AJ Bell Securities Limited

Annual Report and Financial Statements

for the year ended 30 September 2020

Company Registration No: 02723420

Contents

Company information

Directors	A J Bell
	M T Summersgill
	F J Lyons
	L Petherick
	C W Galbraith
	R J Stott
	M Tagari
	C B Robinson
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	BDO LLP 55 Baker Street Marylebone London W1U 7EU

Strategic report

For the year ended 30 September 2020

The Directors have pleasure in presenting their Strategic report for the year ended 30 September 2020.

Business review

In the year ended 30 September 2020 revenue increased to £70,645,000 (2019: £48,591,000) and operating profit increased to £39,026,000 (2019: £23,729,000).

The key driver of the growth in ad valorem revenue was the increase in AUA in the year in the platform business, despite the adverse impact of COVID-19 and other factors on market values, which resulted in the FTSE All-Share index closing the year 19% lower than 12 months earlier. The increase in transactional revenue was driven by higher levels of customer dealing activity, beginning in March and continuing throughout the year as customer engagement remained high.

Key business and financial information

The Company's key financial and other performance indicators for the year ended 30 September 2020 were as follows:

	Unit	2020	2019	Change
Revenue	£ 000	70,645	48,591	45%
Profit before taxation	£ 000	39,083	23,923	63%

Section 172 statement

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

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

The day-to-day management of the Company is delegated by the Directors to the members of the Group's executive management board (EMB), all of whom are Directors. The EMB exercise their respective delegated responsibilities within the confines of the risk and control framework set by the AJ Bell plc board for the Group. We consider that this simplified management structure more effectively enables the EMB to ensure that its governance responsibilities are properly discharged. The EMB sub-delegates certain authorities to the:

Section 172 statement (continued)

- Executive Management Assurance Committee, which has oversight responsibility for all assurance functions, including regulatory compliance and risk management, but excluding external and internal audit.
- Treasury Committee, which has delegated responsibility for the management of cash funds held on behalf of customers, as well as corporate funds, and the approval of panel banks, including those included on the panel for our new Cash savings hub.
- CASS Committee, which supports compliance with the FCA's client money rules by the individuals who have direct regulatory responsibility under the FCA's Senior Managers Certification Regime.

Certain key powers are retained by the Directors, as follows:

- the review of financial performance, including the consideration of the full-year results.
- the setting of dividend policy, including the declaration of dividends.
- the renewal of the delegation of its powers of day to day management of its business to the EMB.

In the performance of their duty to promote the success of the Company, the Directors, both in their capacity as Directors and as members of the EMB, have regard to a number of matters including the likely consequences of any decisions in the long term when looking at how they have considered the interests of key stakeholders in those decisions.

The Company is a subsidiary of AJ Bell plc, a premium listed entity which is subject to the 2018 UK Corporate Governance Code (UK Code). As a subsidiary, the Company is not directly subject to the UK Code, but does have its own corporate governance framework in place, as well as being subject to the oversight of the comprehensive corporate governance framework which operates across the Group. The members of the EMB are committed to maintaining high standards of business conduct and our culture encourages our people to act with integrity at all times. This is supported by Group wide policies and procedures which apply to the Company and includes whistleblowing arrangements which enable staff to raise concerns in confidence.

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

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

The table below sets out who our key stakeholders are, the key reasons we engage with them, the areas they have a material interest in and a brief summary of how the Company engaged with them in FY20, many of which were Group wide activities.

Strategic report (continued)
For the year ended 30 September 2020

Section 172 statement (continued)

