

Company Registration No. 07638831 (England and Wales)

**AFH FINANCIAL GROUP PLC**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 OCTOBER 2012**

# AFH FINANCIAL GROUP PLC

## DIRECTORS AND ADVISERS

---

<b>Directors</b>	Mr A Hudson Mr J Wheatley Mr T Denne
<b>Secretary</b>	Mrs A-M Brown
<b>Company number</b>	07638831
<b>Registered office</b>	AFH House Stoke Heath Bromsgrove Worcestershire B60 4JE
<b>Registered auditors</b>	Baldwins (Stourbridge) Limited Chartered Certified Accountants 1st Floor Cophall House Stourbridge West Midlands DY8 1PH

---

# AFH FINANCIAL GROUP PLC

## CONTENTS

---

	<b>Page</b>
Chairmans report	1 - 3
Directors' report	4 - 5
Independent auditors' report	6 - 7
Consolidated profit and loss account	8
Balance sheets	9
Consolidated cash flow statement	10
Notes to the consolidated cash flow statement	11
Notes to the financial statements	12 - 25

---

# AFH FINANCIAL GROUP PLC

## CHAIRMANS REPORT

### FOR THE YEAR ENDED 31 OCTOBER 2012

---

#### Audited results for the year ended 31 October 2012

The Directors of AFH, a leading Independent Financial Advisory ( IFA ) firm, today announce the Group s consolidated audited results for the year ended 31 October 2012 (the first full 12 month period since the Company s 2011 flotation), including the declaration of a maiden dividend of 1p per ordinary share.

#### Financial highlights

- Gross revenues of GBP7.2 million (2011\*: GBP2.1 million);
- Strong performance from the Group s principal operating business, AFH Independent Financial Services Limited, generating EBITDA of GRP1.2 million (before non-recurring costs) up 45 per cent. on the previous year, increasing its gross revenue by 34%;
- Group EBITDA of GBP0.8 million (2011\*: GBP0.2 million) before costs of share options and non-recurring office move;
- Profit before taxation of GBP0.34 million (2011\*: GBP0.1 million);
- Recurring income represents 50% of Group revenue;
- Strong balance sheet with net assets of GBP12.4 million and no borrowings; and
- Proposed maiden dividend of 1p per ordinary share.

*\*2011 comparisons are for the 131 day period from 22 June 2011 (the date of the Company s flotation) to 31 October 2011*

#### Operational highlights

- Adviser numbers increased by 60% to a total of 94 at the year end;
- Eleven acquisitions made during the year, with a further three completed since the year end; and
- Successful move to new 14,000 sq ft. offices to accommodate significant anticipated growth.

Commenting, Alan Hudson, Chairman and Chief Executive of AFH Financial Group Plc, said:

**The Board views the prospects for the remainder of 2013 and beyond with confidence. Our strategy is to continue driving forward in our traditional areas of strength whilst further enhancing our offerings to drive increased profitability. The Board continues to monitor the external market place for appropriately priced acquisition opportunities which will generate incremental opportunities for the Group. Our long term aim is to grow adviser numbers and build an outstanding IFA firm.**

**The strong performance over the last 12 months is another important step in this direction and our proposed maiden dividend underlines our confidence in the Group s future.**

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

#### Enquiries

**AFH Financial Group PLC** 01527 577 775  
Alan Hudson, Chairman and Chief Executive  
[www.afhifs.co.uk](http://www.afhifs.co.uk)

**Peterhouse Corporate Finance Limited** 020 7220 9796  
Mark Anwyl and Duncan Vasey

**Yellow Jersey PR Limited** 020 3664 4087  
Dominic Barretto or Anna Legge

# **AFH FINANCIAL GROUP PLC**

## **CHAIRMANS REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 OCTOBER 2012**

---

### **Chairman's Statement**

I am pleased to report the results for our first full financial year since the Company's June 2011 flotation, a period which has seen strong organic and strategic growth across the Group.

