AFH FINANCIAL GROUP PLC

Annual Report & Accounts
Year Ending 31 October 2013

Directors and Advisers

Directors

Mr A Hudson	
Mr J Wheatley	
Mr T Denne	
Mr P Wright	(Appointed 10 February 2014)
Mrs S Lewis	(Appointed 10 February 2014)

Secretary

Mrs A-M Brown

Company number

07638831

Registered office

AFH House
Stoke Heath
Bromsgrove
Worcestershire
B60 4JE

Registered auditors

Baldwins (Stourbridge) Limited
Chartered Certified Accountants
1st Floor
Copthall House
Stourbridge
West Midlands
DY8 1PH

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Chairman's Statement

During the period under review the Group showed continued growth through its existing IFA operations together with additional growth through strategic and complementary acquisitions.

In October 2013, the Group raised additional equity capital together with the successful launch of an 8% Unsecured Bond due 2020, issued at par. Both AFH's equity and bonds are currently traded on the ISDX Growth Market. The additional equity and loan capital has enabled the Group to continue its acquisition led growth on a selective basis and allowed the Group to take advantage of attractive opportunities as they have become available. In particular the acquisition of Shape Financial Limited ("Shape"), with its fifteen advisers, in July 2013 marked a further development in the Group's strategy as the largest transaction undertaken by the Group to date. I am pleased to report that the integration of Shape into the Group has progressed well.

In addition to Shape, the Group completed five acquisitions of IFA practices during the year. The post-acquisition results of these businesses have been consolidated into the Group's financial results for the year. The acquisitions increased advisor numbers by 19 during the year and at 31 October 2013 the total number of advisers was 122, an increase of 28 (30%) during the year.

Financial results

As previously announced, the Group will be seeking a move to the Alternative Investment Market (AIM) during the current year. In preparation for this move, the Group is presenting its Financial Statements under IFRS and has restated, where necessary, its 2012 results. As part of this process the Directors have restated the acquisition of AFH Group Limited by AFH Financial Group PLC in 2011 under merger accounting principles. This has had the effect of reducing both the Group's Share Premium account and Fixed Asset Investments to ensure that future dividend flows are not restricted by the Group structure.

Revenue for the year was £10.8m, an increase of 50% compared to the previous year. Gross margins remained at 52% (2012: 52%). Recurring revenue represented 51% (2012: 50%) of total revenue.

During the second half of the year the Group invested further in its infrastructure and head office to support the current and future projected growth. As a result, administrative expenditure increased by 38% to £4.6m. Further investment is anticipated as the Group continues its growth strategy. The Group reported an increase of 250% in Profit Before Tax to £1.05m, whilst Earnings per Share increased significantly by 340% to 5.3p per share (2012: 1.2p).

Cash Position

The Group remains free of bank or secured debt and maintains healthy cash balances. At the year-end, cash and cash equivalents totalled £4.3m, boosted by the equity and bond fund raising announced in August 2013 and completed in October 2013. As a result the Group is well placed to continue to make suitable acquisitions as opportunities arise.

Dividend

As previously announced the Group intends to maintain a progressive dividend policy whilst recognising the requirement to maintain cash within the business to fund its growth strategy. The Directors have considered these opposing requirements and in the light of the performance during the year under review propose a dividend of 1.25p per share, an increase of 25% over the 2012 dividend (1.0p). Subject to shareholders' approval at AFH's forthcoming Annual General Meeting, the dividend will be paid on 16 May 2014 to shareholders on the register of members at the close of business on 11 April 2014.

Employees and Advisers

The profitable growth of AFH is due to the hard work and professional approach of our staff and advisers. I would like to formally thank our staff and advisers for the contribution they have made in a year where we have continued to grow our business successfully. It is our aim to become the employer of choice for staff and it is in response to the continued support we receive from our staff that we continue to develop and promote our people from within at every opportunity so that many key positions are occupied by home grown talent. It is the enthusiasm, dedication and creativity of our staff and advisers that realises the delivery of our strategy each year.

Outlook

The Directors believe that there is a growing requirement for a professional, financial planning led approach to wealth management delivered by trusted personal advisers. AFH has delivered excellent growth to date based on this understanding and will continue to seek further opportunities to expand its client base through both organic and acquisitive growth.

The Group is profitable and cash generative with a strong balance sheet for its current size. Our strategy remains to grow in our traditional areas of strength whilst enhancing our client portfolio to drive increased profitability. The Directors continue to actively seek appropriately priced acquisition opportunities with a comparable culture to AFH to generate incremental opportunities for the Group.

Our long term aim is to grow our client base through increased adviser numbers and greater productivity afforded by the AFH structure and centralised support functions. The progress made during 2013 and into the early months of the current financial year allow the Directors to view the prospects for 2014 and beyond with confidence.

Mr J Wheatley
Chairman

Chief Executives Report

2013 was a year of continued growth for the Group with Revenues growing by 50% to £10.8m. It is particularly encouraging to note that this growth was achieved without a reduction in our gross margins and on the basis of strong recurring revenue which totalled £5.5m for the year.

The Group successfully completed the acquisition and integration of six IFA operations during the year, spending £620,000 in initial consideration with the balance being deferred consideration up to a total maximum of £3.3m, to be paid subject to earn out conditions over a two year period. These acquisitions have broadened the national reach of AFH as well as adding valuable clients to our portfolio. The administration of all acquisitions has been assumed into our Bromsgrove Head Office, which has been expanded to support these and future acquisitions.

Adviser numbers grew during 2013 to 122 at 31 October 2013 an increase of 28 (approximately 30%) over the period. This reflected both advisers joining through acquisitions and those recruited individually. The Group has established an internal market for retiring advisers to realise the growth in value of their client base within AFH and for younger or other advisers seeking to build their client base, to acquire portfolios within the Group. This internal market also secures the ongoing relationship with clients and recurring revenue for AFH.

