

**AFH INDEPENDENT FINANCIAL
SERVICES LIMITED**

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 OCTOBER 2014

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AFH INDEPENDENT FINANCIAL SERVICES LIMITED

COMPANY INFORMATION

Directors

Mr A Hudson
Mrs A Brown
Miss A James

Secretary

Mrs A Brown

Company number

04049180

Registered office

AFH House
Buntsford Drive
Stoke Heath
Bromsgrove
Worcestershire
B60 4JE

Auditors

Baldwins (Stourbridge) Ltd
1st Floor
Copthall House
1 New Road
Stourbridge
West Midlands
DY8 1PH

AFH INDEPENDENT FINANCIAL SERVICES LIMITED

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AFH INDEPENDENT FINANCIAL SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2014

The directors present the strategic report and financial statements for the year ended 31 October 2014.

A review of the business, principal risks and uncertainties and key performance indicators has been performed at Group level and can be found within the consolidated accounts of AFH Financial Group Plc for the year ended 31 October 2014.

A handwritten signature in black ink, appearing to read 'A Brown', with a large, stylized loop at the end.

Mrs A Brown
Secretary

13 March 2015

AFH INDEPENDENT FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2014

The directors present their report and financial statements for the year ended 31 October 2014.

Principal activities

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

Directors

The following directors have held office since 1 November 2013:

Mr A Hudson
Mrs A Brown
Miss 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 Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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:

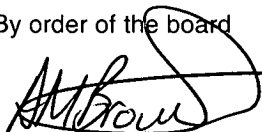
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

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



Mrs A Brown
Secretary

13 March 2015

AFH INDEPENDENT FINANCIAL SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFH INDEPENDENT FINANCIAL SERVICES LIMITED

We have audited the financial statements of AFH Independent Financial Services Limited for the year ended 31 October 2014 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 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 Strategic Report and 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

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

13th March 2015

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 2014

	Notes	2014 £	2013 £
Turnover	2	12,732,576	10,227,854
Cost of sales		(5,993,524)	(4,861,257)
Gross profit		6,739,052	5,366,597
Administrative expenses		(4,885,112)	(3,536,341)
Other operating income		9,755	-
Operating profit	3	1,863,695	1,830,256
Other interest receivable and similar income	4	287	99
Interest payable and similar charges	5	(17)	(8)
Profit on ordinary activities before taxation		1,863,965	1,830,347
Tax on profit on ordinary activities	6	(234,304)	(215,327)
Profit for the year	13	1,629,661	1,615,020

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 2014

	Notes	2014 £	£	2013 £	£
Fixed assets					
Tangible assets	8		196,491		144,782
Current assets					
Debtors	9	2,366,249		2,120,292	
Cash at bank and in hand		789,408		614,448	
		<u>3,155,657</u>		<u>2,734,740</u>	
Creditors: amounts falling due within one year	10	<u>(1,882,379)</u>		<u>(1,798,994)</u>	
Net current assets			1,273,278		935,746
Total assets less current liabilities			1,469,769		1,080,528
Provisions for liabilities	11		<u>(30,398)</u>		<u>(20,818)</u>
			<u>1,439,371</u>		<u>1,059,710</u>
Capital and reserves					
Called up share capital	12		170,100		170,100
Profit and loss account	13		1,269,271		889,610
Shareholders' funds	14		<u>1,439,371</u>		<u>1,059,710</u>

Approved by the Board and authorised for issue on 13 March 2015


Mr A Hudson
Director

Company Registration No. 04049180

AFH INDEPENDENT FINANCIAL SERVICES LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2014

	£	2014 £	£	2013 £
Net cash inflow from operating activities		1,810,106		2,130,692
Returns on investments and servicing of finance				
Interest received	287		99	
Interest paid	(17)		(8)	
Net cash inflow/(outflow) for returns on investments and servicing of finance		270		91
Taxation		(276,281)		(172,686)
Capital expenditure				
Payments to acquire tangible assets	(109,135)		(80,698)	
Net cash outflow for capital expenditure		(109,135)		(80,698)
Equity dividends paid		(1,250,000)		(1,400,000)
Net cash inflow/(outflow) before management of liquid resources and financing		174,960		477,399
(Decrease)/increase in cash in the year		174,960		477,399

AFH INDEPENDENT FINANCIAL SERVICES LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2014

