

Company Registration No. 05246999

AFFINITY FINANCIAL AWARENESS LIMITED

Annual Report and Financial Statements

Year ended 31 December 2021



AFFINITY FINANCIAL AWARENESS LIMITED

REPORT AND FINANCIAL STATEMENTS 2021

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AFFINITY FINANCIAL AWARENESS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Cassidy
I Copelin
M Hutchinson
P Morton
S Payne
J Watts-Lay

SECRETARY

Mr M Hutchinson

REGISTERED OFFICE

5 Temple Square
Temple Street
Liverpool
L2 5RH

AUDITOR

RSM UK Audit LLP
14th Floor
20 Chapel St
Liverpool
L3 9AG

LAWYERS

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

BANKERS

HSBC Bank plc
60 Queen Victoria Street
London
EC4N 4TR

AFFINITY FINANCIAL AWARENESS LIMITED

STRATEGIC REPORT

ACTIVITIES OF THE COMPANY

The principal activities of Affinity Financial Awareness Limited ("the Company") are to provide financial advice, and to facilitate the arrangement of associated investment management services and products. The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

REVIEW OF BUSINESS

The Directors monitor the financial performance and financial position of the Company by reference to the following key performance indicators:

	2021	2020
Financial results:		
Estimated assets under advice (£ millions)	399	372
Profit before tax (£'000)	1,162	671
Cash at bank and in hand (£'000)	1,164	2,029
Shareholder's funds at year-end (£'000)	2,541	3,300

2021 has continued to be impacted by the COVID-19 pandemic, with the emergence of new variants and the resulting economic uncertainties. However, there has been an overall upturn in worldwide equity markets, thanks to the effective rollout of global COVID-19 vaccines and the easing of restrictions and social distancing measures made throughout the year, all of which have helped to boost investor confidence.

The Company has seen a small rise in its assets under advice, resulting from several factors including the growth in worldwide equity markets, new investments received from existing clients and client attrition remaining in line with expectation. The estimated assets under advice were £399 million as at 31 December 2021 (£372 million as at 31 December 2020).

Throughout the year, the Company continued to utilise technology, digital and online business processes to successfully deliver services to clients, as well as utilising advisers employed by other group companies to provide advice to its clients. Both of these enabled the Company to maintain its high level of service to its existing client base and demonstrates the Company's ongoing operational resilience throughout the period.

On 10 September 2021, Wealth at Work Group Limited (at the time the Company's ultimate parent company) completed a further management buyout involving both existing and new investors, resulting in a change to the ultimate parent company, which is now Mercatus Topco Limited, registered in Jersey.

The Company has succeeded in controlling costs and continuing to service client needs efficiently following a small reduction in headcount and benefitting from economies of scale in other group companies. This has resulted in a reduction in amounts recharged for the utilisation of staff employed by other group companies. The Company generated a profit before tax of £1,162,000 (2020: £671,000).

During the year, the Company distributed dividends to The Farleigh Group Limited, which totalled £1,700,000 (2020: £nil). The Company continues to have positive net assets which exceed £2.5 million at the Balance Sheet date (2020: £3.3 million).

Post balance sheet events of the Company, including world equity market volatility caused by the war in Ukraine, can be found within note 20 on page 19.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's principal risks relate to the volatility and performance of the world economy and its impact on investor sentiment; UK regulatory changes which may affect the provision of financial advice and the receipt of revenue therefrom; and the retention of its existing retail customer base. Should the equity markets decline this adversely affects investors' appetite to invest further and the value of assets under advice will reduce, both of which the Company earns fees from.

The effects of the war in Ukraine or new coronavirus lockdowns (predominately in China) are resulting in the extreme volatility seen in financial markets. Furthermore, the Ukraine war has exacerbated the global inflationary pressures and cost-of-living crunch caused by coronavirus supply-chain disruptions which, if prolonged, could impact organic AUM growth and the Company's profitability due to higher costs. While market volatility can undermine investor sentiment, potentially resulting in reduced AUM inflows, clients will continue to require investment planning and the management of their investments particularly during periods of uncertainty.

