THIS ADMISSION DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Admission Document, or the action you should take, you are recommended immediately to seek your own financial advice from an independent financial adviser, such as a stockbroker, solicitor, accountant or other adviser who specialises in advising on the acquisition of shares and securities and is authorised under the Financial Services and Markets Act 2000 (''FSMA'') (or, if you are a person outside the UK, a person otherwise similarly qualified in your jurisdiction). This Admission Document, which comprises an AIM admission document, has been prepared in connection with the proposed application for admission of the issued and to be issued share capital of the Company to trading on AIM, a market of London Stock Exchange plc (the ''London Stock Exchange''). This Admission Document is an admission document drawn up in accordance with the AIM Rules for Companies.

This Admission Document does not constitute a prospectus within the meaning of section 85 of FSMA, and has not been drawn up in accordance with the Prospectus Rules published by the Financial Conduct Authority (''FCA'') and a copy has not, and will not be, approved or filed with the FCA. This Admission Document does not constitute, and the Company is not making, an offer of transferable securities to the public within the meaning of section 102B of FSMA or otherwise.

The Company and each of the Directors, whose names appear on page 5 of this Admission Document, individually and collectively accept full responsibility for the information contained in this Admission Document, including for its compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Admission Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the whole of the Company's issued and to be issued ordinary share capital to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority (the ''Official List''). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this Admission Document. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. The Ordinary Shares are not traded on any recognised investment exchange and no such applications have been made. Prospective investors should read the whole of this Admission Document.

AFH Financial Group plc

(Incorporated and registered in England & Wales with registration number 07638831)

Placing of 346,252 New Ordinary Shares and 103,034 Sale Shares at 140p per share

Subscription for 697,850 Subscription Shares and 941,067 Sale Shares at 140p per share

and

Admission to trading on AIM

Nominated Adviser and Broker

Allenby
CAPITAL

Investment in the Company is speculative and involves a high degree of risk. For a discussion of risks and other factors which should be considered in connection with an investment in the Company, particular attention is drawn to the section entitled ''Risk Factors'' set out in Part II of this Document.

It is expected that Admission (as defined on page 6 of this Admission Document) will become effective and dealings on AIM will commence in the Enlarged Share Capital at 8.00 a.m. on 30 June 2014.

Allenby Capital Limited, which is regulated in the UK by the Financial Conduct Authority, is acting as nominated adviser and broker to the Company. Allenby Capital Limited will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of any part of this Admission Document. The responsibilities of Allenby Capital Limited as the Company's nominated adviser and broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director or Shareholder or to any other person. In respect of any decision to acquire Ordinary

Shares in reliance on any part of this Admission Document or otherwise, Allenby Capital Limited is not making any representation or warranty, express or implied, as to the contents of this Admission Document.

This Admission Document contains forward-looking statements, including, without limitation, statements containing the words "believes", "expects", "estimates", "intends", "may", "plan", "will" and similar expressions (including the negative of those expressions). Forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by those forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Part II of this Admission Document, entitled "Risk Factors". Given these uncertainties, prospective investors are cautioned not to place any undue reliance on those forward-looking statements. The forward-looking statements contained in this Admission Document are made on the date of this Admission Document, and the Company and the Directors are not under any obligation to update those forward-looking statements in this Admission Document to reflect actual future events or developments.

The whole text of this Admission Document should be read. Investment in the Company is speculative and involves a high degree of risk. Your attention is also drawn to the section headed "Risk Factors" in Part II of this Admission Document which sets out certain risk factors relating to an investment in the Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this Admission Document.

No legal, business, tax or other advice is provided in this Admission Document. Prospective investors should consult their professional advisers as needed on the potential consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence. This Admission Document does not constitute an offer to sell, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, this Admission Document is not for distribution in or into the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan. The distribution of this Admission Document in other jurisdictions may be restricted by law. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan and, subject to certain exceptions, may not be offered, sold, re-sold, renounced, taken up or delivered, directly or indirectly, in, into or from the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan or to any national of the United States of America, Canada, Australia, the Republic of Ireland, South Africa or Japan or to any national of those countries. This Admission Document should not be distributed, published, reproduced or otherwise made available in whole or in part, or disclosed by recipients to any other person, in, and in particular, should not be distributed to persons with addresses in, the United States of America of America, Canada, Australia, South Africa, the Republic of Ireland or Japan. No action has been taken by the Company or Allenby Capital Limited that would permit an offer of Ordinary Shares or possession or distributions of this Admission Document where action for that purpose is required. Persons into whose possession this Admission Document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law or other laws of any such jurisdictions.

In making any investment decision in respect of Admission, the Placing or the Subscription for Ordinary Shares, no information or representation should be relied upon in relation to Admission or in relation to the Ordinary Shares other than as contained in this Admission Document. No person has been authorised to give any information or make any representation other than that contained in this Admission Document and, if given or made, such information or representation must not be relied upon as having been authorised.

The Company and its Directors accept responsibility for the information contained in this Admission Document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Admission Document is in accordance with the facts and contains no omission likely to affect its import.

It should be remembered that the price of securities and the income from them can go down as well as up and this Admission Document contains references to past performance of the Company and its subsidiaries. Past performance is not a reliable indicator of future results.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission Document publication date	23 June 2014
Withdrawal of Existing Ordinary Shares from the ISDX Growth Market	27 June 2014
Admission effective and commencement of dealings in the Enlarged Share Capital on AIM	8:00 a.m. on 30 June 2014
Expected date for CREST accounts to be credited (where applicable)	8:00 a.m. on 30 June 2014
Despatch of definitive share certificates (where applicable)	week commencing 7 July 2014

All future dates referred to in this Admission Document are subject to change at the absolute discretion of the Company and Allenby Capital. All times referred to in this Admission Document are UK times unless otherwise specified. Temporary documents of title will not be issued.

ADMISSION, PLACING AND SUBSCRIPTION STATISTICS

Number of Existing Ordinary Shares in issue at the date of this Admission Document	18,272,362
Number of New Ordinary Shares	346,252
Number of Subscription Shares	697,850
Number of Sale Shares	1,044,101
Number of Ordinary Shares in issue immediately following Admission	19,316,464
New Ordinary Shares and Subscription Shares as a percentage of the Enlarged Share Capital	5.41 *per cent.*
Sale Shares as a percentage of the Enlarged Share Capital	5.41 *per cent.*
Placing Price	140p
Market capitalisation of the Company at the Placing Price on Admission	£27.04 million
Gross proceeds of the Placing and Subscription receivable by the Company	£1.46 million
Estimated net proceeds of the Placing and Subscription receivable by the Company	£1.06 million
Gross proceeds of the Placing and Subscription receivable by the Selling Shareholder	£1.46 million
Number of outstanding options over Ordinary Shares as at the date of this Admission Document	1,440,475
AIM symbol	AFHP
ISIN number	GB00B4W5WQ08
Website address	www.afhfinancialgroup.com

DIRECTORS, SECRETARY AND ADVISERS

Directors	John Stefan Wheatley	Non-Executive Chairman
	Alan Hudson	Chief Executive Officer
	Paul Keith Wright	Chief Financial Officer
	Toby Ralph Seymour Denne	Chief Investment Officer
	Susan Lewis	Non-Executive Director
	all of:	
Registered Office and Principal Place of Business	AFH House Buntsford Drive Stoke Heath Bromsgrove Worcestershire B60 4JE	
Company Secretary	Anne-Marie Brown, CIMA	
Website	www.afhfinancialgroup.com	
Nominated Adviser and Broker	Allenby Capital Limited 3 St. Helen's Place London EC3A 6AB	
Auditors to the Company	Baldwins (Stourbridge) Limited First Floor, Copthall House 1 New Road Stourbridge West Midlands DY8 1PH	
Reporting Accountants	Mazars LLP The Pinnacle 160 Midsummer Boulevard Milton Keynes MK9 IFF	
Legal Advisers to the Company	Gowlings (UK) LLP 15th Floor 125 Old Broad Street London EC2N 1AR	
Legal Advisers to the Nominated Adviser and Broker	Field Fisher Waterhouse LLP Riverbank House 2 Swan Lane London EC4R 3TT	
Public Relations advisers to the Company	Yellow Jersey PR 76 Great Suffolk Street London SE1 0BL	
Registrars	SLC Registrars Limited, a division of Equiniti David Venus Limited Thames House Portsmouth Road Esher Surrey KT10 9AD	

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Admission Document:

"Act" or the "Companies Act"	the Companies Act 2006 as in force as the date of this Admission Document;
"Admission"	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies;
"Admission Document" or the "Document"	this admission document;
"AFH Financial" or "Company"	AFH Financial Group plc, a company incorporated in England & Wales on 18 May 2011 under the Companies Act and with company number 07638831;
"AFH Financial Group" or "Group"	the Company and its Subsidiaries;
"AFH Independent Financial Services" or "AFH IFS"	AFH Independent Financial Services Limited, the Company's principal operating subsidiary, which is authorised and regulated by the FCA;
"AFH Legal"	the Company's legal subsidiary, which is licensed by the Solicitors Regulation Authority;
"AFH Property Fund"	The St. John's High Yield Property Fund;
"AFH Strategic Core Fund"	MGTS AFH Strategic Core Fund;
"AFH Wealth Management"	AFH Wealth Management, the trading name of AFH Independent Financial Services;
"AIM"	the market of that name operated by the London Stock Exchange;
"AIM Rules"	together, the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
"AIM Rules for Companies"	the AIM Rules for Companies published by the London Stock Exchange, as amended from time to time;
"AIM Rules for Nominated Advisers"	the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended from time to time;
"Allenby Capital"	Allenby Capital Limited, the Company's nominated adviser and broker;
"Arden Acquisition"	has the meaning given in paragraph 3.1.5 of Part VI of the Admission Document;
"Arden Agreement"	an asset purchase agreement set out in paragraph 14.2.1 of Part VI of the Admission Document;
"Articles"	the current articles of association of the Company which are summarised in paragraph 11 of Part VI of this Admission Document;
"Board" or "Directors"	the current board of directors of the Company, whose names are set out on page 5 of this Admission Document;
"Bonds"	the 8% unsecured bonds due for redemption in 2020, issued by the Company and which will remain admitted to trading on the ISDX Growth Market;
"Contractors Options"	options granted as part of the AFH Contractors' Share Option Plan summarised in paragraph 8.3 of Part VI of this Admission Document;

