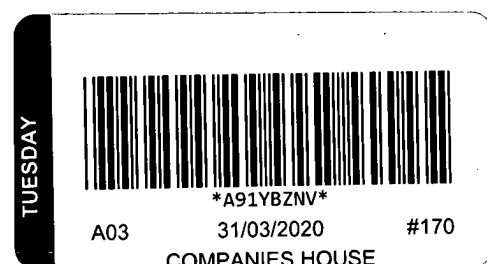


Company registration no. 04049180 (England and Wales)

AFH Independent Financial Services Limited

**Annual Report and Financial Statements
For the year ended 31 October 2019**



AFH Independent Financial Services Limited
Annual Report and Financial Statements

Contents

For the year ended 31 October 2019

	Page
Company Information	1
Strategic Report	2-5
Directors' Report	6-7
Statement of Directors' responsibilities	8
Independent Auditor's Report	9-11
Statement of Comprehensive Income	12
Statement of Financial Position	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15-23

AFH Independent Financial Services Limited
Annual Report and Financial Statements

Company Information

For the year ended 31 October 2019

Directors

Mr A Hudson

Mrs A Brown (resigned on 17 February 2020)

Mrs A Larvin

Mr P K Wright

Mr A Broad (appointed on 2 December 2019)

Secretary

Mrs A Brown

Auditors

Saffery Champness LLP

71 Queen Victoria Street

London

EC4V 4BE

Registered Office

AFH House

Buntsford Drive

Stoke Heath

Bromsgrove

Worcestershire

B60 4JE

Strategic Report

For the year ended 31 October 2019

The Directors submit their Strategic Report for AFH Independent Financial Services Limited for the year ended 31 October 2019.

PRINCIPAL ACTIVITIES

The company's principal activity is to provide financial planning led investment management services of the highest quality to clients who value a long term relationship, based on mutual trust and respect.

ECONOMIC ENVIRONMENT

As at the time of the signing of the financial statements the global Covid-19 epidemic is impacting on global stock markets, short term business confidence and UK companies' ability to continue normal trading conditions. We expect our recurring revenue to be impacted by global stock markets movements as the epidemic unfolds. However, many client assets are held in non-equity instruments and the impact of the markets on revenue is considerably diluted. The Directors are actively monitoring the position on a daily basis and reviewing cash flow forecasts. Following this crisis we expect there to be increased demand for financial planning services.

PRINCIPAL RISKS AND UNCERTAINTIES

Assessment of the principal risks and uncertainties and key performance indicators has been performed at Group level. The following section summarises the principal risks and uncertainties that the Company and the market in which we operate. The Board is responsible for assessing the principal risks and these are monitored by the Risk Committee under the Chairmanship of the Group Head of Risk.

Against each of the principal risks consideration is given to the Company's exposure and the extent to which the risk can be mitigated.

The Board considers other risks to the Company within four categories: - Conduct, Credit, Market and Operational. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance and its reputation arising from these risk areas.

The Key financial and non financial risks identified by the Board and the measures taken to mitigate their impact are:-

GDPR AND CYBER RISK

The failure or compromise of an IT system, whether internal or outsourced, could lead to disruption of services to clients, reputational damage and a negative impact on profitability.

The Company seeks to minimise this risk through close working relationships with our outsourced suppliers supported by appropriate Service Level Agreements against which performance is monitored. Business continuity arrangements are in place for our major technical services, many of which have been hosted in a cloud environment since 2016. We continue to monitor and enhance our existing cyber security capability in line with the increasing threat and work with third party partners to test and implement security protocols.

REDUCED MARKET YIELD RISK

In an environment where market forecasters are projecting lower yields in the future the Company may fail to deliver past levels of return to our clients.

Our business model is based on providing above average market returns whilst reducing the cost of investment for our clients thereby increasing the net yield from their portfolios. The Investment Committee includes external professionals who work with our research analysts to construct and manage portfolios appropriate to the risk and financial planning needs of our clients. Our discretionary clients' portfolios are managed on an ongoing basis to react to short term market fluctuations within the investment strategy set out by the Investment Committee.

Strategic Report

For the year ended 31 October 2019

ADVISER RECRUITMENT AND RETENTION RISK

Adviser recruitment and retention is an area of ongoing focus for the Company.

