

AJ Bell Securities Limited
Annual Report and Financial Statements
For the year ended 30 September 2014
Company Registration No: 02723420



Company Information

Directors	A J Bell C W Galbraith M T Summersgill R S Taylor F J Lyons R J Stott
Company Secretary	C B Robinson
Company Number	02723420
Registered office	Trafford House Chester Road Manchester M32 0RS
Business address	Calverley House 55 Calverley Road Tunbridge Wells Kent TN1 2TU
Auditor	KPMG LLP St. James' Square Manchester M2 6DS
Principal bankers	Bank of Scotland plc 1 Lochrin Square 92-98 Fountainbridge Edinburgh EH3 9QA

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Strategic report

For the year ended 30 September 2014

The directors have pleasure in presenting their report along with the financial statements of AJ Bell Securities Limited (the "Company") for the year ended 30 September 2014.

Business review

In the year ended 30 September 2014 turnover increased to £16,348,000 (2013: £10,461,000). This was due to increased customer numbers and the related positive effect on the Company's different income streams.

Operating profit increased to £5,249,000 (2013: £1,588,000). This was predominantly due to a growth in business volumes and assets under administration.

Key business and financial information

Year ended 30 September	2014	2013	Change
Turnover	£16.3million	£10.5million	55%
Profit before on ordinary activities before taxation	£5.3million	£1.6million	231%

There are no key performance indicators available for the Company.

Principal risks and uncertainties

The Board is committed to a continual process of improvement and embedment of the risk management framework within the Company. This is to ensure that the business identifies both existing and emerging risks and develops appropriate mitigation strategies.

The directors believe that there are a number of potential risks to the Company that could hinder the successful implementation of their strategy. These risks may arise from internal and external events, acts and omissions. The directors are proactive in identifying, assessing and managing all risks facing the business.

The Internal Audit function carries out a rolling programme, reviewing key business areas throughout the Company. These reviews have been focused on areas where the directors believe they require further assurance on controls and risk mitigation. This, along with the Risk and Compliance and Quality Assurance functions, comprises the 'Assurance Framework'. The appropriateness and effectiveness of the Assurance Framework is assessed and documented within the Company's Combined Assurance Model and reviewed by the Executive Management Assurance Committee and the Audit Committee.

The directors present below the principal risks and uncertainties facing the Company that could pose a threat to the delivery of their strategy.

Industry risks**Regulatory risk**

The Company operates within an increasingly regulated environment such that new or revised legislation or regulation may have a materially adverse effect on it. The Company retains a substantial cash surplus to provide additional regulatory capital to its regulated subsidiaries if the need arises.

The Company closely monitors all regulatory developments such as the evolving regulation in relation to the holding of client assets. This enables an assessment to be made of their impact on the Company's businesses and for steps to be taken to mitigate any regulatory risks. Furthermore, it enables the Company to ensure it continues to operate in line with regulatory best practice.

Strategic report (continued)

For the year ended 30 September 2014

The Company will continue to monitor developments in terms of pricing and the movement to clean funds in accordance with the FCA's RDR platform charging rules.

In August 2014, the FCA published PS14/2 setting out the new capital framework for SIPP operators which will apply from September 2016. This will generally increase the amount of regulatory capital required to be held by SIPP operators. The Company has assessed the likely financial impact at both Company and regulated entity level and does not expect it to be material.

The changes to the pension benefit rules announced by the government in the 2014 Budget, whilst increasing choice, do create the potential for poor outcomes for consumers undertaking what is probably one of the most significant and complex decisions of their lives. One of the primary concerns of the project established to implement these changes will be to ensure that the benefit options provided under the Company's products are designed to deliver positive outcomes for our customers and to minimise the risk of consumer detriment.

The Company works to ensure FCA best practice and, in particular, treating customers fairly principles are embedded across the business and followed consistently. Specifically, conduct and consumer outcomes risks are assessed, monitored and reported on an ongoing basis. Following the publication of the FCA's new capital framework for SIPP operators and the results of the FCA's most recent SIPP thematic review, changes have been made to the investments we will allow to be purchased by SIPPs to limit further the risks posed through holding non-standard investments.

The Company contributes to the debate on regulatory issues affecting its markets. It does this, for example, through its membership of the Association of Member-directed Pension Schemes (AMPS) [, the UK Platform Group] and the Wealth Management Association (WMA), as well as through direct responses to Government and FCA consultation.

