

## **AFH Financial Group**

# **Proposed Admission to AIM**

AFH Financial Group PLC  
("AFH" or the "Group")

Proposed Admission to AIM and withdrawal of securities from the ISDX Growth Market  
Proposed Placing and Subscription to raise approximately GBP1.46 million (before expenses) to fund the  
Group's continued growth strategy and  
GBP1.46 million share sale by an existing shareholder

### Introduction

The Board of AFH today announces that it will make an application for the admission of its issued and to be issued share capital to trading on AIM which is expected to be effective on or around 30 June 2014 ("Admission"). An updated pre-admission announcement in connection with the proposed admission of its shares to trading on AIM (the "Update Schedule One Announcement") is expected to be released today by the London Stock Exchange and an admission document will be published by the Group shortly. Copies of the Update Schedule One Announcement will be available to download from the Group's website ([www.afhfinancialgroup.com](http://www.afhfinancialgroup.com)) in due course. The ticker symbol will remain as AFHP.

The Group has also given notice to the ISDX Growth Market that the Group intends to withdraw its shares from trading on that market at the close of business on the business day preceding Admission, which is expected to be on or around 27 June 2014.

As part of Admission, the Group has conditionally raised GBP1.46 million (before expenses) by way of a placing and subscription of new ordinary shares of 10 pence each (the "Placing and Subscription") with new investors and existing shareholders at a price of 140 pence per share (the "Placing Price"). In addition, GBP1.46 million has been conditionally raised on behalf of Alan Hudson by the sale of 1,044,101 ordinary shares of 10 pence each in AFH (the "Sale Shares") at the Placing Price. Pursuant to the Subscription and conditional on Admission, John Wheatley (Non-Executive Chairman) has agreed to purchase 32,857 Sale Shares at the Placing Price, Toby Denne (Chief Investment Officer) has agreed to purchase 178,571 Sale Shares at the Placing Price and Paul Wright (Chief Financial Officer) has agreed to purchase 35,000 Sale Shares at the Placing Price.

The Group is seeking to move from the ISDX Growth Market to AIM in order to take advantage of AIM's higher profile, broader investor base, greater liquidity and access to institutional investors for the Placing and any future potential fundraisings.

Following Admission, the Group intends to retain its focus on organic growth and acquisitions, through the continued acquisition or recruitment of new Financial Advisers (an IFA who works exclusively for AFH on a self-employed basis), and the use of its AIM quotation to accelerate its acquisition strategy.

#### Reasons for Admission and use of proceeds

The Directors believe that the Group has reached a stage in its development where it will benefit from AFH's shares being admitted to trading on AIM and that this will:

- \* enhance the perceived credentials of the Group with existing and potential clients;
- \* allow the Group to access equity capital cost effectively in order to provide the Group with financial flexibility to pursue growth opportunities as and when they arise;
- \* be used as a platform to acquire complementary businesses within the IFA and related financial services sector in line with the Group's stated strategy; and
- \* support the development of the Group's brand.

The net proceeds of the Placing and the Subscription receivable by AFH will total GBP1.06 million. The Directors intend to use these funds, along with the Group's existing cash resources, for business expansion, in particular, to fund the Group's continued growth strategy and provide funds for further acquisitions, continuing investment in the Group's business infrastructure and additional working capital.

#### Current trading and prospects

Trading in the first five months of the current financial year has been in line with the Directors' expectations, with the full contribution of acquisitions made in 2013 reflected in increased revenue for the period. Recurring revenue in the period remained at the 50% level reported in the 2013 financial statements and gross margins remained above 50%.

During the period since the Group's year-end, the Group has continued to strengthen its operating management team, in addition to the Board appointments announced in February 2014. The cost of continuing to build an infrastructure to support the current and anticipated growth of the Group has been achieved to date without impacting operating margins and further investment is expected throughout the current

financial year.

In April 2014, the Group announced a successful equity subscription, raising GBP1.6 million of further funding to be used to provide additional working capital for the Group and to finance potential future acquisitions. Following the subscription the Group had cash reserves of GBP4.8 million with no secured debt.

Whilst the Group did not make any significant acquisitions during the period under review, the pipeline of prospective acquisitions remains strong and further acquisitions are anticipated during the current financial year. On 19 May 2014, AFH announced the acquisition of the assets of Omega Consulting (Norwich) Limited, the Group's second acquisition in 2014. The Group is in preliminary discussions with a number of potential acquisition prospects and is undertaking due diligence on three small IFA businesses.

#### The Placing and the Subscription

The Placing and the Subscription comprise the issue of the 346,252 New Ordinary Shares by AFH, the issue of the 697,850 Subscription Shares by AFH and the sale of the 1,044,101 Sale Shares by Alan Hudson, raising approximately GBP1.06 million (net of expenses) for the Group and GBP1.46 million for Alan Hudson (Chief Executive of the Group).

The Placing has not been underwritten by Allenby Capital Limited (the Group's nominated adviser and broker). The Placing and the Subscription are conditional upon, inter alia, Admission becoming effective by not later than 8.00 a.m. on 30 June 2014 (or such later date as Allenby Capital Limited may agree not being later than 14 July 2014).

Pursuant to the Subscription Agreements the Subscribers have agreed, conditional on Admission, to purchase the Subscription Shares and 941,067 Sale Shares at the Placing Price.

Application will be made for the admission of the Enlarged Share Capital to trading on AIM. It is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence on 30 June 2014.

#### Share options

Conditional on Admission the Board has granted the following options to the Directors, exercisable at the Placing Price, under the AFH EMI Share Option Plan and as unapproved share options:

Director	EMI Options (#)	Unapproved Options (#)
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Alan Hudson (Chief Executive Officer)	-	150,000
John Wheatley (Non-Executive Chairman)	-	25,000
Toby Denne (Chief Investment Officer)	92,857	-
Paul Wright (Chief Financial Officer)	71,428	53,572
Susan Lewis (Non-Executive Director)	-	25,000

Further announcements will be made in due course.

The Directors of AFH Financial Group PLC are responsible for the content of this announcement.

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