

IMPORTANT NOTICE

This Information Memorandum, which is not a prospectus, but which is a financial promotion, is issued by AFH Financial Group plc (the “**Issuer**”) and has been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by Allenby Capital Limited (“**Allenby**”), on behalf of the Issuer and is for use only by the Issuer and the potential applicants to whom it is addressed (“**Potential Applicants**”). Allenby Capital Limited, which is authorised and regulated by the Financial Conduct Authority, is acting for the Issuer only and will not be responsible to any other person for providing protections afforded to clients and will not give any advice to any Potential Applicants or to any other person as recipients of this document or otherwise.

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Accordingly, neither Allenby nor the Issuer shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in this Information Memorandum or in any future communication in connection with such proposed investment.

This Information Memorandum does not constitute a formal offer, being capable of acceptance, or invitation to purchase or acquire any securities in or from any company or person or any interest therein, nor shall it form the basis of any contract for the sale of securities in or from any company or person.

Potential Applicants should read the whole of this Information Memorandum. An investment in Loan Notes involves certain risks, in particular prospective investors should have regard to the factors described under the heading “Risk Factors” on page 4.

Prospective Investors should ensure that they understand the nature of the Loan Notes and the extent of their exposure to risks and that they consider the suitability of the Loan Notes as an investment in the light of their own circumstances and financial condition. It is the responsibility of prospective investors to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the Loan Notes and are not relying on the advice of the Issuer or STJS Consultants Limited (the “**Trustee**”).

Any tax treatment referred to in this Information Memorandum depends on the individual circumstances of each investor and may be subject to change in future.

Recipients of this document who decide to subscribe for Loan Notes in the Company following the publication of the Information Memorandum are reminded that any application so to subscribe may only be made on the basis of the information contained in the Information Memorandum.

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The information contained in this document is confidential. It is made available only on the basis that none of the information contained herein or subsequently supplied prior to or in connection with the Loan Note

issue or other acquisition for shares or securities in the Company may be published, reproduced, copied or disclosed to any person other than the recipient and its professional advisers, nor used for any purpose other than for the purpose specified above, and on the basis that the recipient shall, upon request, promptly return or destroy all material received from the Company (including without limitation this document) and associated documentation, without retaining any copies.

The financial information or figures which are contained in the Information Memorandum refer to past performance and past performance is not a reliable indicator of future results.

If you are in any doubt as to the contents of this Information Memorandum or as to the action you should take, you are recommended to seek your own professional advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

INFORMATION MEMORANDUM

AFH FINANCIAL GROUP PLC

(incorporated with limited liability in England and Wales with registered number 07638831)



Up to £3,000,000 7.50 per cent. Unsecured Loan Notes due 2018.

Issue price: 100.00 per cent.

Up to £3,000,000 7.50 per cent. Unsecured Loan Notes due 2018 (the “**Loan Notes**”) will be issued by AFH Financial Group PLC (the “**Issuer**”). The Loan Notes bear interest from and including the Issue Date at a rate of 7.50 per cent. per annum, payable semi-annually in arrears.

The Issuer shall grant 200 Warrants to each Loan Note Holder for each £1,000 of Loan Notes issued to that Loan Note Holder. The Warrant may be exercised on but not before the final redemption date being 12 December 2018

The Warrants will lapse in the event of any early redemption of the Loan Note.

The date of this Information Memorandum is 28 November 2014

This Information Memorandum does not comprise a prospectus in accordance with the Prospectus Rules and has not been drawn up in accordance with the Prospectus Rules.

The Issuer accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The previous paragraph should be read in conjunction with the fifth paragraph on the first page of this Information Memorandum.

The Issuer, having made all reasonable enquiries, confirms that this Information Memorandum contains all material information with respect to the Issuer and the Loan Notes (including all information which, according to the particular nature of the Issuer and of the Loan Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Loan Notes), that the information contained or incorporated in this Information Memorandum is true and accurate in all material respects and is not misleading, that any summary set out in this Information Memorandum is not misleading, inaccurate or inconsistent when read with other parts of this Information Memorandum, that the opinions and intentions expressed in this Information Memorandum are honestly held and that there are no other facts the omission of which would make this Information Memorandum or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

Only the Issuer is authorised to use this Information Memorandum in connection with the offering of the Loan Notes ("**Offer**").

This Information Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "**Documents Incorporated by Reference**"). This Information Memorandum should be read and construed on the basis that such documents are incorporated in and form part of the Information Memorandum.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Trustee as to the accuracy or completeness of the information contained or incorporated in this Information Memorandum or any other information provided by the Issuer in connection with the offering of the Loan Notes. The Trustee does not accept any liability in relation to the information contained or incorporated by reference in this Information Memorandum or any other information provided by the Issuer in connection with the offering of the Loan Notes or their distribution.

No person is or has been authorised by any of the Issuer, Allenby or the Trustee to give any information or to make any representation not contained in or not consistent with this Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuer, Allenby or the Trustee.

Neither this Information Memorandum nor any other information supplied in connection with the offering of the Loan Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by any of the Issuer, Allenby or the Trustee that any recipient of this Information Memorandum or any other information supplied in connection with the offering of the Loan Notes should purchase any Loan Notes. Each investor contemplating purchasing any Loan Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. Neither this Information Memorandum nor any other information supplied in connection with the offering of the Loan Notes constitutes an offer or invitation by or on behalf of any of the Issuer, Allenby or the Trustee to any person to subscribe for or to purchase any Loan Notes.

Allenby, which is authorised and regulated by the Financial Conduct Authority, ("**FCA**") is acting for the Issuer and for no one else in connection with the contents of this Information Memorandum and will not be responsible to anyone other than the Issuer for providing the protections afforded to clients of Allenby, or for providing advice in relation to the contents of this Information Memorandum or any matter referred to herein.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of the Loan Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Loan Notes is correct as of any time subsequent to the date indicated in the document containing the same. Neither Allenby nor the Trustee expressly undertakes to review the financial condition or affairs of the Issuer during the life of the Loan Notes or to advise any investor in the Loan Notes of any information coming to its attention. The Loan Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, ("**Securities Act**") and are subject to U.S. tax law requirements. The Loan Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Loan Notes and on distribution of this document, see "*Subscription and Sale*".