"Corporate Governance Code"	the UK Corporate Governance Code published by the UK Financial Reporting Council in September 2012;
"CREST"	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear which facilitates the transfer of title to shares;
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended);
"Disclosure and Transparency Rules"	the Disclosure Rules and Transparency Rules implemented by the FSA (being the predecessor regulatory body to the FCA) in its capacity as the UK Listing Authority pursuant to Section 73A of FSMA;
"EIS" or "Enterprise Investment Scheme"	the Enterprise Investment Scheme and related reliefs as detailed in Part 5 of the Income Tax Act 2007 and in sections 150A to 150D and Schedule 5B and 5BA of the Taxation of Chargeable Gains Act 1992 (as amended);
"EMI Options"	options granted as part of the AFH EMI Share Option Plan summarised in paragraph 8.2 of Part VI of this Admission Document;
"Enlarged Share Capital"	the issued share capital of the Company upon Admission comprising the Existing Ordinary Shares, the Placing Shares and the Subscription Shares;
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST;
"Existing Ordinary Shares"	the 18,272,362 Ordinary Shares in issue at the date of this Admission Document and prior to completion of the Placing and Subscription;
"FCA"	the United Kingdom Financial Conduct Authority, the statutory regulator under FSMA responsible for the regulation of the United Kingdom financial services industry;
"FSMA"	the Financial Services and Markets Act 2000, as amended, including any regulations made pursuant thereto;
"HMRC"	Her Majesty's Revenue and Customs;
"IFRS"	international financial reporting standards;
"Indirect Subsidiaries"	the partly owned indirect subsidiaries, all of which are held through AFH (JV) Holdings Limited and a list of which is set out in paragraph 2.5 of Part VI of this Admission Document;
"ISDX"	the ICAP Securities & Derivatives Exchange (previously known as PLUS), a Recognised Investment Exchange under section 285 of FSMA;
"ISDX Growth Market"	a market operated by ICAP Securities & Derivatives Exchange Limited;
"ISDX Rules"	the ISDX Growth Market Rules for Issuers, containing application requirements for admission to the ISDX Growth Market, requirements as to the continuing obligations of the ISDX Growth Market issuers once admitted and guidance notes;
"ISIN"	international security identification number;
"Listing Rules"	the listing rules related to admission to the official list as defined by the UK Listing Authority;
"Lock-in Deeds"	the agreements between the Company, Allenby Capital and the Directors dated 20 June 2014, further details of which are

	contained in paragraph 14.1.4 of Part VI of this Admission Document;
"London Stock Exchange"	London Stock Exchange plc;
"Margetts"	Margetts Fund Management Limited;
"Memorandum"	the memorandum of association of the Company;
"Model Code"	the share dealing code set out at Annex 1 to Rule 9 of the Listing Rules;
"New Ordinary Shares"	the 346,252 new Ordinary Shares to be issued by the Company to Placees pursuant to the Placing;
"Nominated Adviser and Broker Agreement"	the agreement dated 20 June 2014 between (1) the Company and (2) Allenby Capital, further details of which are set out in paragraph 14.1.3 of Part VI of this Admission Document;
"Official List"	the Official List of the UK Listing Authority;
"Option"	a right to acquire Ordinary Shares granted in accordance with, and subject to, the Share Option Schemes;
"Orderly Market Deeds"	the agreements between the Company, Allenby Capital and each of Paul Connor and Philip and Lynne Mobberley dated 20 June 2014, further details of which are contained in paragraph 14.1.5 of Part VI of this Admission Document;
"Ordinary Shares"	ordinary shares of 10 pence each in the capital of the Company;
"Panel" or "Takeover Panel"	the Panel on Takeovers and Mergers;
"Pershing"	Pershing Securities Limited;
"Placees"	those persons who have agreed to subscribe for or purchase (as the case may be) the Placing Shares;
"Placing"	the conditional placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement;
"Placing Agreement"	the conditional placing agreement dated 20 June 2014 between (1) the Directors, (2) the Company, (3) Allenby Capital, and (4) the Selling Shareholder relating to the Placing and Admission, further details of which are set out in paragraph 14.1.1 of Part VI of this Admission Document;
"Placing Price"	140 pence per Placing Share;
"Placing Shares"	the New Ordinary Shares and 103,034 Sale Shares;
"Prospectus Rules"	the prospectus rules made by the FCA pursuant to Part VI of FSMA;
"QCA Guidelines"	the Corporate Governance Guidelines for Smaller Quoted Companies published by the Quoted Companies Alliance from time to time;
"Relationship Deed"	the agreement between (1) the Company, (2) Allenby Capital and (3) the Selling Shareholder dated 20 June 2014, details of which are set out in paragraph 14.1.6 of Part VI of this Admission Document;
"Registrar"	SLC Registrars Limited, a division of Equiniti David Venus Limited;
"Sale Shares"	the 1,044,101 Existing Ordinary Shares to be sold by the Selling Shareholder to Placees or Subscribers pursuant to the Placing or the Subscription (as the case may be);

"Selling Shareholder"	Alan Hudson, a Director and Chief Executive Officer of the Company;
"Shape Financial"	Shape Financial Limited, a subsidiary of the Company;
"Share Dealing Code"	the Company's share dealing code, as referred to in paragraph 21 of Part I of this Admission Document;
"Share Option Schemes"	the Company's existing share option schemes, being the AFH EMI Share Option Plan and the AFH Contractors Share Option Plan, further details of which are contained in paragraph 8 of Part VI of this Admission Document;
"Shareholders"	holders of Ordinary Shares in the Company from time to time;
"SRA"	Solicitors Regulation Authority, an independent regulatory body created by the Law Society of England and Wales;
"Statutes"	has the meaning given in paragraph 11.3.1 of the Admission Document;
"Subscribers"	the purchasers of the Subscription Shares and 941,067 Sale Shares at the Placing Price pursuant to the Subscription Agreements;
"Subscription"	the proposed conditional purchase of the Subscription Shares and 941,067 Sale Shares at the Placing Price by the Subscribers pursuant to the Subscription Agreements;
"Subscription Agreements"	the conditional agreements dated 13 June 2014 between (1) the Company or the Selling Shareholder (as the case may be) and (2) the Subscribers, further details of which are set out in paragraph 14.1.2 of Part VI of this Admission Document;
"Subscription Shares"	the 697,850 new Ordinary Shares to be issued by the Company pursuant to the Subscription, conditional on Admission;
"Subsidiaries"	the wholly-owned subsidiaries of the Company, a list of which is set out in paragraph 2.4 in Part VI of this Admission Document;
"Subsidiary Undertaking"	the Subsidiaries and Indirect Subsidiaries;
"Takeover Code"	the City Code on Takeovers and Mergers as published by the Panel and as updated from time to time;
"UK Listing Authority"	the United Kingdom Listing Authority of the Financial Conduct Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
"uncertificated" or "in uncertificated form"	Ordinary Shares held in uncertificated form in CREST and title to which, by virtue of the UK CREST Regulations, may be transferred by means of CREST;
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland;
"Venture Capital Trust" or "VCT"	a Venture Capital Trust for the purposes of Part 6 of the Income Tax Act 2007; and
"£", "p" and "GBP"	pounds, sterling and pence, the lawful currency of the United Kingdom.

GLOSSARY

Throughout this document the following technical terms shall have the following meanings:

"AFH Investment Committee"	the investment committee of the Group which has been set up to ensure that the operations and decisions of the Group's investment management activities have appropriate oversight and challenge;
"Assets Under Management"	client assets under the management of AFH Financial Group and on which the Group receives an annual management fee;
"Discretionary Investment Management"	where an investment adviser has complete discretion (often within permitted limits) to manage and invest a client's capital without needing to obtain prior client consent;
"EBITDA"	earnings before interest, taxation, depreciation and amortisation;
"Financial Adviser"	an IFA who works exclusively for AFH Financial Group on a self-employed basis;
"high net worth"	individuals with more than £500,000 in net assets or liquid financial assets;
"IFA"	an independent financial adviser;
"mass affluent"	individuals with between £50,000 and £500,000 of liquid financial assets or net assets;
"Restricted Advice"	a personal recommendation to a retail client in relation to a retail investment product which is not independent advice or basic advice;
"RDR"	the Retail Distribution Review, implemented by the FSA (being the predecessor regulatory body to the FCA) on 1 January 2013; and
"self-employed"	an individual who works for himself or herself instead of working for an employer that pays a salary or a wage.

KEY INFORMATION

The following is a summary of certain information appearing elsewhere in this Admission Document and should be read as an introduction to this document only. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in the document. Any decision to invest in Ordinary Shares should be based on consideration of this Admission Document as a whole. Prospective investors should consider the factors and risks attaching to an investment in the Ordinary Shares and in particular the risk factors set out in Part II of this Admission Document.

- 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.

PART I

INFORMATION ON THE GROUP

1. Introduction

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.

Since its formation, AFH Financial Group has grown both organically and through acquisition. Since June 2011 (when AFH Financial Group was admitted to trading on the ISDX Growth Market) the Group has completed 21 acquisitions and raised approximately £6.6 million of equity and £0.75 million in debt. Following Admission the Board intends to continue this organic and acquisition-led growth strategy in the financial services sector.

AFH Financial Group has a track record of both revenue and operating profit growth. In the year ended 31 October 2013, AFH Financial Group recorded revenues of £10.8 million, adjusted EBITDA of £1.39 million and adjusted profit before tax of £1.22 million. The Group is currently cash generative at the operating level and the Board has adopted a progressive dividend policy which the Board intends to continue with following Admission.

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 £1.06 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.

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.

In addition, £1.46 million has been conditionally raised on behalf of the Selling Shareholder by the sale of the Sale Shares.

2. Key strengths

The Directors believe that AFH Financial Group has a number of key strengths that differentiate the Group from its competitors and which enable it to take advantage of current and future growth opportunities.

- ***Leading financial planning-led wealth manager***

  The Group is one of the UK's leading independent financial advisory and discretionary wealth management firms. Having operated in the advisory marketplace for over 20 years, the Group has built strong adviser-client relationships and established a solid operating infrastructure. The Group's 122 self-employed Financial Advisers are supported by a team of 141 employees who provide investment management, accounting, administrative, compliance, sales & marketing and IT services.

- ***High visibility of earnings and recurring revenues***

  Due to the nature of the Group's business activities, a significant proportion of the Group's revenue is recurring. As at the date of this Admission Document the Group has Assets Under Management of over £0.75 billion. During the 12 months ended 31 October 2013, 51 per cent of the Group's total revenue were recurring revenues.

- ***Successful track record of organic and acquisition-led growth***

  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, representing an increase over the period of approximately 100 per cent. Profit before tax has grown from £0.57 million in 2011 to an adjusted profit before tax of £1.22 million in 2013, representing a profit growth over the period of 114 per cent. AFH Financial Group has made 21 acquisitions since June 2011, which have added a total of 24 Financial Advisers.

- ***Cash generative with a progressive dividend policy***

  Given the cash generative nature of the Group's business, the working capital requirements for the Group are not significant. Financial Advisers are only paid after fees are received by the Group. This structure has enabled AFH Financial Group to be cash generative at the operating level and has allowed the Board to start paying dividends.

- ***Experienced management team***

  The executive Directors are involved in both the strategic and day-to-day running of the business and, together with the senior members of the management team, have extensive experience in the UK independent financial advisory marketplace.

3. History and information on AFH Financial Group

AFH Financial Group is a specialist IFA and leading financial planning-led wealth manager serving the mass affluent and high net worth private client market in the UK. AFH Financial Group focuses on providing clients with independent advice across a broad range of financial products. The Group also offers a broad range of financial services to corporates. AFH Financial Group's advisory services encompass discretionary and advisory investment management, pensions and retirement planning, tax and inheritance planning, life cover and family protection and mortgages. In addition, the Group operates two funds, the AFH Strategic Core Fund and the AFH Property Fund, which serve to enhance the Group's investment management offering to its clients.

AFH Financial Group was founded in 1990 by Alan Hudson. Since its establishment, the Group has grown through the recruitment of individual Financial Advisers and the acquisition of IFA practices and businesses which complement AFH Financial Group's offering. In 2009, AFH Financial Group acquired the IFA arm of the West Bromwich Building Society and the Group has since pursued an active acquisition strategy, having completed 21 acquisitions since the Company's listing on the ISDX Growth Market in June 2011. These acquisitions typically fall into two categories (being "Buy & Go" and "Buy & Keep") and to date have principally been the acquisitions of assets and not the acquisition of corporate entities.

"Buy & Go" acquisitions are where the assets of the target IFA practice or business, being the client list and the recurring income from the clients' portfolios, are acquired but the vendors of the IFA practice or business and its employees do not join the Group.

"Buy & Keep" acquisitions are where the assets of the IFA practice or business are acquired and some or all of the Financial Advisers join AFH Financial Group on a self-employed basis.