Taxation law change risk

Changes to tax legislation may reduce the attractiveness of tax-advantaged saving wrappers offered by the Company as a means of saving for retirement. The 2014 budget has brought significant changes to the pensions and ISAs market.

With respect to pensions, the government increased drawdown limits reduced the guaranteed income requirement for "Flexible drawdown" from £20,000 to £12,000 in the short term and announced plans to significantly increase the flexibility available to customers taking benefits from their plans from April 2015. Overall, the directors believe that these changes will have a positive impact on the pensions market.

The government essentially removed the distinction between cash ISAs and Stocks and Shares ISAs and also increased the annual ISA allowance from £11.5k to £15k. The government also announced plans to allow transfer from Child Trust Funds to Junior ISAs from April 2015. The directors are optimistic about the prospects for continued growth in saving into tax-advantaged wrappers.

Competitor and market risks

The Company operates in a highly competitive and dynamic industry which constantly aims to improve the services and products available to customers. This may impact the Company such that its products become either obsolete or uncompetitive when compared to other offerings in the marketplace. The Company regularly reviews its product range and prices against competitors and actively seeks new income streams, whilst enhancing its existing portfolio.

A number of developments have been made to the AJ Bell Youinvest platform over the last year to maintain its competitive position, including the introduction of a new charging structure in January 2014. In response to feedback from customers and market developments, a number of further improvements are planned for the next calendar year including enhancements to the AJ Bell Youinvest website, designed to make our platform amongst the easiest to use, and the introduction of guided investment facilities designed to help customers choose an appropriate investment strategy to meet their needs.

Strategic report (continued)

For the year ended 30 September 2014

Evolving technology risk

The reliance on evolving technology remains crucial to the Company's effort to develop its services and enhance products. The risk exists that either the Company's technology fails to operate correctly in some way or that the Company fails to take advantage of any emerging technologies. During the year the Board has agreed a number of changes to the strategies for IT, business change and software development which will be implemented over the next few years. These changes have triggered an investment in new personnel and skills supporting the Company's IT assets as they grow in scale and complexity. The strategies increase our focus on system performance, capacity and security planning controls.

Economic risk

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 Company's overall income levels and in particular the balance between the different types of assets and transactions from which that income is derived, provide a robust defensive position against any economic downturn.

Capital market fluctuations risk

Capital market fluctuations can have an effect on customer transactional activity and the value of assets under administration. The Company 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 Company's exposure to capital market fluctuations.

Operational risks**Company reputation risk**

Damage may be sustained to the Company's reputation or to one of its leading brands because of either the actions of an unassociated third party or the misconduct of an employee. The security procedures within the Company have been reviewed and action taken to ensure any risk of fraudulent access to customer accounts is minimised. Thorough controls and checks are in place to ensure the appropriate calibre of individual is recruited into the Company and training is ongoing to ensure employees maintain technical competency in fulfilling their role within the Company along with awareness of risks.

Conduct risk

Conduct risk is the risk that detriment is caused to the Company's customers as a result of inappropriate execution of the Company's business activities. During the year the Company has focussed on continued enhancements to its risk management framework, in relation to the identification, monitoring and mitigation of conduct risks, and to its product development process to reduce the potential for poor consumer outcomes. The level of service provided to customers is monitored on an ongoing basis to ensure any weaknesses are identified and remedial action taken where required.

Third party reliance risk

The Company undertakes its dealing, custody, settlement and administrative activities in-house and is therefore exposed to risk as a consequence of its reliance on third party software suppliers.

To mitigate the risk posed by third party software suppliers, the Company maintains a strong partnership relationship with the key suppliers and monitors their performance to ensure their continued commitment to service, financial stability and viability. Where possible, the Company has had, or will have, software code from these suppliers placed into escrow so that access can be gained to that code in the event of the supplier's failure.

Where a regulatory breach or a failure in service supply could be caused by an external supplier, the Company performs extensive due diligence on that supplier prior to entering into the commercial

Strategic report (continued)

For the year ended 30 September 2014

relationship. The Company secures the ability to audit that supplier at regular intervals during the term of the relationship.

Operational processing risk

There is a risk that the Company's operational processes are subject to error, causing both a reduction in earnings and damage to the Company's reputation. The Company focuses on increasing the effectiveness of all its operational procedures and aims to achieve straight-through processing wherever practical. Certain operational processes are subject to manual intervention. Examples include dealing on the basis of a customer's verbal instruction, processing of certain corporate actions and trade and settlement of certain transactions on behalf of customers.