This Information Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Loan Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Information Memorandum and the offer or sale of Loan Notes may be restricted by law in certain jurisdictions. None of the Issuer, Allenby or the Trustee represents that this Information Memorandum may be lawfully distributed, or that the Loan Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, except as indicated in the "*Subscription and Sale*" section no action has been taken by any of the Issuer, Allenby or the Trustee which is intended to permit a public offering of the Loan Notes or the distribution of this Information Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Loan Notes may be offered or sold, directly or indirectly, and neither this Information Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Information Memorandum or any Loan Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Information Memorandum and the offering and sale of Loan Notes. In particular, there are restrictions on the distribution of this Information Memorandum and the offer or sale of Loan Notes in the United States of America, the European Economic Area (including the United Kingdom), Australia, the Republic of South Africa and Japan, see "*Subscription and Sale*".

All references in this document to **Sterling** and **£** refer to the currency of the United Kingdom.

TABLE OF CONTENTS

SUMMARY	7
RISK FACTORS	10
TERMS AND CONDITIONS OF THE LOAN NOTES	15
USE OF PROCEEDS BY THE ISSUER	23
KEY INFORMATION	24
DOCUMENTS INCORPORATED BY REFERENCE	25
TAXATION	26
SUBSCRIPTION AND SALE	28
GENERAL INFORMATION	32

SUMMARY

This Summary must be read as an introduction to this Information Memorandum and any decision to invest in the Loan Notes should be based on a consideration of this Information Memorandum as a whole, including the documents incorporated by reference.

Words and expressions defined in “*Terms and Conditions of the Loan Notes*” shall have the same meanings in this Summary.

Denomination/Calculation Amount:	£1.00
Description of Loan Notes:	Up to £3,000,000 7.50 per cent. Unsecured Loan Notes due 2018 (“ Loan Notes ”), to be issued by the Issuer prior to 12 March 2015 (“ Closing Date ”).
Events of Default:	Events of Default under the Loan Notes include nonpayment by the Issuer of principal or any interest when due and where such failure continues for a period of five Business Days; non-performance or compliance of other obligations in the Loan Notes or the Trust Deed by the Issuer which default is incapable of remedy, or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 25 days after notice of such default is given to the Issuer by the Trustee; any other present or future Borrowed Moneys of the Issuer or any of its Subsidiaries becomes due and payable prior to its stated maturity by reason of default, event of default or the like or are not paid when due or within any originally applicable grace period or any present or future guarantee for, or indemnity in respect of Borrowed Moneys is not paid when due provided that the aggregate amount of the relevant Borrowed Moneys, guarantees and indemnities equals or exceeds £500,000 or its equivalent (as reasonably determined by the Trustee); the enforcement of proceedings against any part of the property, assets or revenues of the Issuer or any Material Subsidiary which remains undischarged for 60 days; security becomes enforceable against the Issuer or any Material Subsidiary and any step is taken to enforce it; any material obligations of the Issuer are not or cease to be legal, valid and enforceable in the opinion of the Trustee; any of the Material Subsidiaries is not or ceases to be a Subsidiary of the Issuer; and certain events related to insolvency or winding up of the Issuer or any Material Subsidiary, in the circumstances and subject to the conditions described in Condition 8.
Form:	The Loan Notes will be issued in registered form in denominations of £1.00 each.
Governing Law:	The Trust Deed, the Loan Notes and any non-contractual obligations arising out of or in connection with them, will be governed by, and construed in accordance with, English law.
Interest:	The Loan Notes bear interest from and including the Issue Date at the rate of 7.50 per cent. per annum, payable semi-annually in arrears in equal instalments of £0.0375 per Calculation Amount on 30 June and 31 December in each year.
Investor:	Any person intending to participate in the Loan Note issue.
Issue Date:	The date on which the Issuer issues Loan Notes, being 12 December 2014 or such later date as the Issuer in its absolute discretion may decide being not later than 12 March 2015
Issuer:	AFH Financial Group PLC

The Issuer is a public limited company with its ordinary shares trading on AIM, a market operated by London Stock Exchange plc. The Issuer and its subsidiaries together constitute the Group.

Meetings of Loan Note holders:

The Conditions contain provisions for calling meetings of Loan Note holders to consider matters affecting the interests of Loan Note holders generally. These provisions permit defined majorities to bind all Loan Note holders including Loan Note holders who did not attend and vote at the relevant meeting and Loan Note holders who voted in a manner contrary to the majority.

Minimum Investment:

The minimum investment for Loan Notes shall be £10,000 and thereafter in multiples of £1,000.

Modification, Waiver and Substitution:

The Trustee may, without the consent of Loan Note holders, agree to (a) any modification of any of the provisions of the Trust Deed which is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, and (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Loan Note holders, in the circumstances and subject to the conditions described in Condition 11(b).

Other modifications would require the consent of Loan Note holders either by way of a resolution of the applicable majority at a meeting of Loan Note holders or a resolution in writing signed by or on behalf of the holders of not less than 66⅔% in principal amount of the Loan Notes, as described in Condition 11(a).

The Trustee may, without the consent of the Loan Note holders, agree to the substitution of certain other entities in place of the Issuer, or any previous substituted company, as principal debtor under the Trust Deed and the Loan Notes.

Negative Pledge:

The terms of the Loan Notes contain a negative pledge provision which limits the Issuer, from creating or having outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness (as defined in paragraph 3 on page 9 of this document), or any guarantee or indemnity in respect of any Relevant Indebtedness without at the same time or prior thereto, according to the Loan Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either:

- (a) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Loan Note holders; or
- (b) shall be approved by an Extraordinary Resolution of the Loan Note holders, in the circumstances and subject to the conditions described in Condition 3.

Optional Redemption by Issuer for tax reasons:

The Loan Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Loan Note holders, at their principal amount, if:

- (a) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application

or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and

- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice or redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Loan Notes then due,

in the circumstances and subject to the conditions described in Condition 5(b).

Optional Redemption by the Loan Note Holder for any reason:

The Loan Note Holder may redeem at their principal amount or, on one occasion only, a lesser amount provided that the residual amount of the Loan Notes is not less than £10,000; the Loan Notes registered in his name giving not less than 90 days' notice to the Issuer provided that no interest shall accrue on the relevant part of the Loan Notes during the said notice period. In the event of the death of a Loan Note Holder, such notice shall be deemed to have been given on the date of death but interest shall continue to accrue during the notice period.

Ordinary Share

An ordinary share of 10 pence in the capital of the Company.

Public Availability:

The Loan Notes may be acquired by the public in the UK. For provisions and restrictions relating to the acquisition of Loan Notes by the public, see "*Subscription and Sale*".

