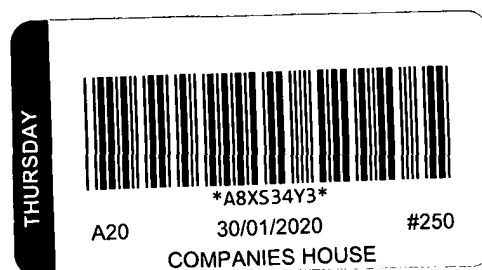


AJ Bell Securities Limited
Annual Report and Financial Statements
for the year ended 30 September 2019
Company Registration No: 02723420



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AJ Bell Securities Limited

Company No: 02723420

Company information

Directors	A J Bell M T Summersgill F J Lyons L Petherick C W Galbraith R J Stott C B Robinson M Tagari
Company secretary	C B Robinson
Company number	02723420
Registered office	4 Exchange Quay Salford Quays Manchester M5 3EE
Principal banker	Bank of Scotland plc 1 Lochrin Square 92-98 Fountainbridge Edinburgh EH3 9QA
Auditor	KPMG LLP 1 St Peter's Square Manchester M2 3AE

Strategic report

for the year ended 30 September 2019

The Directors have pleasure in presenting their Strategic report for the year ended 30 September 2019.

Business review

In the year ended 30 September 2019 revenue increased to £48,591,000 (2018: £40,076,000) and operating profit increased to £23,729,000 (2018: £15,436,000).

The increase in revenue and operating profit was driven by the strong levels of new business and the high asset values across the world's largest stock markets from which the majority of our ad valorem charges are derived.

Key business and financial information

The Company's key financial and other performance indicators for the year ended 30 September 2019 were as follows:

	Unit	2019	2018	Change
Revenue	£ 000	48,591	40,076	21%
Profit before taxation	£ 000	23,923	15,519	54%

Principal risks and uncertainties

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

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

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

Strategic report (continued)

For the year ended 30 September 2019

Principal risks and uncertainties (continued)

Risk	Potential impact	Mitigations
Strategic Risks		
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 Group's Board is supported by a Risk and Compliance Committee, Executive Management Assurance Committee, and a Risk Management Committee where all regulatory changes are reported and scrutinised. 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.

Strategic report (continued)

For the year ended 30 September 2019

Principal risks and uncertainties (continued)

Risk	Potential impact	Mitigations
<p>Regulatory and litigation risk</p> <p>The risk that the Group fails to comply with the existing standards of the regulatory system, including FCA, ICO, HMRC and European Regulations.</p>	<ul style="list-style-type: none"> - 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. 	<p>The Group maintains a strong compliance culture geared towards positive customer outcomes and regulatory compliance.</p> <p>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 the deliverance of training. Where appropriate, the Compliance monitoring team conducts reviews to ensure a high standard of compliance has been embedded into the business.</p>
<p>Information security risk</p> <p>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.</p>	<ul style="list-style-type: none"> - Related negative publicity could damage customer and market confidence in the business, affecting our ability to retain and attract new customers. - Information security breaches could result in fine/censure from regulators, ICO and FCA. 	<p>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 resides upon it.</p> <p>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.</p> <p>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.</p>

Strategic report (continued)

For the year ended 30 September 2019

Principal risks and uncertainties (continued)

Risk	Potential impact	Mitigations
<p>Fraud and financial crime risk</p> <p>The risk of failure to protect against cybercrime, fraud or security breaches, as a result of staff or third-party dishonesty, including cyber attack, causing major misappropriation of customer funds or theft of customers' identities.</p>	<ul style="list-style-type: none"> - 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 identities, 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. 	<p>Extensive controls are in place to minimise the risk of fraud and financial crime. Policies and procedures, including mandatory 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.</p> <p>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.</p> <p>We regularly assess our maturity against an acknowledged security framework, which includes an ongoing programme of staff training and assessment through mock security exercises.</p>
<p>Third party IT failure risk</p> <p>The risk that a third party provider materially fails to deliver the contracted services.</p>	<ul style="list-style-type: none"> - 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. 	<p>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.</p> <p>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.</p>

