Our current Remuneration Policy (the 'Policy') was approved by shareholders at the 2020 AGM. We were pleased to receive strong support from shareholders for the Policy with 97% in favour, and I would like to take this opportunity to thank you for the support received at that time. We have included a summary of the Policy on pages 74 and 75.

EXECUTIVE INCENTIVE PLAN

The Executive Incentive Plan (EIP) is a single incentive plan under which performance is assessed over a single financial period based on a balanced scorecard of financial and non-financial measures, but with the deferral of the vesting of a significant proportion (60% in the case of Executive Directors) of the awards. The balanced scorecard and deferred awards promote and reward long-term sustainable Group performance. Albeit performance is assessed over a single financial year, the intrinsic nature of some of the metrics is such as to promote behaviours supportive of long-term goals and a sustainable, successful business (see key performance measure by strategic driver below).

Under the EIP no cash bonuses are paid. Instead, both annual and deferred awards are delivered in shares, thus aligning shareholder and director interests. EIP awards are granted at the start of the financial year and the number

of shares subject to the EIP awards is determined based on the share price at the date of grant. This means that executives are exposed to the impact of any subsequent movement in the share price over the performance period, upwards or downwards.

The performance measures set for the EIP awards are divided between a balanced scorecard of financial and non-financial measures linked to the KPIs and strategy of the business, with the primary focus being on the drivers of long-term value, such as growth in AUA, customer numbers and retention rates.

We consider that this, together with our clear and robust framework for setting targets and for measuring and assessing performance objectively, ensures we reward executives appropriately for both their own contribution and the performance of the Group. The Committee retains the discretion to override mechanical assessment ratings, if they consider them to have resulted in inappropriate award outcomes, and has on occasion exercised such discretion. Deferred awards are also subject to a performance underpin which is linked to the underlying performance of the Group, risk management, conduct and compliance over the three-year deferral period.

EIP OUTCOMES

Our financial results for the year ended 30 September 2020 demonstrate strong growth over the past 12 months.

This growth has been driven by our platform business, where customer numbers increased by 29% and platform assets under administration by 11%. Moreover, our platform customer retention rate remains strong at 95.5%.

We achieved strong growth in revenue during the year, up 21% to £126.7m, and we are pleased to report an increase in PBT to £48.6m, representing a 29% year-on-year growth rate.

Key performance measure by strategic driver

Finance and assurance	Growth	Our customers	Our technology	Our people
Revenue	Total customers	Customer retention rates	PBT margin	Staff engagement
PBT	Total AUA			
Diluted EPS				

In considering Directors' pay for the year, the Committee considered the results of the key performance measures, external market conditions and an assessment of the movements in share price seen over the period. The Committee recommended adding back the unbudgeted CSR initiative cost when assessing the financial measures of the EIP outcomes as this does not reflect poor business performance or an inappropriate management action. Therefore, profit before tax, DEPS and profit margin have been adjusted to reflect the share-based payment cost associated with the CSR initiative of £1,595,000. Based on this, the extent to which awards under the EIP vested has been confirmed; the CEO's awards vested at 79% and the CFO's at 79%. Further details of the outcomes can be found on pages 79 and 80 of the Annual Report on Remuneration.

The Committee is satisfied that our Directors have continued to deliver tangible and substantial benefits for the business and our shareholders and have delivered strong performance against stretching targets during exceptionally challenging times, as our results attest.

ALIGNMENT WITH WIDER WORKFORCE

The Committee receives wider workforce remuneration information from the Human Resources team, which is responsible for completing the annual pay review. Executive remuneration and other employees' salaries are reviewed following the same process. This includes benchmarking against similar organisations and considers factors such as local recruitment conditions.

Due to the current economic climate, and potential impact on future Company performance, it has been determined that there will be no 'standard' basic salary increases for any level of staff, including Executive Directors. Basic salary awards will only be made to staff and Executive Directors who have been identified for a 'special' award such as those who have been promoted.

Through our Employee Voice Forum we have engaged with staff on topics such as culture and CSR. In addition, we receive an abundance of feedback from staff via the annual Best Companies survey, which covers a number of key areas including pay and reward. Staff are able to provide anonymous feedback through the survey, which has proved most effective to enable this to be as open and honest as possible. The feedback we received from last year's survey influenced the benefits review we conducted in that year, leading to the introduction of a number of new benefits requested by staff. We are in the process of reviewing this year's survey data to identify and address any new staff feedback we have received around pay and reward.

GENDER PAY

Due to the COVID-19 pandemic, we were not required to report on our gender pay data this year but took the decision to publish this information by the usual annual deadline.

We have seen a reduction in both our mean and median pay gap this year, with our median at 6.2%.

We remain confident that men and women are paid equally for doing equivalent jobs across our business, and that our pay gap is driven primarily by the structure of our workforce at a senior executive level, where we have experienced extremely low turnover.

The Group's gender pay gap report can be found at www.ajbell.co.uk.

CEO PAY RATIO

This is the first year we are required to report on our CEO pay ratios. The median ratio for the CEO's salary and total remuneration compared to our employees was 19:1 and 47:1 respectively and further details can be found on page 84 of the Annual Report on Remuneration. A significant proportion of the CEO's pay is in the form of variable pay through the EIP. CEO pay will therefore vary year-on-year based on Company and share price performance as will the CEO to all-employee pay ratio.

LOOKING FORWARD TO 2020/21

The average base salary increase for the wider workforce is just under 1%. In line with the wider workforce, no standard increase has been awarded to executives. With effect from 1 October 2020, the Chairman's fee increased by £15,000 to £130,000 reflecting his commitment and performance in the role as well as the positioning of his fee at the lower end of market practice.

There are no changes proposed to the remuneration structure for executives.

We will also continue to monitor remuneration developments, particularly in light of the introduction of the Senior Managers and Certification Regime.

Signed on behalf of the Remuneration Committee:

Laura Carstensen
 Chair of the Remuneration Committee
 2 December 2020

DIRECTORS' REMUNERATION REPORT CONTINUED

DIRECTORS' REMUNERATION POLICY (SUMMARY)

This part of the Directors' Remuneration report summarises the key components of Executive Director remuneration arrangements, which form part of the Policy. The Policy originally came into effect following a shareholder vote at the 2020 AGM, details of which are provided on page 85 of this report. The full Policy document is contained in the 2019 Annual Report and Financial Statements, which can be found at www.ajbell.co.uk/investor-relations.

ALIGNMENT WITH THE UK CORPORATE GOVERNANCE CODE

In determining our Remuneration Policy the Committee addressed the following six principles, as set out in the UK Corporate Governance Code:

Clarity

- The Remuneration Policy has been designed with a clear and robust framework for setting targets and for measuring and assessing performance objectively, aligned to our business model/cycle, to ensure we reward executives appropriately for both their own contribution and the performance of the Group.

- Our Policy clearly aligns the interests of the Executive Directors, senior management and employees with those of shareholders and wider stakeholders, as well as our purpose, guiding principles and strategy.

Simplicity

- We operate a single incentive plan – the EIP, which is designed to promote and reward long-term sustainable Group performance.

Risk

- Our approach aims to ensure that remuneration and incentives adhere to the principles of good corporate governance, the FCA Remuneration Code and support good risk management practice.
- Malus and clawback provisions apply to executive rewards. Deferred awards are also subject to a performance underpin which is linked to the underlying performance of the Group, risk management, conduct and compliance over the three-year deferral period.
- The Committee retains discretion to override mechanical assessment ratings in relation to any concerns over risk management.

Predictability

- All executives are set clear financial and non-financial targets at the start of the year.
- All EIP awards are delivered in shares with awards granted at the start of the financial year based on the five-day average share price immediately preceding the date of grant.

Proportionality

- Executives are assessed against financial and non-financial objectives, which are based on long-term sustainable performance.
- The Committee retains the discretion to override mechanical assessment ratings, if it considers them to have resulted in inappropriate award outcomes.

Alignment to culture

- 50% of executive awards are based on non-financial performance objectives aligned with our purpose, principles and strategy, including those specifically related to our culture such as staff engagement.