### **Operational Growth**

The Group's principal operating subsidiary, accounting for 100 per cent. of the Group's revenue, is AFH Independent Financial Services Limited (AFH IFS). In the year ended 31 October 2012, AFH IFS delivered an outstanding performance, increasing revenues by 34 per cent. and generating EBITDA of GBP1.2 million (before non-recurring costs), up 45 per cent. on the previous year.

Although a direct year-on-year comparison at Group level is not possible due to the corporate restructuring undertaken ahead of the Company's flotation, the Directors are pleased to report that the achievements of AFH IFS were reflected in similar levels of improved performance across the Group.

The Directors are particularly pleased with these results in light of the disruption caused by our advisers having to achieve further qualifications ahead of the Retail Distribution Review (RDR) deadline of 31 December 2012. The delivery of such strong results in that context, whilst also seamlessly integrating a number of acquisitions, some of which were substantial, demonstrates the robustness of the Group, its advisers and its systems.

Recurring income, which is not reliant upon new business, represents half of the Group's revenue, providing the Group with a stable platform from which further growth can be delivered.

### **RDR**

The RDR came into force on 1 January 2013 and has already changed the retail financial services landscape considerably. As anticipated, AFH is exceptionally well placed to benefit from these changes and the Directors remain confident that AFH will continue to prosper as the IFA sector contracts.

### **Eleven acquisitions integrated**

During the period, the Group successfully completed eleven acquisitions of complementary IFA practices. The most important of these acquisitions fell in the second half of our year and have therefore not yet had a material impact on the Group's performance. A further three acquisitions were completed in December 2012.

The acquisitions completed to date have contributed significant numbers of new advisers and clients to the Group, as well as broadening its geographic presence. AFH intends to make additional acquisitions in due course as it continues to take advantage of the opportunities arising from the RDR and ongoing economic difficulties.

During the period we have also moved to new offices of some 14,000 sq ft. The Directors believe that these new premises are more than sufficient to accommodate the significant further growth still anticipated by the Company.

### **Adviser numbers up 60%**

Organic growth, through the recruitment of new quality IFAs, has resulted in a 60% increase to 94 advisers in the period. Since flotation I am pleased to report that adviser numbers has increased by 77%.

# **AFH FINANCIAL GROUP PLC**

## **CHAIRMANS REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 OCTOBER 2012***

---

### **Maiden dividend**

In light of the Group's robust operating performance and reflecting the Directors' confidence in the future, I am pleased to announce the declaration of a maiden dividend of 1p per ordinary share in respect of the year ended 31 October 2012. Subject to shareholders' approval at the forthcoming Annual General Meeting, the dividend will be paid on 10 May 2013 to shareholders on the register of members at the close of business on 12 April 2013.

Having commenced dividend payments, it is the Directors' intention that the Company will maintain a progressive dividend policy going forward.

### **Launch of tax efficient property fund**

Shortly after the year end, in November 2012, the Group launched a first to market open-ended high yield fund, The St. John's High Yield Property Fund (the "Fund"), to invest up to GBP50 million in industrial, office and retail properties throughout England and Wales. The Fund is believed to be the first Property Authorised Investment Fund to be available to retail investors in the UK and is being offered to AFH clients seeking to diversify their investment portfolios and gain exposure to a low volatility asset class with yields of between 6 and 9%. The Fund has evaluated a number of opportunities since its launch and expects to complete the acquisition of the first properties for its portfolio shortly.

### **Outlook**

For many companies, the challenges posed by the state of the economy, the demands of the RDR and the need to assimilate multiple acquisitions would have proved insurmountable. The fact that AFH has delivered excellent growth despite these challenges is testament to the strength and quality of staff across the Group and the Directors would like to thank them all for their contribution.

AFH is profitable and cash generative with a strong balance sheet. The Board views the prospects for the remainder of 2013 and beyond with confidence. Our strategy is to continue driving forward in our traditional areas of strength whilst further enhancing our offerings to drive increased profitability. The Board continues to monitor the external market place for appropriately priced acquisition opportunities which will generate incremental opportunities for the Group.