There is a risk that the volume of business activity in some areas significantly exceeds planned levels resulting in difficulties in maintaining the services standards expected by the Company's customers and advisers. The Company takes into account any regulatory or other events, expected to lead to an increase in activity, within its business planning processes and monitors activity levels on an ongoing basis for any indication of unexpected variations so that appropriate action can be taken.

The Company has incorporated a high level of operational resilience within its day-to-day operations. It has documented procedures with pre-set, specified management authorisation limits for all relevant operational processes. The Company employs experienced, FCA-registered and approved staff in all its key FCA-regulated activities. In addition to regular performance targets, the Company sets tolerance limits for operational errors which are applied from Board level down to the relevant operational department.

Litigation risk

There is a risk of liability related to litigation from customers or third parties. The Company has robust systems and controls and maintains an appropriate level of professional indemnity insurance cover against these potential liabilities.

Business continuity management risk

There is a risk of disruption to the Company's business in the event of a loss of access to any of the Company's properties or in the event of a catastrophic systems failure. The Company has agreements in place with specialist suppliers for geographically remote disaster recovery facilities for all of its operations, including separate offsite IT recovery facilities. There is a rolling programme of testing of all business continuity plans.

Key personnel risk

The loss of key personnel within the Company, an increase in staff turnover or an inability to find new or replacement employees, appropriately qualified, particularly in periods of sustained growth, may have a material adverse impact on the Company's performance. The Company has sought to mitigate this risk by facilitating equity ownership for employees within the organisation through various share schemes and the development of a staff engagement strategy. Furthermore, the Company maintains a succession plan for key members of management across the whole business.

Approved by the Board on 11 December 2014 and signed on its behalf by:



C B Robinson
Company Secretary

AJ Bell Securities Limited
Trafford House
Chester Road
Manchester
M32 0RS

Directors' report

For the year ended 30 September 2014

The directors have pleasure in presenting their report along with the financial statements of AJ Bell Securities Limited (the "Company") for the year ended 30 September 2014.

Principal activities

The principal activity of the Company is the provision of dealing and custody services to the AJ Bell Group's retail platform customers and institutional customers.

Results and dividends

The profit attributable to the shareholder for the year ended 30 September 2014 was £4,145,000 (2013: £1,131,000). No dividend was paid during the year (2013: £Nil).

Outlook

The focus for the year ending 30 September 2014 will be to support the AJ Bell Group's retail platform offering, whilst broadening its service offering to the Company's institutional customers.

Directors

The directors who served throughout the year, except as noted, were as follows:

A J Bell
C W Galbraith
M T Summersgill
R S Taylor
F J Lyons
R J Stott

Dividends

The Company has declared a final dividend of 23.21p (2013: £Nil) per share, to be paid on 12 December 2014. No interim dividend was paid during the year (2013: £Nil).

Directors' report (continued)

For the year ended 30 September 2014

Financial risks**Interest rate risk**

As at the year-end, the Company had no borrowings and therefore was not exposed to interest rate risk related to debt.

The Company's income levels are affected by prevailing interest rates. In a low interest rate environment, cash balances tend to decline and the revenue the Company earns on cash deposits reduces. The Company maintains good relationships with its banking partners and is able to access competitive rates due to the large value of deposits it places. This, along with the ability to control the interest rate on customer balances, enables the Company to mitigate this risk as far as it is practicable to do so.

Liquidity risk

This is the risk that the Company may be unable to meet its liabilities as and when they fall due. These liabilities arise from the day-to-day activities of the Company and from its obligations to customers. The Company is a highly cash generative business and maintains sufficient cash and standby banking facilities to fund its foreseeable trading requirements. Where customers' funds are deposited on a term basis with banks, the Company's policy ensures that funds are available on customer demand.

Credit and bank default risk

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

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

The directors continue to monitor the strength of the banks used by the Company. The banks currently used by the Company are Bank of Scotland plc, HSBC Bank plc, The Royal Bank of Scotland plc, Brown Brothers Harriman & Co. and Bank of Ireland (UK) plc,

Disabled employees

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

Employee consultation

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

Directors' report (continued)

For the year ended 30 September 2014

Going concern

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

Further details regarding the adoption of the going concern basis can be found within note 1.4 to the financial statements.

