

Company registration no. 04049180 (England and Wales)

AFH Independent Financial Services Limited,

Annual Report and Financial Statements

For the year ended 31 October 2021



AFH Independent Financial Services Limited
Annual Report and Financial Statements

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For the year ended 31 October 2021

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Company Information

For the year ended 31 October 2021

Directors

Mr A Hudson
Mrs A Larvin
Mr P K Wright
Mr A Broad

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 2021

The Directors submit their Strategic Report for AFH Independent Financial Services Limited for the year ended 31 October 2021.

PRINCIPAL ACTIVITIES

The company's principal activity is to provide financial planning and 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 pandemic still holds and effect on global stock markets. However we have seen business and consumer confidence recovering which is driving trading conditions to recover in the UK. As the pandemic moves to an endemic in the UK our expectation is that our new business levels recover and recurring revenue continue to follow global stock markets movements, 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 regular 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 2021

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 2021

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.

S172 Companies Act 2006

The board should understand the views of the company's key stakeholders and describe how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making.

Our Key Stakeholders	How we engage	What is important to them	Key metrics for FY2021
Shareholders Maintaining a transparent and open dialogue with our shareholders to ensure an understanding of our strategy and performance is a key element of our corporate governance.	Our principal means of engagement are: Annual General meeting One to one meetings Annual Report and Accounts	Financial performance Capital allocation including Dividends Business model ESG	Increase in Revenue and EBITDA in a year of disruption and change resulting from Covid Reduced carbon footprint

Strategic Report

For the year ended 31 October 2021

<p>Employees</p> <p>We recognise that along with our advisers our employees are our greatest asset and it is through their combined efforts that the Company is able to consistently meet its strategic objectives</p> <p>Staff learn AFH values and culture at induction and this is reinforced through living the values and providing staff with the opportunity to progress and fulfil their potential</p>	<p>We engage formally with all our employees through our Group intranet “The Hive”, regular briefings and the bi-annual appraisal and forward target setting process.</p> <p>Informal engagement is maintained through social events, both actual and virtual.</p>	<p>Fulfilling and rewarding work</p> <p>Career development and learning opportunities</p> <p>Flexible working opportunities</p> <p>Competitive remuneration and benefits package</p> <p>Opportunity to benefit from the Company’s success</p>	<p>Reduced staff turnover during 2021</p> <p>Record numbers of professional and career development modules delivered</p> <p>Over 90% of staff enabled to work remotely during the year creating greater opportunities for flexible arrangements in the future</p>
<p>Clients</p> <p>Our clients rely on us to advise them on efficient financial planning of their affairs and for ongoing review and investment management designed to meet their agreed objectives</p>	<p>Face to face scheduled meetings with advisers</p> <p>Client portal</p> <p>Regular On-line fact sheets and technical updates together with quarterly personal reporting.</p>	<p>Personal service tailored to their specific requirements</p> <p>Reliable financial planning advice</p> <p>Investment performance in line with expectations</p>	<p>Improvements to our client portal, launched last year available to all discretionary clients</p> <p>Average portfolio performance ahead of major UK equity indices</p>
<p>Advisers</p> <p>Together with our staff advisers represent our major asset, working both as the primary interface with our existing clients and to identify and onboard potential new clients of the Company</p>	<p>Regular technical and economic updates</p> <p>Dedicated support from administrative pods and technical resource</p> <p>Regular investment strategy updates</p> <p>Adviser community to encourage business and social interaction</p>	<p>Clear and timely economic, technical and investment guidance</p> <p>Access to full and current data on their clients</p> <p>Benefits of the AFH community including marketing</p> <p>Other Company initiatives.</p>	<p>Improvements to our Adviser portal, launched last year</p> <p>Weekly and monthly community updates delivered via Teams and other digital media</p>

Strategic Report

For the year ended 31 October 2021

Suppliers The Company works with two significant suppliers whose products are used in the direct management of our clients and their portfolios together with a number of other suppliers, many of whom have long term relationships with the Company.	We aim to work in a collaborative manner with our suppliers to build long term and mutually beneficial relationships. All major suppliers have a designated point of contact within AFH. We are committed to work with suppliers within the agreed terms of engagement.	Long term relationships Collaborative working Fair and balanced contractual terms	Positive supplier feedback Participation on advisory council of our major supplier Regular dialogue and formal meetings with significant suppliers
Local and National Communities We endeavour to assist local and national communities to benefit from our employees' and advisers' desire to make a difference in their communities.	We provide support to our local communities through group and local fundraising and participating in local events. In addition to AFH initiatives, we encourage our staff to support local communities.	Participation as an active member of the local business community; Financial support; Collaborative approach to local issues	Active membership of business and professional bodies during the year Increased financial support to local communities and national charities selected by AFH staff