Our long term aim is to grow adviser numbers and build an outstanding IFA firm. The strong performance over the last 12 months is another important step in this direction and our proposed maiden dividend underlines our confidence in the Group's future.

Mr A Hudson

**Chairman and Chief Executive**

22 March 2013

# AFH FINANCIAL GROUP PLC

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 OCTOBER 2012**

---

The directors present their report and financial statements for the year ended 31 October 2012.

### **Principal activities and review of the business**

The principal activity of the company was that of a holding company.

A business review is included in the Chairmans Report set out on pages 1 to 3.

### **Results and dividends**

The consolidated profit and loss account for the year is set out on page 8.

### **Directors**

The following directors have held office since 1 November 2011:

Mr A Hudson  
Mr J Wheatley  
Mr T Denne

### **Creditor payment policy**

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year end represented 17 (2011 - 40) days' purchases.

### **Auditors**

The auditors, Baldwins (Stourbridge) Limited, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

### **Statement of directors' responsibilities**

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 group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# AFH FINANCIAL GROUP PLC

## DIRECTORS' REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 OCTOBER 2012*

---

### **Statement of disclosure to auditors**

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board

Mrs A-M Brown

22 March 2013



# AFH FINANCIAL GROUP PLC

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF AFH FINANCIAL GROUP PLC

---

We have audited the group and parent company financial statements (the "financial statements") of AFH Financial Group Plc for the year ended 31 October 2012 set out on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 - 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 October 2012 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# AFH FINANCIAL GROUP PLC

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF AFH FINANCIAL GROUP PLC

---

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

**Mr S N Southall (Senior Statutory Auditor)**  
**for and on behalf of Baldwins (Stourbridge) Limited**

25 March 2013

**Chartered Certified Accountants**  
**Statutory Auditor**

1st Floor  
Copthall House  
1 New Road  
Stourbridge  
West Midlands  
DY8 1PH

# AFH FINANCIAL GROUP PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2012

---

	Notes	Year Ended 31 October 2012 £	22 June 2011 to 31 October 2011 £
<b>Turnover</b>	<b>2</b>	7,200,950	2,107,966
Cost of sales		(3,471,201)	(1,053,835)
<b>Gross profit</b>		<u>3,729,749</u>	<u>1,054,131</u>
Administrative expenses		(3,391,735)	(950,386)
<b>Operating profit</b>	<b>3</b>	<u>338,014</u>	<u>103,745</u>
Other interest receivable and similar income		13,494	54
Interest payable and similar charges	<b>4</b>	(12,631)	(4,945)
<b>Profit on ordinary activities before taxation</b>		<u>338,877</u>	<u>98,854</u>
Tax on profit on ordinary activities	<b>5</b>	(137,144)	(55,538)
<b>Profit on ordinary activities after taxation</b>		<u><u>201,733</u></u>	<u><u>43,316</u></u>
<b>Earnings per share (pence)</b>			
Basic	<b>16</b>	1.413	0.311
Diluted	<b>16</b>	<u>1.365</u>	<u>0.304</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