Key stakeholders: Who are they and why do we engage with them?	What are their needs and material interests?	How have we engaged and considered their needs and material interests?	Outcomes and highlights
Our customers and their advisers Our customers include retail investors, financial advisers and wealth management companies. Our success is dependent on our ability to understand our customers' needs and develop appropriate products to meet those needs.	An investment platform for our customers and advisers that: • is secure, reliable and is easy to use; • provides a high-quality service and is low-cost; and helps them meet their long-term financial objectives.	*Customer services and websites* Our Investcentre and Youinvest teams have ongoing engagement with our customers and their advisers through telephone contacts, meetings, organised events and forums, newsletters and written communications. Our proposition websites are also an important medium to communicate with our customers and their advisers and obtain feedback on our products and services. Our investcentre website provides the tools for our advisers to help manage their retail customers' portfolios, whilst our Youinvest site assists customers at all stages of their investment cycle providing guidance and solutions through our AJ Bell funds, ready-made portfolios and favourite funds. Both via our websites and our customer services channels, we have given our customers the opportunity to nominate beneficiaries for our Wage War on COVID campaign. *Surveys* Customer and adviser surveys are conducted on an annual basis with the results analysed and reviewed at EMB level. Specific user groups also perform beta testing to provide further insight and feedback for us. This engagement and feedback informs the way in which we can best serve our customers and their advisers, both now and in the future. The expansion of our product ranges to offer the Retirement Investment Account to AJ Bell Investcentre customers and the Cash savings hub to our AJ Bell Youinvest customers this year, are two examples of the enhancements we have introduced in response to customer feedback.	• Increase in internal NPS from our annual adviser survey • Retirement Investment Account launched • Increase in customer satisfaction scores in our annual D2C customer survey • Cash savings hub launched

Strategic report (continued)

For the year ended 30 September 2020

Section 172 statement (continued)

Key stakeholders: Who are they and why do we engage with them?	What are their needs and material interests?	How have we engaged and considered their needs and material interests?	Outcomes and highlights
Our people Our people are the most important asset of our business. Our success is built on delivering a high-quality service through the skills and passion of our people who bring our values to life across the business.	A working environment for our people that: • facilitates their engagement at all levels; • provides them with development and progression opportunities; • promotes their physical and mental wellbeing; • promotes diversity and inclusion; • rewards them appropriately; and • encourages flexible working practices.	*Surveys, staff communications and feedback* We have an open, collaborative and inclusive management structure and engage regularly with our staff. We do this in a number of ways including our annual staff survey, appraisal process, our intranet site, company presentations and leadership breakfasts and our wellbeing programme. Regular 'town hall' talks for all our staff which provide an opportunity for staff to ask questions. In addition following positive feedback from the daily updates sent to staff during the height of the COVID-19 pandemic, we have enhanced the regular email updates on the business for staff. We also take feedback from our talent development, apprenticeship and training courses and as a result look to improve future training and development programmes. AJ Bell plc has a designated Non-Executive Director, Laura Carstensen who chairs our 'Employee Voice Forum'. Our employee representatives presented to the EMB on two key topics in the year, CSR and culture giving some valuable insights into what is important to our staff.	• 3* Best Companies rating • 89% response rate from 2020 annual survey • 'Employee Assistance Programme' launched to support the health and wellbeing of our people • 877 hours training delivered • 10 new apprentices taken on this year • Awarded Employer Provider status Two initiatives in progress following the engagement programmes with the Employee Voice Forum

Strategic report (continued)

For the year ended 30 September 2020

Section 172 statement (continued)

Key stakeholders: Who are they and why do we engage with them?	What are their needs and material interests?	How have we engaged and considered their needs and material interests?	Outcomes and highlights
Our other stakeholders Other stakeholders represent the local communities in which we operate as well as the wider environment, our suppliers and our regulators. As a socially-responsible business, we believe we have a responsibility to our local communities, wider society and our suppliers. We operate in a highly-regulated environment and engage with our regulators constructively.	Our other stakeholders want us to: • act as a responsible corporate citizen in all respects; and • conduct our business with integrity.	*Engaging with our suppliers* We continue to maintain and develop our business relationships, inviting key suppliers to present to the EMB and AJ Bell plc board. In addition to our normal due diligence processes, we ensure members of the management team have regular feedback sessions with representatives from our key suppliers. We ensure our payment terms are fair and we regularly report on our payment practices. *Engaging with our regulators* We regularly engage with the FCA on consultation papers and industry issues. In addition, we actively seek to lobby via public consultation and with policymakers where we see unfairness or unnecessary complexity. We have continued to engage on ISA simplification and the payment of pension death benefits this year. We engage with the FCA in an open and collaborative way. Our compliance team is primarily responsible for driving our regulatory compliance. *Engaging with our communities and wider society* We have a strong social conscience and look to support the communities in which we operate as well as encouraging our staff to give something back through charitable and volunteering activities. We have a strong history of engaging with our communities through a variety of activities, donations and promoting volunteering days. This year the Group covered two key initiatives: the Wage War on COVID campaign and the long-term CSR initiative which considered a range of stakeholder views prior to approval. Our CSR steering group, which is comprised of representatives from all levels of the business, oversees our key charitable, environmental and social activities.	• 30 day payment terms • Implemented the SM&CR • £380,000 raised through Wage War on COVID campaign across the Group • Long-term CSR initiative launched • 259 hours of staff volunteering • £9,000 raised by staff to support our local charities Carbon neutral status

Strategic report (continued)
For the year ended 30 September 2020

Principal risks and uncertainties

The risks are considered on a Group (AJ Bell group of companies) 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.