We employ a number of specialist managers within our Business Development and Training & Compliance teams to recruit and manage high quality advisers who adhere to the Company's client centric culture. AFH generated clients are matched to advisers based on relevant expertise and location to cement both clients and advisers within the Company community whilst our commercial structure encourages the retention of advisers.

REGULATORY, LEGISLATIVE AND TAX RISK

Regulatory, legislative or tax changes.

The risk of regulatory, legislative or tax changes cannot be easily mitigated. However, we actively engage with our regulators in an open and constructive manner. The Company employs appropriate expertise within the Risk and Technical teams to maintain an awareness of impending changes and where appropriate engages with independent experts to implement suitable processes. Internal management is augmented by scheduled external audits of our compliance function and processes. Our governance structure, implemented through committees and managed internally seeks to ensure that we remain compliant with evolving regulations.

ACQUISITIVE RISK

The acquisitive nature of our business risks importing advice liabilities and people into the Company who do not share our culture or standards.

The Company employs a full time acquisitions team who are responsible for the Due Diligence, contractual negotiations and integration of all acquisitions under the ultimate direction of the Chief Executive Officer. The Company adopt standard process questionnaires and contracts for acquisitions and always obtain full indemnities from each of the vendors in respect of any financial advice liability relating to the period before acquisition. The earn out model used by the Company provides a cash asset during the initial two years post acquisition against which any undisclosed liabilities can be offset. The cultural fit of vendors and their client base is examined during due diligence and formal induction courses are mandatory for joining advisers prior to completion of the acquisition.

INTEREST RATE RISK AND CASH FLOW RISK

There is a risk of higher interest and / or delay in cash receipts.

The Company manages its treasury function on a centralised basis. The main sources of revenue and operating cash flows are substantially independent of changes in market interest rates. The Company has significant interest-bearing assets on which it seeks to obtain a commercial rate of return from AA or above rated UK institutions whilst not having a material adverse effect on cash flow. There are no significant variable rate interest-bearing liabilities. The Board monitors both its regulatory requirements and cash flow forecasts on a regular basis and works with its professional advisers to ensure that appropriate funding is in place at all times.

It remains the Company strategy to ensure that sufficient equity funding has been raised to finance both the initial consideration and any additional cash requirement that could arise through deferred consideration relating to that acquisition in advance of any acquisition being completed.

CREDIT RISK

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as commercial transactions.

Credit risk is managed on a Company basis. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. The Company receives the majority of its income directly from blue chip financial institutions in accordance with instructions placed by its clients thereby minimising the risk of incurring bad debts.

Strategic Report

For the year ended 31 October 2019

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding and the ability to close out market positions.

The Company maintains flexibility by maintaining significant headroom in its cash position. Management monitors forecasts of the Company's liquidity on the basis of expected cash flows. This is carried out in accordance with recommended accounting practice and limits set by the Company. The Board reviews the Company's liquidity at its monthly meetings.

CAPITAL RISK

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an appropriate capital structure to reduce the cost of capital.

The Company monitors capital by maintaining or adjusting the capital structure by managing the level of dividends paid to shareholders, issuing new shares and unsecured securities or selling assets to maintain financial resources. The structure used by the Company to acquire businesses and business assets includes a significant level of unsecured debt that becomes payable on the achievement of certain revenue and profit targets. The capital employed by the Company is composed of equity attributable to the shareholders; CULS and long term unsecured corporate bonds, as detailed in the Statement of Changes in Equity together with the deferred liabilities arising of acquisitions.

KEY PERFORMANCE INDICATORS

The directors consider the key financial performance indicators ("KPIs") for the Company are as follows:

	5 Years Historic	Link to Strategy	Progress in 2019
Revenue –total income from all revenue streams	2015 £17.9m 2016 £22.9m 2017 £28.8m 2018 £38.5m 2019 £43.6m	<ul style="list-style-type: none"> Grow revenue through acquisition to expand national footprint and buying power Generate new and retain existing clients Increase productivity of advisers 	<ul style="list-style-type: none"> Total revenue increased by 13.31% Average adviser revenue grew to £240k Recurring income retained at 70%
Gross margin –revenue generated by the Company after fees paid to its advisors and other direct costs of sale	2015 56% 2016 56% 2017 55% 2018 55% 2019 52%	<ul style="list-style-type: none"> Profitability of advisory and investment services before central cost 	<ul style="list-style-type: none"> in line with strategy