Strategic report (continued)

For the year ended 30 September 2019

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 the 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 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 and staff shortages.	- Failure to maintain or quickly recover operations would lead to inability to service customer needs, generating negative publicity. - The loss of services could lead to a financial loss.	The Group has a comprehensive and tested Business Continuity Management model. Agreements are in place with specialist suppliers for geographically remote disaster recovery facilities for all of its operations, including separate offsite IT recovery facilities. There is a rolling programme of testing of business continuity plans.
Operational capability risk The risk that, due to unexpectedly high volumes and/or levels of change activity, the Group is unable to process work within agreed service levels and/or to an acceptable quality for a sustained period.	- A decline in the quality of work will have a financial impact through increased operational losses. - Unexpectedly high volumes coupled with staff recruitment and retention issues could lead to poor customer outcomes and reputational damage.	The Group focuses on increasing the effectiveness of its operational procedures and, through its business improvement function, aims to improve and automate more of its processes. This reduces the need for manual intervention and the potential for errors. There is an on-going programme to train staff on multiple operational functions. Diversifying the workforce enables the business to deploy staff when high work volumes are experienced. Causes of increased volumes of work, for example competitor behaviour, are closely monitored in order to plan resource effectively.

Strategic report (continued)

For the year ended 30 September 2019

Principal risks and uncertainties (continued)

Risk	Potential impact	Mitigations
		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. Fraud training is provided to all members of staff who act as first line of defence to facilitate early detections of potential fraudulent activity. Strong technology controls are in place to identify potential money laundering activity or market abuse.
Retail conflicts / conduct risk The risk that the fair treatment of customers is not central to the Group's corporate culture.	- Poor conduct could have a negative effect on customer outcomes, impacting the growth of our business. - Reputational damage resulting from poor levels of customer service. - Additional regulatory scrutiny and financial loss.	The Group's customer focus is founded by our guiding principles, which drive the culture of the business and ensure customers remain at the heart of everything we do. Training and awareness are delivered to all staff on a regular basis on the importance of the delivery of good consumer outcomes. 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 consumer outcomes, and mitigating actions are delivered alongside the developments as appropriate.

Strategic report (continued)

For the year ended 30 September 2019

Principal risks and uncertainties (continued)

Risk	Potential impact	Mitigations
Financial Risks		
<p>Economic and capital markets fluctuation risk</p> <p>The risk that a significant and prolonged capital market or economic downturn has an adverse effect on consumer confidence, asset values and interest rates.</p> <p>Ongoing Brexit negotiations regarding future relations between the UK and the EU mean there is considerable uncertainty over the longer-term impact on the UK economy and this is likely to remain until, at least, exit terms are agreed.</p>	<p>- Adverse effect on customer transactional activity or ad valorem fees generated from assets under administration from which the Group derives revenue. Sensitivities for interest rate and market movements are shown in note 24 to the consolidated financial statements.</p>	<p>The Group's products are targeted at UK residents and we do not do business in any other countries and have relatively few customers outside the UK. However, in the event that the economy falls back into a prolonged recession, this may impact contribution levels and confidence generally in the savings and investment markets. The directors believe that the Group's overall income levels and in particular the balance between the different types of assets and transactions from which that income is derived, provide a robust defensive position against any economic downturn.</p> <p>Revenue from retained interest income is derived from the pooling of customer cash balances.</p> <p>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.</p>
<p>Counterparty credit risk</p> <p>The risk of potential failure of clients, market counterparties or banks used by the Group to fulfil their contractual obligations.</p>	<p>- Unintended market exposure. - Customer detriment. - Increased future capital requirements.</p>	<p>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.</p> <p>The Group continues to diversify across a range of approved banking counterparties, reducing the concentration of credit risk as exposure is spread over a large number of counterparties. The banks currently used by the Group are detailed in note 24 of the consolidated financial statements.</p>

Strategic report (continued)

For the year ended 30 September 2019

Principal risks and uncertainties (continued)