Registrar:

SLC Registrars Limited.

Risk Factors:

There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Loan Notes. These are set out under the heading "*Risk Factors*" on page 4.

Status of the Loan Notes:

The Loan Notes (subject to Condition 3) will constitute unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Loan Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

Trustee:

STJS Consultants Limited.

Use of Proceeds:

The net proceeds of the issue of the Loan Notes will be applied by the Issuer for its general corporate purposes, in particular in pursuit of its stated strategy of continuing to grow its business through strategic acquisitions outside of its traditional core geographical locations.

Warrant

A warrant to subscribe for Ordinary Shares at a subscription price of £2 per Ordinary Share on the terms and conditions set out in this Deed.

Withholding Tax and Additional Amounts:

All payments of interest by or on behalf of the Issuer in respect of the Loan Notes shall be made subject to deduction of United Kingdom Income Tax at the basic rate (currently 20% per cent. in the 2014-2015 tax year).

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Loan Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Loan Notes are described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Loan Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Loan Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to them or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under the Loan Notes

The Issuer is not a regulated entity, but an in-house compliance team sits within the Issuer's principal operating subsidiary, AFH Independent Financial Services Limited (trading as AFH Wealth Management). This is designed to identify the risks that could adversely impact the delivery of the Group's strategic aims and to ensure that adequate controls and procedures are in place to mitigate the risks.

The Group's principal risks, together with the controls and procedures in place to mitigate the risks, are as follows:

Regulatory risk

Regulatory risk is the risk of loss arising from a breach of existing regulation or future changes in regulation in the markets within which the Group operates. The current volatile economic environment has resulted in a greater focus on regulation, and in particular, there has been an increase in the level of scrutiny placed upon Independent Financial Advisers.

The Group's operations are subject to various forms of regulation. These regulations are subject to continual modification which could adversely affect the Group's operations if they are not effectively anticipated and responded to.

In order to manage effectively the risk associated with changing regulation, the Group's in-house compliance team seeks to ensure that the Group's operations are compliant with current legislation and manages the implementation of future changes to legislation. Expert third party legal advice is taken where necessary. In addition the Issuer aims to maintain a constructive dialogue with its third-party compliance consultants to ensure that its business is fully understood.

Despite these measures, there can be no assurance that the Group's financial performance will not be adversely affected should unforeseen events relating to regulatory risk arise in the future.

Factors which are material for the purpose of assessing the market risks associated with the Loan Notes

The Loan Notes may not be a suitable investment for all investors

Each potential investor in the Loan Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Loan Notes, the merits and risks of investing in the Loan Notes and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Loan Notes and the impact the Loan Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Loan Notes, including where the currency for principal and interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Loan Notes and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Loan Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Loan Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Loan Notes will perform under changing conditions, the resulting effects on the value of the Loan Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the Loan Notes generally

Set out below is a brief description of certain risks relating to the Loan Notes generally:

Modification, waivers and substitution

The Terms and Conditions of the Loan Notes contain provisions for calling meetings of Loan Note holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Loan Note holders including Loan Note holders who did not attend and vote at the relevant meeting and Loan Note holders who voted in a manner contrary to the majority.

The Terms and Conditions of the Loan Notes also provide that the Trustee may, without the consent of Loan Note holders, (i) agree to certain modifications of, or to the waiver or authorisation of certain breaches or proposed breaches of, any of the provisions of the Loan Notes or (ii) determine without the consent of the Loan Note holders that any Event of Default or potential Event of Default shall not be treated as such. The Terms and Conditions also provide for the substitution of another company as principal debtor under any Loan Notes in place of the Issuer, in the circumstances described in Condition 11.

Change of law

The conditions of the Loan Notes are based on English law in effect as at the date of this Information Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Information Memorandum.

Risks related to the market generally

Set out below is a brief description of the principal market risks:

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Loan Notes in Sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of Sterling or revaluation of the Investor's

Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Sterling would decrease (i) the Investor's Currency-equivalent yield on the Loan Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Loan Notes and (iii) the Investor's Currency-equivalent market value of the Loan Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Loan Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Loan Notes are legal investments for it, (ii) the Loan Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Loan Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Loan Notes under any applicable risk-based capital or similar rules.

Financial Services Compensation Scheme

The Loan Notes will not have the status of bank deposits under English law and are not within the scope of the Financial Services Compensation Scheme operated by the FCA.

Risk Factors Relating to the Business and Operations of the Group

Changes to the Financial Advisers' self-employed status

Whilst the Issuer and its subsidiaries ("Group") comply with current HMRC rules relating to self-employed consultants any changes to these rules or the interpretation of these rules in the future may lead to significant employment tax liabilities for the Group at that time. The Group's use of self-employed Financial Advisers is in line with current market practice.

Investment performance

The performance of the investment markets will fluctuate and any volatility may adversely affect the trading and/or the value of the Group's assets under management. Any reduction in the Group's assets under management may lead to a reduction in the Group's recurring revenues.

Growth through acquisition

The Group's strategy is to grow through both the recruitment of Financial Advisers and by acquiring IFA businesses. Whilst the Directors believe that there will continue to be a large number of IFA businesses available to acquire due to changes and consolidation within the IFA marketplace, if the Group is unable to find and complete acquisitions or recruit new Financial Advisers, then the Group's future growth plans may not be achieved.

Reliance on key personnel

Loss of key management or other key personnel, particularly to competitors, could have adverse consequences for the Group. While the Group has entered into service agreements or letters of appointment with each of its Directors, the retention of their services cannot be guaranteed. Furthermore as the Group expands it may need to recruit and integrate additional personnel. The Group may not be successful in

identifying and engaging suitably qualified people or integrating them into the Group and this could have an adverse effect on the Group's business, financial condition and operating results.

The Group's business is significantly and indirectly dependent on the relationships, connections, industry knowledge and other skills of Alan Hudson. Were Mr Hudson's input to and/or involvement with the Group to cease for any reason then the Group would lose the benefit of his significant expertise, and unless the Group had prior to any such cessation been able to reduce that dependency, its results of operations and business may be adversely affected.

Regulatory risk

The Group's business depends substantially on being authorised by the FCA to conduct investment business pursuant to FSMA. Loss of this authorisation would have a material adverse effect on the Group's business. The regulatory regime applicable to the Group is under regular review and future changes made by a regulatory body could impose a greater burden upon the Group in terms of additional compliance costs.