# AFH FINANCIAL GROUP PLC

## BALANCE SHEETS

AS AT 31 OCTOBER 2012

	Notes	Group		Company	
		2012 £	2011 £	2012 £	2011 £
<b>Fixed assets</b>					
Intangible assets	8	12,725,235	10,441,638	-	-
Tangible assets	9	144,312	60,402	-	-
Investments	10	598	514	9,620,566	9,620,464
		<u>12,870,145</u>	<u>10,502,554</u>	<u>9,620,566</u>	<u>9,620,464</u>
<b>Current assets</b>					
Debtors	11	1,990,259	938,143	2,116,153	3,000
Cash at bank and in hand		922,957	1,722,273	651,925	1,502,162
		<u>2,913,216</u>	<u>2,660,416</u>	<u>2,768,078</u>	<u>1,505,162</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(2,479,190)</u>	<u>(1,544,603)</u>	<u>(247,930)</u>	<u>(24,966)</u>
<b>Net current assets</b>		<u>434,026</u>	<u>1,115,814</u>	<u>2,520,148</u>	<u>1,480,196</u>
<b>Total assets less current liabilities</b>		<u>13,304,171</u>	<u>11,618,367</u>	<u>12,140,714</u>	<u>11,100,660</u>
<b>Creditors: amounts falling due after more than one year</b>	13	(852,877)	(242,372)	-	-
<b>Provisions for liabilities</b>	14	(15,681)	(13,045)	-	-
		<u>12,435,613</u>	<u>11,362,950</u>	<u>12,140,714</u>	<u>11,100,660</u>
<b>Capital and reserves</b>					
Called up share capital	16	1,478,037	1,409,687	1,478,037	1,409,687
Share premium account	17	10,482,962	9,867,812	10,482,962	9,867,812
Profit and loss account	17	474,614	85,451	179,715	(176,839)
<b>Shareholders' funds</b>	18	<u>12,435,613</u>	<u>11,362,950</u>	<u>12,140,714</u>	<u>11,100,660</u>

Approved by the Board and authorised for issue on 22 March 2013

Mr A Hudson  
Director

Company Registration No. 07638831

# AFH FINANCIAL GROUP PLC

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2012

	£	2012 £	£	2011 £
<b>Net cash inflow/(outflow) from operating activities</b>		134,348		(60,639)
<b>Returns on investments and servicing of finance</b>				
Interest received	13,494		54	
Interest paid	(12,631)		(4,945)	
	<u>          </u>		<u>          </u>	
<b>Net cash inflow/(outflow) for returns on investments and servicing of finance</b>		863		(4,891)
<b>Taxation</b>		(179,964)		(157,016)
<b>Capital expenditure and financial investment</b>				
Payments to acquire intangible assets	(2,468,690)		(460,097)	
Payments to acquire tangible assets	(113,391)		(14,735)	
Payments to acquire investments	(62)		-	
Receipts from sales of intangible assets	33,854		-	
Receipts from sales of investments	100		-	
	<u>          </u>		<u>          </u>	
<b>Net cash outflow for capital expenditure</b>		(2,548,189)		(474,832)
		<u>          </u>		<u>          </u>
<b>Net cash outflow before management of liquid resources and financing</b>		(2,592,942)		(697,378)
<b>Financing</b>				
Issue of ordinary share capital	683,500		1,757,499	
	<u>          </u>		<u>          </u>	
Issue of shares	683,500		1,757,499	
	<u>          </u>		<u>          </u>	
New debenture loan	225,000		-	
Other new long term loans	713,627		185,750	
Other new short term loans	1,721,209		173,883	
Repayment of other long term loans	(103,122)		(77,765)	
Repayment of other short term loans	(1,447,277)		(310,174)	
	<u>          </u>		<u>          </u>	
<b>Net cash inflow from financing</b>		1,792,937		1,729,193
<b>Increase/(decrease) in cash in the year</b>		<u>          </u> <u>          </u>		<u>          </u> <u>          </u>

# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2012

<b>1</b>	<b>Reconciliation of operating profit to net cash inflow/(outflow) from operating activities</b>		<b>2012</b>	<b>2011</b>	
			£	£	
	Operating profit		338,014	103,745	
	Depreciation of tangible assets		29,482	9,930	
	Amortisation of intangible assets		158,792	16,116	
	Profit/(loss) on disposal of intangible assets		(7,651)	11,867	
	Increase in debtors		(348,144)	(154,277)	
	Increase in creditors within one year		(223,575)	(90,155)	
	Share-based payment charge		187,430	42,135	
	<b>Net cash inflow/(outflow) from operating activities</b>		<u>134,348</u>	<u>(60,639)</u>	
<b>2</b>	<b>Analysis of net (debt)/funds</b>	<b>1 November 2011</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>31 October 2012</b>
		£	£		£
	Net cash:				
	Cash at bank and in hand	1,722,273	(800,005)	-	922,268
		<u>1,722,273</u>	<u>(800,005)</u>	<u>-</u>	<u>922,268</u>
	Debts falling due within one year	(457,979)	(498,932)	-	(956,911)
	Debts falling due after one year	(242,372)	(610,505)	-	(852,877)
		<u>(700,351)</u>	<u>(1,109,437)</u>	<u>-</u>	<u>(1,809,788)</u>
	Net funds/(debt)	<u>1,021,922</u>	<u>(1,909,442)</u>	<u>-</u>	<u>(887,520)</u>
<b>3</b>	<b>Reconciliation of net cash flow to movement in net (debt)/funds</b>		<b>2012</b>	<b>2011</b>	
			£	£	
	(Decrease)/increase in cash in the year		(800,005)	1,031,815	
	Cash (inflow)/outflow from (increase)/decrease in debt		(1,109,437)	28,306	
	<b>Movement in net (debt)/funds in the year</b>		<u>(1,909,442)</u>	<u>1,060,121</u>	
	Opening net funds/(debt)		1,021,922	(38,199)	
	<b>Closing net (debt)/funds</b>		<u>(887,520)</u>	<u>1,021,922</u>	

# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2012

---

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

#### 1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 October 2012. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

#### 1.4 Turnover

Turnover represents commissions and fees receivable in relation to the company's role as independent financial advisors.

#### 1.5 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 20 years.

The directors are of the opinion that the goodwill arising on the creation of the new holding company to acquire the shares in AFH Group Ltd does not require amortisation. This is due to the value of the underlying investment being capable of continued measurement and no amortisation has been provided to show a true and fair view.

The carrying value of goodwill is reviewed for impairment at the end of the financial year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### 1.6 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

#### 1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	25% on reducing balance
Fixtures, fittings & equipment	20% on reducing balance

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### 1.8 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2012

### 1 Accounting policies (Continued)

#### 1.9 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.10 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

#### 1.11 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

#### 1.12 Share-based payments

The group has issued share options to certain directors and employees. These must be measured at fair value and recognised as an expense in the profit and loss account with a corresponding increase in equity. The fair value of the options is based on the market value of the shares at the balance sheet date. The fair value will be charged as an expense in the profit and loss account over the vesting period. The charge is adjusted each year to reflect the expected and actual level of vesting.

### 2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit	2012	2011
	£	£
Operating profit is stated after charging:		
Amortisation of intangible assets	158,792	16,116
Depreciation of tangible assets	29,482	9,930
Loss on disposal of intangible assets	-	11,867
Research and development	-	(50,220)
Operating lease rentals	200,467	156,143
and after crediting:		
Profit on disposal of intangible assets	(7,651)	-
	<u>          </u>	<u>          </u>

#### Auditors' remuneration

Fees payable to the group's auditor for the audit of the group's annual accounts (company £9,756; 2011: £10,200)	21,756	22,200
Other accountancy services	2,760	-
Taxation	-	480
	<u>          </u>	<u>          </u>
	<u>24,516</u>	<u>23,160</u>



# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2012

<b>4</b>	<b>Interest payable</b>	<b>2012</b>	<b>2011</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	27	-
	On other loans wholly repayable within five years	12,604	4,945
		<u>12,631</u>	<u>4,945</u>
		<u><u>12,631</u></u>	<u><u>4,945</u></u>
<b>5</b>	<b>Taxation</b>	<b>2012</b>	<b>2011</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	U.K. corporation tax	134,508	52,609
	<b>Total current tax</b>	<u>134,508</u>	<u>52,609</u>
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	2,636	2,929
		<u>137,144</u>	<u>55,538</u>
		<u><u>137,144</u></u>	<u><u>55,538</u></u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	<u>338,877</u>	<u>98,854</u>
		<u><u>338,877</u></u>	<u><u>98,854</u></u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.58% (2011 - 25.68%)	<u>83,296</u>	<u>25,386</u>
	Effects of:		
	Non deductible expenses	46,766	22,459
	Depreciation add back	18,439	7,208
	Capital allowances	(13,993)	(2,444)
		<u>51,212</u>	<u>27,223</u>
	<b>Current tax charge for the year</b>	<u><u>134,508</u></u>	<u><u>(52,609)</u></u>
<b>6</b>	<b>Profit/(loss) for the financial year</b>		
	As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit/(loss) for the financial year is made up as follows:		
		<b>2012</b>	<b>2011</b>
		<b>£</b>	<b>£</b>
	Holding company's profit/(loss) for the financial year	<u>169,124</u>	<u>(218,974)</u>
		<u><u>169,124</u></u>	<u><u>(218,974)</u></u>

# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2012

---

### 7 Dividends

The directors are proposing a final dividend of 1 pence per share totalling £147,804. This dividend has not been accrued in these financial statements.

### 8 Intangible fixed assets Group

	<b>Goodwill</b> <b>£</b>
<b>Cost</b>	
At 1 November 2011	10,817,036
Additions	2,468,592
Disposals	(33,854)
	<hr/>
At 31 October 2012	13,251,774
	<hr/>
<b>Amortisation</b>	
At 1 November 2011	375,398
Amortisation on disposals	(7,651)
Charge for the year	158,792
	<hr/>
At 31 October 2012	526,539
	<hr/>
<b>Net book value</b>	
At 31 October 2012	12,725,235
	<hr/> <hr/>
At 31 October 2011	10,441,638
	<hr/> <hr/>

# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2012

---

### 9 Tangible fixed assets

#### Group

	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£
<b>Cost</b>			
At 1 November 2011	57,276	63,526	120,802
Additions	32,703	80,688	113,391
	<hr/>	<hr/>	<hr/>
At 31 October 2012	89,979	144,214	234,193
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 November 2011	28,699	31,699	60,398
Charge for the year	10,521	18,962	29,483
	<hr/>	<hr/>	<hr/>
At 31 October 2012	39,220	50,661	89,881
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 October 2012	50,759	93,553	144,312
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 October 2011	28,576	31,826	60,402
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2012

### 10 Fixed asset investments Group

	Listed investments £	Shares in group undertakings £	Total £
<b>Cost</b>			
At 1 November 2011	122	514	636
Additions	-	62	62
Disposals	-	(100)	(100)
	<u>122</u>	<u>476</u>	<u>598</u>
At 31 October 2012	122	476	598
	<u>122</u>	<u>476</u>	<u>598</u>
<b>Net book value</b>			
At 31 October 2012	122	476	598
	<u>122</u>	<u>476</u>	<u>598</u>
At 31 October 2011	-	-	514
	<u>-</u>	<u>-</u>	<u>514</u>

### Company

	Shares in group undertakings £
<b>Cost</b>	
At 1 November 2011	9,620,464
Additions	102
	<u>9,620,566</u>
At 31 October 2012	9,620,566
	<u>9,620,566</u>
<b>Net book value</b>	
At 31 October 2012	9,620,566
	<u>9,620,566</u>
At 31 October 2011	9,620,464
	<u>9,620,464</u>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2012

### 10 Fixed asset investments (Continued)

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following company:

Company	Country of registration or incorporation	Shares held	
		Class	%
<b>Subsidiary undertakings</b>			
AFH Group Ltd	UK	Ordinary	100.00

The principal activity of this undertaking for the last relevant financial year was as follows:

	Principal activity
AFH Group Ltd	Holding Company

### 11 Debtors

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Trade debtors	1,527,386	753,334	-	-
Amounts owed by group undertakings	-	-	2,111,498	-
Corporation tax	-	203	-	-
Other debtors	266,681	67,646	-	-
Prepayments and accrued income	196,192	116,960	4,655	3,000
	<u>1,990,259</u>	<u>938,143</u>	<u>2,116,153</u>	<u>3,000</u>

# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2012

### 12 Creditors : amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Loan notes	225,000	-	225,000	-
Trade creditors	161,858	114,513	306	-
Amounts owed to group undertakings	-	-	102	4,842
Corporation tax	143,411	180,228	-	-
Other taxes and social security costs	71,491	34,182	12,322	7,858
Directors current accounts	-	4,597	-	-
Other creditors	1,726,347	832,135	-	-
Accruals and deferred income	151,083	378,948	10,200	12,266
	<u>2,479,190</u>	<u>1,544,603</u>	<u>247,930</u>	<u>24,966</u>
Debt due in one year or less	<u>983,280</u>	<u>457,979</u>	<u>-</u>	<u>-</u>

In March 2012 the company issued convertible loan notes at a value of £225,000. The loan notes are convertible into ordinary shares on 30 April 2013 at the market value of the shares at that date.

### 13 Creditors : amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Other creditors	<u>852,877</u>	<u>242,372</u>	<u>-</u>	<u>-</u>
<b>Analysis of other creditors</b>				
Wholly repayable within five years	1,822,392	368,310	225,000	-
Included in current liabilities	(969,515)	(125,938)	(225,000)	-
	<u>852,877</u>	<u>242,372</u>	<u>-</u>	<u>-</u>
<b>Loan maturity analysis</b>				
In more than one year but not more than two years	<u>852,877</u>	<u>242,372</u>	<u>-</u>	<u>-</u>

# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2012

---

### 14 Provisions for liabilities Group

	<b>Deferred taxation £</b>
Balance at 1 November 2011	13,045
Profit and loss account	2,636
	<hr/>
Balance at 31 October 2012	15,681
	<hr/> <hr/>

The deferred tax liability is made up as follows:

	<b>Group 2012 £</b>	<b>2011 £</b>	<b>Company 2012 £</b>	<b>2011 £</b>
Accelerated capital allowances	15,681	13,045	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2012

### 15 Share-based payment transactions

During the year ended 31 October 2012, the group had four share-based payment arrangements, which are described below.

Type of arrangement	EMI Scheme Share-option Plan	Contractors Share-option Plan	EMI Scheme Share-option Plan	Contractors Share-option Plan
Date of grant	22 June 2011	22 June 2011	01 August 2012	01 August 2012
Number granted	(138,567)	(405,105)	(149,264)	(197,500)
Contractual life	10 years	10 years	10 years	10 years
Vesting conditions	Change of control, asset sale, admission or the service of a notice by the directors	Change of control, asset sale, admission or the service of a notice by the directors	Change of control, asset sale, admission or the service of a notice by the directors	Change of control, asset sale, admission or the service of a notice by the directors

The share-option plans granted on 22 June 2011 will vest after two years from the date of the grant, and may only be exercised after the first of the vesting conditions described above occurs. There are no cash settlement alternatives. The share-option plans granted on 1 August 2012 will vest after three years from the date of the grant, and may only be exercised after the first of the vesting conditions described above occurs. There are no cash settlement alternatives.

The estimated fair value of each share granted in the executive share plan is 102.5p.

#### Further details of the share option plans are as follows:

	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	2012	2012	2011	2011
		£		£
At 1 November 2011	543,672	0.37	-	-
Granted	346,764	1.00	543,672	0.37
Forfeited	(28,563)	0.57	-	-
Outstanding at 31 October 2012	861,873	0.62	543,672	0.37



# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2012

### 15 Share-based payment transactions

(Continued)

524,109 of the options outstanding at 31 October 2012 have an exercise price of £0.37, and a weighted average remaining contractual life of 0.67 years. 337,764 of the options outstanding at 31 October 2012 have an exercise price of £1.00, and a weighted average remaining contractual life of 2.75 years.