Expenditure during the period grew by £1.2m to £4.6m, reflecting the increased central overhead to support the growing IFA and client base. People costs remain the largest component of the Group overhead, accounting for £2.7m (59%) of total Administrative expenditure in the year (2012: £1.9m (57%)). The 2013 figures include a full year cost of the Group's new Head Office, AFH House, in Bromsgrove.

The Group reported increased EBITDA of £1.2m representing an increase of 140% over the prior year comparative figure of £0.5m. This is a measure used by the Directors' to assess the cash generation from the ongoing operations. The EBITDA margin of 11% on Revenue (2012: 7%), reflects the scalability of the business given the level of investment in the central overhead noted above.

The Group strengthened its Balance Sheet during 2013 and at the year-end had net cash and cash equivalents of £4.3m. The Group continues to trade profitably, generating additional cash for the business. As at 31 October 2013 the Group had maximum deferred earn out liabilities on existing acquisitions of £4.1m. Due to the structure of the agreements, these deferred liabilities are expected to be self-funding in future periods.

Fundraising and AIM

As noted by the Chairman, in August 2013 the Group raised £2.55m equity capital and £0.75m through an 8% Unsecured Bond 2020. The interest in these capital raisings was encouraging; AFH's ordinary shares are currently an EIS qualifying investment and the Directors are aware of further investment interest from existing and potential shareholders.

In February 2014 AFH announced its intention to move to AIM as part of its long term strategy to access the institutional capital markets in order to provide finance for its acquisitive programme and to generate greater liquidity for its equity shares. The Group has set a timetable for an IPO by the end of Q2 and remains on target to achieve this timeline.

Property Fund

As we announced in November 2012 the Group launched the St. John's High Yield Property Fund during the year. The Fund is believed to be the first Property Authorised Investment Fund ("PAIF") to be available to retail investors in the UK. The FCA authorised Fund is offered to AFH clients seeking to diversify their investment portfolios and gain exposure to a low volatility asset class with yields of between 6% and 9%.

Legal

In June 2013 the Group announced that it had established AFH Legal Ltd., a wholly owned subsidiary which had been licenced by the Solicitors Regulatory Authority as an Alternative Business Structure, authorised to provide a range of legal services. The Directors believe that Wills, Trusts and Estate planning forms the corner stone of professional financial planning for its clients, and that the ability to provide these services in a regulated environment will significantly enhance the client service.

Post year end

Following the year end the Group has strengthened its management and operational teams, in particular through the recruitment to the board of Paul Wright as Chief Financial Officer and Sue Lewis as a Non-Executive Director. These appointments have been announced to the market along with profiles of the experience that they bring to the Group. We have also appointed experienced managers in our operating subsidiary companies to develop our back office and operating systems in line with our future requirements.

Current year trading

The current year has started in line with the Directors' expectations as the market continues to be active and the impact of the 2013 acquisitions is recognised. As noted, the Group has invested in strengthening its management and to prepare itself for anticipated growth in the current year and the Directors are confident that the Group is well positioned to take advantage of market opportunities.

Mr A Hudson
Chief Executive Officer

General Information

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

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

Credit risk
Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as commercial transactions. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

The Group receives the majority of its income directly from blue chip financial institutions in accordance with instructions placed by its clients thereby minimising the risk of incurring bad debts.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding and the ability to close out market positions. The Group maintains flexibility by maintaining significant headroom in its cash position.

Management monitors forecasts of the Group's liquidity on the basis of expected cash flows. This is carried out in accordance with recommended accounting practice and limits set by the Group. The Board reviews the Group's liquidity at its monthly meetings.

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by maintaining or adjusting the capital structure by adjusting the amount of dividends paid to shareholders, issuing new shares and unsecured securities or selling assets to maintain financial resources.

The capital employed by the Group is composed of equity attributable to the shareholders and long term unsecured corporate bonds, as detailed in the Statement of Changes in Equity.

Key performance indicators
The directors consider the key performance indicators ("KPIs") for the Group are as follows:

- Revenue – this is total income (excluding VAT) from all revenue streams;
- EBITDA margin – this is profit generated from the Group's operating activities before any financing income or costs, taxation, depreciation and amortisation as a proportion of revenue;
- Adjusted profit before tax – profit before taxation, acquisition costs expensed under IFRS3 (Revised) and amortisation of intangible assets;
- Adjusted EPS – total comprehensive income for the year, net of tax, attributable to equity holders of the Company, adjusted to add back acquisition costs expensed under IFRS3 (Revised) and the amortisation of intangible assets, divided by the number of ordinary shares in issue;

Directors during the financial year
John Wheatley, Alan Hudson and Toby Denne were directors of the Company throughout the financial year.

Full disclosure of information
Each of the Directors at the time of this report confirm that so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware and he / she has taken all appropriate steps to make himself / herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Approved by the board

Mr J Wheatley
Chairman

Directors' Report

The directors present their report and financial statements for the year ended 31 October 2013.

Principal activities
The principal activity of the group continued to be that of independent financial advisers.

Results and dividends
The consolidated statement of comprehensive income for the year is set out on page 7.

Directors
The following directors have held office since 1 November 2012:

Mr A Hudson
Mr J Wheatley
Mr T Denne
Mr P Wright (Appointed 10 February 2014)
Mrs S Lewis (Appointed 10 February 2014)

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

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

On average, trade creditors at the year end represented 53 (2012 – 53) days' purchases.

Auditors
A resolution proposing that Baldwins (Stourbridge) Limited be reappointed as auditors of the company will be put to the members at the Annual General Meeting.