Additionally UK regulatory changes may affect the provision of the Company's services and the costs associated in delivering these services and remaining compliant with the regulatory environment. From 1 January 2022, the Company is subject to the regulations of the new Investment Firms Prudential Regime for reporting and regulatory purposes. While the impact is considered to be minimal, it may bring some operational changes in the future.

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STRATEGIC REPORT (continued)

The most prominent uncertainties currently under consideration are the economic impact of the ongoing war in Ukraine, supply chain disruption and energy price increases that are helping to drive inflation and increasing the cost of living for UK households. The most significant risks are considered to be: the continued uncertainty in the volatility of future world equity markets and the impact this may have on future recurring revenues.

The Company has taken action to mitigate these risks, particularly through: -

- Continued frequent communication with individual clients during periods of market uncertainty and volatility.
- Utilisation of technology to ensure its employees have maintained the Company's usual high standards of service throughout these challenging times and can maintain the level of responsiveness expected from clients.
- Review and ongoing monitoring of the investment providers and funds into which clients' investments are placed
- Careful review of the contingency plans of key suppliers to ensure continuity of important services
- Continuous monitoring of information used to manage the Company, including sensitivity analysis, to ensure the Company can assess, manage and respond to rapidly changing circumstances, and continue to meet its obligations.

The Company has experienced growth in equity markets during 2021 and has shown strong operational resilience. The focus for the Company continues to be customer satisfaction and retention and also continuing to reduce withdrawal rates, particularly during volatile periods.

FUTURE DEVELOPMENTS

In general terms the market demand for the services provided by the Company continues to grow. The ongoing war in Ukraine and the recovery from the COVID-19 pandemic, including the emergence of any new variants, may continue to cause some disruption however, the adaptations already made by the business have ensured that the Company is better prepared for any future instability caused. While the directors recognise the significant uncertainty caused by this, they are confident that the Company is well positioned to continue to find ways to successfully service all individual clients, so that high standards of service are maintained and future growth is supported.

The Company will continue to assess its services and delivery model, particularly in light of the ongoing world events, and seek to address the challenges these highlight. Clients will continue to require investment planning and the management of their investments particularly during ongoing periods of volatility and uncertainty. The directors consider that this is an opportunity to continue to improve the resilience of the business.

Approved by the Board and signed on its behalf by:



D. Cassidy
Director
26th April 2022
5 Temple Square
Temple Street
Liverpool, L2 5RH

AFFINITY FINANCIAL AWARENESS LIMITED

DIRECTORS' REPORT

DIRECTORS

The names of the current directors who have served during the year and to the date of this report are listed on page 1. The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation for the year was £1,162,000 (2020: £671,000) and the profit after taxation was £941,000 (2020: £544,000).

The total distribution of dividends for the year ended 31 December 2021 is £1,700,000 (2020: nil).

FINANCIAL RISK MANAGEMENT

Risk management is an inherent part of the Company's activities. The Company's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of its major risks. The Company exercises oversight through the Board of Directors.

The Company's operations expose it to a variety of financial risks, the most significant of which are credit risk, operational risk and market risk. An overview of the key aspects of risk management and the use of financial instruments is provided below.

Credit risk

The Company's principal financial assets are bank balances and cash, and trade and other receivables. The Company's credit risk is primarily attributable to its trade debtors. The Company complies with group policies which require monthly monitoring and reporting of exposures of all trade debtors. The credit risk on liquid funds is considered limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events. To monitor and control operating risk, the Company maintains a system of comprehensive policies and a control framework designed to provide a well-controlled operational environment, and to monitor and record any control failures.

Market risk

Market risk is the risk to turnover arising from changes in the performance of the economy. The Company earns adviser agreed remuneration fees which are based on the value of funds under management. The Company complies with group risk policies surrounding the monitoring and control of market risk. This includes monthly Board consideration during Board Meetings and regular investment committee meetings.

POST BALANCE SHEET EVENTS

The ongoing war in Ukraine is considered to be a non-adjusting post balance sheet event and is disclosed within note 20 on page 19.