Policy for Executive Directors

Component	Purpose and link to strategy	Key features	Maximum opportunity	Performance measures
Base salary	Core element of fixed remuneration reflecting the individual's role and experience.	The Committee ordinarily reviews base salaries annually taking into account a number of factors including (but not limited to) the value of the individual to the business, the scope of their role, their skills, experience and performance. The Committee also takes into consideration: — pay and conditions of the workforce generally; and — Group profitability and prevailing economic conditions.	Whilst the Committee does not set a maximum permissible base salary, it does have regard to relevant comparators in approving salary levels. Increases will normally be within the range of salary increases awarded (in percentage of salary terms) to other employees of the Group.	While no formal performance conditions apply to fixed remuneration, an individual's performance in their defined role is taken into account in determining any salary increase.
Benefits	To provide fixed remuneration on a market competitive basis to enable the retention of executives to deliver the Company's strategy.	Benefits include medical cover for an Executive Director and their spouse and dependent children and life assurance scheme.	The Committee has not set a maximum on the level of benefits Executive Directors may receive. The value is set at a level which the Committee considers to be appropriate taking into account the nature and location of the role and individual circumstances.	Not applicable.
Retirement benefits	To provide a competitive means of saving to deliver appropriate income in retirement.	An Executive Director may receive a salary supplement in lieu of some or all of the contributions that would otherwise be made to a pension scheme. Subject to any agreed salary sacrifice, the Company may make a contribution to a defined contribution scheme or a personal pension.	The maximum value of any employer pension contributions (or cash in lieu of a pension contribution) for Executive Directors will be aligned to those applicable to other employees.	Not applicable.

Component	Purpose and link to strategy	Key features	Maximum opportunity	Performance measures
EIP	To reward achievement of the Group's business plan, key performance indicators and the personal contribution of the Executive Directors. Aligns the interests of Executive Directors with those of shareholders and rewards long-term stewardship of the Company. Delivery in shares with a performance underpin and the ability to apply malus adjustments and clawback further support longer-term alignment with shareholders' interests.	The EIP is a combined annual and long-term incentive plan under which both annual awards and deferred awards may be granted, referred to together as 'Awards'. Awards may be granted in the form of conditional awards of shares or nil (or nominal) cost options. Following the end of the performance period, the Board will determine the extent to which the performance condition has been satisfied and whether it is appropriate to adjust the extent to which the Awards will be released to take account of the underlying performance of the Company and any other factors the Board considers relevant. An annual award will normally be released (so that the participant is entitled to acquire shares subject to it) on the first dealing day following the assessment of the performance condition. A deferred award will normally be released (so that the participant is entitled to acquire shares subject to it) following the end of a deferral period starting on the date on which the performance condition is assessed and ending in the fourth year after the start of the performance period. Deferred awards will also be subject to a holding period which shall normally end on the fifth year after the start of the performance period.	An Executive Director would not normally be granted awards under the EIP in respect of any financial year over shares with a market value (as determined by the Board) in excess of 200% of base salary. In exceptional circumstances this may be increased to 250% of base salary. The market value of shares subject to an award will normally be based on the five-day average share price immediately preceding the date of grant, unless the Committee determines otherwise. The number of annual shares granted to an Executive Director in any financial year may not exceed 40% of the aggregate number of shares over which they are granted in respect of that financial year.	Performance measures include a range of financial and non-financial factors to encourage long-term value creation for shareholders. Awards will be assessed against a combination of financial, non-financial/strategic and individual measures, usually measured over a one-year period. At least 50% of the EIP opportunity is based on financial measures. Up to 67% of the maximum award granted may vest at the end of the performance period for delivering appropriately stretching on-target performance. Deferred awards will be subject to performance underpins linked to the underlying performance of the Group, risk management, conduct and compliance over the deferral period. The underpin performance conditions applicable to a deferred award will be disclosed in the Directors' Remuneration report.
All-employee share plans	The Buy As You Earn (BAYE) plan creates staff alignment with the Group and provides a sense of ownership. Executive Directors may participate in the BAYE plan and/or in any such other all-employee share plan as may be introduced from time to time.	The Executive Directors may participate in all sections of the BAYE plan, being the partnership and matching section and the free share section. Any other all-employee share plan would be operated for Executive Directors in accordance with its rules and on the same basis as for other qualifying employees.	The limits on participation under the BAYE plan will be those set in accordance with the applicable tax legislation from time to time.	Not subject to performance conditions in line with typical market practice.

Policy for Non-Executive Directors

Component	Purpose and link to strategy	Key features	Maximum opportunity	Performance measures
Fees and benefits	To provide fees within a market competitive range reflecting the individual, responsibilities of the role and the expected time commitment. To reimburse where appropriate out-of-pocket expenses which are relevant to the requirements of the role.	The fees of the Chairman are determined by the Committee and the fees of the Non-Executive Directors are determined by the Board. Non-Executive Directors (including the Chairman) may claim expenses in line with the Company's expenses policy for out-of-pocket expenses incurred in the fulfilment of their responsibilities.	Not applicable.	Not applicable.

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION

We have presented the Annual Report on Remuneration (the 'Report') to set out how the Policy of the Company has been applied in 2020 and how the Committee intends to apply the Policy going forward. An advisory shareholder resolution to approve this Report will be proposed at the 2021 AGM.

REPORTING REQUIREMENTS

The Report reflects the reporting requirements on remuneration matters in accordance with the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Report also meets the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules. The Report describes how the Board has complied with the provisions set out in the UK Corporate Governance Code 2018 relating to remuneration matters.

COMMITTEE MEETINGS AND ACTIVITY

The Committee meets at least three times a year and otherwise as required. The table below shows the Committee membership and members' attendance at meetings for the year ended 30 September 2020:

Member	Position	Meetings attended and held
Laura Carstensen	Chair	4/4
Les Platts	Non-Executive Director (Chairman)	4/4
Eamonn Flanagan	Non-Executive Director	4/4
Simon Turner	Non-Executive Director	4/4

The Company Secretary is secretary to the Committee. The Chief Executive Officer, Chief Financial Officer, HR Director and our external advisers, Deloitte, are also routinely invited to attend Committee meetings.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

The Committee met four times during the year and a summary of the work undertaken in the last year is presented below:

Activity	Nov	Apr	Jul	Sep
Remuneration performance assessment	●	●		●
Specific remuneration arrangements	●		●	
Remuneration schemes, including all-employee schemes		●		
Wider workforce	●		●	
Governance	●	●	●	●

For more information on the Committee's terms of reference visit www.ajbell.co.uk/investor-relations.

ADVICE TO THE COMMITTEE

In relation to its consideration of Directors' remuneration during the year, the Committee has received advice from:

- the Chairman, Chief Executive Officer, Chief Financial Officer, HR Director and Company Secretary; and
- Deloitte LLP (Deloitte).

Deloitte is retained to provide independent advice to the Committee as required. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte has provided advice covering annual remuneration report and policy disclosures, market practice and corporate governance updates. Fees for providing remuneration advice to the Committee were £18,000 for the year ended 30 September 2020. The Committee assesses from time to time whether this appointment remains appropriate or should be put out to tender and takes into account the Remuneration Consultants Group Code of Conduct when considering this.

COMMITTEE EVALUATION

As indicated within the Corporate Governance report, the Remuneration Committee assessed its own effectiveness during the year. This identified a small number of improvements which will be implemented during the forthcoming year. Overall, the Committee was satisfied that it continues to operate effectively.

IMPLEMENTATION OF THE REMUNERATION POLICY FOR 2019/20

The following table sets out total remuneration for each Director in respect of the year ended 30 September 2020.

SINGLE FIGURE OF REMUNERATION FOR THE YEAR ENDED 30 SEPTEMBER 2020 (AUDITED)

	Salary and fees ^(a) £000	Benefits ^(b) £000	Executive Incentive Plan ^(c)		Pension ^(d) £000	Total remuneration £000	Total fixed remuneration £000	Total variable remuneration £000
			Annual award £000	Deferred award £000				
Executive Directors								
Andy Bell	482	15	320	480	–	1,297	497	800
Michael Summersgill	226	1	120	180	–	527	227	300
Non-Executive Directors								
Les Platts	115	–	–	–	–	115	115	–
Laura Carstensen	46	–	–	–	–	46	46	–
Eamonn Flanagan	46	–	–	–	–	46	46	–
Simon Turner	46	–	–	–	–	46	46	–

EIP options are granted at the start of the performance period and therefore executives are exposed to the impact of any subsequent movement in the share price over the performance period. In the period between grant and vesting, the share price increased from 403.5p to 449.5p. Therefore c.11% of the values are attributable to the share price growth over that period.