AFH Financial Group has also formed strategic alliances with, for example, firms of solicitors and accountancy practices, where business is referred to AFH Financial Group on a revenue share basis.

In June 2011, AFH Financial Group joined the ISDX Growth Market (then called PLUS Markets) and raised £1.76 million at that time. Since then the Group has successfully grown the number of Financial Advisers it has retained from 52 to 122 as at the date of this Admission Document. This growth has been derived from the organic recruitment of 46 Financial Advisers and the addition of 24 Financial Advisers who have joined AFH Financial Group via one of the 8 "Buy & Keep" acquisitions that the Group has completed, further details of which are set out in paragraph 14 of

Part VI. At present the Group's 122 self-employed Financial Advisers act on behalf of private clients and approximately 800 corporate clients.

The Group has expanded its Assets Under Management from approximately £300 million in June 2011 to over £0.75 billion as at the date of this Admission Document. AFH Financial Group earns a management fee on the Assets Under Management and the Directors believe that the growth in Assets Under Management has been a significant influence on growing the Group's recurring revenue.

In June 2013, AFH Legal, the Group's legal subsidiary, was licensed by the SRA as an Alternative Business Structure to provide a range of legal services linked to financial planning to AFH Financial Group's clients.

4. Business model

The Directors believe that the Group has a well established and scalable business model. The Group's 122 Financial Advisers are supported by a back office offering technical, compliance and administrative support to the Group's retained Financial Advisers. The Financial Advisers can therefore focus on providing financial advice to the Group's clients.

AFH Financial Group is authorised to carry out Discretionary Investment Management on behalf of its clients. The Directors believe that only a small percentage of the IFAs in the UK have this authorisation and the Directors believe that this provides an important differentiation to both clients and potential Financial Adviser recruits.

The Group's Financial Advisers are supported by 141 in-house staff who provide accounting, administrative, compliance, sales & marketing and IT services. In addition AFH Financial Group utilises its own technical and investment teams to conduct in-depth research into specific investment opportunities and product providers. This allows the Group to offer independent advice and to select the most appropriate investments for its clients. Any high risk business must be approved by the Company's technical team before recommendations to AFH Financial Group's clients are made. In addition, the compliance team perform a post-sale audit on certain advice that has been provided to clients. This highlights the central role the Group's compliance operations have in the business.

AFH Financial Group has a dedicated in-house acquisitions team which sources and assesses potential IFA practices and businesses for acquisition by the Group, as well as executing and integrating these acquisitions into the Group.

4.1 Core business activities

The Group's core activity is the provision of financial planning-led wealth management. Wealth management, which generates the majority of the Group's revenues, includes: advising mass affluent and high net worth private clients on investment strategies; the provision of pension advice; setting up pension plans for clients; and providing tax planning for tax efficient investments and inheritance tax.

The key wealth management services offered to clients include:

a) Discretionary Investment Management & advisory investment management

The Group provides both Discretionary Investment Management and advisory investment management services to its clients.

When the Group is appointed as a client's Discretionary Investment Manager, AFH Financial Group will act on their behalf, taking care of the day to day decisions, being guided by the investment strategy previously agreed with the client. As the client has given AFH Financial Group the authority to act with its discretion without seeking the client's prior approval, the Group can react more rapidly to changes in the financial markets and take advantage of investment opportunities as they arise. The Directors believe that as only a small percentage of IFAs in the UK are currently authorised to carry out Discretionary Investment Management the Group's service offering is very compelling for clients.

AFH Financial Group's advisory investment management offering allows clients to have an input into the investment decisions within their portfolio. Clients benefit from professional portfolio construction and monitoring and receive a regular investment report with the Group's recommendations.

The Group's Discretionary Investment Management and advisory investment management activities are overseen by Toby Denne (the Group's Chief Investment Officer) with asset allocation and investment instrument decisions being ratified by the AFH Investment Committee which delegates the formulation of these decisions to two sub-committees (the Investment Sub-Committee and the 'Think-Tank' committee).

b) Pension and retirement planning

The Group advises clients on pension and retirement planning. This includes advising clients on the tax advantages for pension planning together with the risks associated with retirement. This work includes advising clients who have a number of pensions from various employers or old personal pensions. AFH Financial Group's Financial Advisers review the client's existing pension arrangements and work out a retirement plan to meet the client's financial expectations.

c) Tax efficient investment solutions

The Group advises clients on opportunities to optimise their tax position using tax efficient investments. This includes advising clients on, *inter alia*: i) effective use of annual reliefs; ii) making the most of annual ISA allowances; iii) utilising Venture Capital Trusts and/or the Enterprise Investment Scheme to reduce income tax liabilities; and iv) delaying a CGT gain.

d) Inheritance tax planning

The Group carries out a review of all of the client's estates and provides an indication of the current inheritance tax position. The Group's Financial Advisers advise clients on the most suitable estate planning to mitigate any potential inheritance tax.

e) Life cover and family protection

The Group's Financial Advisers advise clients on life cover plans to provide a lump sum for people who financially depend on them (including life cover plans for mortgages or to cover a potential inheritance tax bill). Protection also includes: i) critical illness; ii) total permanent disability; iii) income protection; iv) redundancy cover; and v) private medical insurance.

f) Mortgages

The Group advises clients on the most suitable mortgages for them and on re-mortgaging. This service is provided on a fee basis. The Group does not offer advice on home reversionary plans.

g) Corporate solutions

The Group works with a number of small and medium sized businesses on many aspects of their financial planning including: i) pension planning for directors; ii) company pension schemes; iii) protection for the business and key personnel; and iv) business financing solutions.

4.2 Other activities

AFH Financial Group's Investment Management team compiles investment portfolios on behalf of clients. The Financial Advisers discuss the client's needs and preferences and, based on feedback from the Financial Advisers, the Investment Management team make recommendations for a suitable investment portfolio for the client.

4.3 Financial Advisers

The Financial Advisory industry is split between a self-employed model and a model where IFAs are employed in-house by larger financial organisations. AFH Financial Group adopts the former model.

4.4 Strategic alliances

AFH Financial Group has also formed a number of strategic alliances with, for example, firms of solicitors and accountancy practices, where business is referred to the Group on a revenue share basis. This is typically based on a 20 per cent. fee share which is payable to the strategic partner.

4.5 The revenue model

AFH Financial Group derives its revenue from fees for the provision of financial planning services to clients and fees from the related management of client funds. The majority of these fees are calculated as a percentage of client funds invested, or Assets Under Management. AFH Financial Group's clients are principally individuals from the mass affluent segment (in monetary terms those with total financial wealth of approximately £50,000 to £500,000) as well as high net worth individuals (loosely those with financial wealth exceeding £500,000). Corporate clients also constitute a small portion (approximately 3 per cent.) of the Group's business.

4.6 Revenue and revenue sharing arrangements

All of AFH Financial Group's Financial Advisers are self-employed but regulated under AFH Financial Group's regulatory umbrella. The Financial Advisers carry on business exclusively for and on behalf of the Group. All fees generated by the Financial Advisers are paid to AFH Financial Group and in return the Financial Advisers are paid a percentage of these fees. The Group provides the central head office support and infrastructure, including compliance oversight, for the Financial Advisers with the Financial Advisers themselves being responsible for all other costs.

AFH Financial Group and its self-employed Financial Advisers operate on a revenue sharing model. The Financial Advisers retain 60 per cent. of revenue generated from clients they have sourced themselves and 40 per cent. of revenue generated by AFH Financial Group. The latter includes clients distributed to Financial Advisers following the completion of a "Buy & Go" acquisition (where client portfolios remain within AFH Financial Group). This model has historically resulted in the Group earning a gross margin of approximately 50 per cent.

New investment business and pensions, which the Directors believe account for approximately 80 per cent. of AFH Financial Group's total revenues, typically generate an average initial up front fee of approximately 2.4 per cent. of funds invested.

Recurring revenue which is generated from the Assets Under Management accounted for approximately 51 per cent. of AFH Financial Group's annual revenue during the year ended 31 October 2013.

4.7 Self-employed and employed business segments

The Group's self-employed Financial Advisers are responsible for building client relationships and ascertaining clients' requirements and ambitions. They are then charged with planning and managing the client's overall financial portfolio on an on-going basis. The information on which they base their advice is sourced, processed and selected by AFH Financial Group's in-house investment and technical teams. The IT platforms on which client portfolios are recorded and administered are also based and managed in-house by the Group.

5. Information on funds managed by AFH Financial Group

AFH Financial Group currently manages two funds which it offers exclusively to its clients.

- *The AFH Strategic Core Fund (formerly called the Margetts St John's Realistic Core Fund)*

The AFH Strategic Core Fund provides a structure to implement the investment decisions of the AFH Investment Committee across the Group's client portfolios simultaneously. The Directors believe that the fund is a more efficient method of implementing the decisions of the AFH Investment Committee. Furthermore the fund enables AFH Financial Group to manage, more systematically, its clients' overall exposure to equity and fixed income market risk and to do so in a manner that treats the client fairly for the purposes of applicable FCA regulations.

As at 22 May 2014, the fund had Assets Under Management of £130 million.

- *AFH Property Fund*

The AFH Property Fund is an FCA authorised, commercial property investment fund. This open-ended, high-yield fund currently invests in industrial, office and retail properties throughout England and Wales. The fund focuses on investing in properties with individual lot sizes of between £2 million and £5 million. The AFH Property Fund is offered to AFH Financial Group clients seeking to diversify their investment portfolios. Funds are raised from AFH Financial Group's discretionary managed clients only and client monies are only moved into the fund when a property is being bought.

The AFH Property Fund was launched in November 2012. A number of independent specialists advise the fund manager with respect to transactions within the fund. These include two qualified FRICS property specialists. The property investment committee oversees the activities of the fund manager and the members of this committee are Alan Hudson, Toby Denne and Edward Humphries (the manager of the AFH Property Fund).

As at 22 May 2014 the fund had acquired 8 properties for a total cost of £21 million.

6. Strategy and growth objectives

Since joining the ISDX Growth Market in June 2011 AFH Financial Group has expanded rapidly both organically and by acquisition. The Directors intend to continue this strategy following Admission. The Group has recruited a total of 46 new Financial Advisers over the period. New Financial Advisers are recruited through a variety of channels, the most common being the recruitment of a new Financial Adviser who is either already self-employed or who works for a competitor. The Group also recruits new Financial Advisers in-house, either through transferring from an in-house team or through the Group's recently established graduate programme.

The independent financial advisory sector mainly comprises small firms, many of which are sole traders or partnerships and the Directors believe that the principals at many of these firms are approaching retirement. The IFA sector has also undergone a wholesale review, instigated by the FCA's "Retail Distribution Review". The Directors believe that the financial advisory sector remains well positioned for consolidation and rationalisation with smaller IFAs being absorbed or being acquired by larger ones.

AFH Financial Group has made 21 acquisitions since joining the ISDX Growth Market in June 2011, which have added a total of 24 Financial Advisers. Typically, the acquisitions fall into two categories:

— ***"Buy and Go"***

  The assets of the target business, which comprise the client list and the total recurring income from the pool of clients' portfolios, are acquired. The vendor of the target company and its Financial Advisers do not join AFH Financial Group. Typically these are either sole trader or partnership set-ups comprised of a principal often operating alone; and

— ***"Buy and Keep"***

  In the "Buy and Keep" model the assets are acquired by AFH Financial Group in the same manner as the "Buy and Go" model; however in this case some or all of the Financial Advisers will join AFH Financial Group. In this model the Financial Advisers retain their client portfolios.

Since joining the ISDX Growth Market the Group has completed 13 "Buy and Go" acquisitions and 8 "Buy and Keep" acquisitions. 17 of the acquisitions have been asset purchases and 4 of the acquisitions have been share purchases.