Auditor

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

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

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

The Board plans to put KPMG LLP forward to be appointed as auditors and resolution concerning their appointment will be put to the forthcoming AGM of the company

Approved by the Board on 11 December 2014 and signed on its behalf by:



C B Robinson
Company Secretary

AJ Bell Securities Limited
Trafford House
Chester Road
Manchester
M32 0RS

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

We have audited the financial statements of AJ Bell Securities Limited for the year ended 30 September 2014 set out on pages 14 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

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



Richard Gabbertas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS

11 December 2014

Profit and loss account

For the year ended 30 September 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	16,348	10,461
Administrative expenses		(11,099)	(8,873)
Operating profit		5,249	1,588
Finance income (net)	3	78	14
Profit on ordinary activities before taxation	4	5,327	1,602
Tax on profit on ordinary activities	7	(1,182)	(471)
Profit for the financial year	15	4,145	1,131

The notes and information on pages 16 to 27 form part of these financial statements.

The profit for the financial year arose from continuing operations. There were no gains or losses in either the current year or prior year other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet

As at 30 September 2014

	Notes	2014 £'000	£'000	2013* £'000	£'000
Fixed assets					
Tangible fixed assets	8		239		291
Investments	9		-		-
Current assets					
Debtors (including £141,000 (2013: £162,000) due after more than one year)	10	46,863		43,844	
Cash at bank and in hand	11	17,402		3,331	
			64,265		47,175
Current liabilities					
Creditors: Amounts falling due within one year	12		(44,869)		(42,005)
Total assets less current liabilities			19,635		5,461
Provisions for liabilities	13		(160)		(131)
Net assets			19,475		5,330
Capital and reserves					
Called up share capital	14		12,925		2,925
Share premium account	15		295		295
Capital redemption reserve	15		10		10
Profit and loss account	15		6,245		2,100
Shareholders' funds	16		19,475		5,330

*Restated – see note 1.1 to the financial statements

The notes and information on pages 16 to 27 form part of these financial statements.

The financial statements of AJ Bell Securities Limited (registered number 02723420) were approved by the board of directors and authorised for issue on 11 December 2014. They were signed on its behalf by:



M T Summersgill
Director

Notes to the financial statements

For the year ended 30 September 2014

1. Accounting policies

The principal accounting policies are summarised below. All have been applied consistently throughout the year and the preceding year.

1.1 Basis of accounting

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and under the historical cost convention.

The Company has taken advantage of the exemption in Financial Reporting Standard No. 1 (revised) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent of the voting rights are controlled within the parent group.

Change in accounting policy

During the year there has been a change in accounting policy relating to clients' settlement cash balances which were previously disclosed as cash held on behalf of clients and included within cash and cash equivalents. Clients' settlement cash balances represent the Group's right to receive cash from clients, who hold cash balances with the Group under a trust arrangement, to meet the Group's settlement obligations incurred on their behalf. These balances have therefore been reclassified as client and market debtors, which better reflects their underlying substance as a debtor to the Company. The effect of this change is to reduce client's settlements cash balances by £20.0m with a corresponding increase to client and market debtors. The directors have elected not to prepare a third consolidated statement of financial position following the change in accounting policy as there would be no impact on net assets or profit for the year. The effect of the change on the prior year consolidated statement of financial position is to reduce clients' settlement cash balances by £20.6m with a corresponding increase to client and market receivables.

1.2 Exemption from preparing consolidated financial statements

The financial statements present information about the Company as an individual undertaking and not about the group of which it forms part. The Company has not prepared consolidated financial statements as it is exempt from the requirement under section 400 of the Companies Act 2006. The Company is a subsidiary undertaking of AJ Bell Holdings Limited, a company incorporated in England & Wales and is included in the consolidated financial statements of that company.

1.3 Related party transactions

Given that the Company is a wholly owned subsidiary of AJ Bell Holdings Limited, it has taken advantage of the exemption in Financial Reporting Standard No. 8 Related Party Disclosures, from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

1.4 Going concern

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

Notes to the financial statements (continued)

For the year ended 30 September 2014

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset evenly using a straight-line method over its estimated useful economic life, as follows:

Computer equipment	4 years
Office equipment	4 years

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

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

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

Calculation of recoverable amount

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

Reversals of impairment

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.6 Investments

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

Notes to the financial statements (continued)

For the year ended 30 September 2014

1.7 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when tangible fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1.8 Turnover

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

Commissions are recognised on an accruals basis by reference to the value of certain customer assets under administration and the rate appropriate to which commission is earned.

Stockbroking fees are recognisable when receivable in accordance with the date of the underlying transaction.