SINGLE FIGURE OF REMUNERATION FOR THE YEAR ENDED 30 SEPTEMBER 2019 (AUDITED)

	Salary and fees ^(a) £000	Benefits ^(b) £000	Executive Incentive Plan ^(c)		Pension ^(d) £000	Total remuneration £000	Total fixed remuneration £000	Total variable remuneration £000
			Annual award £000	Deferred award £000				
Executive Directors								
Andy Bell	470	18	567	851	–	1,906	488	1,418
Michael Summersgill	220	8	216	323	–	767	228	539
Non-Executive Directors								
Les Platts	100	–	–	–	–	100	100	–
Laura Carstensen	45	–	–	–	–	45	45	–
Eamonn Flanagan	45	–	–	–	–	45	45	–
Simon Turner	45	–	–	–	–	45	45	–

The figures in the single figure tables above are derived from the following:

(a) Salary and fees	The amount of salary/fees earned in respect of the year. A salary sacrifice arrangement is operated by the Company. Employees who join this arrangement no longer pay contributions to the pension schemes but receive a lower taxable salary. Directors' salaries are shown gross of salary sacrifice pension contributions.
(b) Benefits	The benefits received by the Executive Directors comprise: – private medical insurance; – interest-free loans on part-paid shares held ahead of the listing, all fully repaid in the financial year ended 30 September 2019; and – life assurance is provided to the CEO.

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

(c) Executive Incentive Plan	Annual award for FY20: the value of the annual award earned in respect of the financial year based on the share price at vesting of 449.5p. A description of performance against the measures which applied for the financial year is provided on pages 79 and 80. Deferred award for FY20: the value of the deferred award earned in respect of the financial year based on the share price at vesting of 449.5p. A description of performance against the measures which applied for the financial year is provided on pages 79 and 80. Note: deferred awards are not released until the end of a three-year deferral period and are subject to a further performance underpin and continued employment during the deferral period. The values in the single figure of remuneration table are calculated in accordance with the applicable regulations by reference to the share price at vesting. The values of the deferred awards are included in the FY20 table, notwithstanding that the values will not be released to the Directors until the end of the deferral period. In the period between grant and vesting, the share price increased from 403.5p to 449.5p. Therefore c.11% of the values are attributable to the share price growth over that period. The values for the FY19 annual and deferred awards were based on the share price at vesting of 396.0p.
(d) Pension	Excluding any pension contributions made in respect of an individual under the Company's salary sacrifice arrangement, none of the Directors received any other employer pension contributions in respect of the year.

BASE SALARY AND FEES

The Executive Directors' base salaries were reviewed in September 2020. In reviewing base salaries the Committee takes into account salaries paid elsewhere across the Group, relevant market data and information on remuneration practices in peer companies. The Committee agreed that no increase would be awarded to the Executive Directors in line with the decision across the Group.

	Base salary as at 1 October 2020	Base salary as at 1 October 2019
Andy Bell	£481,752	£481,752
Michael Summersgill	£225,504	£225,504

Details of Chairman and Non-Executive Directors' fees are detailed below.

	Base fee as at 1 October 2020	Base fee as at 1 October 2019
Les Platts (Chairman)	£130,000	£115,000
Laura Carstensen	£41,000	£41,000
Eamonn Flanagan	£41,000	£41,000
Simon Turner	£41,000	£41,000

An additional fee of £5,000 is payable for each Non-Executive Director (excluding the Chairman) in respect of acting as a Committee Chair. With effect from 1 October 2020, the Chairman's fee increased by £15,000 to £130,000 reflecting his commitment and performance in the role as well as the positioning of his fee at the lower end of market practice.

EXECUTIVE INCENTIVE PLAN (AUDITED)

For the financial year ended 30 September 2020, the maximum EIP awards granted to the CEO and CFO equated to 187.5% and 150% of base salary respectively.

Executive Director	Maximum opportunity	On-target opportunity	Number of shares	Face value at grant ¹	Performance period ²
Andy Bell	187.5% of salary	125% of salary	90,103 Annual 135,154 Deferred	£361,313 £541,968	Financial year ended 30 September 2020
Michael Summersgill	150% of salary	100% of salary	33,741 Annual 50,611 Deferred	£135,301 £202,950	Financial year ended 30 September 2020

- For these purposes, the face value of the award is calculated by multiplying the number of shares over which the award was granted by 401p, the five-day average share price prior to grant date.
- Each award was subject to performance conditions assessed over the financial year ended 30 September 2020 (as described further below). Deferred awards are also subject to a performance underpin for a further three years (to 30 September 2023).

The EIP awards are made up of an annual award and deferred award (40% and 60% of the total number of shares respectively) both granted as nominal cost options. Both the annual and deferred awards are assessed against a balanced scorecard of financial and non-financial measures, linked to the KPIs and strategy of the business, over the financial year ended 30 September 2020 as set out below:

Finance and assurance	Growth	Our customers	Our technology	Our people
Revenue	Total customers	Customer retention	PBT margin	Staff engagement
PBT	Total AUA	rates		
Diluted EPS				
Weighting:	Weighting:	Weighting:	Weighting:	Weighting:
CEO: 50%	CEO: 17.5%	CEO: 17.5%	CEO: 7.5%	CEO: 7.5%
CFO: 50%	CFO: 7.5%	CFO: 17.5%	CFO: 17.5%	CFO: 7.5%

Payout for performance between threshold and stretch is calculated on a pro-rata basis. The payout at threshold is 33.3% of maximum and the payout at target is 66.7% of maximum.

FINANCE AND ASSURANCE

	Operating plan target	Actual	Prior year	Commentary on achievements
Revenue	£117.8m	£126.7m	£104.9m	Revenue is 8% higher than plan. The Committee noted this was due to the growth in customers and higher levels of customer dealing, as market volatility resulted in more investors trading on our platform.
Profit before tax	£44.7m	£50.1m*	£37.7m	PBT and DEPS were higher than plan due to the increase in revenue as noted above and operational gearing within the business. An adjustment has been made to remove the share-based payment cost associated with the CSR initiative as it was approved after the plan and does not reflect poor business performance or an inappropriate management action.
Diluted EPS	8.91p	9.86p*	7.47p	The Committee noted the challenging target within the plan, with a 12% increase in PBT and an 11% increase in DEPS achieved compared with the plan.
Summary performance: Strong performance				

* Profit before tax, diluted EPS and profit margin have been adjusted to reflect the share-based payment cost associated with the CSR initiative of £1,595,000.

GROWTH

	Operating plan target	Actual	Prior year	Commentary on achievements
Total customers	271,347	295,305	232,066	Strong performance with an increase of 63,239 customers during the year despite the operational challenges arising from COVID-19.
Total AUA	£56.2bn	£56.5bn	£52.3bn	The Committee noted the growth in platform AUA during the year increasing the overall AUA by 8% to £56.5bn, despite the adverse market movements caused by the impact of COVID-19.
Summary performance: On-target performance				

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

OUR CUSTOMERS

	Operating plan target	Actual	Prior year	Commentary on achievements
Combined AJBIC/ AJBYI customer % retention rate	95.4%	95.5%	95.4%	The Committee noted on-target performance with the customer retention rate of our platform customers remaining consistent with prior year.
Summary performance: On-target performance				

OUR TECHNOLOGY

	Operating plan target	Actual	Prior year	Commentary on achievements
Profit margin	38.0%	39.6%*	35.9%	The Committee noted on-target performance with profit margin increasing by 1.6ppts compared to the plan, due to higher revenue margins combined with continued growth in the business and the associated operational gearing.
Summary performance: On-target performance				

* Profit before tax, diluted EPS and profit margin have been adjusted to reflect the share-based payment cost associated with the CSR initiative of £1,595,000.

OUR PEOPLE

	Operating plan target	Actual	Prior year	Commentary on achievements
Star rating from Best Companies survey results	3 star	3 star	3 star	Staff engagement targets were met. We maintained a three-star status in the 'Sunday Times 100 Best Companies to Work For' survey. The Committee noted engagement levels remained high during what has been a challenging year for everyone. Most notably staff wellbeing scores have increased which reflected the strength and support that was given to staff throughout the year in response to the pandemic.
Summary performance: On-target performance				

The Committee recognised success despite the challenging external environment whilst continuing to develop the business and build our proposition in line with our strategy. Management actions enabled a proactive response to the COVID-19 pandemic, maintaining our client service whilst ensuring the wellbeing of our staff. Profit before tax, DEPS and profit margin have been adjusted to reflect the share-based payment cost associated with the CSR initiative of £1,595,000 which had been approved after the FY20 budget had been signed off by the Board.

In considering the extent to which the Executive Directors' EIP awards vested, the Committee assessed achievement against the financial and non-financial targets set alongside the findings of the CRO risk report, in which no adverse findings were reported. It also took account of relevant external market conditions.