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.

7. The IFA industry

IFAs

IFAs offer independent advice on financial matters and research the whole of the market to recommend the most appropriate financial solutions to their clients. Financial Advisers work independently for their clients rather than representing an institution (for example an insurance company or bank). The retail financial advisory sector is highly fragmented in the UK, due in part to new FCA regulations such as the "Retail Distribution Review." There are currently over 10,500 financial advisory firms regulated by the FCA and approximately 95 per cent. of those firms retain 10 or fewer Financial Advisers. Between October 2011 and December 2013, the total number of FCA authorised persons in the UK financial services market fell from approximately 158,000 to approximately 148,000. The declining trend in authorised persons is indicative, *inter alia*, of the consolidation currently occurring in the IFA industry.

Providers of independent financial advice

Financial advice in the UK comes in a number of forms and through a number of channels. In terms of independent financial advice there are five main providers:

— *Small IFAs*

These are the traditional form of Financial Adviser in the UK. Typically operating as sole traders or partnerships, they generally consist of only one adviser or a handful of advisers managing long standing client relationships.

— *Large, dedicated IFAs*

There are very few large organisations in the UK that solely provide independent financial advice. 2011 market research revealed that fewer than 100 financial advisory firms had more than 20 registered individuals. The few that do exist tend to focus on high net worth clients. Examples are IFG Group plc's subsidiary, Saunderson House Limited, and Perspective Financial Group Limited. In addition, as at July 2011, only 12 financial advisory firms had more than 75 registered individuals.

— *IFA Networks*

Financial advisory networks serve the small Financial Adviser market who do not wish to be directly regulated by the FCA. The network provides, in the main, compliance support services. Unlike AFH Financial Group, where advisers operate under the AFH Financial Group's brand, the financial advisory businesses continue to operate independently retaining their own brand and service propositions.

— *Wealth management firms*

A number of the traditional investment and wealth management firms possess divisions that provide independent advisory services.

— *Banks and other financial institutions*

Some of the largest financial institutions in the UK, such as the large retail banks, have also traditionally operated financial advisory divisions. However due to the implications of RDR the Directors believe many of these have converted these divisions to Restricted Advice, or have withdrawn from face-to-face financial advice. A restricted model means a model that is either restricted in terms of products offered or restricted in terms of providers that can be offered.

Private wealth in the UK

The Directors believe that the target market for the provision of financial advice in the UK is large and growing. Of the UK's total population of approximately 63 million it has been calculated that approximately 1.43 million individuals have investable assets of at least £100,000 (source: Cass Consulting – The impact of RDR on the UK's market for financial advice, June 2013). The Office for National Statistics calculates that there are currently approximately 3.8 million people aged 55+ and approximately 5.0 million people aged 45+, with over £100,000 of total financial wealth.

Since the onset of the recession in 2007/8, gross household savings in the UK have increased substantially. The percentage of disposable income that is saved has increased due to a number of factors including the threat of unemployment curtailing spending and banks having reduced lending to individuals.

8. *The Retail Distribution Review, the effects of RDR and Compliance and Regulation*

The IFA industry is highly regulated and this has increased in recent years, especially with regards to compliance. The governing body of the IFA industry is the FCA whose responsibilities include regulating the marketing of financial products, specifying standards in the industry and investigating organisations and individuals. IFAs must meet strict qualification and competence requirements set out by the FCA in order to maintain their regulated status.

The Retail Distribution Review

On 1 January 2013, the FCA introduced RDR following a wholesale review of the retail financial advisory sector. RDR constituted a significant change in the manner in which retail financial services are distributed in the UK. Previously the majority of financial advisers earned their fees by taking product provider commissions (for example 2 per cent. of the client's investment was returned by the product provider to the adviser).

RDR incorporated three core changes:

— the manner in which financial advisers and other advisers were paid was altered. Post RDR the system is based on a transparent and agreed upon fee structure directly between the client and adviser;

— advisers are required to obtain certain qualifications that are set at a higher level than was previously the case; and

— from 31 December 2015 the capital base that small financial advisers must maintain will increase progressively until 31 December 2017 when the minimum requirement will double to £20,000.

The effects of RDR

The Board believe that RDR has had a positive impact on industry standards by addressing fee charging practises, re-defining 'independence', raising the qualification requirements for advisers and increasing IFAs' capital adequacy requirements. However, some smaller IFAs that were operating in accordance with the regulations in place before RDR have found the transition to the new regulatory regime to be difficult. Additional time and costs spent on compliance, even before the minimum capital base requirements, have made many of these small IFA businesses uneconomical.

Many larger institutions such as banks, insurance companies and wealth managers have exited from the independent advice segment of the marketplace since RDR was implemented and opted for divestment, moving to the model of Restricted Advice instead.

Compliance and Regulation

AFH Financial Group's compliance team, led by Alexis James, is actively involved in the day to day operations of the business. High risk business or unusual products must be approved by the Group's technical team before recommendations to AFH Financial Group's clients are made. In addition, the compliance team perform a post-sale audit function on certain advice that has been provided to clients.

Financial Advisers are required to undergo regular and comprehensive training on an on-going basis. AFH Financial Group will only engage Financial Advisers who accept the compliance requirements of the Group.

9. Competition

AFH Financial Group's main competitors are other providers of financial advice, but more specifically those that provide independent financial advice or support the providers of financial advice (such as IFA networks). Independent financial advice in the UK is provided primarily by five different groups of providers namely, small IFAs, larger IFAs, IFA networks, wealth management houses and banks and other major financial institutions. Small IFAs typically consist of sole traders or partnerships and are comprised of one adviser or a small handful of advisers. Larger IFAs tend to focus on high net worth clients with independent financial advice.

IFA networks essentially provide compliance and business support services to help Financial Advisers satisfy various regulatory requirements and run their businesses. The Financial Adviser would typically pay the network either a flat monthly fee or a share of revenues in order to have access to the network's support services.

Certain wealth management companies, have divisions which provide independent advisory services and which compete directly with AFH Financial Group. Historically most UK banks gave their customers independent financial advice but instead now operate a Restricted Advice model or ceased offering this service. As such the Directors believe that several of AFH Financial Group's competitors no longer offer independent financial advisory services or are considering transitioning to Restricted Advice.

The Directors are of the opinion that AFH Financial Group will mostly face competition from Wealth Managers with IFA divisions and larger IFAs. Furthermore, the Group will face competition from Financial Advisers seeking to provide financial advice to clients that would fit under the categories of mass affluent or high net worth individuals.

The Directors believe that the Group's experience, scale, business model, infrastructure and reputation provide a significant differentiation for both clients and current and potential Financial Advisers.

10. Directors and senior management

Directors

As at the date of this Admission Document, the Board consists of three Executive Directors and two Non-Executive Directors.

John Wheatley (aged 63), Non-Executive Chairman

John qualified as a Chartered Accountant in 1974 with Peat Marwick Mitchell. After a three year period working as finance director of a small packaging manufacturer in West Bromwich he returned to the profession and became a partner in the Midlands Region of KPMG in 1985. He has extensive experience of working with private companies in a wide range of industries. He left KPMG at the end of 1998 to set up his own practice. He has held a number of non-executive directorships in public and private companies. John has been with the Group since November 2008 and was the Group's Finance Director from November 2008 to February 2014 following which he assumed the role of Non-Executive Chairman. John is Chairman of the Group's audit committee and a member of the Company's remuneration committee.

Alan Hudson (aged 55), Chief Executive Officer

Alan Hudson is a Chartered Financial Planner and has considerable financial planning and investment management experience. He founded the business operated by AFH Financial Group in 1990 and the principal operating business, AFH Independent Financial Services, in 2002. Prior to founding AFH Financial Group, Alan ran the Birmingham office of Target Life. Alan is responsible for the day to day running of the Group and continues to act as Financial Adviser to a select but small number of clients, pursuant to which he continues to receive a fee share in accordance with the Group's standard Financial Adviser terms. Alan is a member of the Group's remuneration committee.

Paul Wright (aged 57), *Chief Financial Officer*

Paul qualified as a Chartered Accountant with KPMG in London, before moving into the wholesale Financial Services sector with Exco International PLC, where he spent 10 years working in London and Asia Pacific as the business experienced significant growth, driven by an acquisition strategy. Since 1995, Paul has been Group CFO of a number of UK listed companies, including several technology companies serving the UK financial markets. Most recently, Paul was instrumental in securing the MBO of Workplace Systems International plc, an AIM quoted company. Paul is responsible for the overall financial control and planning of the Group.

Toby Denne (aged 53), *Chief Investment Officer*

Toby has over 25 years' experience as a financial services professional and has a strong knowledge of financial markets and investment products in both the institutional and retail sectors. Until January 2011, Toby was a director of Allium Capital Limited, which he co-founded in 2009 to help IFA firms build and launch their own fund management companies. Prior to his role at Allium Capital Limited, Toby was the director of relationship management at Octopus Investments Limited. Toby is also a non-executive director of Flight Calibration Services Limited, Bonnes Saveurs Limited and African Alpha Business Angel Syndicate Limited.

Susan Lewis (aged 56), *Non-Executive Director*

Susan is a senior partner at Eversheds LLP, a leading international law firm, and is an experienced corporate lawyer with an extensive track record of delivering complex, high value merger and acquisition transactions, as well as advising at board level on legal and strategic issues. Susan is the Chairman of the Group's remuneration committee and a member of the Company's audit committee.

The Company also plans to appoint a further non-executive director in due course following Admission. The Directors are seeking an individual who has the appropriate level of industry experience and who will strengthen the Board and add value to AFH Financial Group.

Senior management

The Directors are supported by the following key members of the senior management team of the Group:

Anne-Marie Brown (aged 45), Finance Director of AFH Independent Financial Services and Company Secretary of the Company

Anne-Marie is a CIMA qualified professional with 18 years' experience. She has been with AFH Financial Group since 2007 having previously worked as Financial Controller and Company Secretary at Gough Allen Stanley Ltd.

Alexis James (aged 31), Compliance Director of AFH Independent Financial Services

Alexis is a compliance professional with an honours degree in Business Management and Information Technology. She also holds the Certificate in Financial Planning and a Diploma in Supervision in a Regulated Environment. Alexis has worked at AFH Financial Group since June 2006 following a move from HSBC Bank plc where she had worked following her graduation in 2003.

Barry Willis (aged 50), Sales Director of AFH Independent Financial Services

Barry is a diploma qualified, experienced industry professional having worked in the financial services sector for over 30 years. He spent several years at Bancassurance as an adviser before moving into T&C Supervisory and Sales Management roles. Barry then spent several years as a regional manager in financial services for HBOS working in both the Midlands and London areas. More recently, Barry was Head of Financial Services at The West Bromwich Building Society before moving to AFH Financial Group three years ago to take up the role of Sales Director looking after all aspects of sales management.

11. Summary financial information

The table below sets out the Group's summary financial information for each of the three years ended 31 October 2013. The historical financial information was prepared under IFRS. The summary below has been extracted from Part B of Part III of this Admission Document.

	Years ended 31 October		
	2011	***2012***	***2013***
	£	***£***	***£***
Revenue	5,398,563	7,200,950	10,797,092
Cost of sales	(2,711,826)	(3,471,201)	(5,165,160)
Gross profit	**2,686,737**	**3,729,749**	**5,631,932**
Administrative expenses	(2,102,389)	(3,435,547)	(4,386,124)
Operating profit	**584,348**	**294,202**	**1,245,808**
Finance income	65	13,494	987
Finance costs	(11,469)	(12,631)	(22,512)
Profit before taxation	**572,944**	**295,065**	**1,224,283**
Income tax expense	176,766	(127,067)	(245,277)
Profit after taxation	**396,178**	**167,998**	**979,006**

AFH Financial Group has been profitable since joining 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, representing a revenue increase over the period of approximately 100 per cent. Profit before tax has grown from £0.57 million in 2011 to an adjusted £1.22 million in 2013, representing a profit growth over the period of 114 per cent.