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 2021
Revenue –total income from all revenue streams	2017 £28.8m 2018 £38.5m 2019 £43.6m 2020 £49.6m 2021 £60.4m	<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 21.8% Average adviser revenue grew to £275k
Gross margin –revenue generated by the Company after fees paid to its advisors and other direct costs of sale	2017 55% 2018 55% 2019 52% 2020 51% 2021 49%	<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 - a recruitment drive for new employed advisers has led to a small fall in margin while new advisers get up to speed.

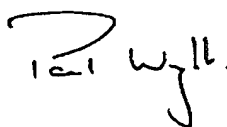
Strategic Report

For the year ended 31 October 2021

BUSINESS REVIEW

During the year the Company enjoyed strong revenue growth in spite of economic and political uncertainty while maintaining our funds under management. Gross revenue per adviser was £275,000 (2020: £262,000). Total revenue for the year increased by 21.8% to £60.4 million (2020: £49.6 million), gross margins decreased slightly to 49% (2020: 51%). Post tax earnings grew by 23.2% to £10.1 million (2020: £8.2 million). The revenue growth has been a result of natural growth within the current client base and consolidation of the acquisitions the Company has made.

By order of the Board



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Mr P K Wright

Director

29 March 2022

Directors' Report

For the year ended 31 October 2021

The Directors submit their report for AFH Independent Financial Services Limited for the year ended 31 October 2021.

DIRECTORS

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

Mr A Hudson
 Mrs A Larvin
 Mr P Wright
 Mr A Broad

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £10,050,546 (2020: £8,243,304). No dividends were paid during the period (2020: £nil).

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.

SECR REPORTING

The Company discloses its energy use and greenhouse gas emissions for which they are responsible in line with SECR requirements. This is the first year of SECR reporting and is aligned with the financial year ending 31/10/2021.

Energy Source	Current Year 2020-2021	Comparison Year 2019-2020	Scope	Comments & Emission Calculations
Energy Consumption Used to Calculate Emissions	36,825	42,086	1	Converted to kWh (gross calorific value)
Gas Heating Fuels (kWh)				taken from bills for each location
Energy Consumption Used to Calculate Emissions	477,285	561,142	2	Total kWh (gross calorific value)
Electricity (kWh)				taken from bills for each location
Scope 1 - Emissions Combustion from	7	8	1	36,825kWh * 0.18387 (natural gas conversion factor to tCO2e)

Directors' Report

For the year ended 31 October 2021

Heating Fuels (tCO₂e)				
Scope 2 - Emissions from Purchased Electricity (tCO ₂ e)	101	131	2	477,285kWh * 0.23314 (electricity conversion factor to tCO ₂ e)
Scope 3 - Emissions Consumption from Business Travel (tCO ₂ e)	N/A	N/A	3	Nil company vehicle usage
Total Emissions (tCO₂e)	108	139		
Intensity Ratio (Number of Employees)	492	402		Total employees taken from Payroll October 2021
Total tCO₂e / FTE	0.22	0.34		101 tCO ₂ e / 402 employees

Methodology

The Green House Gas (GHG) Reporting Protocol – Corporate Standard has been followed to allow easy comparison with equivalent organisational reporting. Carbon emissions are therefore reported as Scope 1, 2 and 3 emissions. The report has also used the 2021 UK Government's Conversion Factors for Company Reporting.

Benchmarking and Intensity Metrics

The Company has chosen to utilise an intensity metric that will support comparison to the baseline emissions in future years and will hopefully also seek to measure its emissions against peers for transparency. The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per number of employees, the recommended ratio for the sector.

Energy Efficiency Actions

In the period covered by the report, the Company has implemented an Efficiency At Work policy which sets out how many aspects of their energy usage can be reduced. Furthermore, the Company plan to instal LED lighting to various buildings. No formal targets have been set at this point but it is expected to deliver reductions year-on-year as various elements of the policy are implemented.

Comparisons year-on-year will confirm the efficacy of the policy.