Financial performance measures vest at 62.5% of salary for the CEO and 50% of salary for the CFO for on-target performance. The combined financial performance measures exceeded the plan during the year. In light of this, and considering the challenging external environment, the Committee approved the vesting of options equal to 85.6% for the CEO and 68.5% for the CFO. The non-financial performance measures vest at 62.5% of salary for the CEO and 50% of salary for the CFO for on-target performance. The Committee considered the non-financial measures met the target and as a result, approved the vesting of options equal to 62.5% of salary for the CEO and 50% of salary for the CFO.

Accordingly, the CEO's and the CFO's awards vested at 79%, as regards both the annual and deferred awards. Further detail is included in the table below.

		Granted	Vested and released	Vested and deferred	Lapsed
CEO	Annual awards	90,103	71,181	–	18,922
	Deferred awards	135,154	–	106,772	28,382
CFO	Annual awards	33,741	26,655	–	7,086
	Deferred awards	50,611	–	39,983	10,628

The deferred awards are also subject to performance underpins for a further three years. The underpin conditions are set out below:

Underpin	Measure	Details
Grow shareholder value	Measurement of the underlying performance and strength of the Company	No material deterioration in the underlying performance of the Company which is significantly greater than any deterioration in the performance of comparator listed financial services companies.
Risk, conduct and compliance	Effective individual and Company risk management	No material failure in risk management, conduct or compliance.

The participants are entitled to acquire shares following the assessment of the underpins but (other than as regards sales to cover tax liabilities) participants are required to hold acquired shares (and to not dispose of shares) for a further 12 months.

PAYMENTS MADE TO FORMER DIRECTORS AND PAYMENTS FOR LOSS OF OFFICE DURING THE YEAR (AUDITED)

No payments for loss of office and no payments to any former Director of the Company were made in the year.

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED)

The interests of the Directors and their connected persons in the Company's ordinary shares as at 30 September 2019 and 30 September 2020 were as follows:

	30 September 2020	30 September 2019
Executive Directors		
Andy Bell	96,710,546	103,813,095
Michael Summersgill	1,480,250	2,290,109
Non-Executive Directors		
Les Platts	425,867	669,935
Laura Carstensen	52,045	104,090
Eamonn Flanagan	151,090	166,590
Simon Turner	269,142	309,142

There has been no subsequent change in Directors' shareholdings and share interests since 30 September 2020.

EXECUTIVE DIRECTORS' SHAREHOLDING GUIDELINES (AUDITED)

The Committee has adopted a shareholding guideline for the Executive Directors, which requires a shareholding equivalent to 350% of base salary for the CEO and 300% of base salary for the CFO, as further described in the Directors' Remuneration Policy. The Executive Directors have significantly exceeded this guideline at 30 September 2020, based on the share price at the end of the financial year.

Reflecting best practice, the Committee has also adopted a post-cessation shareholder requirement. This requires Executive Directors to retain shares of value equal to the shareholder guideline (or value of their shareholding at cessation if lower) for 12 months and 50% of this guideline for a further 12 months. Shares, which the Executive Director has purchased or which were held at the date of admission to the London Stock Exchange, are not relevant shares for these purposes.

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

EXECUTIVE DIRECTORS' INTERESTS UNDER SHARE SCHEMES (AUDITED)

Awards under share plans:

		Award date	As at 1 October 2019	Granted during the year	Lapsed during the year	Exercised during the year	Number of options at 30 September 2020	Status
Andy Bell	Annual award	18 Jan 19	143,202	–	–	(143,202)	–	Exercised
	Deferred award	18 Jan 19	214,804	–	–	–	214,804	Subject to performance underpins
	Annual award	12 Dec 19	–	90,103	(18,922)	–	71,181	Vested and unexercised
	Deferred award	12 Dec 19	–	135,154	(28,382)	–	106,772	Subject to performance underpins
Michael Summersgill	Annual award	18 Jan 19	54,450	–	–	(54,450)	–	Exercised
	Deferred award	18 Jan 19	81,675	–	–	–	81,675	Subject to performance underpins
	Annual award	12 Dec 19	–	33,741	(7,086)	–	26,655	Vested and unexercised
	Deferred award	12 Dec 19	–	50,611	(10,628)	–	39,983	Subject to performance underpins

CURRENT SERVICE CONTRACTS AND TERMS OF ENGAGEMENT

Executive Directors

The Executive Directors are employed under rolling service contracts that can be terminated by the Executive Director or the Company with six months' notice. These contracts were dated as follows:

	Contract date
Andy Bell	1 November 2019
Michael Summersgill	1 November 2019

Non-Executive Directors

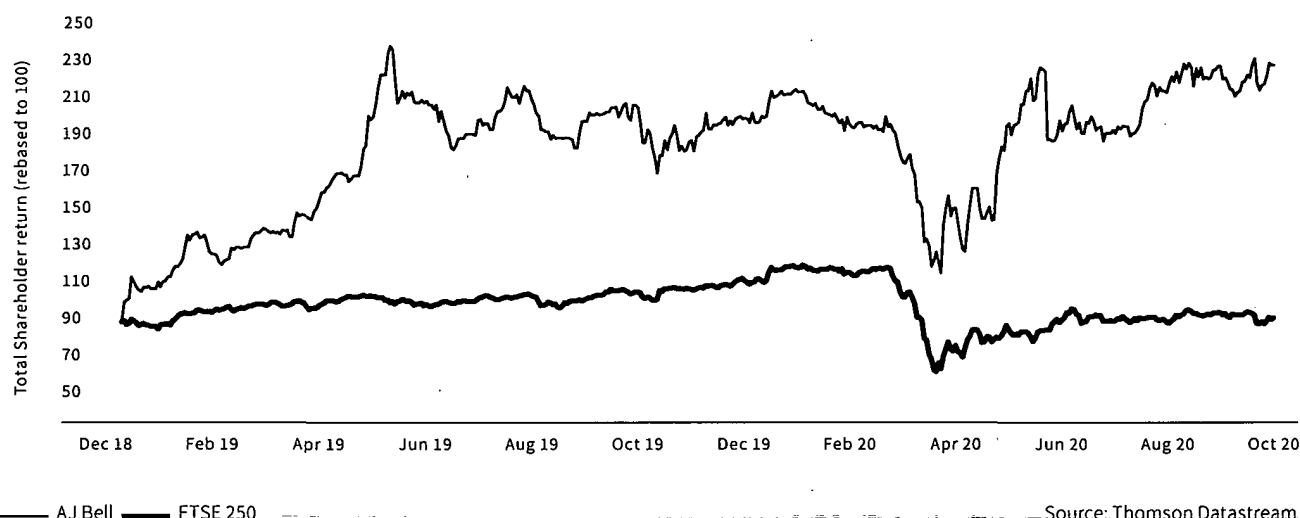
The Non-Executive Directors do not have service agreements and are appointed subject to letters of appointment that can be terminated with one month's notice by either the Non-Executive Director or the Company. The letters of appointment are dated as follows:

	Contract date
Les Platts (Chairman)	15 September 2008
Laura Carstensen	29 March 2018
Eamonn Flanagan	22 March 2018
Simon Turner	1 July 2014

PERFORMANCE GRAPH AND HISTORICAL CHIEF EXECUTIVE OFFICER REMUNERATION OUTCOMES

The graph below shows the total shareholder return (TSR) performance of the Company's shares in comparison with the FTSE 250 for the period from the date of admission, 12 December 2018 to 30 September 2020. The TSR performance of the FTSE 250 Index has been selected as it is considered the most appropriate comparator group to AJ Bell. For the purposes of the graph, TSR has been calculated as the percentage change during the period in the market price of the shares, assuming that dividends are reinvested in shares on the ex-dividend date. The graph shows the change in value, up to October 2020, of £100 invested in shares in the Company on the date of admission compared with the change in value of £100 invested in the FTSE 250.

TOTAL SHAREHOLDER RETURN FOR AJ BELL AGAINST THE FTSE 250 INDEX



CEO PAY REMUNERATION

The table below shows details of the total remuneration and EIP vesting (as a percentage of the maximum opportunity) for the CEO.