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

1.9 Foreign currency

Foreign currency monetary assets and liabilities have been translated into sterling at the prevailing exchange rate at the balance sheet date. Transactions during the period have been translated into sterling at the prevailing rates at the time the transactions were executed.

Notes to the financial statements (continued)

For the year ended 30 September 2014

1.10 Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

1.11 Client money

The Company holds money on behalf of clients in accordance with the Client Money Rules of the FCA. The disclosed client money represents balances which are held in respect of the settlement of transactions. Amounts due to and from counterparties for settlement against the delivery of stock are shown gross, unless there is a legal right of offset and the ability and intention to settle on a net basis.

1.12 Investment income

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

1.13 Interest payable and similar charges

Interest payable on financial liabilities is recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

1.14 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

1.15 Provisions

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

1.16 Dividends

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

Notes to the financial statements (continued)

For the year ended 30 September 2014

2. Turnover

	2014 £'000	2013* £'000
Commission	8,985	6,537
Dealing and custody fees	7,363	3,924
	16,348	10,461

*Prior year comparatives have been restated to provide a more accurate breakdown of turnover to the user of the financial statements

The total turnover of the Company for the year has been derived from its principal activity undertaken in the United Kingdom.

3. Finance income (net)

	2014 £'000	2013 £'000
Investment income	82	29
Less: Interest payable and similar charges	(4)	(15)
	78	14

4. Profit on ordinary activities before taxation

	Notes	2014 £'000	2013 £'000
Profit on ordinary activities before taxation is stated after charging:			
Depreciation of tangible fixed assets	8	167	206
Operating lease rentals - other assets		167	150
Auditor's remuneration - for the audit of the Company's financial statements		10	23

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

Notes to the financial statements (continued)

For the year ended 30 September 2014

5. Staff costs

	2014 Number	2013 Number
Average number of staff	548	495
Company full-time equivalent staff	114	91
	2014 £'000	2013 £'000
Wages and salaries	4,398	3,560
Social security costs	514	386
Pension costs	138	86
Termination payments	28	-
	5,078	4,032

All employees within the AJ Bell Group are employed jointly by all Group companies. For ease of administration, all employees are paid by AJ Bell Limited on behalf of the company or companies benefiting from the services supplied by each employee.

Contained within the disclosure are the following:

- i) Average number of staff – this is the average number of staff employed in the AJ Bell Group during the 12 months ended 30 September 2014; and
- ii) Company full-time equivalent staff – this is the average full-time equivalent number of staff charged to the Company during the 12 months ended 30 September 2014.

The staff costs paid monthly by AJ Bell Limited on behalf of the Company are treated as amounts owed to group undertakings and are settled in the month following that to which the payment relates.

Notes to the financial statements (continued)

For the year ended 30 September 2014

6. Directors' remuneration and transactions

	2014 £'000	2013 £'000
Emoluments other than pension costs	181	167
Pension costs	3	4
	184	171
	2014 £'000	2013 £'000
Remuneration of highest paid director:		
Emoluments other than pension costs	61	59
Pension costs	-	-
	61	59

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

The amounts disclosed for the highest paid director represent the apportioned total remuneration cost based on the services received by the Company during the year.

Directors' transactions

There were no transactions with directors during the year.

Notes to the financial statements (continued)

For the year ended 30 September 2014

7. Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Current year tax:		
UK corporation tax	1,163	370
Adjustment for prior periods	(2)	68
Total current tax charge	1,161	438
Deferred tax charge	21	33
Tax charge on profit on ordinary activities	1,182	471
Deferred tax		
Origination and reversal of timing differences	12	9
Effect of decrease in tax rate on opening asset	7	17
Adjustment to estimated recoverable amount of deferred tax assets arising in previous periods	2	7
Total deferred tax charge	21	33
Factors affecting tax charge for the period		
Profit on ordinary activities before taxation	5,327	1,602
Profit on ordinary activities before tax multiplied by a pro-rata standard rate of UK Corporation Tax of 22% (2013: 23.5%)	1,172	376
Effects of:		
Expenses not deductible for tax purposes	3	4
Accelerated capital allowances and other timing differences	(12)	(9)
Adjustments to tax charge in respect of previous periods	(2)	68
Adjustments to deferred tax in respect of tax rate decrease	-	(1)
Total current tax charge	1,161	438
Effective tax rate	21.8%	27.3%

During the period the Company has reflected the change in the main rate of corporation tax from 23% to 21%. The Company has also reflected the substantively enacted tax rate of 20%.