Risk	Potential impact	Mitigations
Strategic risk		
Competitor or market risk The risk that the Group fails to remain competitive in its peer group, due to lack of innovative products and services, increased competitor activity, regulatory expectations, and lack of marketing focus and spend to keep pace with competitors.	- Loss of competitive advantage, such that AUA and customer number targets are adversely impacted. This would have a negative impact on profitability. -Reputational damage as a result of underperformance and/or regulatory scrutiny.	The Group regularly reviews its products against competitors, in relation to pricing, functionality and service, and actively seeks to make enhancements where necessary to maintain or improve its competitive position in line with the Group's strategic objectives. The Group remains closely aligned with trade and industry bodies, and other policy makers across our market. The use of ongoing competitor analysis provides insight and an opportunity to adapt strategic direction in response to market conditions.
Operational risk		
Forward-looking regulatory and tax law risk The risk of changes to taxation legislation or regulatory restriction severely reducing our ability to operate.	- Non-compliance with regulation leading to customer detriment. - Financial loss due to reduction in customer numbers and/or fines from regulators. - Missed opportunities to achieve competitive advantage through the approach to implementation.	The Board is supported by a Risk and Compliance Committee, Executive Management Assurance Committee, and a Risk Management Committee in each of which all regulatory changes are reported and scrutinised as appropriate. Strong compliance policy and technical teams responsible for ensuring all applicable new rules and regulations, as well as changes to industry practice, are captured, interpreted and implemented appropriately.

Strategic report (continued)
For the year ended 30 September 2020

Principal risks and uncertainties (continued)

Risk	Potential impact	Mitigations
Regulatory and litigation risk The risk that the Group fails to comply with the existing standards of the regulatory system, including FCA, ICO, HMRC and European Regulations.	- Regulatory censure and/or fine. - Related negative publicity could reduce customer confidence and affect ability to generate new inflows. - Poor conduct could have a negative impact on customer outcomes, impacting the Group's ability to achieve strategic objectives.	The Group maintains a strong compliance culture geared towards positive customer outcomes and regulatory compliance. The compliance function is responsible for ensuring all standards of the regulatory system are being met by the Group. This is achieved by implementing policies and procedures across the business, raising awareness and developing an effective control environment through providing comprehensive training. Where appropriate, the compliance monitoring team conducts reviews to ensure a high standard of compliance has been embedded into the business.
Information security risk The threat of a vulnerability in the Group's infrastructure being exploited or user misuse that causes harm to service, data and/or an asset causing material business impact.	- Related negative publicity could damage customer and market confidence in the business, affecting our ability to attract and retain customers. - Information security breaches could result in fine/censure from regulators, such as ICO and FCA.	The Group continually reviews its cyber security position to ensure that it protects the confidentiality, integrity and availability of its network and the data that it holds. A defence in depth approach is in place with firewalls, web gateway, email gateway and anti-virus amongst the technologies deployed. Staff awareness is seen as being a key component of the layered defences, with regular updates, training and mock phishing exercises. Our security readiness is subject to independent assessment by a penetration testing partner that considers both production systems and development activities. This is supplemented by running a programme of weekly vulnerability scans to identify configuration issues and assess the effectiveness of the software patching schedule. The volume of cyber-attacks (particularly phishing) has increased since the onset of COVID-19,

Strategic report (continued)
For the year ended 30 September 2020

Principal risks and uncertainties (continued)

Risk	Potential impact	Mitigations
		however the Group's information security controls continue to operate effectively.
Fraud and financial crime risk 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.	- Loss of data or inability to maintain our systems, resulting in reputational damage through negative press exposure. - Potential customer detriment as customers are at risk of losing funds or personal data, which can subject them to further loss via other organisations. - Fraudulent activity leading to identity fraud and/or loss of customer holdings to fraudulent activity.	Extensive controls are in place to minimise the risk of fraud and financial crime. Policies and procedures, including mandatory anti-fraud training, are in place for all employees to aid the detection, prevention and reporting of internal fraud. The Group has an extensive recruitment process in place to screen potential employees. The Group actively maintains defences against a broad range of likely attacks by global actors, bringing together tools from well-known providers, external consultancy and internal expertise to create multiple layers of defence. The latter includes intelligence shared through participation in regulatory, industry and national cyber security networks. We regularly assess our maturity against an acknowledged security framework, which includes an ongoing programme of staff training and assessment through mock security exercises. There has been increase in fraud attempts and financial crime alerts, since the onset of COVID-19, however the Group's fraud and financial controls continue to operate effectively and no fraud and financial crime losses have materialised since the onset of COVID-19.