	Total single figure remuneration £000	Annual EIP award (% of maximum opportunity)	Deferred EIP award (% of maximum opportunity)
2020	1,297	79%	79%
2019	1,906	65%	65%

DIRECTORS' REMUNERATION RATIOS AND PERCENTAGE CHANGE

The table below sets out in relation to salary/fees, taxable benefits and incentives, the percentage increase in pay for the Directors compared with the wider workforce from FY19 to FY20. The annual change in salary is based on the salary of employees (on a full-time equivalent basis) as at 30 September 2020 and 30 September 2019, and the annual change in bonus excludes employees who are not eligible for a bonus. The average employee change has been calculated by reference to the mean change.

	Salary/fees	Benefits	Annual bonus
Andy Bell	2.5%	(16.7%) ¹	(43.6%) ²
Michael Summersgill	2.5%	(87.5%) ¹	(44.4%) ²
Les Platts	15.0%	n/a	n/a
Laura Carstensen	2.2%	n/a	n/a
Eamonn Flanagan	2.2%	n/a	n/a
Simon Turner	2.2%	n/a	n/a
Wider workforce	4.9%	(56.0%) ¹	(8.3%) ³

1 The reduction in taxable benefits between FY19 and FY20 reflects the repayment of interest-free loans ahead of the listing in FY19.

2 The reduction in annual bonus for the CEO and CFO is based on the awards granted under the EIP which are subject to share appreciation. In the period between IPO and vesting for the FY19 awards, the share price increased from 160p to 396p. For FY20 awards the share price increased from 403.5p to 449.5p.

3 The wider workforce includes members of senior management who participated in the EIP and are also subject to share appreciation consistent with the CEO and CFO. Wider workforce bonuses, excluding the impact of the EIP, have increased by 32.5%.

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

CEO PAY RATIO

The table below sets out the ratio at median (50th percentile), 25th and 75th quartile of the total remuneration received by the CEO compared with the total remuneration received by employees (calculated on a full-time equivalent basis). The ratios have been calculated in accordance with the Companies (Miscellaneous Reporting) Regulations 2018 (the 'Regulations'), which apply for the first time for AJ Bell's financial year ended 30 September 2020.

	Method	25th (lower quartile)	50th (median)	75th (upper quartile)
Salary	Option A	24:1	19:1	12:1
Total remuneration	Option A	59:1	47:1	29:1

Remuneration figures used to calculate the above ratios:

	CEO	25th (lower quartile)	50th (median)	75th (upper quartile)
Salary	£481,752	£20,349	£25,008	£38,568
Total remuneration	£1,297,056	£22,026	£27,511	£44,197

The calculation methodology used to identify the employees at each quartile for 2020 is Option A, as defined in the Regulations. We believe this is the most robust and accurate approach, and in line with shareholder expectations. The median, 25th and 75th percentile colleagues were determined based on calculating total annual remuneration up to and including 30 September. Total full-time equivalent remuneration for employees reflects all pay and benefits received by an individual in respect of the relevant year and has been calculated in line with the methodology for the single figure of remuneration for the CEO, shown on page 77. Only employees who were employed at the end of the financial year were included. Annual bonuses of employees are based on the expected payout. The reason for this is that the annual bonus results had not have been paid at the time of preparing the ratio calculations. The workforce comparison is based on the payroll data for the financial year for all employees (including the CEO but excluding Non-Executive Directors).

A significant proportion of the CEO's pay is in the form of variable pay through the EIP. CEO pay will therefore vary year-on-year based on Company and share price performance. The CEO to all-employee pay ratio will therefore also fluctuate taking this into account.

The Committee believes that the median pay is consistent with the pay, reward and progression policies for the UK employee population.

DISTRIBUTION STATEMENT

The following table sets out the total remuneration for all employees and the total shareholder distributions:

	2020 £000	2019 £000	% change
Total remuneration for all employees ¹	40,183	34,213	17.4%
Dividends and share buybacks ²	19,733	14,988	31.7%

1 Total remuneration for all employees represents the underlying staff cost for the Group.

2 Dividend and share buybacks represents the interim and final dividend paid on ordinary shares and shares repurchased from employees during the year.

IMPLEMENTATION OF THE DIRECTORS' REMUNERATION POLICY FOR THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2021

Information on how AJ Bell intends to implement the Directors' Remuneration Policy for the financial year ending 30 September 2021 is set out below.

Salary and fees

Details of annual base salaries for Executive Directors are set out below:

	Base salary from 1 October 2020	Base salary at 1 October 2019	Increase %
Andy Bell	£481,752	£481,752	Nil
Michael Summersgill	£225,504	£225,504	Nil

This is in line with the wider workforce.

The Chairman's fee increased to £130,000 with no other increases in Non-Executive Director base fees set at 1 October 2019.

Executive Incentive Plan

The maximum incentive opportunity for FY21 will be 187.5% of salary for the CEO and 150% of salary for the CFO. The incentive will be subject to financial and strategic/individual performance measures. The Committee considers the targets are commercially sensitive as they provide competitors with insight into our business plans and expectations and therefore they should remain confidential. However, the Committee intends to disclose the performance targets and performance against them retrospectively in the 2021 Directors' Remuneration report.

STATEMENT OF VOTING AT THE AGM

At the AGM held on 22 January 2020, votes cast by proxy and at the meeting in respect of the Directors' Remuneration report and the Directors' Remuneration Policy were as follows.

Resolution	Votes for including discretionary votes	% for	Votes against	% against	Total votes cast excluding votes withheld	Votes withheld	Total votes cast including votes withheld
Approve Directors' Remuneration Report	215,159,358	97.58	5,339,642	2.42	220,499,000	111,909	220,610,909
Approve Directors' Remuneration Policy	213,832,758	96.98	6,665,486	3.02	220,498,244	113,805	220,612,049

APPROVAL

This report was approved by the Board on 2 December 2020 and signed on its behalf by:

Laura Carstensen
Chair of the Remuneration Committee
2 December 2020

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the consolidated financial statements and auditor's report, for the year ended 30 September 2020.

ADDITIONAL DISCLOSURES

The Strategic report is a requirement of the UK Companies Act 2006 and can be found on pages 4 to 45 of this Annual Report.

The Company has chosen in accordance with section 414C (11) of the Companies Act 2006, to include details of the following matter in its Strategic report that would otherwise be disclosed in the Directors' report:

Detail	Page
Likely future developments in the business	12
Financial instruments	Note 25 to the consolidated financial statements
Greenhouse gas emissions	32
Non-financial reporting	33

The Company is required to disclose certain information under Listing Rule 9.8.4R in the Directors' report or to advise where such relevant information is contained. Information required to be disclosed by the Listing Rules, and which is not included in the Directors' report, can be located as follows:

Listing Rule 9.8.4 Required Disclosure	Location in the Annual Report and Financial Statements
(4) Details of any long-term incentive schemes	Directors Remuneration report on page 75 and note 24 to the consolidated financial statements
(12) Current year dividend waiver agreements	Note 11 to the consolidated financial statements provides information on employee benefit trusts that have waived dividends
(13) Future dividend waiver agreements	Note 11 to the consolidated financial statements provides information on employee benefit trusts that have waived dividends
(14) Information regarding controlling shareholder	A statement regarding the controlling shareholder is on page 87 of the Directors' report

PRINCIPAL ACTIVITY

AJ Bell plc (the 'Company') and its subsidiaries (together the 'Group') provide an investment platform operating in the advised and D2C markets. The Company is registered as a public limited company under the Companies Act 2006 and is listed on the Main Market of the London Stock Exchange.

RESULTS AND FUTURE PERFORMANCE

A review of the Group's results and activities is covered within the Strategic report on pages 4 to 45. This incorporates the Chairman's statement and Chief Executive Officer's review, which include an indication of likely future developments.

KEY PERFORMANCE INDICATORS

Key performance indicators in relation to the Group's activities are continually reviewed by senior management and are presented on pages 20 and 21.

DIVIDENDS

The Board recommends a final dividend of 4.66p per ordinary share for the year ended 30 September 2020. This, together with the interim dividend of 1.50p per ordinary share paid on 26 June 2020, makes a total dividend in respect of the financial year end 30 September 2020 of 6.16p per ordinary share. The final dividend proposed by the Directors will be subject to approval at the AGM on 27 January 2021. If approved, the Company will pay a final dividend on 5 February 2021 to shareholders on the register at 8 January 2021. The ex-dividend date will be 7 January 2021.

The AJ Bell Employee Benefit Trust has elected to waive all dividends on shares held under the Trust relating to AJ Bell plc. Further details can be found in note 11 to the financial statements.

CORPORATE GOVERNANCE

The Corporate Governance report is set out on pages 54 to 61. The information in that section is incorporated into this Directors' report by reference, is deemed to form part of this report and so fulfils the requirements of the corporate governance statement for the purposes of DTR 7.2.1.