There is a difference in the treatment of the cancellation of £175,000 of loan notes between the financial information on AFH Financial Group (as set out in Part B of Part III of this Admission Document) and the published statutory financial statements of the Company in respect of the year ended 31 October 2013. Whilst both have been prepared under IFRS a different treatment has been adopted with respect to the cancellation of the £175,000 of loan notes with the financial information taking the cancellation through the income statement (in the statutory financial statements the cancellation has been deducted from Intangible Assets). As a result in respect of the year ended 31 October 2013 the financial information has a higher profit before tax than the statutory financial statements by £175,000.

The published statutory financial statements of the Company in respect of the year ended 31 October 2011 were for a 131 day period from the Group joining the ISDX Growth Market, while the financial information contained in Part B of Part III of this Admission Document is in respect of the 12 months ending 31 October 2011.

Further financial information on the historical trading performance of the Group is set out in Parts III and IV of this Admission Document. Part IV of this Admission Document includes an accountants' report on Shape Financial, a wholly owned subsidiary of the Group, for the seven months ended 31 October 2013 and three years ended 31 March 2013. Shape Financial was acquired by the Group on 21 June 2013 and a separate accountants' report has been produced on Shape Financial as a result of its significance to the Group.

This summary information refers to past performance. Past performance is not a reliable indication of future results.

12. Current trading and prospects

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

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

In April 2014, the Group announced a successful equity subscription, raising £1.6 million of further funding for the Company to be used to provide additional working capital for AFH Financial Group and to finance potential future acquisitions. Following the subscription the Group had cash reserves of £4.8 million with no secured debt.

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

13. The Placing and the Subscription

The Placing and the Subscription comprise the issue of the 346,252 New Ordinary Shares by the Company, the issue of the 697,850 Subscription Shares by the Company and the sale of the 1,044,101 Sale Shares by the Selling Shareholder, raising approximately £1.06 million (net of expenses) for the Company and £1.46 million for the Selling Shareholder.

Allenby Capital, as agent for the Company and the Selling Shareholder, has conditionally agreed to use its reasonable endeavours to procure Placees for the Placing Shares at the Placing Price pursuant to the Placing Agreement. The Placing has not been underwritten by Allenby Capital. The Placing and the Subscription are conditional upon, *inter alia*, Admission becoming effective by not later than 8.00 a.m. on 30 June 2014 (or such later date as Allenby Capital may agree not being later than 14 July 2014).

Pursuant to the Subscription Agreements the Subscribers have agreed, conditional on Admission, to purchase the Subscription Shares and 941,067 Sale Shares at the Placing Price. Allenby Capital has agreed to subscribe for 17,857 of these Sale Shares at the Placing Price.

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

The New Ordinary Shares and the Subscription Shares will be credited as fully paid and, on Admission, will rank *pari passu* with the Existing Ordinary Shares in all respects including, without limitation, in relation to any dividends and other distributions declared, paid or made following Admission.

The New Ordinary Shares and the Subscription Shares represent 5.41 per cent. of the Enlarged Share Capital, representing 5.71 per cent. dilution of the Existing Shareholders shareholding at the date of this Admission Document.

The Sale Shares represent 5.41 per cent. of the Enlarged Share Capital.

Pursuant to the Subscription, John Wheatley (Non-Executive Chairman) has agreed, conditional on Admission, to purchase 32,857 Sale Shares at the Placing Price, Toby Denne (Chief Investment Officer) has agreed, conditional on Admission, to purchase 178,571 Sale Shares at the Placing Price and Paul Wright (Chief Financial Officer) has agreed, conditional on Admission, to purchase 35,000 Sale Shares at the Placing Price.

Further details of the Placing Agreement and the Subscription Agreements are set out in paragraphs 14.1.1 and 14.1.2 of Part VI of this Admission Document.

14. Reasons for Admission and use of proceeds

Reasons for Admission

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

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

Use of proceeds

The net proceeds of the Placing and the Subscription receivable by the Company will total £1.06 million. The Directors intend to use these funds, along with the Company's existing cash resources, for business expansion, in particular, to fund the Group's continued growth strategy and provide funds for further acquisitions, continuing investment in AFH Financial Group's business infrastructure and additional working capital.

15. Group structure

Further details of the Group's organisation structure are set out in paragraphs 2.4 and 2.5 of Part VI of this Admission Document.

16. Working capital

The Directors are of the opinion that, having made due and careful enquiry and taking into account the net proceeds of the Placing and the Subscription receivable by the Company, the working capital available to the Company and its Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

17. Admission and dealing arrangements

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

Notice has been given of the Company's intention to withdraw the trading of its shares on the ISDX Growth Market. It is expected that they will be withdrawn from trading on the ISDX Growth Market on the business day prior to Admission.

On Admission the Ordinary Shares will continue to have the ISIN number GB00B4W5WQ08. On Admission, the Ordinary Shares will not be dealt on any recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

The Bonds are currently quoted on the ISDX Growth Market and it is the intention of the Board for the Bonds to remain quoted on the ISDX Growth Market. No application will be made for admission of the Bonds to trading on AIM.

18. Lock-ins and orderly market arrangements

At Admission, the Directors will hold, or be interested in, directly and indirectly, an aggregate of 8,312,232 Ordinary Shares, representing approximately 43.03 per cent. of the Enlarged Share Capital of the Company.

The Directors have undertaken not to dispose of any interest in the Ordinary Shares, which they may have on Admission (or subsequently acquire within one year of Admission) for the period of one year following Admission except certain limited circumstances, being: (i) disposals to an associate of the Director; (ii) disposals to any person acting in the capacity of trustee of a trust created by the Director or upon any change of trustees of a trust so created provided that the trust is established for charitable purposes or there are no persons beneficially interested under the trust other than the Director and his associates; (iii) disposals to any beneficiary of such a trust; (iv) in acceptance of a general offer (or by the giving of an irrevocable undertaking to accept such offer) made to shareholders of the Company to acquire all the issued shares of the Company; (v) under any scheme or reconstruction under section 110 of the Insolvency Act 1986; (vi) pursuant to any compromise or arrangement under Part 26 of the Companies Act providing for the acquisition by any person (or group of persons acting in concert) of 50 per cent. or more of the equity share capital of the Company and which compromise or arrangement has been sanctioned by the courts; (vii) for the purpose of raising funds to satisfy a liability for a breach of warranty under the Placing Agreement; (viii) pursuant to an intervening court order; or (ix) by the personal representatives after the death of the Director.

In addition, they have each further agreed that for an additional 12 month period following the first anniversary of Admission they shall only dispose of any interest in Ordinary Shares in such manner as Allenby Capital as the broker at such time may reasonably require so as to ensure an orderly market in the Ordinary Shares.

These restrictions will apply in respect of 8,312,232 Ordinary Shares representing 43.03 per cent. of the Enlarged Share Capital.

In addition Paul Connor and Philip and Lynne Mobberley, existing shareholders of the Company, have undertaken for the period of one year following Admission only to dispose of any interest in Ordinary Shares in such manner as Allenby Capital or the broker at such time may reasonably require so as to ensure an orderly market in the Ordinary Shares. These restrictions will apply in respect of 4,967,919 Ordinary Shares representing 25.72 per cent. of the Enlarged Share Capital.

The lock-in and orderly market arrangements detailed above will apply in respect of a total of 13,280,151 Ordinary Shares representing 68.75 per cent. of the Enlarged Share Capital.

Details of these lock-in and orderly market arrangements are set out in paragraphs 14.1.3 and 14.1.4 of Part VI of this Admission Document.

19. Corporate governance

The Corporate Governance Code applies only to companies on the Official List and not to companies admitted to AIM. However, the Directors recognise the importance of sound corporate governance and intend that the Group will comply with the provisions of the Corporate Governance Code and the Corporate Governance Guidelines for Smaller Quoted Companies, as published by the Quoted Companies Alliance, insofar as they are appropriate given the Group's size, stage of development, and resources. As the Company grows, the Directors intend that it should develop policies and procedures which reflect the Corporate Governance Code, so far as it is practicable taking into account the size and nature of the Company.

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. Following Admission, the Group intends to hold Board meetings at least 12 times each financial year and at other times as and when required.

The Group has established properly constituted audit, remuneration and investment committees of the Board with formally delegated duties and responsibilities.

The audit committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. As well as ensuring compliance with the AIM Rules concerning disclosure of information, it will receive and review reports from the Group's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The audit committee will meet not less than twice in each financial year and will have unrestricted access to the Group's auditors. On Admission the members of the audit committee will be John Wheatley, who will act as chairman of the committee, and Susan Lewis.

The remuneration committee will review the performance of the executive directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. The committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The committee will also administer the operation of the Share Option Schemes and other share incentive schemes established by the Company. The committee will also meet as and when necessary to assess the suitability of candidates proposed for appointment by the Board. In exercising this role, the Directors shall have regard to the recommendations put forward in the Corporate Governance Code. The remuneration committee will meet not less than twice in each year. On Admission, the members of the remuneration committee will be Susan Lewis, who will act as chairman of the committee, John Wheatley and Alan Hudson.

The AFH Investment Committee has been set up to ensure that the operations and decisions of AFH's investment management activities have appropriate oversight and challenge. The role of the investment committee is to establish the fundamental value and principles for the investment management activities of AFH Financial Group or any group company undertaking investment activities. The investment committee is responsible for reviewing and approving all investment decisions. The investment committee will meet at least once a month. The investment committee is accountable to the Board. On Admission, the members of the AFH Investment Committee are Toby Denne, who will act as chairman of the committee, Toby Ricketts (the CEO of Margetts who are the authorised corporate director of the AFH Strategic Core Fund and AFH Property Fund) and Gordon Harvey to act as an independent investor "expert".

20. Dividend policy

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. Subject to the Board's discretion it is the intention of the Board to maintain a progressive dividend policy subject to the Company having distributable reserves. It is the Directors' intention that, based on their expectations of current and future trading and the track record of the business, the first dividend following Admission will be a dividend for the year ended 31 October 2014, which is expected to be paid in May 2015. It is the intention of the Board to pay dividends on an annual basis.

All Ordinary Shares, including the Placing Shares and the Subscription Shares, carry equal dividend rights.

21. Share dealing code

The Company has adopted a Model Code for dealings in securities of the Company by Directors and certain employees which is appropriate for a company quoted on AIM, in substantially the same terms as the Model Code. The Directors will comply with Rule 21 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance with that rule by the Company's "applicable employees" (as defined in the AIM Rules for Companies).

22. Takeover regulation

The Takeover Code applies to a company whose shares are admitted to trading on AIM if that company's registered office is in the United Kingdom, the Channel Islands or the Isle of Man.

The Takeover Code governs, *inter alia*, transactions which may result in a change of control of a public company to which the Takeover Code applies. Under Rule 9 of the Takeover Code any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Takeover Code) in shares which, (taken together with shares in which that person is already interested or in which persons acting with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person is normally required to make a general offer to all the remaining shareholders to acquire their shares

Similarly, Rule 9 of the Takeover Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company but not more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in shares is acquired which increases the percentage of shares carrying voting rights in which he together with persons acting in concert with him, are interested.