Strategic report (continued)
For the year ended 30 September 2020

Principal risks and uncertainties (continued)

Risk	Potential impact	Mitigations
Third-party IT failure risk The risk that a third party provider materially fails to deliver the contracted services.	- Loss of service from a third party technology provider could have a negative impact on customer outcomes due to website unavailability, delays in receiving and/or processing customer transactions or interruptions to settlement and reconciliation processes. - Financial impact through increased operational losses. - Regulatory fine and/or censure.	To mitigate the risk posed by third party software suppliers, the Group continues to build strong partnerships with key suppliers, managing relationships day-to-day under formal governance structures, and monitoring performance against documented service standards to ensure their continued commitment to service, financial stability and viability. Performance metrics are discussed monthly with documented actions for any identified improvements. This is supplemented by attendance at formal user groups with other clients of the key suppliers, sharing experience and leveraging the strength of the user base. Where relevant and appropriate, annual financial due diligence on critical IT suppliers and on-site audits are also undertaken.
IT system performance, capacity and resilience risk The risk that the design, implementation and management of applications, infrastructure and services fail to meet current and future business requirements.	- The reliance on evolving technology remains crucial to the Group's effort to develop its services and enhance products. Prolonged underinvestment in technology will affect our ability to serve our customers and meet their needs. - Failing to deliver and manage a fit-for-purpose technology platform could have an adverse impact on customer outcomes and affect our ability to attract new customers. - IT failures may lead to financial or regulatory penalties, and reputational damage.	The Group continues to implement a programme of increasing annual investment in the technology platform. This is informed by recommendations that result from regular architectural reviews of applications and of the underpinning infrastructure and services. Daily monitoring routines provide oversight of performance and capacity, and regular reviews of those routines. Our rolling programme of both business continuity planning and testing, and single point of failure management, maintains our focus on the resilience of key systems in the event of an interruption to service.

Strategic report (continued)
For the year ended 30 September 2020

Principal risks and uncertainties (continued)

Risk	*Potential impact*	*Mitigations*
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 significant financial loss.	The Group has a comprehensive and tested business continuity management model. Agreements are in place with specialist suppliers for geographically remote disaster recovery facilities for all of its operations, including separate offsite IT recovery facilities. There is a rolling programme of testing of business continuity plans. The Group has successfully responded to the changes to its operating model, caused by a shift in employees working from home during the COVID-19 pandemic. Social distancing measures have been employed in order to maintain office working capability. Working from home guidance and mental health guidance has been issued to all colleagues.
Operational capability risk The risk that, due to unexpectedly high volumes and/or levels of change activity, the Group is unable to process work within agreed service levels and/or to an acceptable quality for a sustained period.	- A decline in the quality of work will have a financial impact through increased operational losses. - Unexpectedly high volumes coupled with staff recruitment and retention issues could lead to poor customer outcomes and reputational damage.	The Group focuses on increasing the effectiveness of its operational procedures and, through its business improvement function, aims to improve and automate more of its processes. This reduces the need for manual intervention and the potential for errors. There is an on-going programme to train staff on multiple operational functions. Diversifying the workforce enables the business to deploy staff when high work volumes are experienced. Causes of increased volumes of work, for example competitor behaviour, are closely monitored in order to plan resource effectively. The Group maintains succession plans for key members of management and has also sought to mitigate this risk by facilitating equity ownership for senior employees through various share schemes and the development of a staff engagement strategy.

