

Company registration no. 04049180 (England and Wales)

AFH Independent Financial Services Limited

Annual Report and Financial Statements

For the year ended 31 October 2017



AFH Independent Financial Services Limited
Annual Report and Financial Statements

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For the year ended 31 October 2017

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Company Information

For the year ended 31 October 2017

Directors

Mr A Hudson
Mrs A Brown
Mrs A Larvin
Mr P Wright

Secretary

Mrs A Brown

Auditors

Mazars LLP
45 Church Street
Birmingham
B3 2RT

Registered Office

AFH House
Buntsford Drive
Stoke Heath
Bromsgrove
Worcestershire
B60 4JE

Strategic Report

For the year ended 31 October 2017

The Directors submit their Strategic Report for AFH Independent Financial Services Limited for the year ended 31 October 2017.

PRINCIPAL ACTIVITIES

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

PRINCIPAL RISKS AND UNCERTAINTIES

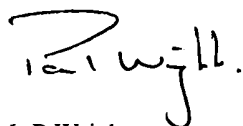
Principal risks and uncertainties and key performance indicators has been performed at Group level and can be found within the consolidated accounts of AFH Financial Group Plc for the year ended 31 October 2017.

BUSINESS REVIEW

During the year the Company enjoyed strong revenue growth in spite of economic and political uncertainty with double digit growth in our funds under management. This was reflected in a significant rise in recurring fee income, which reflected an increase in our average annualised gross revenue per adviser to above £175,000 (2016: £165,000). Total revenue for the year increased by 26% to £28.8 million (2016: £22.9 million) whilst gross margins remained stable at 55% (2016: 56%). Post tax earnings showed a similarly healthy increase of 29% from £4.6 million to £5.9 million. These growths have been a result of natural growth within the current client base and consolidation of the acquisitions the group have made.

A detailed review of the business has been performed at Group level and can be found within the consolidated accounts of AFH Financial Group Plc for the year ended 31 October 2017.

By order of the Board



Mr P Wright

Director

29 January 2018

Directors' Report

For the year ended 31 October 2017

The Directors submit their report for AFH Independent Financial Services Limited for the year ended 31 October 2017.

DIRECTORS

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

Mr A Hudson
Mrs A Brown
Mrs A Larvin
Mr P Wright

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £5,902,187 (2016: £4,578,332). The Directors do not recommend a dividend for the year ended 31 October 2017 (2016: £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.

FINANCIAL RISK FACTORS

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

MARKET RISK, INTEREST RATE RISK AND CASH FLOW RISK

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

CREDIT RISK

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as commercial transactions. 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.

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 Group. The Board reviews the Company's liquidity at its monthly meetings.

Directors' Report

For the year ended 31 October 2017

CAPITAL RISK MANAGEMENT

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 benefits for other stakeholders and to maintain an appropriate capital structure to reduce the cost of capital.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

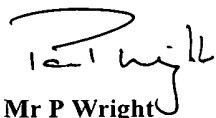
Each of the persons who are directors at the time when this Directors' report is approved had confirmed that:

- 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

The auditors, Mazars LLP will be seeking re-appointment at the forthcoming Annual General Meeting.

This report was approved by the Board and signed on its behalf.



Mr P Wright

Director

29 January 2018

Statement of directors' responsibilities in respect of the financial statements

For the year ended 31 October 2017

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 judgments 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.

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 2017

Opinion

We have audited the financial statements of AFH Independent Financial Services for the year ended 31 October 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (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 October 2017 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

For the year ended 31 October 2017

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 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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. 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.

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

For the year ended 31 October 2017

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

Signed: *Louis Burns*

Louis Burns

(Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street

Birmingham

B3 2RT

Date: *29.1.2018*

Statement of Comprehensive Income

For the year ended 31 October 2017

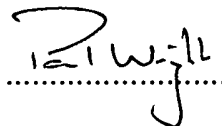
	Notes	2017 £	2016 £
Revenue	3	28,771,433	22,856,884
Cost of sales		(12,962,928)	(10,088,108)
Gross profit		<u>15,808,505</u>	<u>12,768,776</u>
Administration expenses		(9,594,840)	(7,916,407)
Other operating income		184	5,910
Operating profit	4	<u>6,213,849</u>	<u>4,858,279</u>
Finance costs	7	(261)	(5)
Finance income	8	493	98
Profit before taxation		<u>6,214,081</u>	<u>4,858,372</u>
Taxation	9	(311,894)	(280,040)
Profit for the year		<u>5,902,187</u>	<u>4,578,332</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:		-	-
Items that may be subsequently reclassified to profit or loss:		-	-
Total comprehensive income for the year		<u>5,902,187</u>	<u>4,578,332</u>