Risk	Potential impact	Mitigations
		With regards to trade receivables, the Group has implemented procedures that require appropriate credit or alternative checks on potential customers before business is undertaken. This has minimised credit risk in this area.
Liquidity risk The risk that the Group suffers significant settlement default or otherwise suffers major liquidity problems or issues of liquidity deficiency which severely impact on the Group's reputation in the markets. Risk that the Group does not have available readily realisable financial resources to enable it to meet its obligations as they fall due, or can only secure such resources at excessive cost.	- Reputational damage. - Potential customer detriment. - Financial loss. - Unable to meet obligations as they fall due.	The Group is a highly cash generative business and maintains sufficient cash and standby banking facilities to fund its foreseeable trading requirements. The Group has robust systems and controls, and monitors all legal entities to ensure they have sufficient funds to meet their liabilities as they fall due.

By order of the Board of Directors on 18 December 2019 and signed on its behalf by:



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

Directors' report

for the year ended 30 September 2019

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 2019.

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 2019 was £19,300,000 (2018: £12,537,000). A dividend of £10,000,000 was paid during the year (2018: £12,900,000).

Outlook

The focus for the year ending 30 September 2020 will be to support the AJ Bell Group's retail platform offering, whilst continuing to offer a quality service to the Company's retail and institutional customers.

Directors of the company

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

A J Bell

M T Summersgill

F J Lyons

L Petherick

C W Galbraith

R J Stott

C B Robinson - Company secretary and director

The following director was appointed after the year end:

M Tagari (appointed 1 November 2019)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Country by country reporting

AJ Bell Securities Limited is regulated under CRD IV and CRR. Regulation requires disclosure of certain financial information on a country by country basis. The Company has taken the exemption permitted under CRD IV as this information is provided on a consolidated basis. This financial information has been disclosed on page 73 of the AJ Bell plc 2019 Annual Report and Consolidated Financial Statements.

Directors' report (continued)

for the year ended 30 September 2019

Disabled employees

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

Employee consultation

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

Post balance sheet events

Events since the reporting date are contained in note 20 of the financial statements.

Going concern

The financial statements have been prepared on a going concern basis. After making enquiries and considering the Company'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 Company has adequate resources to continue in operational existence for the foreseeable future. The going concern basis of preparation is discussed within note 2.4 of the financial statements.

Disclosure of information to auditors

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

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

Auditor

In January 2019, the Parent Company, AJ Bell plc, commenced a competitive tender process for the appointment of a new external auditor. That process was supervised by the Group's Audit Committee, who made a recommendation to the Board on the appointment of the replacement auditor.

Directors' report (continued)
for the year ended 30 September 2019

Following the conclusion of the competitive tender process, the Group announced on 25 June 2019 that the Board had approved the proposed appointment of BDO LLP as the Group's auditor for the financial year ending on 30 September 2020. The appointment remains subject to approval by shareholders at the AGM to be held on 22 January 2020, and should the resolution be passed, the appointment will take effect from the conclusion of that meeting.

KPMG LLP were reappointed as the auditor by shareholders at the 2018 AGM and will cease to hold office with effect from the conclusion of the AGM on 22 January 2020.

By order of the Board of Directors on 18 December 2019 and signed on its behalf by:



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

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101').

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

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

Independent auditor's report to the members of AJ Bell Securities Limited

Opinion

We have audited the financial statements of AJ Bell Securities Limited ("the company") for the year ended 30th September 2019 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and related notes, including the Significant Accounting Policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30th September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Independent auditor's report to the members of AJ Bell Securities Limited (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 13, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

Independent auditor's report to the members of AJ Bell Securities Limited (continued)

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.

A Simpson

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

18 December 2019

Income statement

for the year ended 30 September 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4	48,591	40,076
Administrative expenses		(24,862)	(24,640)
Operating profit		23,729	15,436
Investment income		194	83
Profit before tax	5	23,923	15,519
Tax expense	8	(4,623)	(2,982)
Profit for the year		19,300	12,537

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 21 to 42 form an integral part of these financial statements.