Future funding

Whilst the Directors have no current plans for raising additional capital it is possible that the Issuer will need to raise extra capital in the future to develop fully the Issuer's business, take advantage of future acquisition opportunities and/or further accomplish its operating strategy. No assurance can be given that any such additional financing will be available on a timely basis or that, if available, it will be available on terms favourable to the Issuer or to the Issuer's shareholders. If additional funds are raised by issuing equity securities, dilution of the voting rights and the percentage holdings of the then existing shareholders may result.

The Group may not successfully manage its growth

Expansion of the business of the Group, organically and through acquisitions, may place additional demands on the Group's management, administrative and infrastructure, and may require additional capital expenditure. If the Group is unable to manage any such expansion effectively, then this may adversely impact, inter alia, the business, development, financial condition, results of operations, prospects, profits, cashflow and reputation of the Group.

Rapid growth

In order to manage the further expansion of the Group's business and the growth of its operations and personnel, the Group may need to expand and enhance its infrastructure and technology, and improve its operational and financial systems and procedures and controls from time to time in order to be able to match that expansion. Whilst the Group has the necessary working capital to support its business plan and strategy, the Group may face challenges in matching the pace of its expansion with achieving corresponding improvements and enhancements in its controls and procedures in the future. It will also need to expand, train and manage its growing employee base. There can be no assurance that the Group's current and planned personnel, infrastructure, systems, procedures and controls will be adequate to support its expanding operations in the future. If the Group fails to manage its expansion effectively, its business, operations and prospects may be materially and adversely affected.

Competition

The Group operates in a highly competitive market. Some of the Group's competitors have greater financial and other resources than the Group and, as a result, may be in a better position to compete for future business opportunities. These competitors compete directly with the Group for both clients and Financial Advisers. The Group is also at risk of new competitors entering the IFA marketplace and/or existing competitors developing new strategies. Increased competition may materially adversely impact both the scale of the Group's revenue and its profitability.

Technological risks

The Group operates in an industry where competitive advantage is heavily dependent on technology. It is possible that technological developments may reduce the effectiveness of the Group's existing systems. Staying abreast of technological changes may require further investment by the Group in the future. The Group's success depends in part upon its ability to maintain and enhance its existing systems and to develop and introduce new systems. If the Group fails to keep up with technological developments its business, financial condition and results of operations may be materially and adversely affected.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group deals with a number of counterparties (including Pershing Securities Limited and Transact). The Group is exposed to credit risk in respect of these counterparties such that if one or more of these counterparties encounter financial difficulties, this could materially and adversely affect the Group's financial condition, results or operations.

Third party service providers

Aspects of the Group's business will rely upon certain third party service providers. A deterioration or interruption in the performance of these service providers could impair the quality and timing of the Group's services to its clients. In addition any regulatory breach of service failure on the part of an outsourced service provider could expose the Group to the risk of regulatory sanctions and reputational damage.

Risk of loss of business continuity

The Group's business operations, information systems and processes are vulnerable to damage or interruption from fires, power loss, telecommunication failures, bomb threats, explosions or other forms of terrorist activity and other natural and man-made disasters. These systems may also be subject to sabotage, vandalism, theft and other similar misconduct. The same is true of third party service providers on which the Group depends.

The Group has in place disaster recovery plans covering current business requirements. However if the disaster recovery plans are found to be inadequate as a result of events outside of the Group's control, there could be an adverse impact on the Group's financial condition, results or operations.

General Economic Conditions

Market conditions, particularly those affecting financial services companies, may affect the ultimate value of the Group's share price regardless of operating performance. The Group may be affected by unforeseen events outside its control, including, inter alia, natural disasters, terrorist attacks and political unrest and/or government legislation or policy. Market perception of financial services companies may change which could impact on the value of investors' holdings and impact on the ability of the Group to raise further funds by an issue of further shares in the Group. General economic conditions may affect exchange rates, interest rates and inflation rates. Movements in these rates will have an impact on the Issuer's cost of raising and maintaining debt financing.

The investment opportunity described in this Information Memorandum may not be suitable for all recipients of this Document. Investors are strongly recommended to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in investments of this nature before making a decision to invest.

TERMS AND CONDITIONS OF THE LOAN NOTES

The issue of the Loan Notes was authorised by a resolution of the Board of Directors of AFH Financial Group PLC (“**Issuer**”) passed on 12 November 2014. The Loan Notes are constituted by a Trust Deed (“**Trust Deed**”) dated on or about the date hereof between the Issuer and STJS Consultants Limited (“**Trustee**” which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the registered holders of the Loan Notes (“**Loan Note Holders**”). These terms and conditions (“**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Loan Notes. A copy of the Trust Deed is available for inspection during usual business hours at the principal office of the Trustee (presently at 34 Ely Place, London EC1N 6TD). The Loan Note holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed.

1. **Form, Denomination and Title**

(a) **Form and denomination**

The Loan Notes will be issued in registered form in the denomination of £1.00 each. The minimum number of Loan Notes issued to any Loan Note Holder will be £10,000 and thereafter Loan Notes will be issued in multiples of £1,000. A certificate will be issued in respect of each Loan Note.

(b) **Title**

A register of the Loan Notes will be kept by the Registrar wherein there will be entered the names and addresses of the Loan Note holders and particulars of the Loan Notes held by them respectively and a copy of such register will at all reasonable times during business hours be open to the inspection of the Loan Note holders. The Loan Notes are personal to the Loan Note holders and are not transferable.

2. **Status**

The Loan Notes constitute (subject to Condition 3) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Loan Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3. **Negative Pledge**

So long as any Loan Note remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Trust Deed and the Loan Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Loan Note holders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Loan Note holders.

In this Condition 3:

- (i) **Relevant Indebtedness** means any indebtedness which is in the form of, or represented or evidenced by, Loan Notes, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and
- (ii) **Subsidiary** means a subsidiary within the meaning of Section 1159 of the Companies Act 2006.

4. Interest

The Loan Notes bear interest from and including the Issue Date at the rate of 7.50 per cent. per annum, payable semi-annually in arrears in equal instalments of £0.0375 per Calculation Amount (as defined below) on 30 June and 31 December in each year (each an “**Interest Payment Date**”). Each Loan Note will cease to bear interest from the due date for redemption unless payment of principal is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event it shall continue to bear interest at such rate (both before and after judgment) until payment is made to the relevant Loan Note holder.