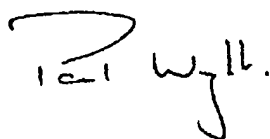
Strategic Report

For the year ended 31 October 2019

BUSINESS REVIEW

During the year the Company enjoyed strong revenue growth in spite of economic and political uncertainty with double digit growth in our funds under management. Gross revenue per adviser was above £240,000 (2018: £233,000). Total revenue for the year increased by 13.31% to £43.6 million (2018: £38.5 million), gross margins decreased slightly to 52% (2018: 55%). Post tax earnings decreased by 44% from £7.4 million to £4.1 million. The revenue growth have been a result of natural growth within the current client base and consolidation of the acquisitions the Company have made. The central costs have increased, reducing post tax earnings, while recurring revenue still goes through the acquired companies.

By order of the Board



Mr P K Wright

Director

20 March 2020

Directors' Report

For the year ended 31 October 2019

The Directors submit their report for AFH Independent Financial Services Limited for the year ended 31 October 2019.

DIRECTORS

The Directors who served the company during the year were as follows:

Mr A Hudson

Mrs A Brown (resigned on 17 February 2020)

Mrs A Larvin

Mr P Wright

Mr A Broad (appointed on 2 December 2019)

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £4,117,160 (2018: £7,408,182). The Directors issued a dividend for the year 31 October 2019 £5,000,000 (2018: £5,000,000).

DIRECTORS' INDEMNITY

The directors confirm that no qualifying third party indemnity provision in favour of any of the directors of the company, as defined by s236 of the Companies Act 2006, either by the company or by any other party, was in force at the time of signing of this report, and that no such provision had been in force at any time in the financial year.

ENVIRONMENTAL AND SAFETY CONSIDERATIONS

Commitment to safety is the company's first consideration. The number of accidents is the first key performance indicator reported on to group every month. Any accidents at the workplace are recorded, fully investigated and corrective action instigated at the earliest opportunity. Active communication and training campaigns are implemented and information is shared with the group. The company is fully involved in the group's Industrial Management System which aims to reduce both the incidence and the impact of accidents.

FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: market risk, including interest rate risk and cash flow risk, credit risk and liquidity risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance.

MARKET RISK, INTEREST RATE RISK AND CASH FLOW RISK

The Company's main sources of revenue and operating cash flows are substantially independent of changes in market interest rates. The Company has significant interest-bearing assets on which it seeks to obtain a commercial rate of return from AA or above rated UK institutions whilst not having a material adverse effect on cash flow. There are no significant variable rate interest-bearing liabilities.

DISABLED EMPLOYEES

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Directors' Report

For the year ended 31 October 2019

EMPLOYEE CONSULTATION

The Company involves employees in the running of the business through a strategic board and senior management team that works closely with management and staff members.

Employees are involved in an Employee forum where they can contribute ideas towards ways to improve the business, staff benefits and the working environment.

In line with government legislations the Company offers a companywide pension scheme, where staff have the option to opt out if they wish.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

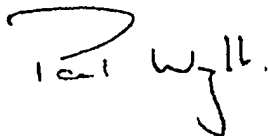
Each of the persons who are directors at the time when this Directors' report is approved had confirmed that:

- So far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- That director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

On the 17 July 2019, Saffery Champness LLP were appointed as auditors of the Group and its Subsidiaries replacing the previous auditors Mazars LLP.

A resolution proposing that Saffery Champness LLP be reappointed as auditors of the Group and its Subsidiaries will be put to the members at the Annual General Meeting.



Mr P K Wright

Director

20 March 2020

Statement of directors' responsibilities in respect of the financial statements

For the year ended 31 October 2019

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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 AFH Independent Financial Services Limited

For the year ended 31 October 2019

Opinion

We have audited the financial statements of AFH Independent Financial Services Limited for the period ended 31 October 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101, 'Reduced Disclosure Framework'.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2019 and its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101; 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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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.

Independent Auditor's Report to the members of AFH Independent Financial Services Limited

For the year ended 31 October 2019

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 Directors' Responsibilities Statement set out on page 5, 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.