Rule 9 of the Takeover Code further provides, among other things, that where any person who, together with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company, acquires any further shares carrying voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares, though Rule 9 of the Takeover Code would remain applicable to individual members of a concert party who would not be able to increase their percentage interests in the voting rights of such company through or between Rule 9 thresholds without complying with the requirements of Rule 9 or first obtaining a waiver from the Panel.

On Admission, Alan Hudson will be interested in 7,782,366 Ordinary Shares in the Company representing 40.29 per cent. of the Enlarged Share Capital. Shareholders should note that, on Admission, Alan Hudson will not be entitled to increase his interest in the voting rights of the Company without incurring an obligation under Rule 9 of the Takeover Code to make a general offer (unless a dispensation from this requirement has been obtained from the Panel in advance).

23. Share options

The Directors recognise the importance of ensuring that employees of AFH Financial Group are effectively and appropriately incentivised and their interests aligned with the Company. Similarly the Directors believe that the ongoing success of AFH Financial Group depends to a high degree on retaining and incentivising the performance of key members of the senior management and Directors. To that end the Company has adopted the Share Option Plans to align the interests of senior management, and the broader employee workforce alike, with those of the Shareholders.

The Share Option Schemes adopted by the Company are made up of two incentive arrangements, the AFH EMI Share Option Plan and the AFH Contractors Share Option Plan.

Under the AFH EMI Share Option Plan the Board has, conditional on Admission, granted 71,428 Options to Paul Wright (Chief Financial Officer) at the Placing Price and granted 92,857 Options to Toby Denne (Chief Investment Officer) at the Placing Price.

The Board has also, conditional on Admission, granted 150,000 unapproved options to Alan Hudson (Chief Executive Officer), 25,000 unapproved options to John Wheatley (Non-Executive Chairman), 53,572 unapproved options to Paul Wright (Chief Financial Officer) and 25,000 unapproved options to Susan Lewis (Non-Executive Director). These options have been granted outside of the existing Share Option Plans as unapproved share options.

The share options granted to the Directors, conditional on Admission, are exercisable at the Placing Price.

As at the date of this Admission Document share options to subscribe for 1,186,903 new Ordinary Shares (representing 6.14 per cent. of the Enlarged Share Capital) have been granted under the Share Option Schemes, together with unapproved options to subscribe for 253,572 new Ordinary Shares (representing 1.31 per cent. of the Enlarged Share Capital). These include share options to subscribe for 666,442 new Ordinary Shares (representing 3.45 per cent. of the Enlarged Share Capital) which have been issued to Directors.

The Directors will not grant options totalling, in aggregate, more than 15 per cent. of the Company's then issued share capital from time to time.

Further details of the Share Option Schemes are set out in paragraph 4 of Part VI of this Admission Document and further details of the Options held by Directors are set out in paragraph 6.2 of Part VI of this Admission Document.

24. Settlement and CREST

To be traded on AIM, securities must be able to be transferred and settled through the CREST system, which is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations.

The Ordinary Shares will be eligible for CREST settlement. Accordingly, following Admission settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates are able to do so.

For more information concerning CREST, Shareholders should contact their brokers or Euroclear at 33 Canon Street, London EC4M 5SB or by telephone on +44 (0)207 849 0000.

25. Taxation

The attention of investors is drawn to the information regarding taxation which is set out in Part II and in paragraph 10 in Part VI of this Admission Document. That information is, however, intended only as a general guide to the current tax position under UK taxation law for certain types of investor. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their professional advisers.

The Group has received advance assurance from HMRC that the Company should be a "qualifying holding" for the purposes of the EIS and for an investment by a VCT under Chapter 4 of the Income Tax Act 2007 and that the Ordinary Shares will be eligible shares for the purposes of section 173 and section 285(3A) of the Income Tax Act 2007.

26. Shareholder notification and disclosure requirements

As a company incorporated in England & Wales the Company is subject to provisions of the Disclosure and Transparency Rules and, consequently, pursuant to Rule 5 of the Disclosure and Transparency Rules Shareholders are required to disclose to the Company when they acquire or dispose of a major proportion of their voting rights in the Company (either as Shareholder or through their direct or indirect holding or certain financial instruments, or a combination of such holdings) equal to or in excess of 3 per cent. of the nominal value of that share capital (and every 1 per cent. thereafter).

Shareholders should consider their notification and disclosure obligations carefully as a failure to make a disclosure to the Company may result in disenfranchisement.

27. Anti-Bribery policy

With effect from Admission the Board will adopt an anti-bribery and corruption statement to be published on the Company's website which is a high level statement by the Board committing the Company to carrying out its business fairly, openly and honestly and to preventing bribery and corruption by persons associated with the Group. The Board will adopt an anti-bribery and corruption procedure in order to implement this commitment. It will be based on industry best practice principles, and all employees of the Group will be required to comply with the procedure. To this end the employees of the Group will be trained on the impact of the relevant legislation (so far as it applies to the Group) and procedures will be put in place to allow for reporting and communication by the employees and Board of any matters which may or may not be relevant in ensuring that the daily operations are maintained in light of such policy.

28. Additional information

Your attention is drawn to the information included in Parts II to VI of this Admission Document. In particular, you are advised to carefully consider the risk factors contained in Part II of this Admission Document.

PART II

RISK FACTORS

The attention of prospective investors is drawn to the fact that ownership of shares in the Company will involve a variety of risks which, if they occur, may have a materially adverse effect on the Group's business or financial condition, results or future operations. In those circumstances, the market price of the Ordinary Shares could decline and an investor might lose all or part of his or her investment in the Ordinary Shares.

In addition to the other information set out in this Admission Document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Company. The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company and they are not set out in any order of priority. In particular, the Group's performance might be affected by changes in market and economic conditions and in legal, regulatory and tax requirements.

Additionally, there may be further risks of which the Directors are not aware or believe to be immaterial which may, in the future, adversely affect the Group's business and the market price of the Ordinary Shares.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under FSMA (or equivalent in each relevant jurisdiction where potential investors may be located) who specialises in advising on the acquisition of shares and other securities.

Forward-looking statements

This Admission Document includes "forward-looking statements" which include all statements other than statements of historical facts including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations and any statements preceded by, followed by or that include forward-looking terminology such as the words "targets", "plan", "project", "believes", "estimates", "aims", "intends", "can", "may", "expects", "forecasts", "anticipates", "would", "should", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Among the important factors that could cause the Group's actual results, performance or achievements to differ materially from those in forward-looking statements include factors in this section entitled "Risk Factors" and elsewhere in this Admission Document. These forward-looking statements speak only as at the date of this Admission Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions in relation to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward-looking statements in this Admission Document may not occur. Prospective investors should be aware that these statements are estimates, reflecting only the judgement of the Company's management and prospective investors should not rely on any forward-looking statements.

The Ordinary Shares should be regarded as a highly speculative investment and an investment in Ordinary Shares should only be made by those with the necessary expertise to fully evaluate the investment. In addition to the usual risks associated with an investment in a business which is at an early stage of development, the Directors believe that the risks set out in this Part II should be considered carefully by prospective investors before acquiring Ordinary Shares. If any of the events or circumstances highlighted in this Part II of the Admission Document actually occur, the Company may not be able to conduct its business as currently planned, and its financial condition, operating results and cash flows could be seriously harmed. In those circumstances, the market price of the Ordinary Shares could decline, and all or part of an investment in the Ordinary Shares could be lost. No inference should be drawn as to the order in which the following risk factors are presented relative to the potential importance or effect of each listed factor.

RISK FACTORS RELATING TO THE BUSINESS AND OPERATIONS OF THE GROUP

Changes to the Financial Advisers' self-employed status

Whilst the Group complies 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 Company will need to raise extra capital in the future to develop fully the Company'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 Company or to the Company'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 Company's cost of raising and maintaining debt financing.

RISKS RELATING TO THE ORDINARY SHARES

Investment in AIM securities and liquidity of the Company's shares

An investment in companies whose shares are traded on AIM is perceived to involve a higher degree of risk and be less liquid than an investment in companies whose shares are listed on the Official List. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than the Official List. The future success of AIM and liquidity in the market for Ordinary Shares cannot be guaranteed. In particular, the market for Ordinary Shares may become or may be relatively illiquid and therefore, such Ordinary Shares may be or may become difficult to sell.

The market of the Company's shares following Admission may be highly volatile and subject to wide fluctuations in response to a variety of factors which could lead to losses for Shareholders. These potential factors include amongst others: any additions or departures of key personnel, litigation and press, newspaper and/or other media reports.

Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up, that the market price of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may, therefore, realise less than, or lose all of, their investment.

Trading market for the Ordinary Shares

The share price of emerging companies, such as the Company, can be highly volatile and shareholdings illiquid. The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, some specific to the Company and its operations and others to the AIM market in general including, but not limited to, variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions or legislative changes in the Group's sector. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares. The trading of the Ordinary Shares on AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares and there is no guarantee that an active market will develop or be sustained after Admission. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List.

Control risks

As at the date of Admission, the Company's Chief Executive Officer, Alan Hudson, will be interested in more than 30 per cent. of the Ordinary Shares. Mr Hudson will therefore have the power to exercise significant influence over all matters requiring shareholder approval, including the election and removal directors of the Company, amendments to its articles of association, approval of dividends and share buybacks, compromises and schemes of arrangement and mergers. This could have the effect of preventing the Company from entering into transactions that could be beneficial to it or its other Shareholders. Any significant changes in the executive management's interest in Ordinary Shares through sale or other disposition, or significant acquisitions by others, of the Ordinary Shares in the public market or by way of private transactions, could result in changes in business focus or practices that may affect the profitability of the Group's business. The Company has entered into the Relationship Deed with Mr Hudson to regulate the exercise of his powers of control, details of which are described in paragraph 14.1.6 of Part VI of this Admission Document.

Dilution of Shareholders' interest as a result of additional equity fundraising

The Group may need to raise additional funds in the future to finance, amongst other things, working capital, expansion of the business, new developments relating to existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership and voting rights of the existing Shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

Dividends

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Shareholders or, in the case of interim dividends to the discretion of the Directors, and will depend upon, among other things, the Group's earnings, financial position, cash requirements, availability of profits, as well as provisions for relevant laws or generally accepted accounting principles from time to time. It is the intention of the Board to pay dividends on an annual basis.

RISKS RELATING TO LAWS AND REGULATIONS

Taxation

The attention of potential investors is drawn to paragraph 10 of Part VI of this Admission Document headed ''Taxation''. The tax rules relating to an investment in the Group may change during the life of the Group. Tax laws and regulations are under constant development and often subject to change as a result of changing government policy. Such changes are often implemented with limited warning and the implementation of various taxes may affect consumption in certain product sectors. Consequently, there is a risk that changes in tax policy and regulations may adversely affect the demand for certain products or services of the Group.

The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this Admission Document are those currently available and their value depends upon the individual circumstances of investors. Any change in the Group's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Group, affect the Group's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this Admission Document concerning the taxation of the Group and its investors are based upon current tax law and practice which is subject to change.

EIS and VCT status

The Company has received advance assurance from HMRC that the Company should be a ''qualifying company'' for the purposes of the Enterprise Investment Scheme (EIS) under Part 5 of the Income Tax Act 2007 and should be a ''qualifying holding'' for the purposes of an investment by a Venture Capital Trust (VCT) under Part 6 of the Income Tax Act 2007 and that the Ordinary Shares will be eligible shares for the purposes of section 173 and section 285(3A) of the Income Taxes Act 2007.

The advance assurance relates only to the qualifying status of the Company and its shares and does not guarantee that any particular investor will qualify for relief in respect of the acquisition of Ordinary Shares. The continuing availability of EIS relief and the status of the relevant Placing Shares as a qualifying holding for VCT purposes will be conditional *inter alia*, on the Company continuing to satisfy requirements for a qualifying company throughout the period the Ordinary Shares are held as a ''qualifying holding''. Neither the Company nor the Company's advisers are giving any warranties or undertakings that any relief under EIS or that VCT qualifying status will be available in respect of the Placing or that in due course such relief or status will not be withdrawn.