For the avoidance of doubt in the event of early redemption in accordance with Paragraph 5(c) below, no interest shall accrue during the 90 day notice period referred to therein.

Where interest is to be calculated in respect of a period which is shorter than an Interest Period (as defined below), the day-count fraction used will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the product of (1) the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) and (2) the number of Interest Periods normally ending in any year.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an **Interest Period**.

Interest in respect of any Loan Note shall be calculated per £1.00 in principal amount of the Loan Notes (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of 7.50 per cent., the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest penny (half a pence being rounded upwards).

5. Redemption, Purchase, Non-Transferability and Warrants

(a) Final redemption

Unless previously redeemed, or purchased and cancelled, the Loan Notes will be redeemed at their principal amount on 12 December 2018. The Loan Notes may not be redeemed at the option of the Issuer or any Loan Note holder other than in accordance with these Conditions.

(b) Redemption for taxation reasons

The Loan Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Loan Note holders (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Loan Notes then due. Prior to giving any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be required to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on the Loan Note holders.

(c) *Early redemption by the Loan Note Holder*

- (i) The Loan Note Holder may redeem at their principal amount the Loan Notes registered in his name in whole but not in part by giving not less than 90 days' notice to the Issuer provided that no interest shall accrue on the relevant Loan Notes during the said notice period. In the event of the death of a Loan Note Holder, such notice shall be deemed to have been given on the date of death but interest shall continue to accrue during the notice period.
- (ii) Notwithstanding sub paragraph (i) above the Trustees may, in their absolute discretion refuse to agree to a request for early redemption of the Loan Notes.

(d) *Notice of redemption*

All Loan Notes in respect of which any notice of redemption is given under this Condition 5 shall be redeemed on the date specified in such notice in accordance with this Condition 5.

(e) *The Loan Notes are non-transferable*

The Loan Notes are personal to the Loan Note Holder and may not be transferred. They may be redeemed in accordance with Conditions 5(b) or 5(c).

(f) *Cancellation*

All Loan Notes which are so surrendered will be cancelled and may not be re-issued or resold.

(g) *Issue of Warrants*

The Company shall issue to each Loan Note Holder 200 Warrants for each £1,000 of Loan Notes issued to that Loan Note Holder. The Warrants shall be inseparable from the Loan Notes, are non-transferable and may only be exercised on, (and not before) 12 December 2018 by the Loan Note Holder giving not less than 20 Business Days' notice in writing to exercise the Warrants together with payment in cleared funds of the relevant subscription price (being £2.00 per Ordinary Share in respect of which the Warrants are exercised). Upon exercise and receipt of the necessary amounts due from the Loan Note Holder, the Company shall within 10 Business Days issue to the Loan Note Holder the Ordinary Shares in respect of which the Warrant has been exercised together with a share certificate in respect thereof. The Ordinary Shares issued pursuant to valid exercise of a Warrant shall be credited as fully paid and will on issue rank equally in all respects and confer the same rights as conferred upon the existing Ordinary Shares except for any rights attaching by reference to a record date prior to the receipt of the relevant date of issue.

(h) *Admission to trading*

If at the time of the exercise of Warrants the Company's share capital is admitted to trading on any capital market (including but not limited to AIM), the Company shall make application for the Ordinary Shares so issued on exercise of the Warrants to be admitted to trading on the relevant market with effect from the earliest practicable date after the date of issue. As at the date of this document, the Issuer's ordinary shares are admitted to trading on AIM.

(i) *Authorisation*

The Company will at all times keep available sufficient share capital to enable the exercise of the Warrants in full.

(j) *Reorganisation*

In the event that there is any capital reorganisation of the Company or reclassification or redesignation or other change in the Ordinary Shares, the number of Warrants shall be adjusted to the extent necessary as

the auditors for the time being of the Company certify in writing to the Company and to the Loan Note Holder to be in their opinion fair and reasonable in consequence of such events.

(k) *The Warrants are non-transferable*

The Warrants are personal to the Loan Note Holder and may not be transferred. In the event of any early redemption of the Loan Notes, the Warrants will lapse with effect from such early redemption.

6. **Payments**

(a) *Method of Payment*****

Payment of the principal amount (with interest accrued to the due date for redemption) as well as payment of any instalment of interest of the Loan Notes will be made in pounds sterling to the person in whose name such Loan Note is registered as at the close of business fifteen (15) days prior to the due date for redemption or fifteen (15) days prior to the Interest Payment Date (as the case may be) by direct credit or transfer to a pounds sterling account (or any other account to which pounds sterling may be credited or transferred) specified by the Loan Note holder. The Issuer shall not be responsible for any loss or delay in transmission. Such payment shall be effected within seven (7) days of the due date for redemption or the Interest Payment Date (as the case may be).

(b) *Payments subject to laws*****

All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Loan Note holders in respect of such payments.

(c) *Payments on business days*****

A payment in respect of the Loan Notes may only be made on a day which is a Business Day in London. If a payment would otherwise fall due on a day which is not a Business Day in London, the due date for payment shall be the next such Business Day. No further interest or other payment will be made as a consequence of payment under this paragraph being extended to such due date.

(d) *Paying Agent*****

The initial Paying Agent and its initial specified office is listed below. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it will maintain a Paying Agent in the United Kingdom. Notice of any change in the Paying Agent or its specified office will promptly be given to the Loan Note holders.

7. **Taxation**

All payments of interest by or on behalf of the Issuer in respect of the Loan Notes shall be subject to deduction of United Kingdom Income Tax at the basic rate (currently 20 per cent. in the 2014/2015 tax year).

Tax Jurisdiction means any jurisdiction under the laws of which the Issuer, or any successor to the Issuer is organised or in which it is resident for tax purposes.