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the Group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

On behalf of the board

Mrs A-M Brown

31 March 2014

Auditors' Report
to the Members of AFH Financial Group PLC

We have audited the group and parent company financial statements (the "financial statements") of AFH Financial Group Plc for the year ended 31 October 2013 set out on pages 7 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 October 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

Chartered Certified Accountants
Statutory Auditor

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

31 March 2014

Consolidated Statement of Comprehensive Income for the year ended 31 October 2013

	Notes	2013 £	2012 £
Revenue	2	**10,797,092**	7,200,950
Cost of sales		**(5,165,160)**	(3,471,201)
Gross profit		**5,631,932**	3,729,749
Administrative expenses		**(4,561,124)**	(3,435,547)
Operating profit	3	**1,070,808**	294,202
Finance income		**987**	13,494
Finance costs	4	**(22,512)**	(12,631)
Profit on ordinary activities before taxation		**1,049,283**	295,065
Income tax expense	6	**(245,277)**	(127,067)
Profit on ordinary activities after taxation		**804,006**	167,998
Other comprehensive income		**–**	–
Total comprehensive income for the year		**804,006**	167,998
Earnings per share (pence)			
Basic	18	**5.332**	1. 177
Diluted	18	**5.191**	1. 137

Statements of Financial Position as at 31 October 2013

		Group			Company		
				1 November			1 November
		2013	2012	2011	2013	2012	2011
	Notes	£	£	£	£	£	£
Non-current assets							
Intangible assets	10	**7,376,148**	4,351,423	2,111,638	**–**	–	–
Property, plant and equipment	11	**251,212**	144,312	60,402	**–**	–	–
Investments	12	**598**	598	514	**1,529,547**	1,290,566	1,290,464
		7,627,958	4,496,333	2,172,554	**1,529,547**	1,290,566	1,290,464
Current assets							
Trade and other receivables	13	**2,624,769**	2,000,336	938,143	**2,814,152**	2,116,153	3,000
Cash and cash equivalents		**4,333,949**	922,957	1,722,273	**3,313,367**	651,925	1,502,162
		6,958,718	2,923,293	2,660,416	**6,127,519**	2,768,078	1,505,162
Total assets		**14,586,676**	7,419,626	4,832,970	**7,657,066**	4,058,644	2,795,626
Current liabilities							
Trade and other payables	16	**3,933,829**	2,039,288	1,330,193	**149,473**	10,608	17,108
Current tax liabilities		**311,565**	214,902	214,410	**27,605**	12,322	7,858
Financial liabilities	15	**50,000**	225,000	–	**50,000**	225,000	–
		4,295,394	2,479,190	1,544,603	**227,078**	247,930	24,966
Net current assets		**2,663,324**	434,103	1,115,813	**5,900,441**	2,520,148	1,480,196

Statements of Financial Position as at 31 October 2013

		Group			Company		
	Notes	2013 £	2012 £	1 November 2011 £	2013 £	2012 £	1 November 2011 £
Non-current liabilities							
Trade and other payables	16	**2,219,920**	852,877	242,372	**–**	–	–
Financial liabilities	14	**752,000**	–	–	**752,000**	–	–
Deferred tax liabilities	17	**33,998**	15,681	13,045	**–**	–	–
Total liabilities		**7,301,312**	3,347,748	1,800,020	**979,078**	247,930	24,966
Net assets		**7,285,364**	4,071,878	3,032,950	**6,677,988**	3,810,714	2,770,660
Equity							
Share capital	18	**1,711,450**	1,478,037	1,409,687	**1,711,450**	1,478,037	1,409,687
Share premium account	19	**4,476,833**	2,152,962	1,537,812	**4,476,833**	2,152,962	1,537,812
Other capital reserves	20	**229,565**	229,565	42,135	**229,565**	229,565	42,135
Retained earnings	21	**867,516**	211,314	43,316	**260,140**	(49,850)	(218,974)
Total equity		**7,285,364**	4,071,878	3,032,950	**6,677,988**	3,810,714	2,770,660

Approved by the Board and authorised for issue on 31 March 2014.

Mr P Wright
Director

Company Registration No. 07638831

Consolidated Statement of Changes in Equity as at 31 October 2013

	Share capital £	Share premium account £	Other capital reserves £	Retained earnings £	Total £
Balance at 1 November 2011	1,409,687	9,867,812	42,135	43,316	11,362,950
Prior period adjustment	–	(8,330,000)	–	–	(8,330,000)
As restated	1,409,687	1,537,812	42,135	43,316	3,032,950
Profit for the year	–	–	–	167,998	167,998
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	167,998	167,998
	1,409,687	1,537,812	42,135	211,314	3,200,948
Issue of share capital	68,350	615,150	–	–	683,500
Share-based payment transaction	–	–	187,430	–	187,430
Balance at 31 October 2012	1,478,037	2,152,962	229,565	211,314	4,071,878
Profit for the year	–	–	–	804,006	804,006
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	804,006	804,006
	1,478,037	2,152,962	229,565	1,015,320	4,875,884
Issue of share capital	233,413	2,323,871	–	–	2,557,284
Dividends	–	–	–	(147,804)	(147,804)
Balance at 31 October 2013	**1,711,450**	**4,476,833**	**229,565**	**867,516**	**7,285,364**