Statement of financial position
as at 30 September 2019

	Note	2019 £ 000	2018 £ 000
Non-current assets			
Property, plant and equipment	10	2	14
Deferred tax asset	8	64	76
		<u>66</u>	<u>90</u>
Current assets			
Trade and other receivables	12	11,695	11,825
Cash and cash equivalents	13	26,699	16,464
		<u>38,394</u>	<u>28,289</u>
Total assets		<u>38,460</u>	<u>28,379</u>
Current Liabilities			
Trade and other payables	14	(3,999)	(3,665)
Current tax liabilities		(1,111)	(1,061)
Provisions	15	-	(17)
		<u>(5,110)</u>	<u>(4,743)</u>
Net current assets		<u>33,284</u>	<u>23,546</u>
Net assets		<u>33,350</u>	<u>23,636</u>
Equity			
Share capital	16	2,925	2,925
Share premium account		295	295
Capital redemption reserve		10	10
Retained earnings		30,120	20,406
Total equity		<u>33,350</u>	<u>23,636</u>

These financial statements were approved by the Board of Directors and authorised for issue on 18 December 2019 and signed on its behalf by:



M T Summersgill (Director)

The notes on pages 21 to 42 form an integral part of these financial statements.

AJ Bell Securities Limited

Company No: 02723420

Statement of changes in equity
for the year ended 30 September 2019

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total equity £ 000
Balance at 1 October 2018	2,925	295	10	20,406	23,636
Adjustment on initial application of IFRS 9	-	-	-	(2)	(2)
Balance at 1 October 2018 - as restated	2,925	295	10	20,404	23,634
Total comprehensive income for the year:					
Profit for the year	-	-	-	19,300	19,300
Transactions with owners, recorded directly in equity:					
Dividends	-	-	-	(10,000)	(10,000)
Capital contribution for share-based payment transactions	-	-	-	416	416
Balance at 30 September 2019	2,925	295	10	30,120	33,350

The notes on pages 21 to 42 form an integral part of these financial statements.

AJ Bell Securities Limited

Company No: 02723420

Statement of changes in equity (continued)
for the year ended 30 September 2019

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total equity £ 000
Balance at 1 October 2017	2,925	295	10	20,593	23,823
Total comprehensive income for the year:					
Profit for the year	-	-	-	12,537	12,537
Transactions with owners, recorded directly in equity:					
Dividends	-	-	-	(12,900)	(12,900)
Capital contribution for share-based payment transactions	-	-	-	176	176
Balance at 30 September 2018	<u>2,925</u>	<u>295</u>	<u>10</u>	<u>20,406</u>	<u>23,636</u>

The notes on pages 21 to 42 form an integral part of these financial statements.

Notes to the financial statements
for the year ended 30 September 2019

1 General information

AJ Bell Securities Limited ("the Company") provides dealing and custody services to the AJ Bell Group's retail platform customers and institutional customers.

The Company is a private company limited by shares and is incorporated and domiciled in United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company's number is 02723420 and its registered office is 4 Exchange Quay, Salford Quays, Manchester, M5 3EE.

2 Significant accounting policies

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

2.1 Basis of accounting

The financial statements are prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The 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.

In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS's") but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions have been taken.

Notes to the financial statements (continued)
for the year ended 30 September 2019

2 Significant accounting policies (continued)

2.2 Disclosure exemptions

The Company is included in the consolidated financial statements of AJ Bell plc, a company incorporated in the United Kingdom, whose consolidated financial statements are publicly available. Consequently, the Company has, in compliance with FRS101, taken advantage of the following disclosure exemptions:

- 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;
- IAS16 and IAS 38 Comparative information in respect of the reconciliation of net carrying value;
- IFRS 7 Disclosure in respect of financial instruments, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- IFRS 13 Fair Value Measurement paragraphs 91 to 99, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated; 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 Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of AJ Bell plc which is incorporated in the United Kingdom and its registered office is 4 Exchange Quay, Salford Quays, Manchester, M5 3EE.

2.3 Developments in reporting standards and interpretations

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

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

The Company applies IFRS 9 and IFRS 15 for the first time and the impact of the adoption of these standards is disclosed below. The remaining new standards have not had a material impact on the financial statements of the Company.