Auditor's responsibilities for the audit of the financial statements

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.

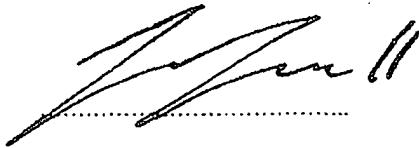
AFH Independent Financial Services Limited
Annual Report and Financial Statements

Independent Auditor's Report to the members of AFH
Independent Financial Services Limited

For the year ended 31 October 2019

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.



Jamie Cassell (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

24/3/2020

AFH Independent Financial Services Limited
Annual Report and Financial Statements

Statement of Comprehensive Income

For the year ended 31 October 2019

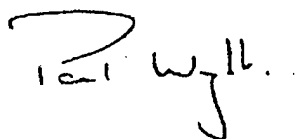
	Notes	2019 £	2018 £
Revenue	3	43,587,052	38,466,600
Cost of sales		(20,810,942)	(17,224,236)
Gross profit		22,776,110	21,242,364
Administration expenses		(17,698,707)	(12,191,505)
Other operating income		-	4,725
Operating profit	4	5,077,403	9,055,584
Finance costs	7	-	(6)
Finance income	8	5,156	5,329
Profit before taxation		5,082,559	9,060,907
Taxation	9	(965,399)	(1,652,725)
Profit for the year		4,117,160	7,408,182

Statement of Financial Position

For the year ended 31 October 2019

	Notes	2019 £	2018 £
ASSETS			
Current assets			
Trade and other receivables	11	11,489,423	10,392,196
Cash and cash equivalents		1,621,914	531,789
Corporation tax		876,300	-
		<u>13,987,637</u>	<u>10,923,985</u>
Total assets		<u>13,987,637</u>	<u>10,923,985</u>
LIABILITIES			
Current liabilities			
Trade and other payables	12	9,022,982	4,467,117
Corporation tax		-	609,373
Provisions		-	-
		<u>9,022,982</u>	<u>5,076,490</u>
Total liabilities		<u>9,022,982</u>	<u>5,076,490</u>
Net assets		<u>4,964,655</u>	<u>5,847,495</u>
EQUITY			
Share capital	13	170,100	170,100
Retained earnings		4,794,555	5,677,395
Total equity		<u>4,964,655</u>	<u>5,847,495</u>

The financial statements were approved by the Board of Directors and authorised for issue on 20 March 2020 and signed on their behalf by:



Mr P K Wright
Director

AFH Independent Financial Services Limited
Annual Report and Financial Statements

Statement of Changes in Equity

For the year ended 31 October 2019

	Share capital £	Retained earnings £	Total equity £
1 November 2017	170,100	3,269,213	3,439,313
Profit for the year	-	7,408,182	7,408,182
Other comprehensive income	-	-	-
Dividends Paid	-	(5,000,000)	(5,000,000)
Total comprehensive income	-	2,408,182	2,408,182
31 October 2018	170,100	5,677,395	5,847,495
Profit for the year	-	4,117,160	4,117,160
Other comprehensive income	-	-	-
Dividends Paid	-	(5,000,000)	(5,000,000)
Total comprehensive income	-	(882,840)	(882,840)
31 October 2019	170,100	4,794,555	4,964,655

Notes to the Financial Statements

For the year ended 31 October 2019

1. Corporate information

AFH Independent Financial Services Limited is a Company incorporated in England and Wales, limited by shares. The registered address of the Company is given on page 1. The principal operations of the Company are included in the strategic report on page 2.

2. Accounting policies

2.1. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the applicable provisions of the Companies Act 2006. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

The Company has taken advantage of the following exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8.

- (i) The requirement of IFRS 7 'Financial Instruments Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
- (ii) The requirement of IFRS 13 'Fair Value Measurement' paragraph 91 to 99 relating to the fair value measurement disclosure of financial assets and financial liabilities that are measured at fair value;
- (iv) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraph 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective;
- (v) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
- (vi) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d); 111 relating to the presentation of a Cash Flow Statement;
- (vii) The requirements of IAS 24 'Related Party Disclosures' relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the company and other wholly-owned subsidiaries of the group.