Consolidated Cash Flow Statement
for the year ended 31 October 2013

	Notes	2013 £	2013 £	2012 £	2012 £
Cash generated from operations	24		**997,471**		(16,907)
Tax paid			**(186,711)**		(179,964)
Net cash inflow/(outflow) from operating activities			**810,760**		(196,871)
Investing activities					
Purchase of property, plant & equipment		**(161,389)**		(113,391)	
Purchase of other intangible assets, net of cash		**(4,058,832)**		(2,316,746)	
Proceeds from disposals of other intangible assets		**1,079,999**		33,854	
Purchase of subsidiaries		**–**		(62)	
Proceeds from sale of subsidiaries		**–**		100	
Proceeds from sale of property, plant & equipment		**284**		–	
Interest received		**987**		13,494	
Net cash used in from investing activities			**(3,138,951)**		(2,382,751)
Financing activities					
Proceeds from issue of shares		**2,588,139**		683,500	
Share issue costs		**(30,855)**		–	
Issue of convertible loans		**–**		225,000	
Proceeds from borrowings		**4,309,667**		2,434,836	
Repayment of borrowings		**(957,452)**		(1,550,399)	
Interest paid		**(22,512)**		(12,631)	
Dividends paid to owners of the company		**(147,804)**		–	
Net cash generated from financing activities			**5,739,183**		1,780,306
Net increase/(decrease) in cash and cash equivalents			**3,410,992**		(799,316)
Cash and cash equivalents at beginning of year			**922,957**		1,722,273
Cash and cash equivalents at end of year			**4,333,949**		922,957

1.1 General Information

AFH Financial Group Plc is a company incorporated in England and Wales. The Group is principally engaged in the provision of Independent financial advice to the retail market.

1.2 Principal accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together "IFRS") as adopted by the European Union ("EU"), and in accordance with the requirements of the Companies Act applicable to companies reporting under IFRS.

The principal accounting policies adopted are set out below and have been applied consistently throughout the current and previous financial year.

Going concern

The directors have considered the Company's business activities, its cash flows and capital position. They are satisfied that the Company has adequate resources to continue in business for the foreseeable future and for this reason continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

The company has prepared a consolidated Statement of Comprehensive Income but has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements.

Business combinations

Business combinations are accounted for using the acquisition method except in certain circumstances where the acquisition is on a share for share basis and the resulting business remains unchanged. The acquisition method involves assessing whether any assets acquired meet the criteria for recognition as separately identifiable intangible assets. Intangible assets are measured on initial recognition at their fair value at the date of acquisition.

Client portfolios are valued by discounting their future expected cash flows over their expected useful lives, based on historical experience. Expected future cash flows are estimated based on the historical revenues and costs associated with the operation of that client portfolio.

Property, plant and equipment

Plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value. Depreciation is provided on all property, plant and equipment at rates calculated to write each asset down to its estimated residual value over its expected useful life as follows:

- Computer and office equipment 20/25% per annum on reducing balance
- Fixtures and fittings 20% per annum on reducing balance

Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is disposed. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Investments

The Group accounts for its investments in subsidiaries, associates and other investments at cost less any provision for impairment.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

1.2 Principal accounting policies (continued)

Goodwill and Intangible Assets
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the net fair value of the separable assets, liabilities and contingent liabilities of the subsidiary or an interest in an associate undertaking recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses on an annual basis. Any impairment is recognised immediately in the Statement of Comprehensive Income and is not subsequently reversed.

The cash generating unit to which Goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating asset is less than the carrying amount of the cash generating unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit.

Any goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date.

The cost of intangible assets, excluding goodwill acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets assessed as having finite lives are amortised over their useful economic life.

Intangible assets assessed as having finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Intangible assets are amortised over a period of 20 years from the month of acquisition unless otherwise impaired. The useful economic life of 20 years is based on market experience and practice. The amortisation expense on intangible assets with finite lives is recognised within Administrative Expenses in the statement of comprehensive income.

Trade and other receivables
A provision for impairment is made when there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Any provision is recognised as an expense in the statement of comprehensive income.

Leases
Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Cash and short-term deposits
Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Share based payments
Employees (including senior executives) of the Group receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). Fair value is determined using the Black Scholes pricing model.

The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

1.2 Principal accounting policies (continued)

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

Fee income
Fees are recognised as being earned at the point when an investment of funds has been made by the client and submitted to the product provider.

Interest income
Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Taxation
The taxation expense represents the sum of the tax currently payable and deferred tax.

Tax currently payable is measured at the amount expected to be paid to or recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are recognised for all taxable temporary differences, except where the deferred tax balance arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Sales tax
Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

Dividend recognition
Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are declared and paid, or if earlier, in the accounting period when the dividend is approved by the Company's shareholders at the Annual General Meeting.

1.2 Principal accounting policies (continued)

Changes in accounting policies

Standards, interpretations and amendments effective from 1 November 2012 None of the new standards, interpretations and amendments, effective for the first time from 1 November 2012, have had a material effect on the financial statements. All new or amended standards effective from 1 November 2012 have been implemented.

Standards, interpretations and amendments to published standards that are not yet effective
At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

Periods commencing Standard or interpretation on or after IFRS 7 (amended)

Financial Instruments: Disclosures 1 January 2013 IFRS 9

Financial Instruments 1 January 2015

IFRS 10 Consolidated Financial Statements 1 January 2013

IFRS 11 Joint Arrangements 1 January 2013

IFRS 12 Disclosures of Interests in Other Entities 1 January 2013

IFRS 13 Fair Value Measurement 1 January 2013

IAS 19 (revised) Employee Benefits 1 January 2013

IAS 27 (revised) Separate Financial Statements 1 January 2013

IAS 28 (revised) Investments in Associates and Joint Ventures 1 January 2014

IAS 32 (amended) Offsetting Financial Assets and Financial Liabilities 1 January 2014

Other than to expand certain disclosures within the financial statements, the Directors do not expect the adoption of the standards and interpretations listed above will have a material impact on the financial statements of the Group in future periods.

1.3 Financial instruments

Financial assets
Financial assets are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss ("FVTPL"), which are measured at fair value.