A statement as to the Company's compliance with the Code and details of where the Code is publically available can be found in the Chair's Introduction to Corporate Governance on page 49.

SECTION 172 STATEMENT

Details of how interests of stakeholders are considered in the Board's decision making can be found in the Section 172 statement on page 25.

ARTICLES OF ASSOCIATION

The Articles of Association of the Company were adopted by special resolution on 15 November 2018. Any amendments to the Articles of Association may be made in accordance with the provisions of the Companies Act 2006, by way of a special resolution.

DIRECTORS

The Directors of the Group who were in office during the year, are disclosed on pages 50 and 51.

Under the Company's Articles of Association all of the Directors are required to retire from the Board at the AGM. Accordingly, each of the Directors, being eligible, will offer themselves for re-election by the members of the Company.

The service agreements of current Executive Directors and the letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office.

DIRECTORS' POWERS

Subject to company law and the Company's Articles, the Directors may exercise all of the powers of the Company and may delegate their power and discretion to committees. The EMB is responsible for the day-to-day management of the Group. The Articles give the Directors power to appoint and replace Directors.

DIRECTORS' INTERESTS

Directors' interests in the shares of AJ Bell plc are disclosed in the Directors' Remuneration report on page 81.

During the period covered by this report, no Director had any material interest in a contract to which the Company or any of its subsidiary undertakings was a party (other than their own service contract) that requires disclosure under the requirements of the Companies Act 2006.

DIRECTORS' INDEMNITIES

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors. These provisions were for the purposes of section 234 of the Companies Act 2006 and were in force throughout the financial year and remain so at the date of this report.

SHARE CAPITAL

Details of the Company's authorised and issued share capital, together with details of the movements therein, are set out in note 23 to the financial statements. This includes the rights and obligations attaching to shares and restrictions on the transfer of shares.

The Company has one class of ordinary share which carries no right to fixed income. There are no specific restrictions on the size of the holding nor on the transfer of shares, which are both governed by the general provisions of the Articles and prevailing legislation.

Pursuant to an underwriting agreement entered into between the Company, Directors and those employees of the Company who sold shares in the IPO, and others, the following restrictions applied to the Directors and employee shareholders:

They were subject to a one-year lock-in period for 100% of their shares and a two-year lock-in period in respect of 50% of their shares from the date of admission. In the case of management, the lock-in included any ordinary shares purchased pursuant to the qualifying offer. The one-year lock-in expired on 11 December 2019 and the two-year lock-in will expire on 11 December 2020.

The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

The AJ Bell Employee Benefit Trust was established in order to provide benefits for the Group's employees and former employees and certain of their relatives. This includes acting as a vehicle for the acquisition and holding of a pool of shares to satisfy share awards under the Company's employee share plans.

AUTHORITY TO PURCHASE ITS OWN SHARES

The Company is permitted pursuant to the terms of its Articles of Association to purchase its own shares subject to shareholder approval. The Company was granted authority at the 2020 AGM to purchase its own shares up to an aggregate value of 10% of the issued nominal capital. No shares were purchased under this authority in the year to 30 September 2020 and up to the date of this report. The authority will expire on the earlier of the end of the next AGM and 28 February 2021.

SUBSTANTIAL SHAREHOLDINGS

As at 30 September 2020, the Company had been notified in accordance with the DTR 5 of the following shareholdings:

Interested party	Number	% of ordinary shares
Andy Bell	96,710,546	23.58
BlackRock, Inc.	23,625,211	5.76
Liontrust Investment Partners LLP	20,577,810	5.02
Fergus Lyons	17,485,110	4.26

Between 30 September 2020 and 2 December 2020 (the latest practicable date for inclusion in this report), the Company was notified that in accordance with FCA Disclosure and Transparency Rule 5.1.2, that BlackRock, Inc, on 5 November 2020, informed the Company that it had increased its holding to 6.91% of the Company's issued share capital.

COUNTRY BY COUNTRY REPORTING

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

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

There is a relationship agreement between Andy Bell, Fergus Lyons and the Company to ensure that the independence provisions as set out in the Listing Rules are complied with. The Board confirms that for the year ended 30 September 2020 and in accordance with the Listing Rule 9.8.4(14):

- i) the Company has complied with the independence provisions included in the relationship agreement; and
- ii) so far as the Company is aware, the independence provisions included in the relationship agreement have been complied with by the other parties to the relationship agreement and their associates.

CAPITAL MANAGEMENT

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

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

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

DIRECTORS' REPORT CONTINUED

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The risk management objectives and policies of the Group are set out within note 25 of the financial statements.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the Group made charitable donations of £242,000 (2019: £410,000). No political contributions were made by the Group during the year (2019: Enil).

CORPORATE SOCIAL RESPONSIBILITY

Information about the Group's approach to the environment including details of our greenhouse gas emissions, is set out on page 32 of the Strategic report.

DISABLED EMPLOYEES

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

ENGAGEMENT WITH EMPLOYEES

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various other factors affecting the performance of the Group. This is achieved through formal and informal meetings and internal publications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Employee share schemes have been operated since June 2005. These schemes have promoted wider employee involvement in the Group. Further information on employee engagement is set out on page 27 of the Strategic report.

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

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

Details of how the Group engages with its key stakeholders, including its shareholders, can be found on pages 22 to 24 of the Strategic report and on page 55 of the Corporate Governance report.

INTERNAL CONTROL

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

MARKET ABUSE REGULATION

The Company has its own internal dealing rules which apply to all staff and which encompass the requirements of the Market Abuse Regulation.

GOING CONCERN AND VIABILITY STATEMENT

The consolidated financial statements have been prepared on a going concern basis. After making enquiries and considering the Group's financial position, its business model, strategy, financial forecasts and regulatory capital together with its principal risks and uncertainties, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment. The going concern basis of preparation is discussed within note 2.1 to the consolidated financial statements.

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a longer period than the 12 months required by the going concern provision. Details of the assessment can be found on page 45.

EVENTS AFTER REPORTING DATE

Details of significant events since the reporting date are contained in note 30 to the financial statements.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

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

AUDITOR

BDO LLP was appointed as external auditor following the approval by shareholders at the AGM held on 22 January 2020. BDO LLP has indicated its willingness to continue in office and a resolution proposing its reappointment as auditor will be put to members at the AGM to be held on 27 January 2021.

ANNUAL GENERAL MEETING

The AGM will be held at 10 am on 27 January 2021 and will be held as a hybrid meeting as detailed in the Corporate Governance report on page 61. Details of the resolutions to be proposed at the AGM are set out in the separate circular which has been sent to all shareholders and is available on the AJ Bell website at www.ajbell.co.uk/investor-relations/agm.

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 3CE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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02 GOVERNANCE
03 FINANCIAL STATEMENTS
04 OTHER INFORMATION

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

03 FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AJ BELL PLC

OPINION

We have audited the financial statements of AJ Bell plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2020 which comprise the consolidated income statement, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the Directors' confirmation set out on page 40 in the annual report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement set out on page 104 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

- the Directors' explanation set out on page 45 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether 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 period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk description	How our audit addressed the risk
Existence and accuracy of revenue There is a risk that revenue may be misstated due to errors in system calculations or manual processes. The key risks in AJ Bell Securities Limited and AJ Bell Management Limited is that fees are not calculated in line with agreements in place. We therefore consider the accuracy of revenue to be a significant risk. There are also various performance incentive schemes in place that mean that management may be incentivised to overstate revenue. We therefore consider the existence of revenue to be a significant risk. As disclosed in note 5 of the financial statements, management and the board categorise revenue into three sub categories: — "recurring fixed", which includes the recurring admin fees; — "recurring ad valorem", which includes custody fees and interest income; and — "transactional", which includes dealing fees, FX fees and non recurring admin fees.	For Dealing, Custody and FX fees, we tested a number of controls including controls around the integrity of the key revenue system and controls in place to ensure that fees are calculated accurately and in line with agreements. We also tested controls around ensuring the accuracy of the Assets Under Administration on which the custody fees are based. Tests of detail included: — We tested the accuracy of revenue by performing a recalculation of key income streams including dealing income, FX income and custody income. This was then compared against the amount recognised in the financial statements; — We agreed a sample of dealing revenue items to dealing instruction received from the customer and to the deal confirmation received from the market. For deals placed over the telephone we reviewed a sample of telephone recordings to verify that the deal was placed in line with the customer's verbal instructions; — For a sample of Custody Solutions and Institutional customers, verified that their dealing and custody fees were being calculated in accordance with the underlying agreements; Our approach to the testing of pension administration fees was as follows: Tests of detail included: — Performed a recalculation of the recurring admin fees based on the data extract from the system and compared this to the figures recognised in the financial statements. We agreed a sample of items within the data to supporting documentation in order to gain assurance over the existence and accuracy of the data set; — Substantively tested a sample of the non recurring admin fees, agreeing a sample of items to customer instruction and verifying that the associated fee was in line with AJ Bell's documented fee structure; — Reconciled the admin fee income to the associated cash movements in the bank in order to gain assurance over the completeness of the revenue stream. For interest income, we performed the following procedures: — Verification that the deposited money per the internally maintained interest income workings reconciled to the amount of deposited client money per internal records; — Tested the controls around the external client money reconciliations and agreed client money balances to external bank confirmations. Tests of detail included: — Agreed a sample of interest rates, deposit amounts and terms to independent confirmations received directly from the bank, and to confirmations sent by the banks to AJ Bell at the point the deposit was placed; — Recalculated the interest income to be recognised for the period for a sample of deposits. Key observations: From testing we have found no material exceptions over this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AJ BELL PLC CONTINUED