Statement of Financial Position

For the year ended 31 October 2017

	Notes	2017 £	2016 £
ASSETS			
Non-current assets			
Property, plant and equipment	11	-	344,728
		-	344,728
Current assets			
Trade and other receivables	12	8,374,592	6,808,976
Cash and cash equivalents		866,874	130,102
		9,241,466	6,939,078
Total assets		9,241,466	7,283,806
LIABILITIES			
Current liabilities			
Trade and other payables	13	5,605,505	4,520,812
Corporation tax		166,250	195,470
		5,771,755	4,716,282
Non-current liabilities			
Deferred tax liabilities	14	30,398	30,398
Total liabilities		5,802,153	4,746,680
Net assets		3,439,313	2,537,126
EQUITY			
Share capital	15	170,100	170,100
Retained earnings		3,269,213	2,367,026
Total equity		3,439,313	2,537,126

The financial statements were approved by the Board of Directors and authorised for issue on 29 January 2018 and signed on their behalf by:


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Mr P Wright

Director

Notes to the Financial Statements

For the year ended 31 October 2017

	Share capital £	Retained earnings £	Total equity £
1 November 2015	170,100	1,788,694	1,958,794
Profit for the year	-	4,578,332	4,578,332
Other comprehensive income	-	-	-
Dividends Paid	-	(4,000,000)	(4,000,000)
Total comprehensive income	-	578,332	578,332
31 October 2016	170,100	2,367,026	2,537,126
Profit for the year	-	5,902,187	5,902,187
Other comprehensive income	-	-	-
Dividends Paid	-	(5,000,000)	(5,000,000)
Total comprehensive income	-	902,187	902,187
31 October 2017	170,100	3,269,213	3,439,313

Notes to the Financial Statements

For the year ended 31 October 2017

1. Corporate information

AFH Independent Financial Services Limited is a Company incorporated in the United Kingdom. The registered address of the Company is given on page 1. The principal operations of the Company are included in the strategic report on page 2.

2. Accounting policies

2.1. Basis of preparation

Statement of compliance

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

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

- (i) The requirement of IFRS 7 'Financial Instruments Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
- (ii) The requirement of IFRS 13 'Fair Value Measurement' paragraph 91 to 99 relating to the fair value measurement disclosure of financial assets and financial liabilities that are measure at fair value;
- (iii) 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;
- (iv) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
- (v) 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;
- (vi) The requirements of IAS 24 'Related Party Disclosures' relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the company and other wholly-owned subsidiaries of the group.

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

Basis of measurement

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

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they have continued to adopt the going concern basis of accounting in preparing the financial statements.

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.

Notes to the Financial Statements

For the year ended 31 October 2017

2.1. Basis of preparation (continued)

Use of estimates and judgements

The preparation of the financial statements requires management to make judgments, 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 2.9.

2.2. Revenue

Revenue represents the amount of commission and fees receivable for the services in relation to the company's role as independent financial advisors. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be measured reliably.

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 2017

2.4. Property, plant and equipment

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and an initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located.

After recognition, all property, plant and equipment are carried at costs less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Computer equipment	25% per annum straight line
Fixtures & fittings	20% per annum straight line

Construction in progress is not depreciated until brought into use.

The residual value and the useful life of an asset is reviewed at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in profit or loss.

2.5. 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.

Notes to the Financial Statements

For the year ended 31 October 2017

2.5. Financial instruments (continued)

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.

2.6. 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.

2.7. Equity and reserves

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

Retained earnings include all current and prior period retained profits.

2.8. Leased assets

Operating leases

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

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

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

Significant management judgement

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

Recognition of accrued fee income

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

Estimation uncertainty

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

Determining residual values and useful economic lives of fixed assets

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

Notes to the Financial Statements

For the year ended 31 October 2017

2.10. Standards, amendments and interpretations adopted in the current financial year ended 31 October 2017

The adoption of the following mentioned standards, amendments and interpretations in the current year have not had a material impact on the Company's financial statements.

	EU effective date – periods beginning on or after
Amendment to IAS 7 <i>Statement of Cash Flows</i> : Disclosure initiative	1 January 2017
Amendment to IAS 12 <i>Income Taxes</i> : Recognition of deferred tax assets for unrealised losses	1 January 2017
Annual Improvements to IFRSs (2014 - 2016): Clarification of the scope of IFRS 12 <i>Disclosure of Interests in Other Entities</i>	Expected to be endorsed Q4 2017

3. Revenue

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

4. Operating profit

	2017 £	2016 £
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	35,296	87,667
Operating lease rentals		
- Other	<u>113,460</u>	<u>44,763</u>

The remuneration of the auditors has been borne by the ultimate parent entity.