Available for sale financial assets
Financial assets classified as available for sale are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. Where an AFS financial asset is disposed of or determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Dividends and interest earned on AFS financial assets are included in the investment income line item in the statement of comprehensive income.

Loans and receivables
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

1.3 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities
Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the company and the group's obligations are discharged, cancelled or expired.

Compound instruments
The component parts of compound instruments issued by the company and the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity net of income tax effects and is not subsequently remeasured.

Equity instruments
Equity instruments issued by the company and the group are recorded at the proceeds received, net of direct issue costs.

1.4 Financial risks

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

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

Credit risk
Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as commercial transactions. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

1.4 Financial risks (continued)

The Group receives the majority of its income directly from blue chip financial institutions in accordance with instructions placed by its clients thereby minimising the risk of incurring bad debts.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding and the ability to close out market positions. The Group maintains flexibility by maintaining significant headroom in its cash position.

Management monitors forecasts of the Group's liquidity on the basis of expected cash flows. This is carried out in accordance with recommended accounting practice and limits set by the Group. The Board reviews the Group's liquidity at its monthly meetings.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by maintaining or adjusting the capital structure by adjusting the amount of dividends paid to shareholders, issuing new shares and unsecured securities or selling assets to maintain financial resources.

The capital employed by the Group is composed of equity attributable to the shareholders and long term unsecured corporate bonds, as detailed in the Statement of Changes in Equity.

Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

The fair value of share options held within the Group has been assessed on the basis of Black-Scholes pricing models.

The net book amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

1.5 Critical accounting judgements and key sources of estimation uncertainty

The application of the Groups accounting policies requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about net book values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. If in the future such estimates and assumptions deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

The areas where a higher degree of judgement or complexity arises, or where assumptions and estimates are significant to the consolidated financial statements, are discussed below.

Impairment of client portfolios

The Group reviews whether acquired client portfolios are impaired at least on an annual basis. This comprises an estimation of the fair value less cost to sell and the value in use of the acquired client portfolios. The key assumption used in arriving at a fair value less cost of sale is based on earnings multiples and values based on assets under management. These have been determined by looking at valuations of similar businesses and the consideration paid in comparable transactions.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill has been allocated. In assessing value in use, the estimated future cash flows expected to arise from the cash-generating unit are discounted to their present value using the Group's weighted average cost of capital adjusted for tax. No impairments have been made during the year (2012: £nil) based upon the Directors' review.

1.5 Critical accounting judgements and key sources of estimation uncertainty (continued)

Contingent consideration

The Group has entered into certain acquisition agreements that provide for a contingent consideration to be paid. A provision is recognised for all amounts management anticipates will be paid under the relevant acquisition agreement.

This requires management to make an estimate of the expected future cash flows from the acquired client portfolio and determine a suitable discount rate for the calculation of the present value of those cash flows. The carrying amount of contingent consideration provided for at 31 October 2013 was £4.1m (2012: £1.5m).

1.6 First-time adoption of IFRS

These financial statements, for the year ended 31 October 2013, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 October 2012, the Group prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP).

Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 October 2013, together with the comparative period data as at and for the year ended 31 October 2012, as described in the accounting policies. In preparing these financial statements, the Group’s opening statement of financial position was prepared as at 1 November 2011, the Group’s date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its UK GAAP statement of financial position as at 1 November 2011 and its previously published UK GAAP financial statements as at and for the year ended 31 October 2012.

1.6 First-time adoption of IFRS (continued)

Group reconciliation of equity as at 1 November 2011 (date of transition to IFRS)

	Notes	UK GAAP £	Re–measurements £	IFRS as at 1 November 2011 £
Non-current assets				
Intangible assets		2,111,638	–	2,111,638
Property, plant and equipment		60,402	–	60,402
Investments		514	–	514
		2,172,554	–	2,172,554
Current assets				
Trade and other receivables		938,143	–	938,143
Cash and cash equivalents		1,722,273	–	1,722,273
		2,660,416	–	2,660,416
Total assets		4,832,970	–	4,832,970
Current liabilities				
Trade and other payables		1,330,193	–	1,330,193
Current tax liabilities		214,410	–	214,410
		1,544,603	–	1,544,603
Net current assets		1,115,813	–	1,115,813
Non-current liabilities				
Trade and other payables		242,372	–	242,372
Deferred tax liabilities		13,045	–	13,045
Total liabilities		1,800,020	–	1,800,020
Net assets		3,032,950	–	3,032,950
Equity				
Called up share capital		1,409,687	–	1,409,687
Share premium account		1,537,812	–	1,537,812
Other capital reserves		42,135	–	42,135
Retained earnings		43,316	–	43,316
Total equity		3,032,950	–	3,032,950

1.6 First-time adoption of IFRS (continued)

Group reconciliation of equity as at 31 October 2012

	Notes	UK GAAP £	Re-measurements £	IFRS as at 31 October 2012 £
Non-current assets				
Intangible assets	A	4,395,235	(43,812)	4,351,423
Property, plant and equipment		144,312	–	144,312
Investments		598	–	598
		4,540,145	(43,812)	4,496,333
Current assets				
Trade and other receivables	B	1,990,259	10,077	2,000,336
Cash and cash equivalents		922,957	–	922,957
		2,913,216	10,077	2,923,293
Total assets		7,453,361	(33,735)	7,419,626
Current liabilities				
Trade and other payables		2,039,288	–	2,039,288
Current tax liabilities		214,902	–	214,902
Convertible loan notes		225,000	–	225,000
		2,479,190	–	2,479,190
Net current assets		434,026	10,077	444,103
Non-current liabilities				
Trade and other payables		852,877	–	852,877
Deferred tax liabilities		15,681	–	15,681
Total liabilities		3,347,748	–	3,347,748
Net assets		4,105,613	(33,735)	4,071,878
Equity				
Called up share capital		1,478,037	–	1,478,037
Share premium account		2,152,962	–	2,152,962
Other capital reserves		229,565	–	229,565
Retained earnings		245,049	(33,735)	211,314
Total equity		4,105,613	(33,735)	4,071,878