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of

reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when

evaluating their effect on the financial statements as a whole.

Based on professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	Overall materiality: £2.4m Performance materiality: £1.6m	Overall materiality: £650k Performance materiality: £420k
Basis for determining materiality	The principal measure considered was a benchmark of 5% of profit on ordinary activities before taxation. Profit on ordinary activities before taxation attributable to shareholders has been used as we consider this to be the most significant determinant of the Group's financial performance used by shareholders and other users of the financial statements. Performance materiality was calculated using 65% of overall materiality based on our risk assessment procedures and the expectation of a low level of misstatements.	We used 1.5% of total assets of the parent company as the basis of materiality as the company is the parent entity of the Group, and does not earn any income other than dividends from subsidiary entities. Performance materiality was calculated using 65% of overall materiality based on our risk assessment procedures and the expectation of a low level of misstatements.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality.

Audits of the components were performed at a materiality level calculated by reference to a proportion of group materiality appropriate to the relative scale of the business concerned. This materiality level was £1.8m. We agreed with the Audit Committee that we would report to them all individual audit differences identified during the course of our audit in excess of £50,000. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was developed by obtaining an understanding of the Group's activities and the overall control environment. Based on this understanding we assessed those aspects of the Group's transactions and balances which were most likely to give rise to a material misstatement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements.

We performed a full scope audit for all active components. The work for all the components (all within the United Kingdom) was performed by the group audit team.

CAPABILITY OF THE AUDIT TO DETECT IRREGULARITIES, INCLUDING FRAUD

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, IFRSs as adopted by the European Union, the Financial Conduct Authority's regulations and the Listing Rules.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management regarding instances of non-compliance and contingent liabilities;
- review of correspondence with the regulator;
- review of minutes of board meetings for discussions around potential irregularities throughout the period; and
- considering the effectiveness of the control environment in monitoring compliance with laws and regulations

There are inherent limitations in the audit procedures described above and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the Directors that they 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, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AJ BELL PLC CONTINUED

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed by the Board of Directors to audit the financial statements for the year ending 30 September 2020 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ended 20 September 2020 only.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Fung-On
Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
2 December 2020

BDO LLP is a limited liability partnership
registered in England and Wales
(with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

for the year ended 30 September 2020

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	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.

The notes on pages 101 to 130 form an integral part of these financial statements.

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

The notes on pages 101 to 130 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2020

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	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
<i>Adjustments on initial application of IFRS 16 (note 2)</i>	<i>-</i>	<i>-</i>	<i>(356)</i>	<i>-</i>	<i>(356)</i>
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

The notes on pages 101 to 130 form an integral part of these financial statements.

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

The notes on pages 101 to 130 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2020

01 STRATEGIC REPORT
02 GOVERNANCE
03 FINANCIAL STATEMENTS
04 OTHER INFORMATION

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 £000	Adjustment £000	As restated 1 October 2019 £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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.1 Going concern

The Group's business activities, together with its financial position and the factors likely to affect its future development and performance are set out in the Strategic report on pages 4 to 45 and the Directors' report on pages 86 to 89. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 in 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 to be 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 SIPPs, ISAs and General Investment/ Dealing accounts. Details of the Group's revenue, results and assets and liabilities for the reportable segment are shown within the consolidated income statement and consolidated statement of financial position on pages 97 and 98 respectively.

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

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

5 REVENUE

The analysis of the consolidated revenue is as follows:

	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 on page 127.

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 on page 126.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

6 OPERATING PROFIT CONTINUED

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

21 TRADE AND OTHER PAYABLES CONTINUED

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

	2020 Number	2019 Number	2020 £	2019 £
Issued, fully-called and paid:				
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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

24 SHARE-BASED PAYMENTS CONTINUED

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

24 SHARE-BASED PAYMENTS CONTINUED

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	2019
	£000	£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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

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 payables 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 £000	2019 £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 £000	2019 £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 £000	2019 £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 -hich 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

	Due within 1 year £000	1 to 5 years £000	After 5 years £000	Total £000
2020				
Trade and other payables	8,469	–	–	8,479
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 fund its foreseeable trading requirements.

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

The ICAAP compares the Group's financial resources against regulatory capital requirements as specified by the relevant regulatory authorities. Our current financial resources and regulatory capital requirements can be found on page 36.

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

	1 October 2019 £000	Adoption of IFRS 16 £000	Cash flows £000	Change in lease liability £000	30 September 2020 £000
2020					
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

	1 October 2018 £000	Cash flows £000	Acquisition £000	30 September 2019 £000
2019				
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

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 as shown on pages 50 and 51 and the EMB as shown on pages 52 and 53.

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 on pages 77 to 83.

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.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 30 September 2020

01 STRATEGIC REPORT

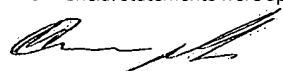
02 GOVERNANCE

03 FINANCIAL STATEMENTS

04 OTHER INFORMATION

	Note	2020 £000	2019 £000
Assets			
Non-current assets			
Investments	6	15,205	12,978
Current assets			
Trade and other receivables – due within one year	7	336	6,566
Trade and other receivables – due after one year	7	2,391	3,513
Current tax asset		1,067	25
Cash and cash equivalents		24,465	16,232
		28,259	26,336
Total assets		43,464	39,314
Liabilities			
Current liabilities			
Trade and other payables	8	(361)	(2,956)
Total liabilities		(361)	(2,956)
Net assets		43,103	36,358
Equity			
Share capital	10	51	51
Share premium		8,459	7,667
Own shares		(1,147)	(1,147)
Retained earnings		35,740	29,787
Total equity		43,103	36,358

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

The notes on pages 133 to 137 form an integral part of these financial statements.

COMPANY 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 1 October 2019	51	7,667	29,787	(1,147)	36,358
Total comprehensive income for the year:					
Profit for the financial year	-	-	21,815	-	21,815
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	35,740	(1,147)	43,103

	Share capital £000	Share premium £000	Retained earnings £000	Own shares £000	Total equity £000
Balance at 1 October 2018	42	4,410	23,260	(1,364)	26,348
Total comprehensive income for the year:					
Profit for the financial year	-	-	18,586	-	18,586
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	29,787	(1,147)	36,358

The notes on pages 133 to 137 form an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 30 September 2020

01 STRATEGIC REPORT

02 GOVERNANCE

03 FINANCIAL STATEMENTS

04 OTHER INFORMATION

1 GENERAL INFORMATION

The principal activity of AJ Bell plc (the 'Company') is that of a holding company.

The Company is a public limited company which is listed on the London Stock Exchange and incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company's number is 04503206 and its registered office is 4 Exchange Quay, Salford Quays, Manchester, M5 3EE.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

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) 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 IFRSs') 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 disclosure exemptions.

Disclosure exemptions

The Company is included within the consolidated financial statements of AJ Bell plc, a company incorporated in the United Kingdom, whose consolidated financial statements are publically available. Consequently, the Company has, in compliance with FRS 101, taken advantage of the exemption from preparing the following disclosures that would otherwise have been required under 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 transactions with group companies;
- IFRS 7 Disclosure in respect of financial instruments, provided that the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- IFRS 13 Fair Value Measurement paragraphs 91 to 99, provided that equivalent disclosures are included within the consolidated financial statements of the group for which the entity is consolidated; and
- IFRS 2 Share-Based Payment paragraphs 45 and 46 to 52 provided that equivalent disclosures are included within the consolidated financial statements of the group for which the entity is consolidated.