Strategic report (continued)
For the year ended 30 September 2020

Principal risks and uncertainties (continued)

Risk	Potential impact	Mitigations
Financial control environment risk The risk that the financial control environment is weak. This includes the risk of loss to the business, or its customers, because of either the actions of an associated third-party or the misconduct of an employee.	- Reputational damage with regulators, leading to increased capital requirement. - Customer detriment damaging the AJ Bell brand. - Increased expenditure in order to compensate customers for loss incurred.	The Group's financial control and fraud prevention policies and procedures are designed to ensure that the risk of fraudulent access to customer or corporate accounts is minimised. Anti-fraud training is provided to all members of staff who act as first line of defence to facilitate early detection of potentially fraudulent activity. Strong technology controls are in place to identify potential money laundering activity or market abuse.
Retail conflicts / conduct risk The risk that the fair treatment of customers is not central to the Group's corporate culture.	- Poor conduct could have a negative effect on customer outcomes, impacting the growth of our business. - Reputational damage resulting from poor levels of customer service. - Additional regulatory scrutiny and financial loss.	The Group's customer focus is founded on our guiding principles, which drive the culture of the business and ensure customers remain at the heart of everything we do. Training on the importance and awareness of the delivery of good customer outcomes is provided to all staff on a regular basis. The Group continues to focus on enhancements to its risk management framework, in relation to the identification, monitoring and mitigation of risks of poor customer outcomes, and to its product management process to reduce the potential for customer detriment. All developments are assessed for potential poor customer outcomes, and mitigating actions are delivered alongside the developments as appropriate.

Strategic report (continued)
For the year ended 30 September 2020

Principal risks and uncertainties (continued)

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

Strategic report (continued)
For the year ended 30 September 2020

Principal risks and uncertainties (continued)

Risk	Potential impact	Mitigations
		banks currently used by the Group are detailed in note 24 to the consolidated financial statements. With regard to trade receivables, the Group has implemented procedures that require appropriate credit or alternative checks on potential customers before business is undertaken. This has minimised credit risk in this area. Since the onset of COVID-19 the risk of generic bank failure has increased, particularly for less well capitalised banks and those with lower credit ratings. The Group will maintain its existing strategy of diversification to ensure acceptable exposure across a wide range of well capitalised banks with appropriate credit ratings. It will continue to regularly monitor its level of exposure and to assess the financial strength of its banking counterparties.
Liquidity risk The risk that the Group suffers significant settlement default or otherwise suffers major liquidity problems or issues of liquidity deficiency which severely impact on the Group's reputation in the markets. The risk that the Group does not have available readily realisable financial resources to enable it to meet its obligations as they fall due, or can only secure such resources at excessive cost.	- Reputational damage. - Potential customer detriment. - Financial loss. - Unable to meet obligations as they fall due.	The Group has robust systems and controls, and monitors all legal entities to ensure they have sufficient funds to meet their liabilities as they fall due. Since the onset of COVID-19, increased market volatility has increased daily cash settlement activity and associated liquidity risk. The Group continues to monitor trade settlement on both an intra-day and daily basis. The Group continues to be a highly cash-generative business and to maintain sufficient cash and standby banking facilities to fund its foreseeable trading requirements.

Strategic report (continued)
for the year ended 30 September 2020

By order of the Board of Directors on 16 December 2020 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 2020

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 2020.

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 2020 was £31,546,000 (2019: £19,300,000). A dividend of £18,900,000 was paid during the year (2019: £10,000,000).

Outlook

The focus for the year ending 30 September 2021 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

M Tagari

C B Robinson - Company secretary and director

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 114 of the AJ Bell plc 2020 Annual Report and Consolidated Financial Statements.

Directors' report (continued)
for the year ended 30 September 2020

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

There have been no events occurring between the reporting date and the date of approval of these financial statements as disclosed in note 18.

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, including those posed by COVID-19, 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

BDO LLP were appointed as the Company's auditors during the period.

Following the approval by shareholders at the AGM of AJ Bell plc, the Parent Company, held on 22 January 2020, BDO LLP were appointed as the Company's auditors.

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

Directors' report (continued)
for the year ended 30 September 2020

By order of the Board of Directors on 16 December 2020 and signed on its behalf by:

CBRobinson

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 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards, comprising FRS 101, 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 30 September 2020, which comprise the Income statement, Statement of financial position, Statement of changes in equity, and Notes to the financial statements, including a summary of significant accounting policies in note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- *the information given in the strategic report and the directors' report for the financial year for which* the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities in respect of the Strategic report, Directors' report and financial statements set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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.