1.6 First-time adoption of IFRS (continued)

Group reconciliation of income for the year ended 31 October 2012

	Notes	UK GAAP	Re-measurements	IFRS as at 31 October 2012
		£	£	£
Revenue		7,200,950	–	7,200,950
Cost of sales		(3,471,201)	–	(3,471,201)
Gross profit		3,729,749	–	3,729,749
Administrative expenses	A	(3,391,735)	(43,812)	(3,435,547)
Operating profit		338,014	(43,812)	294,202
Investment revenues		13,494	–	13,494
Finance costs		(12,631)	–	(12,631)
Profit on ordinary activities before taxation		338,877	(43,812)	295,065
Income tax expense	B	(137,144)	10,077	(127,067)
Profit on ordinary activities after taxation		201,733	(33,735)	167,998

A Intangible assets

Under UK GAAP, the Group recognised legal fees in relation to the acquisition of various intangible assets as part of Acquired Client Portfolios amounting to £151,255 that do not qualify for recognition under IFRS. These legal fees have been reclassified as part of administrative expenses on transition to IFRS. Acquired Client Portfolios have been presented within Intangible Assets on the Statement of Financial Position.

Amortisation had been provided under UK GAAP on these legal fees amounting to £3,264. As a result of the reclassification of the legal fees this amortisation has been reversed from administrative expenses.

Under UK GAAP, the Group had provided amortisation on Goodwill amounting to £104,179. According to the accounting policies in Note 1.2 the Group does not provide amortisation on these Intangible Assets but reviews them for impairment. As no such impairment has occurred the amortisation has been reversed from administrative expenses.

B Deferred tax

The various transitional adjustments lead to different temporary differences. According to the accounting policies in Note 1.2, the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

2 Revenue and segmental analysis

The Board of Directors is considered to be the chief operating decision maker of the Group.

The Board has determined that there is one operating segment based on reports reviewed by the Board that are used to make strategic decisions.

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

No customer is defined as a major customer by revenue, contributing more than 10% of the Group revenues (2012 – nil).

3 Operating profit

	2013 £	2012 £
Operating profit is stated after charging:		
Amortisation of intangible assets	**90,728**	51,348
Depreciation of tangible assets	**54,488**	29,482
Operating lease rentals	**310,325**	200,467
and after crediting:		
Profit on disposal of tangible assets	**(284)**	–
Profit on disposal of intangible assets	**(5,619)**	–

Auditors' remuneration

Fees payable to the group's auditor for the audit of the group's annual accounts	**10,000**	9,756
Audit of accounts of subsidiaries	**14,000**	12,000
Other accountancy services	**7,230**	2,760
Taxation services	**4,800**	–
	36,030	24,516

4 Finance costs

	2013 £	2012 £
On bank loans and overdrafts	**–**	27
On other loans wholly repayable within five years	**12,500**	12,604
Other loan interest	**10,002**	–
On overdue tax	**10**	–
	22,512	12,631

5 Employees

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

	2013 Number	2012 Number
Directors	**3**	3
Office	**98**	64
	101	67

Employment costs

	2013 £	2012 £
Wages and salaries	**2,545,975**	1,743,833
Social security costs	**236,539**	170,792
Share-based payments	**-**	187,430
	2,782,514	2,102,055

5 Employees (continued)

Share-based payment transactions

During the year ended 31 October 2013, the group had four share-based payment arrangements, which are described below.

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

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

The provision for share-based payments has been calculated using a Black-Scholes pricing model. The variables used in the model have been selected as follows:

Dividend rate 1% based on the dividend payments anticipated by the board and effected in 2013.

Risk free rate of interest 3% based on 10 year UK Treasury Bonds.

Volatility 50% based on comparatives with similar sized companies with similar employee demographic.

The grant price of all options was equal to the market price of the company's ordinary shares on the date of grant.

Further details of the share option plans are as follows:

	Number of options 2013	Weighted average exercise price 2013 £	Number of options 2012	Weighted average exercise price 2012 £
At 1 November 2012	**861,873**	**0.62**	543,672	0.37
Granted	**–**	**–**	346,764	1.00
Lapsed	**(64,255)**	**0.87**	(28,563)	0.57
Outstanding at 31 October 2013	**797,618**	**0.60**	861,873	0.62

510,524 of the options outstanding at 31 October 2013 have an exercise price of £0.37, and a weighted average remaining contractual life of 7.64 years. 287,094 of the options outstanding at 31 October 2013 have an exercise price of £1.00, and a weighted average remaining contractual life of 8.75 years.

6 Taxation

	2013 £	2012 £
Domestic current year tax		
U.K. corporation tax	**228,086**	134,508
Total current tax	**228,086**	134,508
Deferred tax		
Origination and reversal of timing differences	**17,191**	(7,441)
	245,277	127,067

Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	**1,049,283**	295,065
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 22.86% (2012 - 23.94%)	**239,866**	70,639
Effects of:		
Non-deductible expenses	**3,170**	56,428
Prior year deferred tax adjustment	**2,241**	–
	5,411	56,428
Income tax expense	**245,277**	127,067

7 Profit for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2013 £	2012 £
Holding company's profit for the financial year	**457,795**	169,124

8 Dividends

	2013 £	2012 £
Ordinary final paid	**147,804**	–

The directors are proposing a final dividend of 1.25 pence per share totalling £213,931. This dividend has not been accrued in these financial statements.