	2012 £	2011 £
Expense arising from share-based payment transactions	<u>187,430</u>	<u>42,135</u>

### 16 Share capital

	2012 £	2011 £
<b>Allotted, called up and fully paid</b>		
14,780,374 Ordinary of 10p each	<u>1,478,037</u>	<u>1,409,687</u>

On 30 March 2012, 25,000 ordinary shares of £0.10 each were allotted and fully paid at par as part of the consideration in the acquisition of The Arden Court Group Ltd.

On 1 August 2012, 658,500 ordinary shares of £0.10 each were allotted and fully paid at par for cash consideration to provide additional working capital.

The calculation of earnings per share is based on the profit attributable to the equity holders for the period of £201,733 and weighted average number of shares in issue during the period of 14,277,153.

The diluted earnings per share has been adjusted for the potential share issue relating to the share-based payments. The number of shares has been increased by the difference between the amount of shares that will be issued if all options are exercised and the number of shares that could be purchased for the same consideration at average market price.

The diluted earnings per share has also been adjusted for the conversion of £225,000 loan notes. The conversion will take place on 30 April 2013 at the market value of the shares at that date.

The increased number of shares for diluted earnings per share is therefore 14,778,591.

# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2012

---

### 17 Statement of movements on reserves Group

	Share premium account £	Profit and loss account £
Balance at 1 November 2011	9,867,812	85,451
Profit for the year	-	201,733
Share based payment transactions	-	187,430
Premium on shares issued during the period	615,150	-
	<hr/>	<hr/>
Balance at 31 October 2012	<u>10,482,962</u>	<u>474,614</u>

### Company

	Share premium account £	Profit and loss account £
Balance at 1 November 2011	9,867,812	(176,839)
Profit for the year	-	169,124
Share based payment transactions	-	187,430
Premium on shares issued during the year	615,150	-
	<hr/>	<hr/>
Balance at 31 October 2012	<u>10,482,962</u>	<u>179,715</u>

# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2012

<b>18 Reconciliation of movements in shareholders' funds</b>	<b>2012</b>	<b>2011</b>
<b>Group</b>	<b>£</b>	<b>£</b>
Profit for the financial year	201,733	43,316
Proceeds from issue of shares	683,500	11,277,499
Share based payment transactions	187,430	42,135
	<hr/>	<hr/>
Net addition to shareholders' funds	1,072,663	11,362,950
Opening shareholders' funds	11,362,950	-
	<hr/>	<hr/>
Closing shareholders' funds	<u>12,435,613</u>	<u>11,362,950</u>
	<b>2012</b>	<b>2011</b>
<b>Company</b>	<b>£</b>	<b>£</b>
Profit/(Loss) for the financial year	169,124	(218,974)
Proceeds from issue of shares	683,500	11,277,499
Share based payment transactions	187,430	42,135
	<hr/>	<hr/>
Net addition to shareholders' funds	1,040,054	11,100,660
Opening shareholders' funds	11,100,660	-
	<hr/>	<hr/>
Closing shareholders' funds	<u>12,140,714</u>	<u>11,100,660</u>

### 19 Financial commitments

At 31 October 2012 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Expiry date:		
In over five years	<u>193,576</u>	<u>94,624</u>

# AFH FINANCIAL GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2012

---

<b>20 Directors' remuneration</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	274,000	97,356

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	250,000	89,080
--------------------------------------	---------	--------

### 21 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	<b>2012</b>	<b>2011</b>
	<b>Number</b>	<b>Number</b>
Directors	3	3
Office	64	51
	<u>67</u>	<u>54</u>

#### Employment costs

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,743,833	460,376
Social security costs	170,792	43,379
	<u>1,914,625</u>	<u>503,755</u>

### 22 Control

The company is controlled by Mr A Hudson, who is a director and owns 64.74% of the issued share capital.