Circumstances may arise where the Board believes that the interests of the Company are not best served by acting in a way that preserves the EIS or VCT qualifying status (if granted). In such circumstances the Company cannot undertake to conduct its activities in a way designed to preserve any such relief or status. Should the law regarding the EIS or VCTs change then any relief or qualifying status previously obtained may be lost. A person who is in any doubt about their taxation position should consult their professional taxation adviser in order that they may fully understand how the rules apply in individual circumstances.

Changes in tax legislation

Any changes in the future to taxation legislation could reduce the attractiveness of long-term savings via pension schemes, particularly small self-administered schemes (SSASs) and self-invested personal pensions (SIPPs). Any such changes in taxation legislation could reduce the provision of certain wealth management services (e.g. pension planning) that AFH's Financial Advisers can offer to clients.

Investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

PART III

ACCOUNTANTS' REPORT ON THE COMPANY

Part III

A – Accountants' report on AFH Financial Group PLC

The Directors
AFH Financial Group PLC
AFH House
Buntsford Drive
Stoke Heath
Bromsgrove
Worcestershire
B60 4JE

The Directors
Allenby Capital Limited
3 St Helen's Place
London
EC3A 6AB

23 June 2014

Dear Sirs

AFH Financial Group

We report on the historical financial information of AFH Financial Group set out in Part B of this Part III. This financial information has been prepared for inclusion in the Admission Document dated 23 June 2014 of AFH Financial on the basis of the accounting policies set out in note 1.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Responsibilities

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in this document.

The Directors of the Group are responsible for preparing the financial information on the basis of accounting policies set out in note 1 of Part B of this Part III and in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU").

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of this document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 23 June 2014, a true and fair view of the state of affairs of Group as at 31 October 2011, 31 October 2012 and 31 October 2013 and of the financial performance and position for the three years ended 31 October 2013 in accordance with International Financial Reporting Standards adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully,

Mazars LLP

B – Historical Financial Information on AFH Financial Group

The financial information set out below of AFH Financial Group for the three years ended 31 October 2013 has been prepared by the directors of the Group on the basis set out in note 1.

The accompanying notes represent an integral part of the financial information.

The financial information contained within this section does not constitute statutory financial accounts within the meaning of Section 434 of the Companies Act.

Consolidated Statement of Comprehensive Income

	Note	*2011* £	*2012* £	*2013* £
Revenue	2	5,398,563	7,200,950	10,797,092
Cost of sales		(2,711,826)	(3,471,201)	(5,165,160)
Gross profit		**2,686,737**	**3,729,749**	**5,631,932**
Administrative expenses		(2,102,389)	(3,435,547)	(4,386,124)
Operating profit	3	**584,348**	**294,202**	**1,245,808**
Finance income	4	65	13,494	987
Finance costs	4	(11,469)	(12,631)	(22,512)
Profit before tax		**572,944**	**295,065**	**1,224,283**
Income tax expense	6	(176,766)	(127,067)	(245,277)
Profit for the year attributable to owners of the parent		**396,178**	**167,998**	**979,006**
Other comprehensive income		—	—	—
Total comprehensive income for the year attributable to owners of the parent		**396,178**	**167,988**	**979,006**
Earnings per share (in pence)				
Basic	16	2.840	1.177	6.493
Diluted	16	2.781	1.137	6.321

Consolidated Statement of Financial Position

	Note	*2011* *£*	*2012* *£*	*2013* *£*
Assets				
Non-current assets				
Intangible assets	8	2,089,775	3,764,898	8,161,329
Property, plant and equipment	10	60,402	144,312	251,212
Investments	11	514	598	598
Deferred tax asset	15	—	10,077	11,203
		2,150,691	**3,919,885**	**8,424,342**
Current assets				
Trade and other receivables	12	937,940	1,990,259	2,602,408
Current tax assets		203	—	11,158
Cash and cash equivalents		1,722,273	922,957	4,333,949
		2,660,416	**2,913,216**	**6,947,515**
Total assets		**4,811,107**	**6,833,101**	**15,371,857**
Liabilities				
Current liabilities				
Trade and other payables	14	1,182,392	1,603,130	3,795,287
Current tax liabilities		214,410	214,902	311,565
Financial liabilities – Borrowings	13	125,938	363,542	188,542
		1,522,740	**2,181,574**	**4,295,394**
Net current assets		**1,137,676**	**731,642**	**2,652,121**
Non-current liabilities				
Trade and other payables	14	242,372	535,168	2,219,920
Financial liabilities – Borrowings	13	—	—	752,000
Deferred tax liability	15	13,045	44,481	644,179
		255,417	**579,649**	**3,616,099**
Total liabilities		**1,778,157**	**2,761,223**	**7,911,493**
Net assets		**3,032,950**	**4,071,878**	**7,460,364**
Shareholders' equity				
Share capital	16	1,409,687	1,478,037	1,711,450
Share premium account	17	1,537,812	2,152,962	4,476,833
Merger reserve	17	(539,640)	(539,640)	(539,640)
Share-based payment reserve	17	42,135	229,565	229,565
Retained earnings		582,956	750,954	1,582,156
Total Shareholders' equity		**3,032,950**	**4,071,878**	**7,460,364**

Consolidated Statement of Changes in Equity

	Share capital £	*Share premium* £	*Merger reserve* £	*Share-based payment reserve* £	*Retained earnings* £	*Total* £
Balance at 1 November 2010	**1,190,000**	**—**	**(539,640)**	**—**	**356,778**	**1,007,138**
Issue of share capital	219,687	1,537,812	—	—	—	1,757,499
Share-based payments	—	—	—	42,135	—	42,135
Profit for the year					396,178	396,178
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	396,178	396,178
Dividend	—	—	—	—	(170,000)	(170,000)
Balance at 31 October 2011	**1,409,687**	**1,537,812**	**(539,640)**	**42,135**	**582,956**	**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**	**(539,640)**	**42,135**	**750,954**	**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**	**(539,640)**	**229,565**	**750,954**	**4,071,878**
Profit for the year	—	—	—	—	979,006	979,006
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	**—**	**—**	**—**	**—**	**979,006**	**979,006**
	1,478,037	**2,152,962**	**(539,640)**	**229,565**	**1,729,960**	**5,050,884**
Issue of share capital	233,413	2,323,871	—	—	—	2,557,284
Dividend	—	—	—	—	(147,804)	(147,804)
Balance at 31 October 2013	**1,711,450**	**4,476,833**	**(539,640)**	**229,565**	**1,582,156**	**7,460,364**

Consolidated Statement of Cash Flows

	Note	*2011* £	*2012* £	*2013* £
Cash flows from/(used in) operating activities				
Cash generated from operations	19	651,290	(16,907)	1,172,471
Tax paid		(158,347)	(179,964)	(186,711)
Net cash inflow/(outflow) from operating activities		**492,943**	**(196,871)**	**985,760**
Cash flows from investing activities				
Purchase of property, plant and equipment		(23,681)	(113,391)	(161,389)
Purchase of other intangible assets, net of cash		(669,869)	(1,207,309)	(843,293)
Proceeds from disposals of other intangible assets		102,282	33,854	289,675
Purchases of investments		(25,162)	—	—
Purchase of subsidiaries		—	(62)	—
Proceeds from sale of subsidiaries		—	100	—
Proceeds from sale of property, plant and equipment		—	—	284
Interest received		65	13,494	987
Net cash outflow from investing activities		**(616,365)**	**(1,273,314)**	**(713,736)**
Cash flows from financing activities				
Proceeds from issue of shares		1,757,499	683,500	2,588,139
Share issue costs		—	—	(30,855)
Issue of unsecured bond		—	—	752,000
Interest paid		(11,469)	(12,631)	(22,512)
Dividends		(170,000)	—	(147,804)
Net cash inflow from financing activities		**1,576,030**	**670,869**	**3,138,968**
Net increase/(decrease) in cash and cash equivalents		1,452,608	(799,316)	3,410,992
Cash and cash equivalents at the beginning of the year		269,665	1,722,273	922,957
Cash and cash equivalents at the end of the year		**1,722,273**	**922,957**	**4,333,949**

Notes to the Accounts

1. General Information

AFH Financial Group is a company incorporated in England and Wales under the Companies Act 2006 and is registered at AFH House, Buntsford Drive, Stoke House, Bromsgrove, Worcestershire, B60 4JE.

The Group is principally engaged in the provision of independent financial advice to the retail market.

This financial information has been prepared for the 3 years ended 31 October 2013.

1.1 Principal accounting policies

(a) Basis of preparation

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") Interpretations that are endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to those companies reporting under IFRS.

The financial information has been prepared in Sterling.

The principal accounting policies adopted are set out below and have been applied consistently throughout the three financial years presented.

(b) Going Concern

The directors have considered the Group's business activities, its cash flows and capital position. They are satisfied that the Group 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 information.

(c) 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. All intra-Group balances, income and expenses and unrealised gains and losses resulting from intra-Group transactions are eliminated in full.

The Company was incorporated on 18 May 2011 and the Group was formed on the 9 June 2011, when the Company acquired 100% of AFH Group Limited by a share for share exchange. The Group has accounted for this group reorganisation using merger accounting principles. As such, the financial information presented has been drawn up as if the Group existed throughout the period.

(d) Business combinations

Business combinations are accounted for using the acquisition method except for group reorganisations where the combination is on a share for share basis and the resulting business remains unchanged. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred incudes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred, whether in cash or another financial instrument such as a convertible loan note, is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

(e) Goodwill and Intangibles

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 single 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.

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.

(f) Property, plant and equipment

Property, 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 at 20-25% per annum on reducing balance
- Fixtures and fittings at 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 and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

(g) Investments

Investments comprise of unlisted investments and investments in subsidiaries and joint ventures. These investments are stated at cost, less provision for impairment.

(h) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(i) 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 provisions are recognised as an expense in the Statement of Comprehensive Income

(j) Leases

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term.

(k) 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 Statement of Cash Flow, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(l) 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.

(m) 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 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).

(n) 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.

(o) 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 substantively enacted at the reporting date.

(p) 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 as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

(q) 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.

(r) Changes in accounting policies

Standards, interpretations and amendments effective from 1 April 2010

None of the new standards, interpretations and amendments, effective for the first time from 1 April 2010, have had a material effect on the financial information. All new or amended standards effective from 1 April 2010 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 1 November 2013

IFRS 2 (amended) Share-based payment 1 July 2014

IFRS 3 (amended) Business Combinations 1 July 2014

IFRS 7 (amended) Financial Instruments Disclosures 1 January 2015

IFRS 9 Financial Instruments 1 January 2015

IFRS 13 Fair Value Measurement 1 January 2014

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

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

IAS 36 (amendment) Impairment of assets – Recoverable amount disclosures for non-financial assets 1 January 2014

IAS 39 Financial Instruments: Recognition and Measurement – Novations of derivatives and hedge accounting 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 the future periods.

(s) Financial instruments

Financial assets

Financial assets are recognised in the 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 FVTPL, which are measured at fair value.

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.

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.

Fair value through profit and loss

Financial assets at fair value through profit and loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit and loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in finance income or finance cost in the income statement.

The Group has not designated any financial assets upon initial recognition as at fair value through profit and loss.

The Group evaluated its financial assets held for trading to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future is significantly changed, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit and loss using the fair value option at designation.