9 Prior year adjustments

The board has reviewed its accounting policies in the light of transitioning from UK GAAP to IFRS. Following this review it has concluded that the share for share exchange that occurred on 21 June 2011 between AFH Group Ltd & AFH Financial Group Plc is more appropriately stated under the merger accounting method as the transaction was undertaken by way of a share for share exchange comprising over 90% of the ordinary shares of AFH Group Ltd.

This reinstatement resulted in a prior year adjustment between Consolidated Goodwill, Fixed Asset Investments (Company) and Share Premium as set out in notes 10, 12 and 19, effective 1 November 2011.

10 Intangible assets

Group

	Goodwill £	Acquired client portfolios £	Total £
Cost			
At 1 November 2011	10,817,036	–	10,817,036
Prior year adjustment (see Note 9)	(8,330,000)	–	(8,330,000)
At 1 November 2011 as restated	2,487,036	–	2,487,036
Additions	–	2,317,337	2,317,337
Disposals	–	(16,677)	(16,677)
Revaluations	(9,527)	–	(9,527)
At 31 October 2012	2,477,509	2,300,660	4,778,169
Additions	–	4,189,833	4,189,833
Disposals	–	(284,056)	(284,056)
Revaluations	(12,337)	(777,987)	(790,324)
At 31 October 2013	**2,465,172**	**5,428,450**	**7,893,622**
Amortisation			
At 1 November 2011	375,398	–	375,398
Charge for the year	–	51,348	51,348
At 31 October 2012	375,398	51,348	426,746
Charge for the year	–	90,728	90,728
At 31 October 2013	**375,398**	**142,076**	**517,474**
Net book value			
At 31 October 2013	**2,089,774**	**5,286,374**	**7,376,148**
At 31 October 2012	2,102,111	2,249,312	4,351,423
At 1 November 2011	2,111,638	–	2,111,638

11 Property, plant and equipment

Group

	Computer and office equipment £	Fixtures, fittings & equipment £	Total £
Cost			
At 1 November 2011	57,276	63,526	120,802
Additions	32,703	80,687	113,390
At 31 October 2012	89,979	144,213	234,192
Additions	76,688	84,700	161,388
At 31 October 2013	**166,667**	**228,913**	**395,580**
Depreciation			
At 1 November 2011	28,699	31,699	60,398
Charge for the year	10,521	18,961	29,482
At 31 October 2012	39,220	50,660	89,880
Charge for the year	20,791	33,697	54,488
At 31 October 2013	**60,001**	**84,357**	**144,368**
Net book value			
At 31 October 2013	**106,656**	**144,556**	**251,212**
At 31 October 2012	50,759	93,553	144,312
At 1 November 2011	28,577	31,827	60,404

12 Investments

Group

	Listed investments £	Shares in group undertakings £	Total £
Cost			
At 1 November 2011	–	514	514
Additions	122	62	184
Disposals	–	(100)	(100)
At 31 October 2012	122	476	598
At 31 October 2013	**122**	**476**	**598**
Net book value			
At 31 October 2013	**122**	**476**	**598**
At 31 October 2012	122	476	598
At 1 November 2011	–	514	514

12 Investments (continued)

Fixed asset investments

Company

	Shares in group undertakings £
Cost	
At 1 November 2011	9,620,464
Prior year adjustment (Note 9)	(8,330,000)
Additions	102
At 31 October 2012	1,290,566
Additions	238,981
At 31 October 2013	**1,529,547**

Net book value	
At 31 October 2013	**1,529,547**
At 31 October 2012	1,290,566
At 1 November 2011	1,290,464

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

The principal subsidiary undertakings are AFH Independent Financial Services Limited and Shape Financial Limited. Both companies are incorporated in England and are 100% owned by AFH Financial Group Plc.

13 Trade and other receivables

Group

	2013 £	2012 £	1 November 2011 £
Trade receivables	**2,053,804**	1,527,386	753,334
Corporation tax	**11,158**	-	203
Other debtors	**368,453**	266,681	67,646
Prepayments	**180,151**	196,192	116,960
Deferred tax assets	**11,203**	10,077	–
	2,624,769	2,000,336	938,143

Company

	2013 £	2012 £	1 November 2011 £
Amounts owed by group undertakings	**2,798,842**	2,111,498	–
Prepayments	**15,310**	4,655	3,000
	2,814,152	2,116,153	3,000

14 Financial liabilities (Non-current)

	2013 £	2012 £
8% unsecured bond	**752,000**	–

Analysis of borrowings

	2013 £	2012 £
Non-current liabilities	**752,000**	–

15 Financial liabilities (Current)

	£
Issue of convertible loan notes	225,000
Liability component at 31 October 2012	225,000
Cancellation of convertible loan notes	(175,000)
Liability component at 31 October 2013	**50,000**
Liability component due within 12 months	50,000

Convertible loan notes issued relate to the acquisition of Arden Court Group Ltd on 3 April 2012.