8. **Events of Default**

If any of the following events occurs the Trustee at its discretion may, and if so requested by holders of at least one-quarter in principal amount of the Loan Notes then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to it being indemnified and/or secured to its satisfaction, give notice to the Issuer that the Loan Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

- (a) **Non-Payment:** the Issuer fails to pay the principal of or any interest on any of the Loan Notes when due and such failure continues for a period of twenty Business Days; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations pursuant to the Loan Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 25 Business Days after notice of such default shall have been given to the Issuer by the Trustee; or
- (c) **Cross-Acceleration:** (i) any other present or future Borrowed Moneys of the Issuer or any of its Subsidiaries become due and payable prior to their stated maturity by reason of default, event of default or the like (howsoever described), or (ii) any such Borrowed Moneys are not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay, when due any amount payable by it under any present or future guarantee for, or indemnity in respect of Borrowed Moneys provided that the aggregate amount of the relevant Borrowed Moneys, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 8(c) have occurred equals or exceeds £500,000 or its equivalent (as reasonably determined by the Trustee); or
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any Material Subsidiary and remains undischarged for 60 Business Days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or
- (f) **Insolvency:** the Issuer or any Material Subsidiary is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or, in the opinion of the Trustee, a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or, in the opinion of the Trustees a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or, in the opinion of the Trustee a material part of the debts of the Issuer or any Material Subsidiary; or
- (g) **Winding-up:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any Material Subsidiary, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or by an Extraordinary Resolution of the Loan Note holders, or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or
- (h) **Illegality:** in the opinion of the Trustee, any material obligations of the Issuer are not or cease to be legal, valid and enforceable;
- (i) **Material Subsidiary:** any Material Subsidiary ceases to be a subsidiary;

provided that in the case of Conditions 8(b), (d) and (e) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Loan Note holders.

For the purposes of this Condition 8:

Borrowed Moneys means of any person without duplication:

- (a) any indebtedness for moneys borrowed of such person including, without limitation, indebtedness created by means of acceptances, the issue of loan stock and any liability evidenced by Loan Notes, debentures, notes or similar instruments; and
- (b) capitalised rental obligations of such person under any lease entered into by such person as lessee which would be classified as a “finance lease” under International Financial Reporting Standards.

Business Day means a day (other than a Saturday or Sunday) on which banks are open for general business in London.

Material Subsidiary means AFH Independent Financial Services Limited provided that, if the undertaking and assets of any such Material Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries, such company shall cease to be a Material Subsidiary and any such Subsidiary to which the undertaking and assets are transferred or in which they are otherwise vested shall become a Material Subsidiary.

Subsidiary means a subsidiary within the meaning of section 1159 of the Companies Act 2006.

9. Prescription

Claims in respect of principal and interest will become void unless payment is claimed within a period of ten years in the case of principal and five years in the case of interest from the appropriate due date for payment.

10. Replacement of Loan Notes

If at any time after certificates have been delivered to Loan Note holders in respect of the Loan Notes, any certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced by the Paying Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced certificates must be surrendered before replacements will be issued.

11. Meetings of Loan Note holders, Modification, Waiver and Substitution

(a) Meetings of Loan Note holders

The Trust Deed contains provisions for convening meetings of Loan Note holders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Loan Note holders holding not less than one-tenth in principal amount of the Loan Notes for the time being outstanding provided that (a) the quorum for any meeting to pass a resolution (i) to change any date fixed for payment of principal or interest in respect of the Loan Notes, (ii) to reduce the amount of principal or interest payable on any date in respect of the Loan Notes, (iii) to alter the method of calculating the amount of any payment in respect of the Loan Notes, (iv) to change the currency of payment under the Loan Notes, (v) to change the quorum requirements relating to meetings of Loan Note holders or the majority required to pass an Extraordinary Resolution, (vi) to sanction the exchange or substitution for the Loan Notes of, or the conversion of Loan Notes into shares, Loan Notes or other obligations or securities of the Issuer or any other entity: or (vii) to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under the Trust Deed, will be one or more persons holding or representing not less than two thirds of the principal amount of the Loan Notes for the time being outstanding; (b) the quorum for any meeting to pass any other Extraordinary Resolution will be one or more persons holding or representing not less than one half in principal amount of the Loan Notes for the time being outstanding; and (c) reduced quorum requirements shall apply in the case of adjourned meetings, as set out in the Trust Deed. Any Extraordinary Resolution duly passed shall be binding on Loan Note holders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 66⅔ per cent. in principal amount of the Loan Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Loan Note holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Loan Note holders.

(b) *Modification and Waiver*

The Trustee may agree, without the consent of the Loan Note holders, to (i) any modification of any of the provisions of the Trust Deed which is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Loan Note holders. Any such modification, authorisation or waiver shall be binding on the Loan Note holders and, if the Trustee so requires, such modification shall be notified to the Loan Note holders as soon as practicable.

(c) *Substitution*

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Loan Note holders, to the substitution of another entity in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Loan Notes. In the case of such a substitution the Trustee may agree, without the consent of the Loan Note holders, to a change of the law governing the Loan Notes, and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Loan Note holders.

The Issuer will notify Loan Note holders in the event of any substitution of the Issuer, or of any previous substituted company, pursuant to this Condition 11.

(d) *Entitlement of the Trustee*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Loan Note holders as a class and shall not have regard to the consequences of such exercise for individual Loan Note holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Loan Note holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Loan Note holder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Loan Note holders.

12. *Enforcement*

At any time after the Loan Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer or take any action or step, as it may think fit to enforce the terms of the Trust Deed and the Loan Notes, but it need not take any such proceedings, action or step unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Loan Note holders holding at least one-quarter in principal amount of the Loan Notes outstanding, and (b) it shall have been indemnified and/or provided with security to its satisfaction. No Loan Note holder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. *Indemnification of the Trustee*

The Trust Deed contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's

Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Loan Note holders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may rely, without liability to the Loan Note holders, on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution, legal advisers or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Loan Note holders.

14. Further Issues

The Issuer may from time to time without the consent of the Loan Note holders create and issue further securities having the same terms and conditions as the Loan Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Loan Notes or (subject to Condition 3) upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Loan Notes include (unless the context requires otherwise), any other securities issued pursuant to this Condition 14 and forming a single series with the Loan Notes and any such other securities may (with the consent of the Trustee) be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Loan Note holders and the holders of such other securities where the Trustee so decides.

15. Notices

Notices to the Loan Note holders will be valid if sent by post to the address as shown in the register of Loan Note holders or if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

16. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Loan Notes under the Contracts (Rights of Third Parties) Act 1999.

17. Governing Law

The Trust Deed and the Loan Notes and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with, English law.

USE OF PROCEEDS BY THE ISSUER

The net proceeds of the issue of the Loan Notes will be applied by the Issuer for its general corporate purposes, in particular in pursuit of its stated strategy of continuing to grow its business through strategic acquisitions outside of its traditional core geographical locations.

The estimated total expenses will be determined following completion of the Offer Period.