The following amendments and interpretations are effective for the first time for periods beginning on or after 1 January 2018 but have not had a material effect on the Company and so have not been discussed in detail in the notes to the financial statements:

Notes to the financial statements (continued)
for the year ended 30 September 2019

2 Significant accounting policies (continued)

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

IFRS 9: Financial Instruments

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

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

Classification and measurement

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

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

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			£ 000	£ 000
Trade and other receivables	Loans and receivables	Amortised cost	11,825	11,823
Cash and cash equivalents	Cash and cash equivalents	Amortised cost	16,464	16,464

Notes to the financial statements (continued)
for the year ended 30 September 2019

2 Significant accounting policies (continued)

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

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

Impairment of financial assets

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

The Company has applied the IFRS 9 simplified approach and has calculated ECLs based on lifetime expected credit losses.

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

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

	£ 000
Opening loss allowance - calculated under IAS 39	-
Amounts restated through opening retained earnings	2
Opening loss allowance - calculated under IFRS 9	2

Hedge accounting

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

Transition impact

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

Notes to the financial statements (continued)
for the year ended 30 September 2019

2 Significant accounting policies (continued)

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

	£ 000
Opening retained earnings IAS 39	20,406
Increase in provision for trade receivables	(2)
<i>Total adjustment to retained earnings from adoption of IFRS 9</i>	<i>(2)</i>
Opening retained earnings IFRS 9	20,404

There was no impact on the income statement for the year.

IFRS 15: Revenue from Contracts with Customers

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

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

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

Impact on revenue recognition

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

It considered the five-step model prescribed by the standard, taking into account the different types of contracts it has with its customers, the corresponding types of services provided to customers and when these performance obligations are satisfied. The assessment concluded that the accounting treatment for all of the revenue streams remains unchanged and therefore there will be no impact on transition to IFRS 15.

Notes to the financial statements (continued)
for the year ended 30 September 2019

2 Significant accounting policies (continued)

2.4 Going concern

The financial statements have been prepared on a going concern basis. The Company's forecasts and objectives, taking into account a number of potential changes in trading performance, show that the Company should be able to operate at adequate levels of both liquidity and capital for the foreseeable future. The Directors have performed a number of stress tests on capital and liquidity and these provide assurance that the Company has sufficient capital to operate under stressed conditions.

Consequently, after making reasonable enquiries, the Directors are satisfied that the Company 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.

2.5 Revenue recognition

The effect of initially applying IFRS 15 on the Company's revenue from contract with customers is described in note 2.3. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

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

Revenue represents fees receivable from 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 Company recognises revenue when it transfers control over a good or service to a customer.

Recurring:

Recurring revenue comprises of custody fees and retained interest income.

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

Transactional:

Transactional revenue comprises dealing fees.

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

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

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

Notes to the financial statements (continued)
for the year ended 30 September 2019

2 Significant accounting policies (continued)

2.6 Foreign currency

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

2.7 Investment income

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

2.8 Intangible assets

Intangible assets comprise computer software. These are stated at cost less amortisation or fair value and any recognised impairment loss. Amortisation is provided on all intangible fixed assets 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

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.

2.9 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 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 - 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.

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.

Notes to the financial statements (continued)
for the year ended 30 September 2019

2 Significant accounting policies (continued)

2.10 Impairment of assets

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

2.11 Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment (see note 2.10).

2.12 Taxation

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

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

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

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

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

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.

Notes to the financial statements (continued)
for the year ended 30 September 2019

2 Significant accounting policies (continued)

2.12 Taxation (continued)

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 Company intends to settle its current tax assets and liabilities on a net basis.

2.13 Financial instruments

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

Financial assets

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

Financial assets at amortised cost

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Impairment of financial assets

The Company 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.

Notes to the financial statements (continued)
for the year ended 30 September 2019

2 Significant accounting policies (continued)

2.13 Financial instruments (continued)

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

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

Financial liabilities

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

Other financial liabilities

The Company's other financial liabilities comprise borrowings, trade and other payables. 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 Company's obligations are discharged, cancelled or they expire.

