



affinia

Affinia

Transparency Report 2025



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Introduction

This Transparency Report is for the year ended 31 August 2025. This report is in accordance with the Transparency Reporting requirements set out in The Statutory Auditors (Transparency) Instrument 2008 which is drawn from Article 13 of Regulation (EU) No.537/2014 and the amended Directive 2014/56/EU.

In this report we explain the ethos of Affinia together with the required information on legal structure and governance, details on our quality controls and financial information.

The year to 31 August 2025 continued to see much change in the audit environment both regulatory and in the challenges and opportunities our audited entities faced.

In this period our audited entities have seen inflation stubbornly remain high, economic uncertainty most notably emanating from the US, delayed interest rate cuts and stagnating economic growth have impacted the business environment. From an audit perspective the proposed changes to the company size thresholds, lease accounting and revenue recognition will impact some SME's significantly. Our audit team have strived to understand the risks these macro economic circumstances impact on the performance and conclusions of our audit assignments.

During this year we have focused on the results of our second annual review under International Standard on Quality Management 1. We have also focused on the impact on our audit methodologies of revised ISA 600 we have continued our practical efforts on key areas of accounting estimates, management override of controls and going concern. In the year we ceased our FRC PIE audit registration but are very pleased to continue in the FRC Scalebox program.

We see these developments as necessary and significant steps for Affinia as we evolve as a firm. We are aware there is always more to do in line with our continuous investment to support our audit business and wider firm.

Mark Middleton
Audit Compliance Principal

Legal structure and ownership

Affinia Limited changed its name from LB Group Limited during the year. It is a 6 office firm with head office at The Octagon, Suite E2, 2nd Floor, Middleborough, Colchester, CO1 1TG. Our office address and contact details are detailed in appendix II.

In May 2023 LBGH (now Affinia Group Holdings Limited) received investment from Sovereign Capital Partners taking a controlling interest. Immediately prior to the investment LB Group was restructured to be directly controlled by directors and principals in line with regulation and guidance. The continued impact of this investment is noted in the strategy 2026 and onwards section.

The Affinia audit function has 12 responsible individuals working across our audited entities.

Governance

Affinia has an Audit Management Committee which sets strategy, monitors performance and is responsible for quality. The Management Committee meet every month to consider strategic matters and monitor operational arrangements and performance.

Regular meetings are held with all directors to receive reports from the Management Committee and discuss and decide on structural matters.

The Management Committee, or delegated members of it, hold regular meetings with staff on an office basis to update on direction, performance, current issues and strategy.

Client service is delivered along service lines further delineated into each office. The audit group and each office has a business plan which is updated annually. The business plans and the staff contribution to it are shared with staff on a regular basis.

The Management Committee consider that in the year the key risk to audit quality is still to ensure we had sufficient capacity and quality of resource to carry out high quality audit practices. The market for bringing in audit staff has eased but as we continue to grow our audit offering we need to maintain resource ahead of the demand. Our integration of two other firms audit functions in to ours in the year and organic growth has driven the demand for increased resourcing. Our team of South African chartered accountants has continued to be a significant and much valued support. They are included in monthly audit function communications and during the year were visited in person by a member of the Audit Management Committee. By planning all audit jobs on a rolling 12 month basis and regularly assessing this against capacity and skills the resourcing risk has been mitigated we believe. Resourcing is monitored as key risk area.

With the increase in audit entities we service and more RI's in the team the need to ensure consistency of delivery is also considered a key risk to audit quality. We have increased use of template work papers, consistent training and significantly augmented monitoring in all key areas to mitigate this risk.

Quality control systems

External Reviews

The firm uses Mercia as a third party to carry out cold file reviews on an annual basis. The findings of the cold file reviews are reviewed by the audit management team and any requirements to update audit methodology are made. Audit staff training is updated for specific findings from the cold file review. Affinia is subject to external review by the Quality Assurance Department of the ICAEW at timings determined by the regulatory body.

Internal Systems

The firms audit compliance principal is Mark Middleton. Mike Warman is the ethics principal.

The company has continued to focus on instilling a culture of openness, integrity and independence across all audit staff by encouraging the management team to emphasise this approach on a consistent basis. Particular focus being on encouraging professional scepticism and creating the supportive culture for staff to challenge management. The strategy is to ensure the audit manuals and systems are enacted by all staff when practically applied.

The audit committee set out firm wide and specific training for the audit team to best ensure the audit team, at all levels, have sufficient skills to carry out the audit assignments. Training is provided by third party specialists, internally from the audit team and by relevant professional bodies. Staff training is assessed individually in 6 and 12 month reviews. At these meetings future training based on practical feed back is implemented. During the year training was targeted towards the embedding and refinement of ISA600, going concern, management override of controls and accounting estimates. Communications and training was also issued in respect of the revised ethical standard, implemented in the year.