5. Directors' remuneration

During the years ended 31 October 2017 and 2016, Directors' costs were borne by AFH Financial Group Plc.

During the year ended 31 October 2017 1 (2016: 1) director was accruing retirement benefits under company pension schemes.

Notes to the Financial Statements

For the year ended 31 October 2017

6. Employees

Number of employees

The average monthly number of employees during the year was:

	2017 No.	2016 No.
Office and administration staff	253	228
	<u>253</u>	<u>228</u>

Employment costs

	2017 £	2016 £
Wages and salaries	7,026,291	5,901,275
Social security costs	664,951	550,897
Other pension costs	267,310	153,882
	<u>7,958,551</u>	<u>6,606,054</u>

7. Finance Costs

	2017 £	2016 £
Bank interest and charges	261	5
	<u>261</u>	<u>5</u>

8. Finance Income

	2017 £	2016 £
Bank interest	493	98
	<u>493</u>	<u>98</u>

Notes to the Financial Statements

For the year ended 31 October 2017

9. Taxation

	2017 £	2016 £
Tax for current year	506,250	403,469
Prior year adjustment	<u>(194,356)</u>	<u>(123,429)</u>
Total current tax expense	311,894	280,040
Deferred tax	-	-
Total tax expense	<u>311,894</u>	<u>280,040</u>

The tax rate used for the reconciliation is the corporate tax rate of 19.42% (2016: 20.00%) payable by the Company in the UK on taxable profits under UK tax law.

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

	2017 £	2016 £
Profit before taxation	<u>6,214,082</u>	<u>4,858,372</u>
Income tax calculated at 19.42% (2016: 20.00%)	1,206,568	971,674
Effect of expenses that are not deductible		
Depreciation add back	6,853	17,533
Fixed asset differences	-	(45,056)
Tax losses utilised within the group	(711,370)	(545,093)
Other adjustments	4,199	4,411
Adjustments in respect of prior periods	(194,356)	(123,429)
Total tax expense	<u>311,894</u>	<u>280,040</u>

10. Dividends paid and proposed

During the year there were £5,000,000 dividends were paid to the company's immediate parent (2016: £4,000,000).

Notes to the Financial Statements

For the year ended 31 October 2017

11. Property, plant and equipment

	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
As at 1 November 2016	484,582	171,218	655,800
Additions	68,385	2,196	70,581
Disposals - Transferred	(552,967)	(173,414)	(726,381)
As at 31 October 2017	-	-	-
Depreciation charge			
As at 1 November 2016	183,632	127,440	311,072
Charge for the year	29,627	5,669	35,296
Disposals - Transferred	(213,259)	(133,109)	(346,368)
As at 31 October 2017	-	-	-
Carrying amount			
As at 31 October 2017	-	-	-
As at 31 October 2016	300,950	43,778	344,728

During the course of the year, The Board decided to transfer all assets of AFH Independent Financial services Limited to AFH Group Limited at the net book value, a subsidiary to AFH Financial Group Plc.

12. Trade and other receivables

	2017	2016
	£	£
Trade receivables	3,774,979	3,018,935
Amounts owed by group undertakings	3,906,168	3,278,167
Prepayments and accrued income	693,445	511,874
	8,374,592	6,808,976

13. Trade and other payables

	2017	2016
	£	£
Trade payables	639,493	916,300
Amounts due to group undertakings	1,832,804	860,476
Accruals and deferred income	246,437	23,006
Other payables	2,608,256	2,506,417
Other taxation and social security	278,515	214,614
	5,605,505	4,306,199

Notes to the Financial Statements

For the year ended 31 October 2017

14. Deferred tax liabilities

	Accelerated capital allowances £
At 1 November 2016	30,398
Charge in the year	-
As at 31 October 2017	<u>30,398</u>

Analysis of deferred tax balances for financial reporting purposes:

	2017 £	2016 £
Deferred tax liabilities	<u>30,398</u>	<u>30,398</u>
	<u>30,398</u>	<u>30,398</u>

15. Share capital

	2017 £	2016 £
Allotted, called up and fully paid 170,100 shares of £1 each	<u>170,100</u>	<u>170,100</u>

Notes to the Financial Statements

For the year ended 31 October 2017

16. Contingent liabilities

At 31 October 2017, the Company had no contingent liabilities (2016: none).

17. Financial commitments

The Company has no finance leases.

At 31 October 2017, the Company's future minimum rentals payable under non-cancellable operating leases were as follows:

	2017	2016
	£	£
In one year or less	59,804	59,804
Between one and five years	71,922	71,992
In five years or more	-	-
Total	<u>131,796</u>	<u>131,796</u>

18. Ultimate controlling party

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

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

AFH House
Buntsford Drive
Stoke Heath
Bromsgrove
Worcestershire
B60 4JE