Neil Fung-On (Senior Statutory Auditor)
for and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

17 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income statement
for the year ended 30 September 2020

	Note	2020 £ 000	2019 £ 000
Revenue	4	70,645	48,591
Administrative expenses		(31,619)	(24,862)
Operating profit		39,026	23,729
Investment income		57	194
Profit before tax	5	39,083	23,923
Tax expense	8	(7,537)	(4,623)
Profit for the year		31,546	19,300

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 27 to 44 form an integral part of these financial statements.

Statement of financial position
as at 30 September 2020

	Note	2020 £ 000	2019 £ 000
Non-current assets			
Property, plant and equipment	10	-	2
Deferred tax asset	8	59	64
		59	66
Current assets			
Trade and other receivables	12	16,363	11,695
Cash and cash equivalents	13	33,658	26,699
		50,021	38,394
Total assets		**50,080**	38,460
Current Liabilities			
Trade and other payables	14	(2,583)	(3,999)
Current tax liabilities		(874)	(1,111)
		(3,457)	(5,110)
Net current assets		**46,564**	33,284
Net assets		**46,623**	33,350
Equity			
Share capital	15	2,925	2,925
Share premium account		295	295
Capital redemption reserve		10	10
Retained earnings		43,393	30,120
Total equity		**46,623**	33,350

These financial statements were approved by the Board of Directors and authorised for issue on 16 December 2020 and signed on its behalf by:

....

M T Summersgill (Director)

The notes on pages 27 to 44 form an integral part of these financial statements.

Statement of changes in equity
for the year ended 30 September 2020

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total equity £ 000
Balance at 1 October 2019	2,925	295	10	30,120	33,350
Total comprehensive income for the year:					
Profit for the year	-	-	-	31,546	31,546
Transactions with owners, recorded directly in equity:					
Dividends	-	-	-	(18,900)	(18,900)
Capital contribution for share-based payment transactions	-	-	-	627	627
Balance at 30 September 2020	2,925	295	10	43,393	46,623

The notes on pages 27 to 44 form an integral part of these financial statements.

Statement of changes in equity (continued)
for the year ended 30 September 2020

	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	20,404	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 27 to 44 form an integral part of these financial statements.

Notes to the financial statements
for the year ended 30 September 2020

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 2020

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, amendments and interpretations that are relevant to the Company became effective during the year but have not had a material impact on the Company and so have not been discussed in detail in the notes to the financial statements:

		Effective for periods commencing
IFRS 16	Leases	1 Jan 2019
IFRIC 23	Uncertainty over income tax treatments	1 Jan 2019
IAS 1 and IAS 8	Definition of material	1 Jan 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, considering the impacts of the COVID-19 pandemic, covering a significant reduction in equity market values and negative Bank of England base interest rates 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

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 custody fees and retained interest income provided by the Company and is recognised evenly over the period in which the related service is provided.

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.

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

2.6 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 *Significant accounting policies (continued)*

2.7 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 management's 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. Due to the recent listing of the Parent Company in December 2018, share price volatility has been estimated as the average volatility applying to a comparable group of listed companies.

2.8 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 Significant accounting policies (continued)

2.9 Taxation

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

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

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

• the initial recognition of goodwill; or

• investments in subsidiaries to the extent that the 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 an asset and liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting nor taxable profit or loss.

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

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

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

2.10 Dividends

Dividend distributions to the Company's shareholder 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 *Significant accounting policies (continued)*

2.11 Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment (see note 2.14).

2.12 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.

2.13 Property, plant and equipment

All property, plant and equipment is stated at cost, which includes directly attributable acquisition costs, less accumulated depreciation and any recognised impairment losses. Depreciation is provided on all property, plant and equipment 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 2020

2 Significant accounting policies (continued)

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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 Significant accounting policies (continued)

2.19 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 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. The Company considers a trade receivable to be in default when it is past due by more than 90 days, or when the value of a client's receivable balance exceeds the value of the assets they hold with AJ Bell.

2 Significant accounting policies (continued)

2.19 Financial instruments (continued)

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

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

Financial liabilities

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

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.

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.