As part of increased monitoring internal cold file reviews, omission reporting such as archiving, staff surveys and non-standard audit report sampling were continued and augmented adding to the breadth and depth of our monitoring.

Affinia maintains an audit compliance manual supported by third party specialists. Regular training and audit meetings and training materials sets out in detail mandatory audit procedures. Affinia endeavours to apply robust engagement acceptance procedures for all prospective audited entities and the continuance of audit engagements. This includes monitoring by the audit committee on a monthly and quarterly basis as well as a tailored risk assessment process prior to appointment.

The company is committed to audit quality. Audit quality is considered a key business risk for the company. With an expanded number of audited entities serviced and RI's in the Team we have expanded our monitoring and internal review procedures commensurately.

To endeavour to drive audit quality Responsible Individuals are not rewarded for financial performance, to encourage 'to do what it takes', to ensure audit quality. RI's are remunerated on the basis of a fixed remuneration package. Audit quality is a key factor in all staff appraisals. All jobs are reviewed and analysed for quality. This data is used in staff appraisals at all levels. Audit quality is a driver for promotion and remuneration at all levels below RI.

Responsible individual portfolios are reviewed for size and perceived risk to ensure capacity at all levels is adequate. Please see Appendix II for our audit strategy template.

Quality management annual report

At the end of the 2024 calendar year we completed our annual report on quality management.

This evaluation included review of the following:

Communication received related to the monitoring and remediation procedures undertaken since the date of the previous evaluation, including:

A description of the monitoring activities performed;

- The identified deficiencies, including the severity and pervasiveness of such deficiencies; and
- The remedial actions to address the identified deficiencies.
- The results of regulatory inspections undertaken by the competent authority and / or RSB since the date of the previous evaluation;
- The results of any monitoring activities performed by the network to which the firm belongs since the date of the last evaluation.

In performing our evaluation of the system of quality management we have:

- Considered the severity and pervasiveness of the identified deficiencies that have been brought to my attention, and their effect on the achievement of the objectives of the system of quality management;
- Considered whether remedial actions have been designed and implemented by the firm, and whether those remedial actions taken up to the time of this evaluation are proving to be effective; and
- Considered whether the effect of identified deficiencies on the system of quality management have been appropriately corrected, and whether any necessary further action has been taken.

We concluded that:

That the system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved.

The key deficiencies identified were:

Feedback from the external cold file reviews identified areas of improvement around areas of methodology, use of the audit work papers and engagement specific areas of sampled audits. In addition, we identified improvements that could be made to our staff training.

For deficiencies identified root cause analysis were carried out and measures taken to address the breaches and to modify the firm's internal quality control system.

Independence and ethics

Independence

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to 'those charged with governance'. For example, Directors of a UK company.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to bear on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes.

The procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the firm's independence and the objectivity of the audit engagement partner and the audit staff. This strategy document considers such matters in for new clients and the continuance of existing clients.

We confirm that the firm complies with the APB Ethical Standards.

By monthly and quarterly review the company assess and takes appropriate action for the rotation of RI and senior staff in line with the guidance of regulatory bodies.

Annually internal review of independence compliance is conducted.

Ethics

The introduction of the revised Ethical Standard from the FRC from an audit perspective was made with communications across the wider group. Identifying threats, and addressing those with appropriate safeguards, is a process undertaken throughout the audit team rather than just RI level. The awareness of professional staff throughout the engagement process has continued to be a key cultural cornerstone of the practice.

Ethics is an area of high focus for both the industry and Affinia as a firm and we have embraced the changes to CPD requirements for ICAEW members which enhance our pre-existing training programmes for staff in this key area. Amongst others, non-audit services is a focus area, with audit team members now actively discussing and documenting threats and safeguards. Ethics training has been enhanced for all staff, and we promote an openness to discussion as an important part of our firm's culture.

At a higher level the audit committee will also consider threats to reputation such as adverse press and reputation of management. This is assessed on individual engagements on a yearly recurring basis, if applicable, and on every new engagement.