KEY INFORMATION

The following is an extract from the Issuer's admission document dated 23 June 2014 ("Admission Document Date"). Any prospective investor should read the full admission document (which is available on www.afhfinancialgroup.com) plus all announcements made by the Issuer since the Admission Document Date.

- "AFH Financial Group is one of the UK's leading independent financial advisory and discretionary wealth management firms. AFH Financial Group was founded by Chartered Financial Planner and current Chief Executive Officer, Alan Hudson, in 1990. The Group is based in Bromsgrove, Worcestershire and currently retains 122 self-employed Financial Advisers who provide financial planning-led wealth management advice and services to the mass affluent and high net worth private client market in the UK, as well as to a number of companies. These self-employed Financial Advisers are supported by 141 employees, which the Directors believe establishes AFH Financial Group as one of the leading financial planning-led wealth managers in the UK with Assets Under Management of over £0.75 billion.
- Through its retained Financial Advisers the Group offers a broad range of wealth management and financial planning services to its clients, including but not limited to: investment management; pension and retirement planning; tax and inheritance planning; life cover and family protection; and mortgages. In addition, the Group offers Discretionary Investment Management services and operates two funds, the AFH Strategic Core Fund and the AFH Property Fund, which supports the Group's investment management offering to its clients.
- The Group has been profitable since admission of its shares to trading on the ISDX Growth Market in June 2011 and the Group's revenue has grown from £5.40 million in 2011 to £10.80 million in 2013. Profit before tax has grown from £0.57 million in 2011 to an adjusted profit before tax of £1.22 million in 2013. AFH Financial Group has made 21 acquisitions since June 2011, which have added a total of 24 Financial Advisers.
- The Group has an experienced management team led by Alan Hudson, Chief Executive Officer, who has considerable financial planning and investment management experience. The Board was further strengthened in February 2014 with the appointments of Paul Wright as Chief Financial Officer, Toby Denne as Chief Investment Officer and Susan Lewis as a Non-Executive Director.
- AFH Financial Group has conditionally raised £1.46 million (net of expenses) which will be used to fund the Group's continued growth strategy and in particular provide funds for further acquisitions of IFAs and related businesses, continuing investment in AFH Financial Group's business infrastructure and additional working capital. In addition, £1.46 million has been conditionally raised on behalf of the Selling Shareholder by the sale of the Sale Shares.
- The Company 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, and the use of its AIM quotation to accelerate its acquisition strategy. This acquisition strategy is focused on acquiring IFAs and related financial businesses. The Board believes that this strategy will lead to earnings growth and the continued expansion of Assets Under Management.
- The Directors have adopted a progressive dividend policy and for the year ended 31 October 2013 the Company paid a dividend of 1.25 pence per Ordinary Share to Shareholders."

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be incorporated in, and form part of, this Information Memorandum:

1. The unaudited interim report for the period ended 30 April 2014;
2. the admission document published by the Issuer on 23 June 2014, in respect of Admission; and
3. all regulatory news announcements released by the Issuer on the AIM Market since Admission to the date of this Information Memorandum.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Information Memorandum shall not form part of this Information Memorandum. Copies of the documents incorporated by reference in this Information Memorandum can be obtained from the registered office of the Issuer and are published on the Issuer's website at www.afhfinancialgroup.com.

TAXATION

The following applies only to persons who are the beneficial owners of Loan Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. It is not advice, and is given for information purposes only. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Loan Note holders depends on their individual circumstances and may be subject to change in the future. Prospective Loan Note holders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

A. Interest on the Loan Notes

1. *Payment of interest on the Loan Notes*

An amount must generally be withheld from payments of interest on the Loan Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Loan Note holder, HMRC can issue a notice to the Issuer to pay interest to the Loan Note holder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty). Loan Note holders may wish to note that, in certain circumstances, HMRC has the power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Loan Note holder. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Loan Note holder is resident for tax purposes.

2. *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). The European Parliament has proposed certain amendments to the Directive, which may amend or broaden the scope of the requirements described above.

3. *Further United Kingdom Income Tax Issues*

Interest on the Loan Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Loan Note holder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Loan Note holder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Loan Notes are attributable (and where that Loan Note holder is a company, unless that Loan Note holder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Loan Notes are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and

investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Loan Note holders.

B. United Kingdom Corporation Tax Payers

4. In general, Loan Note holders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Loan Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

C. Other United Kingdom Tax Issues

5. *Accrued Income Scheme*

On a disposal of Loan Notes by a Loan Note holder (other than Loan Note holders subject to corporation tax), any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Act, if that Loan Note holder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Loan Notes are attributable.

6. *Taxation of Discount*

HM Revenue & Customs' published practice is that securities having similar terms of early redemption as the Loan Notes are not treated by HM Revenue & Customs as "deeply discounted securities" and accordingly the Loan Notes should not be treated as "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005.

D. Stamp Duty and Stamp Duty Reserve Tax (SDRT)

7. No United Kingdom stamp duty or SDRT is payable on the issue of the Loan Notes or on a transfer by delivery of the Loan Notes.

SUBSCRIPTION AND SALE

United States

The Loan Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Loan Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

The Issuer has represented and agreed that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Loan Notes in, from or otherwise involving the United Kingdom.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Issuer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Loan Notes which are the subject of the offering contemplated by this Information Memorandum to the public in that Relevant Member State other than the offers contemplated in the Information Memorandum in the United Kingdom from the date hereof until the Closing Date, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Loan Notes to the public in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Allenby; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Loan Notes shall require the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Loan Notes to the public** in relation to any Loan Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and the Loan Notes to be offered so as to enable an investor to decide to purchase or subscribe the Loan Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

General

No action has been or will be taken by the Issuer that would, or is intended to, permit a public offer of the Loan Notes, or possession or distribution of this Information Memorandum or any other offering material in

any country or jurisdiction where any such action for that purpose is required. Accordingly, the Issuer has undertaken that it will not, directly or indirectly, offer or sell any Loan Notes or have in its possession, distribute or publish any offering circular, information memorandum prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Loan Notes by it will be made on the same terms.

Offer

The Loan Notes may only be offered by the Issuer or sold in any jurisdictions (including, without limitation, the United Kingdom), in accordance with the requirements of the relevant securities laws and regulations applicable in such jurisdiction.

(a) Offer Period:

The Offer is expected to open at 8 a.m. (London time) on 1 December 2014 and close at 5 p.m. (London time) on 12 December 2014, the Board may, at its sole discretion accept applications for the Loan Notes after 12 December 2014 until the Closing Date. The total principal amount of Loan Notes to be subscribed pursuant to the Offer is expected to be announced on or about the Closing Date.