For the disclosure exemptions listed in points (i) to (vi), the equivalent disclosures are included in the consolidated financial statements of the group, AFH Financial Group Plc into which the Company is consolidated.

IFRS 15 has come into effect for this reporting period. As assessed and previously reported, the standard does not impact the revenue recognition treatment as the Group's income matches the satisfaction of any contractual performance obligations.

IFRS 16 has not yet been applied and is due to be implemented in the 2020 accounts. A project team is working to assess the implications for the Group. The Group will apply the modified retrospectively approach. Due to the nature of the Group's trade, the leases impacted will be property and capital leases i.e. photocopiers.

The disclosure note 15 shows the total commitment which is likely to capture all future assets under IFRS 16, with the exception of low value assets and those due in less than one year. Our current estimates suggest £85,490 will be presented as a cost below EBITDA.

Notes to the Financial Statements

For the year ended 31 October 2019

Basis of measurement

The financial statements have been prepared on the historical cost convention.

Going concern

As at the time of the signing of the financial statements the global Covid-19 epidemic is impacting on global stock markets, short term business confidence and UK companies' ability to continue normal trading conditions. We expect our recurring revenue to be impacted by global stock markets movements as the epidemic unfolds. However, many client assets are held in non-equity instruments and the impact of the markets on revenue is considerably diluted. The Directors are actively monitoring the position on a daily basis and reviewing cash flow forecasts. Following this crisis we expect there to be increased demand for financial planning services. At the date of signing, the Directors therefore consider that the Company has sufficient resources to continue trading for 12 months and therefore have presented the financial statements on a going concern basis.

Functional and presentational currency

The Company's functional currency is Sterling, as this is the currency of the primary economic environment of that which the Company operates. The financial statements are presented in Sterling.

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 2.8.

2.2. Revenue

Revenue is recognised in line with the requirements of IFRS 15 as contractual performance obligations are satisfied, as noted below by revenue stream. Revenue is measured at the fair value of the consideration received adjusted for clawbacks, allowance for impairment, discounts, rebates, and other sales taxes or duty.

— Initial Fee income

Fees are recognised as earned at the point when financial advice is provided.

— Ongoing Fee income

Fees are recognised as and when fees from the management of investments are earned.

— Investment management

Revenue is recognised as gross earned for the value of FUM held within the month.

— Protection income

Revenue is recognised as earned as the policy goes live and the fees from the policy are due. This income is recorded net of clawback provision.

— Interest income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Notes to the Financial Statements

For the year ended 31 October 2019

2.3. Income tax

Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). However, for deductible temporary differences associated with investments in subsidiaries a deferred tax asset is recognised when the temporary difference will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

2.4. Financial instruments

Financial assets carried at amortised cost

Financial assets are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus directly attributable transaction costs.

Financial assets carried at amortised cost are classified as loans and receivables and comprise trade and other receivables and cash and cash equivalents. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

Notes to the Financial Statements

For the year ended 31 October 2019

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

2.5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

2.6. Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period retained profits.

2.7. Leased assets

Operating leases

All leases are operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

2.8. Significant management judgements in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Company that have the most effect on the financial statements.

Recognition of accrued fee income

Management estimation is required to determine the amount of accrued revenue that can be recognised, fees are recognised as earned at the point when financial advice is provided and when fees from the management of investments are earned.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Determining residual values and useful economic lives of fixed assets

The Company depreciates tangible fixed assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

2.9. Changes in accounting policies

Standards, interpretations and amendments effective from 1 November 2018

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Group and which have not been applied in these financial statements, were in issue but were not yet effective. In some cases these standards and guidance have not been endorsed for use in the European Union.

Notes to the Financial Statements

For the year ended 31 October 2019

2.9. Changes in accounting policies (continued)

Standard	Effective date, annual period beginning on or after
IFRS 16 <i>Leases</i> (see disclosure above)	1 January 2019
IFRIC Interpretation 23 – <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Annual improvements 2015-2017 cycle	1 January 2019
Conceptual Framework and Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3 <i>Business Combinations</i>	1 January 2020
Amendments to IAS 1 and IAS 8: <i>Definition of Material</i>	1 January 2020

The directors are evaluating the impact that these standards will have on the financial statements of the Group.

3. Revenue

The revenue and profit before tax are attributable to the principal activity of the Company.