FUTURE DEVELOPMENTS

Future developments of the Company can be found within the Strategic Report on page 2.

GOING CONCERN

After making enquiries and reviewing forecast trading activity in light of the above, including the liquidity and capital position of the Company, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors note the continued uncertainty around the ongoing war in Ukraine and the continued recovery from the COVID-19 pandemic. There remains some uncertainty on the future volatility of world equity markets, particularly dependent on the outcome of the situation in Ukraine and whether further new COVID-19 variants emerge, leading to additional Government-imposed restrictions. However, the Directors consider these uncertainties to be well managed through the selection of investment providers and funds managed by highly qualified fund managers and the valuable permanent revisions made to the Company's operating model in light of the pandemic, which will help to mitigate these factors, along with the continued uptake of any future UK Governmental support measures, as relevant. These have been disclosed in the Strategic Report on page 2.

The Company has a strong cash position with £1,164,000 held at the year end date (2020: £2,029,000) and net current assets of £2,520,000 (2020: £3,255,000), which the Directors consider adequate in light of currently available information, and for this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

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DIRECTORS' REPORT

The directors review the adequacy of working and regulatory capital on an ongoing monthly basis, as well as revised forecasts and budgets, which have been updated to include all future expected costs during the Company's recovery from the pandemic and beyond. Further details regarding the adoption of the going concern basis can be found in the note 1 to the financial statements.

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal stroke.

D. Cassidy
Director
26th April 2022
5 Temple Square
Temple Street
Liverpool, L2 5RH

AFFINITY FINANCIAL AWARENESS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

AFFINITY FINANCIAL AWARENESS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFFINITY FINANCIAL AWARENESS LIMITED

Opinion

We have audited the financial statements of Affinity Financial Awareness Limited (the 'company') for the year ended 31 December 2021 which comprise the profit and loss account, balance sheet, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFFINITY FINANCIAL AWARENESS LIMITED (continued)

- 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 6, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;

AFFINITY FINANCIAL AWARENESS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFFINITY FINANCIAL AWARENESS LIMITED (continued)

- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the control environment.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102 and the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are the rules and principles set by the Financial Conduct Authority (FCA) as regulator for the financial services industry in the UK. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these laws and regulations. We inspected compliance documentation, including but not limited to, internal procedures' manuals, risk and breaches registers, regulatory returns, board minutes and correspondence with the FCA as well as considering compliance with the conditions for authorisation, including with any restrictions or requirements placed on the firm, and other regulatory obligations.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and performing analytical review and substantive testing of revenue.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.



Hugh Fairclough (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
14th Floor
20 Chapel St
Liverpool
L3 9AG

26th April 2022

AFFINITY FINANCIAL AWARENESS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2021

	Note	2021 £'000	2020 £'000
TURNOVER	3	2,350	2,103
Gross profit		2,350	2,103
Administrative expenses		(1,245)	(1,521)
Other operating income	5	58	89
Operating profit	4	1,163	671
Interest payable and similar charges		(1)	-
PROFIT BEFORE TAXATION		1,162	671
Taxation	9	(221)	(127)
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		941	544

The profit for the year in the current and preceding period was entirely attributable to equity shareholders of the Company and is derived from continuing operations.

There was no other comprehensive income for 2021 (2020: £nil) and therefore no separate statement of total comprehensive income has been presented.

AFFINITY FINANCIAL AWARENESS LIMITED

BALANCE SHEET As at 31 December 2021

Company Registration No. 05246999

	Note	31 December 2021 £'000	31 December 2020 £'000
FIXED ASSETS			
Tangible assets	11	21	45
		21	45
CURRENT ASSETS			
Debtors	12	1,622	1,462
Cash at bank and in hand		1,164	2,029
		2,786	3,491
CREDITORS: amounts falling due within one year	13	(266)	(236)
NET CURRENT ASSETS		2,520	3,255
TOTAL ASSETS LESS CURRENT LIABILITIES		2,541	3,300
NET ASSETS		2,541	3,300
CAPITAL AND RESERVES			
Called up share capital	14	200	200
Profit and loss account		2,341	3,100
SHAREHOLDER'S FUNDS		2,541	3,300