Trade and other payables

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

2.14 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.

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

2.15 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.

Notes to the financial statements (continued)
for the year ended 30 September 2019

2 Significant accounting policies (continued)

2.16 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 but are disclosed in the notes to the financial statements.

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 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.

2.19 Share-based payments

The grant by the Parent Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in capital contribution by the Parent Company.

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

Fair value is measured using the Black-Scholes option pricing model. The expected life applied in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Prior to 12 December 2018, the Parent Company's shares were not listed on a recognised stock exchange and therefore no readily available market price existed for the shares, the share price of options granted prior to 12 December 2018 has been estimated using a generally accepted business valuation method. Share price volatility has been estimated as the average of the volatility applying to a comparable group of listed companies.

Notes to the financial statements (continued)
for the year ended 30 September 2019

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, 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.

There are no assumptions made 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 Revenue

The analysis of the Company's revenue is as follows:

	2019 £ 000	2018 £ 000
Recurring	36,793	28,561
Transactional	11,798	11,515
	<u>48,591</u>	<u>40,076</u>

The total revenue for the Company has been derived from its principal activities undertaken in the UK.

Notes to the financial statements (continued)
for the year ended 30 September 2019

5 Profit before tax

Profit before taxation is stated after charging:

	Note	2019 £ 000	2018 £ 000
Staff costs	6	10,572	11,705
Depreciation of property, plant and equipment	10	10	32
Loss on disposal of property, plant and equipment		2	7
Operating lease rentals:			
- Property	17	-	133
Auditor's remuneration:			
- Fees for the audit of the Company		45	17
- Audit related assurance services		70	73
- Other assurance services		5	5
- Non-audit services		7	6

Fees paid to the Company's auditor, KPMG LLP, and its group companies for services other than the audit related fees 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 plc, are required to disclose non-audit fees on a consolidated basis.

6 Staff costs

	2019	2018
Average number of staff	810	758
Company full-time equivalent staff	241	222

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

	2019 £ 000	2018 £ 000
Wages and salaries	8,461	9,623
Social security costs	1,100	1,089
Retirement benefit costs	582	452
Termination costs	14	365
Share-based payments	415	176
	<u>10,572</u>	<u>11,705</u>

Notes to the financial statements (continued)
for the year ended 30 September 2019

6 Staff costs (continued)

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

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 Business Solutions 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 2019; 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 2019.

The staff costs paid monthly by AJ Bell Business Solutions 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.

7 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Emoluments other than pension costs (excluding NI)	592	845
Retirement benefit costs	24	21
	<u>616</u>	<u>866</u>
Remuneration of highest paid director:		
Emoluments other than pension costs	110	319
	<u>110</u>	<u>319</u>

Notes to the financial statements (continued)
for the year ended 30 September 2019

7 Directors' remuneration (continued)

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

The amounts disclosed for the highest paid director represents 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.

8 Taxation

Tax charged in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK Corporation tax	4,611	2,971
Deferred taxation		
Origination and reversal of temporary differences	14	12
Effect from changes in tax rates	(2)	(1)
	<u>12</u>	<u>11</u>
Total tax expense	<u><u>4,623</u></u>	<u><u>2,982</u></u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK of 19% (2018: higher than the standard rate of corporation tax in the UK of 19%).

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

Notes to the financial statements (continued)
for the year ended 30 September 2019

8 Taxation (continued)

	2019 £ 000	2018 £ 000
Profit before tax	23,923	15,519
UK Corporation tax at 19% (2018: 19%)	4,545	2,949
Expenses not deductible for tax purposes	80	34
Effect of rate changes for deferred tax	(2)	(1)
	<u>4,623</u>	<u>2,982</u>

Corporation tax is calculated at 19% of the estimated assessable profit for the financial year (2018: 19%).

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

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

Deferred tax asset

	2019 £ 000	2018 £ 000
Opening balance	76	87
Charge to the income statement	(12)	(11)
Closing balance	<u>64</u>	<u>76</u>

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

The Company has recognised a deferred tax asset of £64,000 (2018: £76,000) in respect of other temporary differences based upon rates substantively enacted on 6 September 2016.