1 Reconciliation of operating profit to net cash inflow from operating activities	2014	2013
	£	£
Operating profit	1,863,695	1,830,256
Depreciation of tangible assets	57,426	32,802
Increase in debtors	(245,957)	(18,669)
Increase in creditors within one year	134,942	286,303
Net cash inflow from operating activities	1,810,106	2,130,692

2 Analysis of net funds	1 November 2013	Cash flow	Other non-cash changes	31 October 2014
	£	£	£	£
Net cash:				
Cash at bank and in hand	614,448	174,960	-	789,408
Bank deposits	-	-	-	-
Net funds	614,448	174,960	-	789,408

3 Reconciliation of net cash flow to movement in net funds	2014	2013
	£	£
Increase/(decrease) in cash in the year	174,960	477,399
Movement in net funds in the year	174,960	477,399
Opening net funds	614,448	137,049
Closing net funds	789,408	614,448

AFH INDEPENDENT FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2014

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 cost
Fixtures, fittings & equipment	20% on cost

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 2014

3	Operating profit	2014	2013
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	57,426	32,802
	Operating lease rentals	218,997	249,651
	Fees payable to the company's auditor for the audit of the company's annual accounts	(12,000)	11,311
		<hr/>	<hr/>
 4	 Investment income	 2014	 2013
		£	£
	Bank interest	47	99
	Other	240	-
		<hr/>	<hr/>
		287	99
		<hr/>	<hr/>
 5	 Interest payable	 2014	 2013
		£	£
	On overdue tax	-	8
	Bank interest	17	-
		<hr/>	<hr/>

AFH INDEPENDENT FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

6	Taxation	2014 £	2013 £
	Domestic current year tax		
	U.K. corporation tax	224,724	210,190
	Total current tax	224,724	210,190
	Deferred tax		
	Origination and reversal of timing differences	9,580	5,137
		234,304	215,327
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	1,863,965	1,830,347
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2013 – 23.41%)	372,793	428,484
	Effects of:		
	Non deductible expenses	384	1,959
	Depreciation add back	12,535	7,679
	Capital allowances	(25,953)	(13,574)
	Tax losses utilised	(169,096)	(214,358)
	Other tax adjustments	34,061	-
		(148,069)	(218,294)
	Current tax charge for the year	224,724	210,190
7	Dividends	2014 £	2013 £
	Ordinary interim paid	1,250,000	1,400,000

AFH INDEPENDENT FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

8 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 November 2013	155,582	100,026	255,608
Additions	66,563	42,572	109,135
	<hr/>	<hr/>	<hr/>
At 31 October 2014	222,145	142,598	364,743
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 November 2013	59,370	51,456	110,826
Charge for the year	35,774	21,652	57,426
	<hr/>	<hr/>	<hr/>
At 31 October 2014	95,144	73,108	168,252
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 October 2014	127,001	69,490	196,491
	<hr/>	<hr/>	<hr/>
At 31 October 2013	96,212	48,570	144,782
	<hr/>	<hr/>	<hr/>

9 Debtors

	2014 £	2013 £
Trade debtors	1,682,136	1,915,619
Amounts owed by participating interests	478,011	13,026
Other debtors	51,871	106,316
Prepayments and accrued income	154,231	85,331
	<hr/>	<hr/>
	2,366,249	2,120,292
	<hr/>	<hr/>

10 Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	227,408	97,307
Amounts owed to participating interests	1,848	37,988
Corporation tax	114,791	166,348
Other taxes and social security costs	89,430	62,125
Directors' current accounts	-	249
Other creditors	1,441,200	1,403,786
Accruals and deferred income	7,702	31,191
	<hr/>	<hr/>
	1,882,379	1,798,994
	<hr/>	<hr/>

AFH INDEPENDENT FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

11 Provisions for liabilities

Deferred tax liability
£

Balance at 1 November 2013	20,818
Profit and loss account	9,580
	<hr/>
Balance at 31 October 2014	30,398
	<hr/>

The deferred tax liability is made up as follows:

	2014 £	2013 £
Accelerated capital allowances	30,398	20,818
	<hr/>	<hr/>

12 Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
170,100 Ordinary shares of £1 each	170,100	170,100
	<hr/>	<hr/>

13 Statement of movements on profit and loss account

Profit and loss account
£

Balance at 1 November 2013	889,610
Profit for the year	1,629,661
Dividends paid	(1,250,000)
	<hr/>
Balance at 31 October 2014	1,269,271
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AFH INDEPENDENT FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