4. Operating profit

Operating profit is stated after:	2019	2018
	£	£
Operating lease rentals	<u>119,445</u>	<u>79,063</u>

The remuneration of the auditors has been borne by the ultimate parent entity for the current and prior year.

5. Directors' remuneration

During the years ended 31 October 2019 and 2018, Directors' costs were borne by AFH Financial Group Plc.

During the year ended 31 October 2019 1 (2018: 1) director was accruing retirement benefits under company pension schemes.

Notes to the Financial Statements

For the year ended 31 October 2019

6. Employees

Number of employees

The average monthly number of employees during the year was:

	2019 No.	2018 No.
Office and administration staff	404	302
	<u>404</u>	<u>302</u>

Employment costs

	2019 £	2018 £
Wages and salaries	10,277,675	8,737,760
Social security costs	1,010,930	839,193
Other pension costs	989,792	692,585
	<u>12,278,397</u>	<u>10,269,538</u>

7. Finance Costs

	2019 £	2018 £
Bank interest and charges	-	6
	<u>-</u>	<u>6</u>

8. Finance Income

	2019 £	2018 £
Bank interest	5,156	5,329
	<u>5,156</u>	<u>5,329</u>

Notes to the Financial Statements

For the year ended 31 October 2019

9. Taxation

	2019 £	2018 £
Tax for current year	965,399	1,578,123
Prior year adjustment	-	105,000
Total current tax expense	<u>965,399</u>	<u>1,683,123</u>
Deferred tax	-	(30,398)
Total tax expense	<u>965,399</u>	<u>1,652,725</u>

The tax rate used for the reconciliation is the corporate tax rate of 19.00% (2018: 19.00%) payable by the Company in the UK on taxable profits under UK tax law.

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

	2019 £	2018 £
Profit before taxation	<u>5,081,925</u>	<u>9,060,907</u>
Income tax calculated at 19.00% (2018: 19.00%)	965,566	1,721,572
Effect of expenses that are not deductible		
Tax losses utilised within the group	-	(152,598)
Other adjustments	(167)	9,149
Adjustments in respect of prior periods	-	105,000
Deferred tax asset release	-	(30,398)
Total tax expense	<u>965,399</u>	<u>1,652,725</u>

10. Dividends paid and proposed

During the year there were £5,000,000 dividends were paid to the company's immediate parent (2018: £5,000,000).

11. Trade and other receivables

	2019 £	2018 £
Trade receivables	5,274,076	4,434,509
Amounts owed by group undertakings	5,166,202	5,625,101
Prepayments and accrued income	<u>1,049,145</u>	<u>332,586</u>
	<u>11,489,423</u>	<u>10,392,196</u>

Notes to the Financial Statements

For the year ended 31 October 2019

Trade receivables include a £nil provision for bad debts (2018: £nil).

12. Trade and other payables

	2019 £	2018 £
Trade payables	1,144,820	716,158
Amounts due to group undertakings	4,340,108	428,546
Accruals and deferred income	170,194	203,679
Other payables	2,840,457	2,748,863
Other taxation and social security	527,403	369,871
	<u>9,022,982</u>	<u>4,467,117</u>

13. Share capital

	2019 £	2018 £
Allotted, called up and fully paid 170,100 shares of £1 each	<u>170,100</u>	<u>170,100</u>

14. Contingent liabilities

At 31 October 2019, the Company had no contingent liabilities (2018: none).

15. Financial commitments

The Company has no finance leases.

At 31 October 2019, the Company's future minimum rentals payable under non-cancellable operating leases were as follows:

	2019 £	2018 £
In one year or less	85,490	30,782
Between one and five years	55,407	13,065
In five years or more	2,717	3,042
Total	<u>143,614</u>	<u>46,889</u>

Notes to the Financial Statements

For the year ended 31 October 2019

16. Ultimate controlling party

The Company's immediate parent undertaking is AFH Group Limited, which is incorporated in England and Wales. The Company's ultimate parent undertaking and controlling party is AFH Financial Group Plc, which is incorporated in England and Wales.

Copies of the AFH Financial Group Plc financial statements may be obtained from:

AFH House
Buntsford Drive
Stoke Heath
Bromsgrove
Worcestershire
B60 4JE