16 Trade and other payables

Group

	2013 £	2012 £	1 November 2011 £
Current			
Trade creditors	**225,533**	161,858	114,513
Deferred consideration	**1,839,145**	605,973	332,041
Loan	**138,542**	138,542	125,938
Commissions payable	**1,402,724**	981,039	700,220
Other creditors	**1,107**	793	10,574
Accruals	**326,778**	151,083	46,907
	3,933,829	2,039,288	1,330,193
Non-current			
Deferred consideration	**2,219,920**	852,877	242,372
	2,219,920	852,877	242,372

16 Trade and other payables (continued)

Company

	2013 £	2012 £	1 November 2011 £
Current			
Trade creditors	**35,237**	306	–
Amounts owed to group undertakings	**63,127**	102	4,842
Accruals	**51,109**	10,200	12,266
	149,473	10,608	17,108

17 Deferred tax liabilities

Group

	Deferred taxation £
At 1 November 2011	13,045
Profit and loss account	2,636
At 31 October 2012	15,681
Profit and loss account	18,317
At 31 October 2013	**33,998**

The deferred tax liability is made up as follows:

	2013 £	2012 £	1 November 2011 £
Accelerated capital allowances	**33,998**	15,681	13,045

18 Share capital

	2013 £	2012 £	1 November 2011 £
Allotted, called up and fully paid			
17,114,508 Ordinary of 10p each	**1,711,450**	1,478,037	1,409,687

On 21 August 2013, 1,242,202 ordinary shares of £0.10 each were allotted and fully paid at par for cash consideration to provide additional working capital.

On 9 October 2013, 673,522 ordinary shares of £0.10 each were allotted and fully paid at par for cash consideration to provide additional working capital.

On 23 October 2013, 418,410 ordinary shares of £0.10 each were allotted and fully paid at par for cash consideration to provide additional working capital.

The calculation of earnings per share is based on the profit attributable to the equity holders for the year of £804,006 (2012 – £167,998) and weighted average number of shares in issue during the period of 15,078,169 (2012 – 14,277,153).

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

The diluted earnings per share has also been adjusted for the conversion of £50,000 loan notes (2012 – £225,000). The conversion is contracted to take place on 30 April 2014 at the market value of the shares at that date.

19 Share premium account

	Share Premium account £
At 1 November 2011	9,867,812
Prior year adjustment (see note 9)	(8,330,000)
At 1 November 2011 as restated	1,537,812
Issue of new shares	615,150
At 31 October 2012	2,152,962
Issue of new shares	2,323,871
At 31 October 2013	**4,476,833**

20 Other capital reserves

	£
At 1 November 2011	42,135
Share based payment transactions	187,430
At 31 October 2012	229,565
Share based payment transactions	–
At 31 October 2013	**229,565**

Other capital reserves represent provisions charged through the statement of comprehensive income in respect of share options granted to directors, staff and IFA's.

21 Retained earnings

	£
At 1 November 2011	43,316
Profit for the year	167,998
At 31 October 2012	211,314
Profit for the year	804,006
Dividends	(147,804)
At 31 October 2013	**867,516**

22 Capital risk management

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance,

The capital structure of the company consists of debt, cash and cash equivalents and equity comprising share capital, reserves and retained earnings. The company reviews the capital structure annually and as part of this review considers that cost of capital and the risks associated with each class of capital.

23 Directors' remuneration

	2013 £	2012 £
Remuneration for qualifying services	**326,500**	274,000
Remuneration disclosed above include the following amounts paid to the highest paid director:		
Remuneration for qualifying services	**273,417**	250,000

During the period no share based payments were made to directors. During the period ended 31 October 2012, 5,000 share options were granted to Mr J Wheatley at 100p each and 5,000 share options were granted to Mr T Denne at 100p each.

24 Cash generated from operations

	2013 £	2012 £
Profit before tax for the year	**1,049,283**	295,065
Adjustments for:		
Interest and dividend income	**(987)**	(13,494)
Interest expenses	**22,512**	12,631
Depreciation, amortisation and impairment	**145,216**	73,180
Gain on disposal of tangible assets	**(284)**	–
Gain on disposal of intangible assets	**(5,619)**	–
Equity settled share based payment expense	**–**	187,430
(Decrease) in current financial liabilities	**(175,000)**	–
Movements in working capital:		
(Increase) in trade and other receivables	**(485,409)**	(348,144)
Increase/(decrease) in trade and other payables	**447,759**	(223,575)
Cash generated from operations	**997,471**	(16,907)

25 Financial commitments

At 31 October 2013 the group was committed to making the following payments under non-cancellable operating leases in the year to 31 October 2014:

Land and buildings

	2013 £	2012 £
Operating leases which expire:		
In over five years	**193,576**	193,576

Other

	2013 £	2012 £
Operating leases which expire:		
Within one year	**484**	–
Between one and two years	**4,651**	830
Between two and five years	**34,954**	8,059
	40,089	8,889

26 Financial instruments

Interest rate risk management

The Company and Group have an exposure to interest rate risk arising on interest-bearing deposits which are at variable rates of interest.

The Board monitors its treasury at least monthly and seeks to obtain a commercial rate of return from AA or above rated UK institutions whilst not impacting on cash flow.

Liquidity risk management

Management monitors forecasts of the Group's liquidity comprising undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows. This is carried out in accordance with recommended accounting practice and limits set by the Group.

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

Management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these requirements.

27 Control

The company is controlled by Mr A Hudson, who is a director and owns 55.73% of the issued share capital.

28 Related party transactions

During the year commissions of £18,012 (2012 - £38,892) were paid to the partnership ''A & F Hudson''. The director, Mr A Hudson, has a material interest in this partnership.

During the year accountancy services amounting to £5,210 (2012 - £2,404) were paid to Price Pearson Wheatley Ltd. The director, Mr J Wheatley, owns 90% of the issued share capital in Price Pearson Wheatley Ltd.

29 Events subsequent to the Statement of Financial Position

On 10 February 2014 Mr P Wright and Mrs S Lewis were appointed to the Board.

On 19 February 2014 the Company announced its intention to seek the admission of its ordinary shares to trading on AIM.

On 13 March 2014 the Company announced that it would convene a General Meeting of the Company to be held on 31 March 2014 to seek approval from shareholders to authorise the Directors to allot up to 1,250,000 new ordinary shares of 10 pence each in the capital of the Company.