Notes to the financial statements (continued)
for the year ended 30 September 2019

9 Intangible assets

	Computer software £ 000
Cost or valuation	
As at 1 October 2018	<u>91</u>
As at 30 September 2019	<u>91</u>
Amortisation	
As at 1 October 2018	<u>91</u>
As at 30 September 2019	<u>91</u>
Carrying amount	
As at 30 September 2019	<u><u>-</u></u>
As at 30 September 2018	<u><u>-</u></u>

Notes to the financial statements (continued)
for the year ended 30 September 2019

10 Property, plant and equipment

	Computer equipment £ 000
Cost or valuation	
At 1 October 2018	149
Disposals	(106)
At 30 September 2019	<u>43</u>
Depreciation	
At 1 October 2018	135
Charge for the year	10
Eliminated on disposal	(104)
At 30 September 2019	<u>41</u>
Carrying amount	
At 30 September 2019	<u><u>2</u></u>
At 30 September 2018	<u><u>14</u></u>

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

11 Investments

	Shares in subsidiary undertakings £
Cost or valuation	
At 30 September 2018 and 30 September 2019	<u>1</u>
Carrying amount	
At 30 September 2018 and 30 September 2019	<u><u>1</u></u>

Investments comprise a 100% interest in the ordinary shares of Lawshare Nominees Limited. The Company was dormant during the current and prior year. The registered office of the Company is 4 Exchange Quay, Salford Quays, Manchester, M5 3EE.

Notes to the financial statements (continued)
for the year ended 30 September 2019

12 Trade and other receivables

	2019 £ 000	2018 £ 000
Due within one year:		
Trade receivables	623	182
Amounts owed by group undertakings	549	431
Other receivables	2,678	4,223
Prepayments	360	437
Accrued income	7,485	6,552
	<u>11,695</u>	<u>11,825</u>

The Directors consider that the carrying value of trade and other receivables approximates to their fair value.

Included in other receivables is £2,662,000 (2018: £4,203,000) due for client money requirements to meet settlement obligations and are payable on demand. 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.

Trade receivables are stated after provisions for impairment of £Nil (2018 : £Nil).

13 Cash and cash equivalents

	2019 £ 000	2018 £ 000
Cash and cash equivalents	<u>26,699</u>	<u>16,464</u>

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

Notes to the financial statements (continued)
for the year ended 30 September 2019

14 Trade and other payables

	2019 £ 000	2018 £ 000
Due within one year:		
Trade payables	137	57
Accruals	861	1,819
Deferred income	-	27
Amounts due to group undertakings	2,668	1,449
Other payables	333	313
	<u>3,999</u>	<u>3,665</u>

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.

15 Provisions

	Office dilapidations £ 000
At 1 October 2018	17
Provisions used	<u>(17)</u>
At 30 September 2019	<u>-</u>

The Company 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 represented the management's best estimate of the present value of costs which will ultimately be incurred in settling these obligations. Following the decision to relocate the stockbroking operations to the head office in Manchester, the lease on the property subsequently expired on 5 October 2018 and the provision was released in full during the year.

Notes to the financial statements (continued)
for the year ended 30 September 2019

16 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	2,924,558	2,924,558	2,924,558	2,924,558

17 Operating leases

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

	2019 £ 000	2018 £ 000
Operating leases which expire:		
Within one year	-	2

The Company leased the office Calverley House, 55 Calverley Rd, Tunbridge Wells TN1 2TU, under a non-cancellable operating lease agreement. The lease had a term of 10 years and expired on 5 October 2018.

18 Related party transactions

Details of Directors' remuneration are disclosed in note 7. There were no other transactions between Directors or members of their close family and the Company during the year that require disclosure within these financial statements.

19 Ultimate parent company and parent undertaking of larger group

The Company is a wholly owned subsidiary undertaking of AJ Bell plc which is the immediate and ultimate parent company.

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

Notes to the financial statements (continued)
for the year ended 30 September 2019

20 Post balance sheet events

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