(b) Offer Price:

The Issuer is offering the Loan Notes at the initial issue price of 100 per cent.

(c) Description of the application process:

Subscription of the Loan Notes may only be made using the Application Form for the Offer (the "**Application Form**") before 5 p.m. (London time) on 10 December 2014.

The Application Form should be completed in full and sent to the address set out on the Application Form. Remittance for the full amount payable must be made by 5.00 pm on 12 December 2014. Cheques must be payable to "SLC Registrars Limited a/c AFH" and crossed 'Not negotiable' and should be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man). Bank transfers must be in sterling from an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man).

Cheques and banker's drafts will be presented for payment on receipt. The right is reserved to retain any monies returnable and not to issue the Loan Notes pending the clearance of all cheques or pending investigations of any suspected breach of the terms applying to the application. All cheques and other documents sent or returned to applicants will be sent at the risk of the person(s) entitled thereto.

If any application is not accepted, the amount paid on application will be returned without interest, in each case sent through the post at the applicant's risk.

The Issuer reserves the right to treat any application, which does not comply strictly with the terms and conditions of the application as nevertheless valid.

No letters of allotment or other renounceable or temporary documents of title or receipts will be issued in respect of accepted applications.

Subject to paragraph (e) below, applications will be irrevocable. The Issuer reserves the right to scale down any applications in its absolute discretion in the event of an oversubscription.

Verification of identity requirements of the Money Laundering Regulations 2007 will apply and verification of the identity of the applicant(s) may be required in the Issuer's absolute discretion. A

failure to provide the necessary evidence of identity may result in the rejection of the application or in delays in the dispatch of a certificate or the return of application monies. In order to avoid this, you should ideally make payment by means of a bank transfer in sterling from an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) to the account of SLC Registrars Limited as set out in the Application Form or by a cheque drawn by the applicant named in the Application Form. If this is not practicable and you use a cheque drawn by a third party or a building society cheque or banker's draft, you should:

- (i) write the name and address of the applicant named in the Application Form on the back of the cheque, building society cheque or banker's draft;
- (ii) if a building society cheque or banker's draft is used, ask the building society to endorse on the cheque or banker's draft the name and account number of the person whose building society or bank account is being debited. The bank or building society endorsement should be overlaid with the branch stamp; and whether you are a UK or EC regulated person or institution (e.g. a bank or broker) and specify your status. If you are not a UK or EC regulated person or institution, you should contact SLC Registrars Limited for advice on the application process. If within a reasonable period of time following a request for verification of identity, SLC Registrars Limited has not received satisfactory evidence, the Issuer may at its absolute discretion reject your application in which event the application monies will be returned without interest to the account at the drawee bank from which such monies emanate.

No Loan Notes will be offered for sale after the closing date of the Offer, being 5 p.m. (London time) on 12 March 2015.

- (d) Details of the minimum and/or maximum amount of application:

The price of the Loan Notes is £1 per Loan Note and applications must be for a minimum of 10,000 Loan Notes at an aggregate price of £1,000 and in multiples of £1,000 thereafter. A maximum aggregate principal amount of £3 million of Loan Notes is available under the Offer.

- (e) Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:

If any subscription is not accepted by the Issuer in whole, or is accepted in part only (as a result of any pro rata scaling back of any part of the subscription or otherwise), the subscription monies or, as the case may be, the balance of the amount paid on application will be returned without interest by transfer to the investor's account or the relevant agent's account at the risk of the person entitled thereto.

- (f) Details of the method and time limits for paying up and delivering the Loan Notes:

The Loan Notes will be issued on the Closing Date against payment to the Issuer of the net subscription moneys by the Investor in accordance with the terms and conditions set out in this Information Memorandum and the Application Form.

- (g) Manner and date in which results of the Offer are to be made public:

The aggregate principal amount of the Loan Notes to be issued will be determined by the Issuer on the basis of market conditions then prevailing, including supply and demand for the Loan Notes and other similar securities.

Once determined, the aggregate principal amount of the Loan Notes is expected to be published by Regulatory News Service notice on or about the Closing Date.

- (a) Categories of potential investors to which the Loan Notes are offered:

Offers may be made by the Issuer to any person in the United Kingdom during the Offer Period.

- (b) Process for notification to investors of the amount allotted and indication whether dealing may begin before notification is made:

Investors will be notified of their allocations of Loan Notes by way of delivery of such Loan Notes to them in certificated form. Any Investor dealing in the Loan Notes before such notification has been made does so at their own risk.

GENERAL INFORMATION

Authorisation

1. The issue of the Loan Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 12 November 2014.

Yield

2. On the basis of the issue price of the Loan Notes of 100 per cent. of their principal amount, the yield of the Loan Notes is expected to be 7.50 per cent. on an annual basis.

No significant change

3. Save as disclosed in the admission document published by the Issuer on 23 June 2014, the unaudited interim report for the year ended 30 April 2014 published on 21 July 2014, and the other regulatory news announcements released by the Issuer since the Company's shares were listed on AIM on 30 June 2014, there has been no significant change in the financial or trading position of the Group since 31 October 2013.

Litigation

4. None of the Issuer and its Subsidiaries, is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Information Memorandum which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

Auditors

5. The auditors of the Issuer are Baldwins (Stourbridge) Limited, Chartered Certified Accountants and Registered Auditors who have audited the Issuer's accounts, without qualification, in accordance with applicable law and International Standards on Auditing (UK and Ireland) for each of the two financial years ended on 31 October 2012 and 31 October 2013.

Documents Available

6. For the period of 12 months following the date of this Information Memorandum, copies of the following documents will be available for inspection from the registered office of the Issuer and from the office of the Trustee for the time being in London:
 - (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the audited financial statements of the Issuer in respect of the financial years ended 31 October 2012 and 31 October 2013 , in each case together with the audit reports in connection therewith. The Issuer currently prepares audited accounts on an annual basis; and
 - (c) the Trust Deed.

Post-issuance information

7. The Issuer does not intend to provide any post-issuance information in relation to this issue of Loan Notes.

THE ISSUER

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To the Issuer

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**APPROVED AS A FINANCIAL PROMOTION FOR THE PURPOSES OF SECTION 21
OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 BY**

Allenby Capital Limited

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