Notes to the financial statements (continued)

For the year ended 30 September 2014

8. Tangible fixed assets

	Computer equipment £'000	Office equipment £'000	Share Dealing Platform £'000	Total £'000
Cost				
At 1 October 2013	1,518	411	1,148	3,077
Additions	48	67	-	115
At 30 September 2014	1,566	478	1,148	3,192
Depreciation				
At 1 October 2013	1,267	371	1,148	2,786
Charge for the year	143	24	-	167
At 30 September 2014	1,410	395	1,148	2,953
Net book value				
At 01 October 2013	251	40	-	291
At 30 September 2014	156	83	-	239

9. Investments

	Shares in subsidiary undertakings £
Cost	
At 30 September 2013 and 30 September 2014	1
Net book value	
At 30 September 2013 and 30 September 2014	1

Fixed asset investments comprise a 100% interest in the £1 ordinary shares of Lawshare Nominees Limited. The company was dormant during the year to 30 September 2014 and had capital and reserves of £1 at 30 September 2014.

Notes to the financial statements (continued)

For the year ended 30 September 2014

10. Debtors

	2014 £'000	2013* £'000
Due within one year		
Trade debtors	253	141
Client and market debtors	23,304	21,054
Clients' settlement cash balances	20,024	20,618
Amounts owed by group undertakings	-	2
Prepayments and accrued income	3,141	1,867
	46,722	43,682

*The prior period comparatives have been restated as a result of a change in accounting policy. The impact of this is disclosed in Note 1.1.

Client and market debtors arise as a result of the provision of stockbroking services.

Client settlement cash balances are those amounts of cash held on behalf of clients in accordance with the FCA's client money rules and arise in the settlement process of share transactions. All other clients' and trustees' cash balances are not included.

	2014 £'000	2013 £'000
Due after more than one year:		
Deferred tax asset	141	162
The deferred tax asset is made up as follows:		
Accelerated capital allowances	141	162

11. Cash at bank and in hand

	2014 £'000	2013* £'000
Cash at bank and in hand	17,402	3,331
	17,402	3,331

*The prior period comparatives have been restated as a result of a change in accounting policy. The impact of this is disclosed in Note 1.1.

Notes to the financial statements (continued)

For the year ended 30 September 2014

12. Creditors: Amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	322	150
Client and market creditors	41,692	40,075
Amounts owed to group undertakings	971	534
Corporation tax	1,164	370
Other taxation and social security	26	(6)
Accruals and deferred income	694	882
	44,869	42,005

Client and market creditors arise as a result of the provision of stockbroking services.

13. Provisions for liabilities

	FSCS levy £'000	Office dilapidations £'000	Total £'000
At 1 October 2013	68	63	131
Charge in the year	-	29	29
At 30 September 2014	68	92	160

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

The FSCS levy provision represents an estimate of potential further levies in respect of an expected interim levy for the year ending 31 March 2015.

14. Share capital

	2014 £'000	2013 £'000
Allotted, called up and fully paid		
12,925,000 (2013: 2,925,000) Ordinary shares of £1 each	12,925	2,925

In the year a new issue of 10 million ordinary shares was made to the Company's parent, AJ Bell Holdings Limited, at par value.

15. Statement of movements in reserves

	Share Premium £'000	Capital redemption reserve £'000	Profit and Loss £'000
Balance at 1 October 2013	295	10	2,100
Profit for the financial year	-	-	4,145
Balance at 30 September 2014	295	10	6,245

Notes to the financial statements (continued)

For the year ended 30 September 2014

16. Reconciliation of movements in shareholder funds

	2014 £'000	2013 £'000
Profit for the financial year	4,145	1,131
Net addition to shareholder funds	<u>4,145</u>	<u>1,131</u>
Opening shareholder funds	5,330	4,199
Additional Share Capital	<u>10,000</u>	<u>-</u>
Closing shareholder funds	<u>19,475</u>	<u>5,330</u>

17. Financial commitments

	2014		2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	-	-	-
Between two and five years	186	-	-	-
After five years	-	-	179	-
	<u>186</u>	<u>-</u>	<u>179</u>	<u>-</u>

18. Ultimate parent company and parent undertaking of larger group of which the company is a member

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

The largest group in which the results of the Company are consolidated is that headed by AJ Bell Holdings Limited, incorporated in the United Kingdom. No other consolidated financial statements include the results of the Company. The consolidated financial statements of AJ Bell Holdings Limited are available to the public and may be obtained from Trafford House, Chester Road, Manchester, M32 0RS or www.ajbell.co.uk.