The notes and information on pages 13 to 19 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 26th April 2022. They were signed on its behalf by:



S. Payne
Director

AFFINITY FINANCIAL AWARENESS LIMITED

STATEMENT OF CHANGES IN EQUITY Year ended 31 December 2021

	Note	Share Capital £'000	Profit and loss account £'000	Shareholder's Equity £'000
Balance as at 1 January 2020		200	2,556	2,756
Profit for the year		-	544	544
As at 31 December 2020		200	3,100	3,300
Balance as at 1 January 2021		200	3,100	3,300
Profit for the year		-	941	941
Dividends paid	10	-	(1,700)	(1,700)
As at 31 December 2021		200	2,341	2,541

AFFINITY FINANCIAL AWARENESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General Information and basis of accounting

Affinity Financial Awareness (the "Company") is a private company, limited by shares, incorporated in the United Kingdom and registered in England and Wales under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council.

The functional currency of Affinity Financial Awareness Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The financial statements are prepared in accordance with applicable law and United Kingdom accounting standards.

As the Company is a wholly owned subsidiary of Farleigh Group Limited, it has not prepared consolidated accounts as permitted by section 400 of the Companies Act 2006, as its results, cash flows and balance sheet are contained within the consolidated accounts of the parent company Wealth at Work Group Limited.

Going concern

These financial statements have been prepared on a going concern basis.

As set out in the Statement of Directors' Responsibilities, in preparing these financial statements the directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Each year the directors consider any exceptional circumstances which occur and which may call into question the appropriateness of adopting the going concern basis in preparing the financial statements. In particular this year the war in Ukraine and the ongoing impact of the COVID-19 pandemic have been considered, details of which are disclosed in the Directors' Report on page 4. The directors of the Company have considered in detail the Company's forecast performance, utilising Group forecast models which project trading and cash flows for the next three years, as well as its capital and liquidity resources. On this basis, the directors have a reasonable expectation that the Company has sufficient funding and liquidity resources to ensure it will continue in operational existence for the foreseeable future. Accordingly, the directors of the Company have adopted the going concern basis in preparing these financial statements.

Cash flow statement

The Company has taken advantage of the exemption in FRS102 section 1.12 in not producing a cash flow statement as its cash flows are included in the consolidated cash flow statement of the parent company, Wealth at Work Group Limited, which are publicly available.

Related party transactions

As the Company is a wholly owned subsidiary undertaking it has taken advantage of an exemption under FRS102 section 33 "Related party disclosures" and has not disclosed transactions with group companies.

Turnover

Turnover is stated net of VAT. Investment advisory fees include ongoing adviser agreed remuneration and initial fees. Ongoing adviser agreed remuneration is accrued as earned. Initial fees relating to investment management services are recognised when client holdings are transferred or recommended products are accepted.

Interest receivable

Interest receivable from cash and bank deposits is accounted for on an accruals basis.

Government grants

Government grants are recognised when the relevant performance measures have been met and agreed with the relevant government agency. They are amortised to the profit and loss account in line with the depreciation of assets purchased where relevant. In other situations, they are recognised in the profit and loss account in the period to which they relate. The government grants are repayable if the relevant performance measures are not met.

AFFINITY FINANCIAL AWARENESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2021

1. ACCOUNTING POLICIES (continued)

Pensions and other post-retirement benefits

The Company participates in a defined contribution scheme to which most of its employees belong.

Contributions payable to the scheme in respect of the accounting period are charged to the profit and loss account on an accruals basis.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and accumulated impairment. Tangible assets are capitalised at cost (including where appropriate attributable costs associated with bringing the asset into working condition) and depreciated by equal annual instalments, over their estimated useful lives as set out below:

Computer equipment	< 4 years
Leasehold improvements	Life of lease
Other equipment	5 years
Purchased software	5 years

In all cases, assets may be written off over a shorter period if the useful life of the asset is considered to be less than that implied in the above terms.

Tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Given the ongoing uncertainty as a result of the war in Ukraine and the COVID-19 pandemic, the directors continue to take into account when assessing the judgements, estimates and assumptions made in determining the carrying amounts of assets and liabilities for the Company, the factors that may contribute towards future equity market volatility, such as the varying potential outcomes of the war in Ukraine, the emergence of new COVID-19 variants, the reintroduction of lockdown restrictions, cost of living rises and economic support packages announced by governments worldwide. These factors mean that world equity markets are likely to remain volatile, which will impact the recurring investment advisory fees that the Company continues to receive and also future cash flows.

AFFINITY FINANCIAL AWARENESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying the Company's accounting policies

There have been no judgements made by the directors in the process of applying the Company's accounting policies that have had a significant effect on amounts recognised in the financial statements.

Key sources of estimation uncertainty

There have been no key sources of estimation uncertainty or key assumptions concerning the future that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. TURNOVER AND SEGMENTAL INFORMATION

Turnover is stated net of value added tax (VAT) and all turnover for the year represents fees receivable in respect of investment advisory fees. All turnover arose in the United Kingdom only. As the company generates all revenues from a single channel and in a single marketplace, no segmental analysis is deemed necessary.

4. OPERATING PROFIT

This is stated after charging:

	2021 £'000	2020 £'000
Depreciation of tangible fixed assets (see note 10)	22	24
Loss on disposal of tangible fixed assets	1	-
Auditor's remuneration (see note 6)	20	18
Operating leases – Land & Buildings	90	92
Operating leases – Other	3	-
	<u>136</u>	<u>234</u>

5. OTHER OPERATING INCOME

Other operating income for the prior year includes £41,000 received as a government grant through the Coronavirus Job Retention Scheme.

Other amounts in operating income include recharges to other group companies in relation to costs for services provided on behalf of these other entities.

6. AUDITOR'S REMUNERATION

The remuneration of the auditor is further analysed as follows:

	2021 £'000	2020 £'000
Audit of the financial statements	6	3
Audit of other group companies	2	1
Total audit	<u>8</u>	<u>4</u>
Other assurance services	8	10
Taxation compliance services	4	4
Total non-audit	<u>12</u>	<u>14</u>
Total remuneration	<u>20</u>	<u>18</u>

AFFINITY FINANCIAL AWARENESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2021

6. AUDITOR'S REMUNERATION (continued)

The comparative figures were paid to the previous auditor. During the year, the Company appointed RSM UK Audit LLP as statutory auditor.

7. STAFF COSTS

	2021 £'000	2020 £'000
Wages and salaries	170	223
Social security costs	15	19
Other pension costs	10	11
	<u>195</u>	<u>253</u>

The average monthly number of persons working on behalf of the Company including directors during the year was 7 (2020: 11). In addition to staff employed directly, the Company has access to staff employed within the larger group including both financial advisors and general support staff. Costs relating to the utilisation of these staff are appropriately recharged.

8. DIRECTORS' REMUNERATION

Key management personnel are deemed to be the executive directors responsible for planning, directing and controlling the activities of the Company.

All directors of the Company are remunerated by another Group company and an appropriate amount representing the services performed on behalf of the Company is recharged.

The total remuneration of the directors of Affinity Financial Awareness Limited for the year ended 31 December 2021 was £1,338,000 (2020: £1,189,000) for services provided to the wider group. The highest paid director received total remuneration for the year ended 31 December 2021 of £302,000 (2020: £235,000). No directors are members of a money purchase pension scheme.

9. TAX ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES

The tax charge comprises:

	2021 £'000	2020 £'000
Current taxation		
UK Corporation tax at 19% (2020: 19%)	221	127
Adjustment in respect of prior years	-	-
	<u>221</u>	<u>127</u>
Deferred taxation		
Origination and reversal of timing differences	-	-
Adjustment in respect of prior years	-	-
	<u>-</u>	<u>-</u>
	<u>221</u>	<u>127</u>
Tax on ordinary activities		
	<u>221</u>	<u>127</u>

AFFINITY FINANCIAL AWARENESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2021