14 Reconciliation of movements in shareholders' funds	2014 £	2013 £
Profit for the financial year	1,629,661	1,615,020
Dividends	(1,250,000)	(1,400,000)
Net addition to shareholders' funds	379,661	215,020
Opening shareholders' funds	1,059,710	844,690
Closing shareholders' funds	1,439,371	1,059,710

15 Employees

Number of employees

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

	2014 Number	2013 Number
Office	134	89

Employment costs

	2014 £	2013 £
Wages and salaries	3,130,373	2,182,353
Social security costs	285,204	194,780
	3,415,577	2,377,133

16 Financial commitments

At 31 October 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 October 2015:

	Other 2014 £	2013 £
Operating leases which expire:		
Within one year	48,569	484
Between two and five years	32,045	39,605
	80,614	40,089

AFH INDEPENDENT FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

17 Control

The ultimate parent company and controlling party as at 31 October 2014 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, a company incorporated in England and Wales, which in turn owns 100% of the issued ordinary share capital of AFH Independent Financial Services Limited,

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

18 Related party relationships and transactions

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

	2014 £	2013 £
AFH Group Ltd	478,011	(37,988)
AFH SPV1 Ltd	13	(107,144)
AFH Financial Group Plc	(1,848)	13,026
St Johns Asset Management Ltd	(1,408)	(8,320)
Shape Financial Ltd	6,711	3,637
AFH Legal Ltd	10,161	3,096
Origin Financial Ltd	(14,964)	-
AG Financial Planning Ltd	11,464	-

During the year the company paid a dividend of £1,250,000 (2013 - £1,400,000) to AFH Group Ltd.

During the period commissions were paid to related parties as follows:

	2014 £	2013 £
Mercury House Financial Services Ltd	6,745	7,274
Holland House Financial Services Ltd	4,009	9,066
Groucott Moor Financial Services Ltd	25,239	27,025
Price Deacon Witham Financial Services Ltd	4,744	7,538
Swinford Independent Financial Advisors Ltd	13,018	11,760
Cotswold Financial Advisors Ltd	23,861	21,487
PPW Financial Services Ltd	44,337	35,021
Strand House Wealth Management Ltd	21,072	25,862
Bloomer Heaven Wealth Management Ltd	3,075	3,586
Lindasi Ltd	11,283	17,421
Broomfield and Alexander Wealth Management Ltd	85,209	110,762
Palmer Clark Financial Services Ltd	2,421	3,422

AFH INDEPENDENT FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

19 Transactions with directors

During the period commissions of £40,836 (2013 - £18,012) 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 2014

		2014		2013
	£	£	£	£
Turnover				
Commissions receivable		12,732,576		10,227,854
Cost of sales				
Commissions payable	5,993,524		4,861,257	
		(5,993,524)		(4,861,257)
Gross profit	52.93%	6,739,052	52.47%	5,366,597
Administrative expenses		(4,885,112)		(3,536,341)
Other operating income:				
Rent receivable		9,755		
Operating profit		1,863,695		1,830,256
Other interest receivable and similar income				
Bank interest received		287		99
Interest payable				
Interest on overdue tax paid		(17)		(8)
Profit before taxation	14.64%	1,863,965	17.90%	1,830,347

AFH INDEPENDENT FINANCIAL SERVICES LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 OCTOBER 2014

	2014 £	2013 £
Administrative expenses		
Wages and salaries (excl. N.I.)	3,130,373	2,182,353
Employer's N.I. contributions	285,204	194,780
Staff training and recruitment	157,919	147,614
Rent	218,997	249,651
Rates	75,803	19,102
Insurance	108,479	85,086
Light and heat	5,736	4,503
Repairs and maintenance	32,312	27,484
Printing, postage and stationery	109,066	86,992
Advertising	3,840	11,265
Telephone	41,227	27,052
Computer running costs	253,501	152,408
Hire of equipment	73,286	44,051
Motor and travel expenses	24,837	7,760
Entertaining	11,663	7,714
Legal and professional fees	6,243	24,556
Business and marketing fees	173,486	63,024
Management consultancy fees	77,591	36,000
Audit fees	(12,000)	11,311
Bank charges	198	131
Credit card charges	32	147
Accountancy	6,304	6,151
Conferences and courses	2,752	12,669
FSA fees	2,794	18,531
VAT recoverable	(2,661)	(393)
Sundry expenses	40,704	63,193
Office relocation costs	-	20,404
Depreciation on fixtures & fittings	21,652	12,652
Depreciation on computer equipment	35,774	20,150
	<hr/> 4,885,112 <hr/>	<hr/> 3,536,341 <hr/>
