

**AFH INDEPENDENT FINANCIAL SERVICES LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2012**



# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	A Brown A Hudson A James
<b>Secretary</b>	A Brown
<b>Company number</b>	04049180
<b>Registered office</b>	AFH House Stoke Heath Bromsgrove Worcestershire B60 4JE
<b>Auditors</b>	Baldwins (Stourbridge) Ltd 1st Floor Copthall House 1 New Road Stourbridge West Midlands DY8 1PH

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# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

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# **AFH INDEPENDENT FINANCIAL SERVICES LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 OCTOBER 2012**

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The directors present their report and financial statements for the year ended 31 October 2012

### **Principal activities and review of the business**

The principal activity of the company continued to be that of independent financial advisers

### **Results and dividends**

The results for the year are set out on page 5

### **Directors**

The following directors have held office since 1 November 2011

A Brown  
A Hudson  
A James

### **Auditors**

The auditors, Baldwins (Stourbridge) Ltd, are deemed to be reappointed under section 487(2) of the Companies Act 2006

### **Statement of directors' responsibilities**

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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

# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## DIRECTORS' REPORT (CONTINUED)


**FOR THE YEAR ENDED 31 OCTOBER 2012**

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### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

A handwritten signature in black ink, appearing to read 'A Brown', with a large, sweeping flourish extending to the right.

A Brown

Secretary

22 March 2013

# **AFH INDEPENDENT FINANCIAL SERVICES LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF AFH INDEPENDENT FINANCIAL SERVICES LIMITED**

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We have audited the financial statements of AFH Independent Financial Services Limited for the year ended 31 October 2012 set out on pages 5 to 16. 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).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 October 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

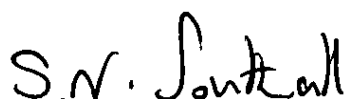
### TO THE MEMBERS OF AFH INDEPENDENT FINANCIAL SERVICES LIMITED

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

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

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



Mr S N Southall (Senior Statutory Auditor)  
for and on behalf of Baldwins (Stourbridge) Ltd

25 March 2013

Chartered Certified Accountants  
Statutory Auditor

1st Floor  
Copthall House  
1 New Road  
Stourbridge  
West Midlands  
DY8 1PH

# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 2012

	Notes	Year ended 31 October 2012 £	Year ended 31 October 2011 £
Turnover	2	7,200,950	5,369,641
Cost of sales		(3,512,227)	(2,730,826)
Gross profit		3,688,723	2,638,815
Administrative expenses		(2,583,072)	(1,824,964)
Operating profit	3	1,105,651	813,851
Interest payable and similar charges	4	-	(219)
Profit on ordinary activities before taxation		1,105,651	813,632
Tax on profit on ordinary activities	5	(131,480)	(169,285)
Profit for the year	12	974,171	644,347

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account



# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## BALANCE SHEET

AS AT 31 OCTOBER 2012

	Notes	2012 £	£	2011 £	£
<b>Fixed assets</b>					
Tangible assets	7		96,887		60,402
<b>Current assets</b>					
Debtors	8	2,101,623		1,493,055	
Cash at bank and in hand		137,049		148,112	
		<u>2,238,672</u>		<u>1,641,167</u>	
<b>Creditors amounts falling due within one year</b>	9	<u>(1,475,188)</u>		<u>(1,068,005)</u>	
<b>Net current assets</b>			763,484		573,162
<b>Total assets less current liabilities</b>			860,371		633,564
<b>Provisions for liabilities</b>	10		(15,681)		(13,045)
			<u>844,690</u>		<u>620,519</u>
<b>Capital and reserves</b>					
Called up share capital	11		170,100		170,100
Profit and loss account	12		674,590		450,419
<b>Shareholders' funds</b>	13		<u>844,690</u>		<u>620,519</u>

Approved by the Board and authorised for issue on 22 March 2013

  
A Hudson  
Director

Company Registration No. 04049180

# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2012

	Year ended 31 October 2012 £	Year ended 31 October 2011 £
Net cash inflow from operating activities	965,733	931,047
Returns on investments and servicing of finance		
Interest paid	-	(219)
Net cash outflow for returns on investments and servicing of finance	-	(219)
Taxation	(172,686)	(149,107)
Capital expenditure		
Payments to acquire tangible assets	(54,110)	(23,681)
Net cash outflow for capital expenditure	(54,110)	(23,681)
Equity dividends paid	(750,000)	(820,000)
Net cash outflow before management of liquid resources and financing	(11,063)	(61,960)
Increase in cash in the year	(11,063)	(61,960)

# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2012

<b>1 Reconciliation of operating profit to net cash outflow from operating activities</b>	<b>2012</b>	<b>2011</b>		
	<b>£</b>	<b>£</b>		
Operating profit	1,105,651	813,851		
Depreciation of tangible assets	17,626	13,540		
(Increase)/decrease in debtors	(608,568)	74,610		
Increase in creditors within one year	451,024	29,046		
	<hr/>	<hr/>		
<b>Net cash inflow from operating activities</b>	<b>965,733</b>	<b>931,047</b>		
	<hr/>	<hr/>		
<b>2 Analysis of net funds</b>	<b>1 November 2011</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>31 October 2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Net cash				
Cash at bank and in hand	148,112	(11,063)	-	137,049
	<hr/>	<hr/>	<hr/>	<hr/>
Bank deposits	-	-	-	-
<b>Net funds</b>	<b>148,112</b>	<b>(11,063)</b>	<b>-</b>	<b>137,049</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>3 Reconciliation of net cash flow to movement in net funds</b>	<b>2012</b>	<b>2011</b>		
	<b>£</b>	<b>£</b>		
Decrease in cash in the year	(11,063)	(61,960)		
	<hr/>	<hr/>		
<b>Movement in net funds in the year</b>	<b>(11,063)</b>	<b>(61,960)</b>		
Opening net funds	148,112	210,072		
	<hr/>	<hr/>		
<b>Closing net funds</b>	<b>137,049</b>	<b>148,112</b>		
	<hr/>	<hr/>		

# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2012

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

#### 1.3 Turnover

Turnover represents commissions and fees receivable in relation to the Company's role as independent financial advisors

#### 1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Computer equipment	25% on reducing balance
Fixtures, fittings & equipment	20% on reducing balance

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

#### 1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

#### 1.6 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable

#### 1.7 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted

#### 1.8 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of AFH Financial Group Plc, a company incorporated in England & Wales, and is included in the consolidated accounts of that company

### 2 Turnover

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

# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2012

3	Operating profit	2012	2011
		£	£
	Operating profit is stated after charging		
	Depreciation of tangible assets	17,626	13,540
	Operating lease rentals	195,411	156,143
		<u>          </u>	<u>          </u>
	<b>Auditors' remuneration</b>		
	Fees payable to the company's auditor for the audit of the company's annual accounts	7,200	12,000
	Taxation	-	480
		<u>          </u>	<u>          </u>
		7,200	12,480
		<u>          </u>	<u>          </u>
4	Interest payable	2012	2011
		£	£
	On overdue tax	-	219
		<u>          </u>	<u>          </u>

# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2012

5	Taxation	2012 £	2011 £
	<b>Domestic current year tax</b>		
	U K corporation tax	128,844	172,686
	Adjustment for prior years	-	(6,330)
	<b>Total current tax</b>	<u>128,844</u>	<u>166,356</u>
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	2,636	2,929
		<u>131,480</u>	<u>169,285</u>
	<b>Factors affecting the tax charge for the period</b>		
	Profit on ordinary activities before taxation	<u>1,105,651</u>	<u>813,632</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.83% (2011 - 26.83%)	<u>274,533</u>	<u>218,297</u>
	Effects of		
	Non deductible expenses	698	1,267
	Depreciation add back	4,376	3,633
	Capital allowances	(8,409)	(7,112)
	Tax losses utilised	(142,354)	(43,399)
	Adjustments to previous periods	-	(6,330)
		<u>(145,689)</u>	<u>(51,941)</u>
	<b>Current tax charge for the period</b>	<u>128,844</u>	<u>166,356</u>
6	<b>Dividends</b>	<b>2012 £</b>	<b>2011 £</b>
	Ordinary interim paid	<u>750,000</u>	<u>820,000</u>

# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2012

### 7 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>			
At 1 November 2011	57,276	63,526	120,802
Additions	32,703	21,407	54,110
At 31 October 2012	89,979	84,933	174,912
<b>Depreciation</b>			
At 1 November 2011	28,699	31,699	60,398
Charge for the year	10,521	7,106	17,627
At 31 October 2012	39,220	38,805	78,025
<b>Net book value</b>			
At 31 October 2012	50,759	46,128	96,887
At 31 October 2011	28,576	31,826	60,402

### 8 Debtors

	2012 £	2011 £
Trade debtors	1,527,386	753,334
Amounts owed by participating interests	306,149	558,012
Other debtors	89,049	67,749
Prepayments and accrued income	179,039	113,960
	2,101,623	1,493,055

# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2012

9	Creditors' amounts falling due within one year	2012 £	2011 £
	Trade creditors	154,825	114,513
	Corporation tax	128,844	172,686
	Other taxes and social security costs	59,169	26,324
	Directors' current accounts	-	4,597
	Other creditors	1,012,398	715,244
	Accruals and deferred income	119,952	34,641
		<u>1,475,188</u>	<u>1,068,005</u>

### 10 Provisions for liabilities

Deferred tax  
liability  
£

Balance at 1 November 2011	13,045
Profit and loss account	2,636
Balance at 31 October 2012	<u>15,681</u>

The deferred tax liability is made up as follows.