9. TAX ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES (continued)

Factors affecting tax charge for year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Profit on ordinary activities before taxation	1,163	671
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK	221	127
Effects of:		
Expenses not deductible for tax purposes	-	-
Adjustments in relation to prior periods	-	-
Unrecognised deferred tax	-	-
Total tax charge for year	221	127

10. DIVIDENDS

	2021 £'000	2020 £'000
Ordinary shares of £1 each Interim	1,700	-

11. TANGIBLE FIXED ASSETS

	Leasehold Improvements £	IT & other equipment £'000	Purchased software £'000	Total £'000
Cost				
As at 1 January 2021	49	165	7	221
Disposals	-	(109)	(7)	(116)
As at 31 December 2021	49	56	-	105
Depreciation:				
As at 1 January 2021	35	134	7	176
Charge for the year	10	12	-	22
Disposals	-	(107)	(7)	(114)
As at 31 December 2021	45	39	-	84
Net book value				
As at 31 December 2020	14	31	-	45
As at 31 December 2021	4	17	-	21

AFFINITY FINANCIAL AWARENESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2021

12. DEBTORS

	2021 £'000	2020 £'000
Trade debtors	7	3
Prepayments and accrued income	161	166
Other debtors	5	18
Amounts owed from Group undertakings	1,449	1,275
	<u>1,622</u>	<u>1,462</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Trade creditors	19	16
Amounts owed to Group undertakings	90	81
Other tax and social security	4	5
Corporation tax	118	70
Accruals and other creditors	35	64
	<u>266</u>	<u>236</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

14. CALLED UP SHARE CAPITAL

	2021 £'000	2020 £'000
Allotted and paid up share capital		
200,090 ordinary shares of £1 each (2020: 200,090)	200	200

The Company's ordinary shareholders are each entitled to one vote and to an equal distribution of dividends. The shares are non-redeemable.

15. PENSION SCHEMES

The parent company of the Company operates a defined contribution retirement benefit scheme for all qualifying employees of the Group. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

Profit and loss account charge

The Company recorded a total pension expense of £9,860 for the year ended 31 December 2021 (2020: £10,994). Contributions totalling £1,358 (2020: £1,375) were payable to the fund at the balance sheet date and are included in creditors.

16. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2021 £'000	2020 £'000
Within one year	80	80
Between one and five years	319	319
Over five years	40	120
	<u>439</u>	<u>519</u>

AFFINITY FINANCIAL AWARENESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

17. RELATED PARTY TRANSACTIONS

The remuneration for key management personnel for the year was incurred in another group company and not directly recharged.

As a wholly owned subsidiary undertaking the Company has utilised the allowed exemption under FRS102 section 33 to not disclose transactions with other group companies. No other related party transactions were noted.

18. CAPITAL COMMITMENTS

As at 31 December 2021, the Company did not have any material capital commitments (2020: £nil).

19. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is The Farleigh Group Limited, registered in England and Wales, and the ultimate holding company is Mercatus Topco Limited, registered in Jersey.

The parent company of the smallest group for which consolidated financial statements are prepared is Wealth at Work Group Limited, which is registered in England and Wales. The consolidated financial statements of Wealth at Work Group Limited are available to the public and may be obtained from the Company's registered office at:

The Company Secretary
5 Temple Square
Temple Street
Liverpool
L2 5RH

The parent company of the largest group for which consolidated financial statements are prepared is Mercatus Topco Limited, which is registered in Jersey. The consolidated financial statements of Mercatus Topco Limited may be obtained from the Company's registered office at:

2nd Floor
Sir Walter Raleigh House
48-50 Esplanade
St Helier
JE2 3QB
Jersey

In the opinion of the directors, the Company has no individual controlling party.

20. POST BALANCE SHEET EVENTS

Russia's invasion into Ukraine was announced at the end of February 2022 and it has already caused significant worldwide economic implications, such as increases to energy prices, fluctuations in foreign exchange rates, uncertainty in equity markets and interest rate rises. Due to the ongoing volatility in world equity markets as the situation unfolds, the Company considers the Ukraine war to be a non-adjusting post balance sheet event since market movements are intrinsically linked with the Company's recurring investment management revenue stream.