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.

Directors' Report

For the year ended 31 October 2021

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.

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.

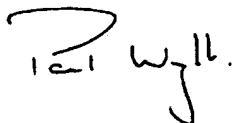
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

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

29 March 2022

Statement of directors' responsibilities in respect of the financial statements

For the year ended 31 October 2021

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 2021

Opinion

We have audited the financial statements of AFH Independent Financial Services Limited for the year ended 31 October 2021 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 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 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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

For the year ended 31 October 2021

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

For the year ended 31 October 2021

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the company include The Companies Act 2006, and UK Tax legislation.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

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

For the year ended 31 October 2021

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report

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



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

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

Date 29 March 2022

Statement of Comprehensive Income

For the year ended 31 October 2021

	Notes	2021 £	2020 £
Revenue	3	60,385,338	49,617,759
Cost of sales		(30,705,970)	(24,095,787)
Gross profit		29,679,368	25,521,972
Administration expenses		(19,704,732)	(16,813,342)
Operating profit	4	9,974,636	8,708,630
Finance income	7	308	4,154
Profit before taxation		9,974,944	8,712,784
Taxation	8	75,601	(469,480)
Profit for the year		10,050,546	8,243,304

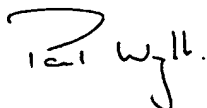
All results derive from continuing operations.

Statement of Financial Position

For the year ended 31 October 2021

	Notes	2021 £	2020 £
ASSETS			
Non-current assets			
Right of use assets	10	289,398	417,136
		<u>289,398</u>	<u>417,136</u>
Current assets			
Trade and other receivables	11	33,475,242	17,658,290
Cash and cash equivalents		1,328,214	4,877,832
Corporation tax		1,228,863	207,577
		<u>36,032,319</u>	<u>22,743,699</u>
Total assets		<u>36,321,717</u>	<u>23,160,835</u>
LIABILITIES			
Current liabilities			
Trade and other payables	12	12,773,814	9,535,740
Lease liabilities	13	115,891	161,082
		<u>12,889,705</u>	<u>9,696,822</u>
Non-current liabilities			
Lease liabilities	13	173,507	256,054
		<u>173,507</u>	<u>256,054</u>
Total liabilities		<u>13,063,212</u>	<u>9,952,876</u>
Net assets		<u>23,258,505</u>	<u>13,207,959</u>
EQUITY			
Share capital	14	170,100	170,100
Retained earnings		23,088,405	13,037,859
Total equity		<u>23,258,505</u>	<u>13,207,959</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2022 and signed on their behalf by:



Mr P K Wright
Director

Statement of Changes in Equity

For the year ended 31 October 2021

	Share capital £	Retained earnings £	Total equity £
1 November 2019	170,100	4,794,555	4,964,655
Profit for the year	-	8,243,304	8,243,304
Other comprehensive income	-	-	-
Total comprehensive income	-	8,243,304	8,243,304
Dividends paid	-	-	-
31 October 2020	170,100	13,037,859	13,207,959
Profit for the year	-	10,050,546	10,050,546
Other comprehensive income	-	-	-
Total comprehensive income	-	10,050,546	10,050,546
Dividends paid	-	-	-
31 October 2021	170,100	23,088,405	23,258,505

Notes to the Financial Statements

For the year ended 31 October 2021

1. Corporate information

AFH Independent Financial Services Limited is a private company incorporated in England and Wales, limited by shares. The registered address of the Company is AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, Worcestershire, B60 4JE. 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 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 requirements of IFRS 15 'Revenue from Contracts with Customers' relating to the disclosure of significant judgements made in application of the standard, revenue recognised from contracts with customers, disaggregation of revenue categories, significant changes to contract balances and information about performance obligations and transaction prices;
- (ii) 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;
- (iii) 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 Limited into which the Company is consolidated.

Basis of measurement

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

Notes to the Financial Statements

For the year ended 31 October 2021

2.1. Basis of preparation (continued)

Going concern

As at the time of the signing of the financial statements, the global Covid-19 pandemic still holds, impacting global stock markets. As the pandemic moves to endemic status, with reducing government restrictions in England, we have seen business and consumer confidence recovering which is driving trading conditions to recover in the UK. Globally governments remain cautious around the risk of Covid-19 and the risk of spiralling inflation and central bank responses, as well as the potential for further Government intervention to cope with further waves of Covid-19 continues to drive market uncertainty. As a Company we have adapted during a difficult period and maintained revenue growth. Most client assets are held in diversified portfolios and the impact of the markets on recurring revenue has been considerably diluted.