Notes to the financial statements (continued)
for the year ended 30 September 2020

4 Revenue

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

	2020 £ 000	2019 £ 000
Recurring	47,034	36,793
Transactional	23,611	11,798
	70,645	48,591

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

5 Profit before tax

Profit before taxation is stated after charging:

	Note	2020 £ 000	2019 £ 000
Staff costs	6	14,130	10,572
Depreciation of property, plant and equipment	10	2	10
Loss on disposal of property, plant and equipment		-	2
Auditor's remuneration:			
- Fees for the audit of the Company		30	45
- Audit related assurance services		50	70
- Other assurance services		5	5
- Non-audit services		-	7

Fees paid to the Company's auditor, BDO 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

	2020	**2019**
Average number of staff	879	810
Company full-time equivalent staff	297	241

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

	2020 **£ 000**	**2019** **£ 000**
Wages and salaries	11,351	8,461
Social security costs	1,268	1,100
Retirement benefit costs	883	582
Termination costs	1	14
Share-based payments	627	415
	14,130	10,572

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 2020; 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 2020.

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:

	2020 £ 000	2019 £ 000
Emoluments other than pension costs (excluding NI)	793	592
Retirement benefit costs	11	24
	804	616

Remuneration of highest paid director:		
Emoluments other than pension costs	190	110
	190	110

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.

8 Taxation

Tax charged in the income statement

	2020 £ 000	2019 £ 000
Current taxation		
UK Corporation tax	7,532	4,611
Deferred taxation		
Origination and reversal of temporary differences	13	14
Effect from changes in tax rates	(8)	(2)
	5	12
Total tax expense	7,537	4,623

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK of 19% (2019: 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:

	2020 £ 000	2019 £ 000
Profit before tax	39,083	23,923
UK Corporation tax at 19% (2019: 19%)	7,426	4,545
Expenses not deductible for tax purposes	119	80
Effect of rate changes for deferred tax	(8)	(2)
	7,537	4,623

8 Taxation (continued)

Corporation tax is calculated at 19% of the estimated assessable profit for the financial year (2019: 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 exercising of share options which is not under our control. Following the enactment of Finance Act 2020 the standard UK corporation tax rate will now remain at 19% rather than reducing to 17%. Accordingly, the Company's profits for this accounting year are taxed at 19%.

Deferred tax asset

	2020 £ 000	2019 £ 000
Opening balance	64	76
Charge to the income statement	(5)	(12)
Closing balance	59	64

Deferred tax has been recognised at 19% (2019: 17%), being the rate at which the deferred tax assets are expected to reverse.

The Company has recognised a deferred tax asset of £59,000 (2019: £64,000) in respect of other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered.

9 Intangible assets

	Computer software £ 000
Cost or valuation	
At 1 October 2019 and at 30 September 2020	91
Amortisation	
At 1 October 2019 and at 30 September 2020	91
Carrying amount	
At 1 October 2019 and at 30 September 2020	-

10 Property, plant and equipment

	Computer equipment £ 000
Cost or valuation	
At 1 October 2019 and at 30 September 2020	43
Depreciation	
At 1 October 2019	41
Charge for the year	2
At 30 September 2020	43
Carrying amount	
At 30 September 2020	-
At 30 September 2019	2

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

Notes to the financial statements (continued)
for the year ended 30 September 2020

11 Investments

	Shares in subsidiary undertakings £
Cost or valuation	
At 30 September 2019 and 30 September 2020	1
Carrying amount	
At 30 September 2019 and 30 September 2020	1

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.

12 Trade and other receivables

	2020 £ 000	2019 £ 000
Due within one year:		
Trade receivables	356	623
Amounts owed by group undertakings	168	549
Prepayments	225	360
Accrued income	11,103	7,485
Other receivables	4,511	2,678
	16,363	11,695

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

Included in other receivables is £4,500,000 (2019: £2,662,000) 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 (2019 : £Nil).

No contract assets have been recognised in the year (2019: £Nil).

Notes to the financial statements (continued)
for the year ended 30 September 2020

13 Cash and cash equivalents

	2020 £ 000	2019 £ 000
Cash and cash equivalents	33,658	26,699

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

14 Trade and other payables

	2020 £ 000	2019 £ 000
Due within one year:		
Trade payables	89	137
Accruals	1,302	861
Amounts due to group undertakings	854	2,668
Other payables	338	333
	2,583	3,999

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 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	2,924,558	2,924,558	2,924,558	2,924,558

Notes to the financial statements (continued)
for the year ended 30 September 2020

16 Related party transactions

Details of Directors' remuneration are disclosed in note 7. During the year there were no material transactions or balances between the Company and its Directors or members of their close families, other than noted below.

Transactions with directors:

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

17 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.

18 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.