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

Investments

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

Taxation

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

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

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

- the initial recognition of goodwill; 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Financial instruments

The Company follows the accounting policy of the Group for financial instruments. In addition the Company has balances with other group companies. Amounts owed by group companies are financial assets and are recognised at amortised cost. Amounts owed to group companies are financial liabilities.

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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2 of the consolidated financial statements, 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 Company'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.

The following judgements have been made by the Directors in applying the Company's policies:

Investment in subsidiaries

At each reporting date, the Company assesses whether there are any indicators of impairment in its investment in subsidiaries. If any such indicators exist, the investments recoverable amount is estimated. There are a number of estimates that management have used to forecast the expected future cash flows of the investments. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty in forecasting trading conditions and cash flows used in the budgets.

Key judgements and estimates in relation to the estimated recoverable amount of this investment include:

- cash flow forecasts based on anticipated future demand for the investments products and services;
- budgeted future costs attributable to the supply of the investments products and services; and
- the level of ongoing maintenance expenditure required by the Company's assets in order to generate the expected level of cash flows.

Any share transactions undertaken in the past 12 months are considered when assessing the fair value of the investment.

Management has identified impairment indicators for AJ Bell Asset Management Limited, which has a carrying value of £3.0m. Subsequently, the Directors have performed sensitivity analysis on their projections for this subsidiary, with key assumptions being revised adversely to reflect the potential for assets under management to be 50% below expected levels and a 76% increase on the pre-tax discount rate applied to cash flows. The value-in-use continued to support the carrying value of the investment with headroom of £3.4m.

4 PROFIT FOR THE YEAR

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The Company reported a profit of £21,815,000 for the year ended 30 September 2020 (2019: £18,586,000). This profit was generated from the Company's principal activity which is that of a holding company.

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

5 DIVIDENDS

Details of dividends paid during the year are disclosed in note 11 of the consolidated financial statements.

6 INVESTMENTS

	2020 £000	2019 £000
Cost		
At 1 October	17,180	15,484
Additions	500	600
Share-based payments	1,729	1,096
Disposal	(404)	-
At 30 September	19,005	17,180
Accumulated impairment losses		
At 1 October	(4,202)	(4,202)
Disposal	402	-
Accumulated impairment losses at 30 September	(3,800)	(4,202)
Carrying value at 30 September	15,205	12,978

The Company has investments in the ordinary share capital of the following subsidiaries at 30 September 2020:

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held	
			2020	2019
AJ Bell Business Solutions Limited*	Investment/Group administration	England and Wales	100%	100%
AJ Bell Management Limited*	Investment administration	England and Wales	100%	100%
AJ Bell Securities Limited*	Dealing and custody	England and Wales	100%	100%
AJ Bell Media Limited*	Media	England and Wales	100%	100%
AJ Bell Asset Management Limited*	Investment management services	England and Wales	100%	100%
AJ Bell EBT Limited*	Dormant	England and Wales	100%	100%
AJ Bell Digital Savings Limited*	Dormant	England and Wales	100%	100%
AJ Bell Platinum Limited*	Dormant	England and Wales	100%	100%
AJ Bell Trustees Limited	Dormant	England and Wales	100%	100%
AJ Bell (PP) Trustees Limited	Dormant	England and Wales	100%	100%
Ashby London Trustees Limited	Dormant	England and Wales	100%	100%
Ashby London (PP) Trustees Limited	Dormant	England and Wales	100%	100%
Lawshare Nominees Limited	Dormant	England and Wales	100%	100%
Sippdeal Limited	Dormant	England and Wales	100%	100%
Sippdeal Trustees Limited	Dormant	England and Wales	100%	100%
Whitehead Trustees Limited	Dormant	England and Wales	100%	100%

* Indicates direct investment of AJ Bell plc

The financial statements for the year ended 30 September 2020 of AJ Bell EBT Limited have been exempted from audit under s479C of the Companies Act 2006 by way of parent guarantee from AJ Bell plc.

MSM Media Limited and Ashby London Actuarial Services Limited, both of which were dormant, have been struck off the register at Companies House.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

7 TRADE AND OTHER RECEIVABLES

	2020 £000	2019 £000
Amounts due within one year:		
Amounts owed by Group undertakings	17	1,456
Prepayments	14	21
Accrued income	305	5,082
Other receivables	–	7
	336	6,566
Amounts due after one year:		
Deferred tax asset relating to share-based payments	941	1,063
Amounts owed by Group undertakings	1,450	2,450
	2,391	3,513

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

8 TRADE AND OTHER PAYABLES

	2020 £000	2019 £000
Current liabilities		
Trade payables	354	139
Amounts owed to Group undertakings	7	2,817
	361	2,956

9 RELATED PARTY TRANSACTIONS

Transactions with key management personnel:

The key management personnel of the Group and the Company are the same. The related party disclosure is given in note 29 of the consolidated financial statements.

Transactions with group companies:

During the year the Company entered into the following transactions with its subsidiaries:

	2020		2019	
	Receivable £000	Payable £000	Receivable £000	Payable £000
Recharges	–	183	–	131
Dividends received	24,100	–	18,800	–
	24,100	183	18,800	131

During the year the Company made a capital contribution of £500,000 (2019: £600,000) to AJ Bell Asset Management Limited.

The Company's balances with fellow group companies at the reporting date are set out in notes 7 and 8 of the Company financial statements.

All transactions and outstanding balances with fellow group companies are priced on an arm's length basis and are to be settled in cash. None of the balances are secured and no provisions have been made for doubtful debts for any amounts due from fellow group companies.

Other related party transactions:**Charitable donations:**

During the year the Company 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 of the consolidated financial statements.

10 CALLED-UP SHARE CAPITAL

The Company's share capital is disclosed in note 23 to the consolidated financial statements.

11 SUBSEQUENT EVENTS

Events after the reporting period are shown in note 30 of the consolidated financial statements.

04 OTHER INFORMATION

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CONSOLIDATED UNAUDITED FIVE-YEAR SUMMARY

for the year ended 30 September 2020

	IFRS				
	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Results					
Revenue	126,749	104,902	89,691	75,576	64,466
Profit from operations	49,236	37,409	28,256	21,776	16,749
Profit before tax	48,550	37,695	28,359	21,697	16,779
Profits attributable to equity holders of AJ Bell plc	38,829	30,353	22,646	17,571	13,440
Assets employed					
Non-current assets	24,395 ¹	11,269	11,589	11,722	9,993
Current assets	116,945 ¹	92,021	69,770	64,310	57,248
Current liabilities	(15,303) ¹	(14,202)	(15,511)	(13,634)	(11,693)
Non-current liabilities	(15,022) ¹	(1,475)	(1,034)	(246)	(1,006)
Long-term provisions	(1,549)	(1,550)	(778)	(790)	(754)
Net assets	109,466	86,063	64,036	61,362	53,788
Financed by					
Equity	109,466	86,063	64,036	61,362	53,788
Key statistics					
Earnings per share (pence)	9.51	7.51	5.76 ²	4.46 ²	3.42 ²
Fully diluted earnings per share (pence)	9.47	7.47	5.63 ²	4.44 ²	3.41 ²
Dividend per share paid in year (pence)	4.83	3.74	5.10 ^{2,3}	2.68 ²	2.99 ²
Dividend per share declared with respect to profits generated in year (pence)	6.16	4.83	5.73 ^{2,3}	2.94 ²	2.68 ²

1 Reflects the impact of IFRS 16 in 2020

2 Restated to reflect the share reorganisation in 2019

3 Includes a special dividend of 2.03p in 2018

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

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

Platform

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

01 STRATEGIC REPORT

02 GOVERNANCE

03 FINANCIAL STATEMENTS

04 OTHER INFORMATION

COMPANY NUMBER

04503206

COMPANY SECRETARY

Mr Christopher Bruce Robinson

REGISTERED OFFICE

4 Exchange Quay
Salford Quays
Manchester
M5 3EE

AUDITOR

BDO LLP

55 Baker Street
Marylebone
London
W1U 7EU

BANKER

Bank of Scotland plc

1 Lochrin Square
92-98 Fountainbridge
Edinburgh
EH3 9QA

AJ Bell plc
4 Exchange Quay,
Salford Quays,
Manchester
M5 3EE
T: 0345 40 89 100

www.ajbell.co.uk

Company registration number 04503206