More recently the current Ukrainian crisis has had short term impact on the markets locally and abroad. Although this crisis is in its infancy, the fall in markets have not been as dramatic as those previously seen in the last few years with other crises.

The directors have considered the Company's anticipated business activities, its cash flows and capital position for a period of 12 months from the date of these accounts. They believe that even in the event of falling markets and without further growth the group can continue to trade profitably and maintains sufficient facilities to cover its short and long-term liabilities. This assessment has been stress tested for lower than anticipated revenues. Therefore, the directors are satisfied that the Company has adequate resources to for the foreseeable future and for this reason continue to adopt the Going Concern basis in preparing the financial information.

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 2.7.

Notes to the Financial Statements

For the year ended 31 October 2021

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.

— Other income

Income received in relation to the Government's Coronavirus Job Retention Scheme is recognised as earned at the end of the relevant month in which the Furlough pay has been issued to the employees. The income is offset against the relevant Administrative expenses.

— 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).

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.

Notes to the Financial Statements

For the year ended 31 October 2021

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.

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.

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are declared and paid, or if earlier, in the accounting period when the dividend is approved by the Company's shareholders at the Annual General Meeting.

Notes to the Financial Statements

For the year ended 31 October 2021

2.7. 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.

Impairment of investments, intercompany receivables and non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and where applicable, using an interest rate to discount them. Estimation uncertainty relates to the assumptions about future operating results and the determination of a suitable discount rate.

Notes to the Financial Statements

For the year ended 31 October 2021

2.8. Changes in accounting policies

Adoption of new and revised standards

During the financial year, the Company has adopted the following new IFRSs (including amendments thereto) and IFRIC interpretations, that became effective for the first time.

Standard	Effective date, annual period beginning on or after
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
Covid 19-Related Rent Concessions Beyond 30 June 2021 (Amendment to IFRS 16 Leases)	1 April 2021

Their adoption has not had any material impact on the disclosures or amounts reported in the financial statements

Standards issued but not yet effective:

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the company 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.

Standard	Effective date, annual period beginning on or after
Reference to the Conceptual Framework (Amendments to IFRS 3 <i>Business Combinations</i>)	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>)	1 January 2022
Annual improvements 2018-2020 cycle	1 January 2022
IFRS 17 - <i>Insurance Contracts</i>	1 January 2023
Amendments to IFRS 17 - <i>Insurance Contracts</i> ; and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4 <i>Insurance Contracts</i>)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2 <i>Making Materiality Judgements</i>)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 <i>Income Taxes</i>)	1 January 2023
Classification of Liabilities as Current or Non-Current: <i>amendments to IAS 1</i>	1 January 2024

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

Notes to the Financial Statements

For the year ended 31 October 2021

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:	2021	2020
	£	£
Depreciation of Right of use assets	156,163	180,483

The remuneration of the auditors has been borne by AFH Financial Group Limited for the current and prior year.

5. Directors' remuneration

During the years ended 31 October 2021 and 2020, Directors' costs were borne by AFH Financial Group Limited.

During the year ended 31 October 2021 1 (2020: 1) director was accruing retirement benefits under company pension schemes.

6. Employees

Number of employees

The average monthly number of employees during the year was:

	2021	2020
	No.	No.
Office and administration staff	424	450
	424	450

Employment costs

	2021	2020
	£	£
Wages and salaries	13,413,337	12,772,183
Social security costs	1,288,087	1,198,176
Other pension costs	1,339,351	1,330,658
	16,040,775	15,301,017

Wages and salaries are reported net of the income received through the Coronavirus Job Retention Scheme of £nil in 2021 (2020: £718,582).

Notes to the Financial Statements

For the year ended 31 October 2021

7. Finance Income

	2021 £	2020 £
Bank interest	<u>308</u>	<u>4,154</u>
	<u>308</u>	<u>4,154</u>

8. Taxation

	2021 £	2020 £
Tax for current year	11,137	1,422,423
(Over)/under provision in prior year	<u>(86,738)</u>	<u>(952,943)</u>
Total current tax expense	<u>(75,601)</u>	<u>469,480</u>
Deferred tax	-	-
Total tax expense	<u>(75,601)</u>	<u>469,480</u>

The tax rate used for the reconciliation is the corporate tax rate of 19.00% (2020: 19.00%) payable by the Company in the UK on taxable profits under UK tax law.