Strategy 2026 and onwards

As a firm we are keen to improve standards in all areas and in particular the regulated area of audit. We believe the standards will continue to be improved by further investment in our staff and infrastructure,

Examples where we consider improvements can be made in 2026 and onwards:

- In 2023 we started the reorganisation of the firm on service lines exclusively from the current structure of a hybrid service line and office basis. Reorganising on a pure service line basis has enabled staff to better specialise, better control capacity and to be a more scalable operation. In 2026 we expect to work with the offices that join us as part of our continued drive to embed this service line system.
- The wider group acquired two firms in 2025 in the South East region, with the audit function being directly absorbed into Affinia. We have integrated the audit functions fully instilling our best practice and learning from and assimilating better audit practice as we encounter it. We have learnt from the integration of practices to date and are confident we can build on this success with our other acquisitions made in the early part of the 2026 financial year.
- Continued development of our Ethics training programme is a focus for the business. We have met the increased requirements for ICAEW members. Acquisition targets in the future will need to be bolted into our training structure in order to mitigate any risks in the early stages of any new relationship. Our new integrated staff have been focused on to make sure they are quickly up to speed with the requirements of our set up. We believe this has been successful and that we are well placed to build on this area with the further offices and staff that have been integrated post year end.
- Invest in technological audit assistance to provide better audit control and depth on audit projects. In 2025 we had stalled progress but we are focused on developing a strategy on data analytics and the use of AI in audit testing to plan our way forward. We have run a number of test cases as we work out our best implementation strategy. Research is still ongoing into the merits and attributes of the various software available. We expect in 2026 to set out and start to follow our confirmed path on increased technology use.
- Investing in our back office will enable us to better report the data needed to monitor our performance across all relevant KPI's. The data we have has improved substantially year on year. As the rollout in 2026 continues, Prism 2.1 being the platform project, we expect to be able to continue to articulate more relevant data and augment the narrative aspects of the report.
- In 2025 we finished improvements in our Chelmsford office and moved our Stratford office to new improved premises in the early part of the new year.
- Continue to utilise greater resource to bring in talent from top 20 firms to further broaden our audit experience and skills. We have built on previous recruitment with further hires from other firms that are in the top 20. We would expect to be able to continue to bring in high level talent outside of Affinia as we grow. We have also had an encouraging firm wide record number of trainees in the audit service line.

- Investment in back-office support to enable all staff levels to be more available to be engaged in client facing and technical activities. We can see the impact the increase in numbers in our HR department have had in the 2025 year. We would expect the continued increase in numbers in our finance team to have a similar impact.

Public Interest Entities (PIE)

During the year Affinia carried out audits of PIEs regulated by the FRC on the following entities:

Bestpark International Limited

Ashbrooke Underwriting Limited

At the end of 31 March 2025 Affinia was no longer on the PIE register or had any PIE clients.

Financial Details

In the year to 31 August 2025 we can confirm the following financial details:

Revenue from the statutory audit of public interest entities	£30,000
Revenue from the statutory audit of other entities	£7,635,000
Revenue from permitted non-audit services to entities that are audited by LB Group	£180,000
Revenue from non audit services to other entities	£538,000

Appendix I

Audit Strategy

We will perform a risk based audit on the management figures of the entity. This enables us to focus our work on key audit areas.

Our starting point is to gain a detailed understanding of the company's business and its commercial environment which enables us to identify, assess and respond to the risks of material misstatement.

This includes obtaining an understanding of the system of internal control in place in order to consider the adequacy as a basis for the preparation of the financial statements, that adequate accounting records have been maintained and the adequacy as a basis on which to design and undertake our audit testing.

We would discuss the changes to the business and management's own view of potential audit risk during our planning meeting in order to gain an understanding of the company's activities to determine which risks impact on the numbers and disclosures in the financial statements. We would continue to update this assessment throughout the audit.

Based on our risk assessment, we then design an appropriate audit strategy to obtain sufficient assurance to enable us to report on the financial statements. We choose the audit procedures that we believe are the most effective and efficient to reduce audit risk to an acceptably low level. The procedures are a combination of testing the operating effectiveness of controls, substantive analytical of controls, substantive analytical procedures and other tests of detailed transactions.

Having planned our audit we would perform audit procedures, maintaining an appropriate degree of professional scepticism, in order to collect evidence to conclude whether or not the financial statements show a true and fair view and are prepared in accordance with UK GAAP FRS 102 and the Companies Act 2006.

It is important that we maintain effective two way communication with clients through the entire audit process, which will culminate with a completion audit meeting and the preparation of a final report to the appropriate stakeholders.



Appendix II

Office locations

Chelmsford

Swift House, Ground Floor
18 Hoffmanns Way
Chelmsford
CM1 1GU

Tel: 01245 254780

Colchester

The Octagon
Suite E2, 2nd Floor
Middleborough
Colchester
Essex
CO1 1TG

Tel: 01206 867 551

Ipswich

80 Compair Crescent
Ipswich
Suffolk
IP2 0EH

Tel: 01473 359 720

Orpington

Lynwood House
Crofton Road
Orpington
Kent
BR6 8QE

Tel: 01689 877081

Stratford

19th Floor
1 Westfield Avenue
Stratford
E20 1HZ

Tel: 020 8221 8282

Sutton

Chancery House
St Nicholas Way
Sutton
SM1 1JB

Tel: 020 865 22450



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Thank you.

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