	2012 £	2011 £
Accelerated capital allowances	<u>15,681</u>	<u>13,045</u>

### 11 Share capital

	2012 £	2011 £
Allotted, called up and fully paid		
170,100 Ordinary shares of £1 each	<u>170,100</u>	<u>170,100</u>



# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2012

### 12 Statement of movements on profit and loss account

	Profit and loss account
	£
Balance at 1 November 2011	450,419
Profit for the period	974,171
Dividends paid	(750,000)
Balance at 31 October 2012	<u>674,590</u>

### 13 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit for the financial year	974,171	644,347
Dividends	(750,000)	(820,000)
Net addition to/(depletion in) shareholders' funds	<u>224,171</u>	<u>(175,653)</u>
Opening shareholders' funds	620,519	796,172
Closing shareholders' funds	<u>844,690</u>	<u>620,519</u>

### 14 Financial commitments

At 31 October 2012 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 October 2013

	Land and buildings	
	2012 £	2011 £
Operating leases which expire In over five years	<u>-</u>	<u>94,624</u>

### 15 Directors' remuneration

	2012 £	2011 £
Remuneration for qualifying services	<u>-</u>	<u>6,667</u>

# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2012

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### 16 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was

	2012 Number	2011 Number
Office	64	47

#### Employment costs

	2012 £	2011 £
Wages and salaries	1,469,833	917,024
Social security costs	136,302	79,192
	<u>1,606,135</u>	<u>996,216</u>

### 17 Control

The ultimate parent company and controlling party as at 31 October 2012 was AFH Financial Group Plc, a company incorporated in England and Wales

AFH Financial Group Plc owns 100% of the issued ordinary share capital of AFH Group Limited, which in turn owns 100% of the issued ordinary share capital of AFH Independent Financial Services Ltd

AFH Financial Group Plc prepares group financial statements and copies can be obtained from AFH House, Stoke Heath, Bromsgrove, Worcestershire, B60 4JE

# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2012

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#### 18 Related party relationships and transactions

At the balance sheet date there were loans due from/(to) fellow group companies as follows

	2012 £	2011 £
AFH Group Ltd	306,149	553,170
AFH SPV1 Ltd	(8,787)	(9,562)
AFH Financial Group Plc	(18,674)	4,842
AFH JV (Holdings) Ltd	-	203
Elgar Financial Ltd	(3,581)	-

During the period commissions were paid to related parties as follows

	2012 £	2011 £
Mercury House Financial Services Ltd	5,745	5,600
Holland House Financial Services Ltd	18,166	11,761
Groucott Moor Financial Services Ltd	26,614	35,279
Price Deacon Witham Financial Services Ltd	3,557	7,931
Swinford Independent Financial Advisors Ltd	12,031	24,365
Cotswold Financial Advisors Ltd	20,685	29,996
PPW Financial Services Ltd	28,930	30,679
Strand House Wealth Management Ltd	24,306	17,135
Bloomer Heaven Wealth Management Ltd	7,402	7,112
Lindasi Ltd	12,683	10,624
Broomfield & Alexander Wealth Management Ltd	27,835	-
Palmer Clark Financial Services Ltd	4,800	-

#### 19 Transactions with directors

During the period commissions of £38,892 (2011 - £30,481) were paid to the partnership "A & F Hudson"  
The director, Mr A Hudson, has a material interest in this partnership

# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2012

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		Year ended 31 October 2012		Year ended 31 October 2011
	£	£	£	£
<b>Turnover</b>				
Commissions receivable		7,200,950		5,369,641
<b>Cost of sales</b>				
Commissions payable	3,512,227		2,730,826	
		<u>(3,512,227)</u>		<u>(2,730,826)</u>
<b>Gross profit</b>	51 23%	3,688,723	49 14%	2,638,815
<b>Administrative expenses</b>		<u>(2,583,072)</u>		<u>(1,824,964)</u>
<b>Operating profit</b>		1,105,651		813,851
<b>Interest payable</b>				
Interest on overdue tax paid		-		(219)
<b>Profit before taxation</b>	15 35%	<u>1,105,651</u>	15 15%	<u>813,632</u>

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# AFH INDEPENDENT FINANCIAL SERVICES LIMITED

## SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 OCTOBER 2012

	Year ended 31 October 2012 £	Year ended 31 October 2011 £
<b>Administrative expenses</b>		
Wages and salaries (excl NI)	1,469,833	910,357
Directors' remuneration	-	6,667
Employer's NI contributions	136,302	79,192
Staff training and recruitment	94,204	50,078
Rent	195,411	156,143
Rates	36,409	37,128
Insurance	65,021	34,570
Light and heat	19,772	10,790
Repairs and maintenance	30,118	27,228
Printing, postage and stationery	62,025	47,800
Advertising	13,486	16,562
Telephone	22,087	22,911
Computer running costs	121,275	82,940
Hire of equipment	28,655	28,787
Motor and travel expenses	4,748	1,581
Entertaining	5,033	4,129
Legal and professional fees	26,128	23,283
Business and marketing fees	68,300	98,350
Management consultancy fees	41,000	81,000
Audit fees	7,200	12,000
Other non-audit fees	-	480
Bank charges	46	749
Credit card charges	27	21
Accountancy	5,044	50,220
Conferences and courses	8,471	9,204
FSA fees	76,631	90,437
FSA fees recovered	(67,330)	(83,772)
Sundry expenses	18,676	12,589
Office relocation costs	79,520	-
Inter company loan write off	(2,646)	-
Depreciation on fixtures & fittings	7,106	6,907
Depreciation on computer equipment	10,520	6,633
	<u>2,583,072</u>	<u>1,824,964</u>