An over provision for corporation tax arose in the prior year, due to group relief reallocations within the group subsequent to the approval of the financial statements. Reversal of the over provision has been recognised prospectively in line with IAS 8, Changes in Accounting Estimates.

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

	2021 £	2020 £
Profit before taxation	<u>9,974,944</u>	<u>8,712,784</u>
Income tax calculated at 19.00% (2019: 19.00%)	1,895,239	1,655,429
Effect of expenses that are not deductible	(18,716)	-
Tax losses utilised within the group	(1,865,386)	(205,056)
Other adjustments	-	(27,950)
(Over)/under provision in prior year	<u>(86,738)</u>	<u>(952,943)</u>
Total tax expense	<u>(75,601)</u>	<u>469,480</u>

9. Dividends paid and proposed

During the year, no dividends were paid to the company's immediate parent (2020: £nil).

Notes to the Financial Statements

For the year ended 31 October 2021

10. Right of use assets

	IT equipment	Other office equipment	Property	Total
Cost				
At 1 November 2020	129,063	9,828	458,728	597,619
Additions	25,585	2,840	-	28,425
Disposals	-	-	-	-
At 31 October 2021	<u>154,648</u>	<u>12,668</u>	<u>458,728</u>	<u>626,044</u>
Depreciation				
At 1 November 2020	71,778	5,422	103,283	180,483
Charge for the year	55,198	4,643	96,322	156,163
Disposals	-	-	-	-
At 31 October 2021	<u>126,976</u>	<u>10,065</u>	<u>199,605</u>	<u>336,646</u>
Net book value				
At 31 October 2021	<u>27,672</u>	<u>2,603</u>	<u>259,123</u>	<u>289,398</u>
At 1 November 2020	<u>57,285</u>	<u>4,406</u>	<u>355,445</u>	<u>417,136</u>

11. Trade and other receivables

	2021 £	2020 £
Trade receivables	7,993,421	7,294,152
Amounts owed by group undertakings	24,113,563	9,342,037
Prepayments and accrued income	895,325	1,022,101
VAT repayable	472,933	-
	<u>33,475,242</u>	<u>17,658,290</u>

Trade receivables include a £nil provision for bad debts (2020: £nil).

12. Trade and other payables

	2021 £	2020 £
Trade payables	3,350,367	827,880
Amounts due to group undertakings	5,851,183	4,690,195
Accruals and deferred income	978,527	27,143
Other payables	2,073,111	3,619,819
Other taxation and social security	520,626	370,703
	<u>12,773,814</u>	<u>9,535,740</u>

Notes to the Financial Statements

For the year ended 31 October 2021

13. Lease liabilities

	2021 £	2020 £
Current		
Right of use asset leases	<u>115,891</u>	<u>161,082</u>
	<u>115,891</u>	<u>161,082</u>
Non-current		
Right of use asset leases	<u>173,507</u>	<u>256,054</u>
	<u>173,507</u>	<u>256,054</u>

Payments in the year in respect of right of use asset leases amounted to £156,163.

14. Share capital

	2021 £	2020 £
Authorised, allotted, called up and fully paid		
170,100 shares of £1 each	<u>170,100</u>	<u>170,100</u>

15. Contingent liabilities

At 31 October 2021, the Company had no contingent liabilities (2020: none).

16. Related party relationships and transactions

During the year the Company did not enter into any related party transactions other than with group undertakings that are wholly owned members of the same group (2020: None).

17. Ultimate controlling party

The Company's immediate parent undertaking is AFH Group Limited, which is incorporated in England and Wales.

On 17 June 2021, AFH Financial Group Limited (previously AFH Financial Group Plc), the company's ultimate parent undertaking, was acquired by Cortina Bidco Limited, a company indirectly controlled by funds managed by Flexpoint Ford, LLC, a private equity investment firm incorporated in the United States of America.

The Company's ultimate parent undertaking is now Cortina TopCo Limited, which is incorporated in the Cayman Islands.

Copies of the consolidated financial statements of AFH Financial Group Limited, the smallest group of undertakings that consolidates the Company as at 31 October 2021 are filed with Companies House.