Impairment of financial assets

Financial assets, other than those at Fair Value Through Profit and Loss ("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 Group's obligations are discharged, cancelled or expired.

Equity instruments

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

(t) Financial risks

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 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.

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.

The Board 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.

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.

Fair value estimation

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.

(u) Critical accounting judgements and key sources of estimation uncertainty

The application of the Group's 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

An assessment is made at each reporting date as to whether there is any indication that the carrying value may be impaired. Where such an indication is identified the client portfolios are tested for impairment. 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.

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 taking into account the probability of meeting each performance target. This requires management to make an estimate of the expected future cash flows from the acquired client portfolio for the calculation of the present value of those cash flows.

The contingent consideration is subject to an earn-out based on future turnover of acquisitions over a period up to three year period. The carrying amount of contingent consideration provided for at 31 October 2013 was £4.1m (2012 – £1.5m, 2011 – £0.6m) (See note 9).

Intangible assets acquired in a business combination

The acquisition consideration for business and share acquisitions (less net assets acquired at cost) is based upon the expected future revenue of the acquired client portfolios and therefore the surplus over net assets acquired are fully attributed to acquired client portfolio intangible assets.

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 of Independent Financial Advisory services 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, 2011 – nil).

3. Profit for the year

	2011 £	2012 £	2013 £
Profit for the year is stated after charging / (crediting):			
Amortisation of intangible assets	45,246	51,348	90,728
Depreciation of tangible assets	13,540	29,482	54,488
Operating lease rentals	156,143	200,467	310,325
and after crediting:			
Profit on disposal of tangible assets	—	—	(284)
Profit on disposal of intangible assets	—	—	(5,619)
Cancellation of loan notes	—	—	(175,000)

Services provided by the Group's auditors:

A summary of the audit and non-audit fees in respect of services provided by the Group's auditors charged to operating profit is set out below:

	2011 £	2012 £	2013 £
Fees payable to the Group's auditor for the audit of the Group's annual accounts	10,200	9,756	10,000
Audit of accounts of subsidiaries	12,000	12,000	14,000
Other accountancy services	480	2,760	7,230
Taxation services	—	—	4,800
	22,680	24,516	36,030

4. Finance costs

	2011 £	2012 £	2013 £
On bank loans and overdrafts	—	27	—
On other loans wholly repayable within five years	11,250	12,604	12,500
Other loan interest	—	—	10,002
Other interest and financial charges	219	—	10
	11,469	12,631	22,512

Finance income

	2011 £	2012 £	2013 £
Bank interest	65	13,494	987

5. Employees

Employee costs (including salaried directors) for the Group were as follows:

	2011 £	2012 £	2013 £
Wages and salaries	1,377,400	1,743,833	2,545,975
Social security costs	122,571	170,792	236,539
Share based payments	42,135	187,430	—
	1,542,106	2,102,055	2,782,514

The average number of employees (including directors) during the year were as follows:

	2011 Number	2012 Number	2013 Number
Directors	3	3	3
Office	51	64	98
Total	54	67	101

6. Income Tax expense

	2011 £	2012 £	2013 £
Current tax			
– Current year	173,837	134,508	228,086
Deferred tax			
– Relating to origination and reversal of temporary differences	2,929	(7,441)	17,191
Income tax expense reported in the Statement of Comprehensive Income	176,766	127,067	245,277

Reconciliation of profit before tax to total tax expense for the year:

	2011 £	2012 £	2013 £
Profit before tax	572,944	295,065	1,049,283
Profit become income tax multiplied by the rate of Corporation tax in the UK 26.98% (2011), 23.94% (2012), 22.86% (2013)	154,558	70,639	239,866
Effect of:			
Non-deductible expenses	15,550	56,428	3,170
Prior year deferred tax adjustment	(6,330)	—	2,241
Tax effect of unrecognised tax losses	8,960	—	—
Tax effect of unrecognised accelerated capital allowances	4,028	—	—
Income tax expense reported in the Statement of Comprehensive Income	176,766	127,067	245,277

Changes in the applicable tax rates over the periods are due to the reduction in Corporation tax rates.

7. Dividends

	2011 £	2012 £	2013 £
Ordinary final paid	170,000	—	147,804
Dividend per share	1.42 pence per share	—	1 pence per share

8. Intangible assets

	Goodwill £	Acquired client portfolios £	Total £
Cost			
At 1 November 2010	—	2,001,739	2,001,739
Additions	—	463,434	463,434
Disposals	—	—	—
At 31 October 2011	—	2,465,173	2,465,173
Additions	28,800	1,714,849	1,743,149
Disposals	—	(16,677)	(16,677)
At 31 October 2012	28,800	4,612,844	4,191,644
Additions	581,381	4,189,833	4,771,214
Disposals	—	(284,056)	(284,056)
At 31 October 2013	610,181	8,068,622	8,678,803
Amortisation			
At 1 November 2010	—	330,152	330,152
Charge for the year	—	45,246	45,246
At 1 October 2011	—	375,398	375,398
Charge for the year	—	51,348	51,348
At 31 October 2012	—	426,746	426,746
Charge for the year	—	90,728	90,728
At 31 October 2013	—	517,474	517,474
Net book value			
At 31 October 2013	610,181	5,286,374	8,161,329
At 31 October 2012	28,800	3,736,098	3,764,898
At 31 October 2011	—	2,089,775	2,089,775

In the opinion of the Directors there is only one cash generating unit to which the intangible assets are allocated.

Goodwill believed to have an indefinite useful life is carried at cost. The determination of whether goodwill is impaired requires an assessment of the fair value less cost to sell. The recoverable amount of goodwill on a fair value less costs to sell calculation is based on the closing share price of the Group (on the ISDX Growth Market) on 31 October 2013 of 119.5p, giving a market capitalisation of £19.1m. Comparing this to the net asset value of the Group of £7.4m, the directors believe the value of goodwill is not impaired at 31 October 2013. The fair value measurement is categorised in its entirety as level 1 in the fair value hierarchy.

9. Business combinations

(i) 2011 Acquisitions

a. Asset purchase

During the year ended 31 October 2011 asset purchases were undertaken relating to acquired client portfolios. Consideration for these acquisitions amounted to £463,434 and the carrying amount and fair value of the net assets acquired were £nil. Included within the consideration are amounts relating to contingent consideration of £185,754. The contingent consideration is subject to an earn-out based on future turnover over a period up to three year period.

(ii) 2012 Acquisitions

a. Share purchase

St Johns Asset Management Limited formerly known as, Elgar Financial Limited was acquired by Group Limited on 10th September 2012 and undertakes the provision of Independent Financial Advice to the retail market.

The book value and the fair value of the assets acquired were as follows:

	Book values pre-acquisition	***Fair value adjustments***	***Fair value***
	£	**£**	**£**
Net assets acquired			
Acquired client portfolios	—	120,000	120,000
Investments	122	—	122
Receivables	18,580	—	18,580
Cash and cash equivalents	5,237	—	5,237
Payables	(8,842)	—	(8,842)
Deferred tax liability	—	(28,800)	(28,800)
Net assets acquired	15,097	91,200	106,297

Acquired client portfolios have been recognised as a result of the acquisition as follows:

	£
Cash consideration at completion	75,097
Contingent cash consideration	60,000
Net assets acquired	(106,297)
Goodwill	28,800

The contingent consideration is payable on the 10th September 2014 and is subject to an earn-out based on future turnover, however, the maximum amount payable is £60,000.

The post-acquisition revenue for the period to 31 October 2012 was £4,958 and the post-acquisition profit for the period to 31 October 2012 was £14. If the acquisition had taken place on 1 November 2011, management estimate that the revenue would have been £35,481 and there would have been a profit of £98.

The acquisition enabled the Group to expand its other financial advisory services.

b. Asset purchase

During the year ended 31 October 2012 nine asset purchases were undertaken relating to acquired client portfolios. Consideration for these acquisitions amounted to £1,639,752 (including the issue of £225,000 of loan notes on 3 April 2012) and the carrying amount and fair value of the net assets acquired were £nil. Included within the consideration are amounts relating to contingent consideration of £979,166. The contingent consideration is subject to earn outs based on future turnover. The contingent consideration is subject to an earn-out based on future turnover over a period up to three year period.

(iii) 2013 Acquisitions

a. Share purchase

Shape Financial was acquired by Group Limited on 21th June 2013 and undertakes the provision of independent financial advice to the retail market.

The book value and the fair value of the assets acquired were as follows:

	Book values pre-acquisition £	Fair value adjustments £	Fair value £
Net assets acquired			
Acquired client portfolios	—	1,434,214	1,434,214
Receivables	102,043	—	102,043
Cash and cash equivalents	235,693	—	235,693
Payables	(160,450)	—	(160,450)
Deferred tax liability	—	(329,869)	(329,869)
	177,286	1,104,345	1,281,631

Acquired client portfolios have been recognised as a result of the acquisition as follows:

	£
Cash consideration at completion	236,500
Contingent cash consideration	1,375,000
Net assets acquired	(1,281,631)
Goodwill	329,869

The contingent consideration is payable in two payments on the 10 September 2014 and 10 September 2015 and subject to an earn-out based on future turnover, however the maximum amount payable is £1,500,000.

The post-acquisition revenue for the period to 31 October 2013 was £568,029 and the post-acquisition profit for the period to 31 October 2013 was £138,324. If the acquisition had taken place on 1 November 2012, management estimate that the revenue would have been £968,127 and there would have been a profit of £104,049.

The acquisition enabled the Group to expand its other financial advisory services.

Origin Financial Ltd was acquired by Group Limited on 31th October 2013 and undertakes the provision of Independent Financial Advice to the retail market.

The book value and the fair value of the assets acquired were as follows:

	Book values pre-acquisition £	Fair value adjustments £	Fair value £
Net assets acquired			
Acquired client portfolios	—	1,093,529	1,093,529
Receivables	35,925	—	35,925
Cash and cash equivalents	91,065	—	91,065
Payables	(108,519)	—	(108,519)
Deferred tax liability	—	(251,512)	(251,512)
	18,471	842,017	860,488

Goodwill has been recognised as a result of the acquisition as follows:

	£
Cash consideration at completion	1
Contingent cash consideration	1,099,999
Other costs	12,000
Net assets acquired	(860,488)
Goodwill	251,512

The contingent consideration is payable in two payments on the 31 March 2015 and 31 March 2016 and is subject to an earn-out based on the future level of turnover, however the maximum contingent consideration payable is £687,499.

The post-acquisition revenue for the period to 31 October 2013 was £nil and the post-acquisition profit for the period to 31 October 2013 was £nil.

The acquisition enabled the Group to expand its other financial advisory services.

b. Asset purchase

During the year ended 31 October 2013 four asset purchases were undertaken relating to acquired client portfolios. Consideration for these acquisitions amounted to £1,478,333 and the carrying amount and fair value of the net assets acquired were £nil. Included within the consideration are amounts relating to contingent consideration of £897,766. The contingent consideration is subject to earn outs based on future turnover. The contingent consideration is subject to an earn-out based on future turnover over a period up to three year period.

10. Property, plant and equipment

Group

	Computer and office equipment £	*Fixtures, fittings & equipment* £	*Total* £
Cost			
At 1 November 2010	45,660	51,461	97,121
Additions	11,616	12,065	23,681
At 1 October 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 2010	22,066	24,792	46,858
Charge for the year	6,633	6,907	13,540
At 1 October 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	60,011	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 31 October 2011	28,577	31,827	60,404

11. Investments

Group

	Unlisted investments £	Other subsidiaries and joint ventures £	Total £
Cost			
At 1 November 2010	—	514	514
At 31 October 2011	—	514	514
Additions	—	62	62
Acquired with acquisition of subsidiary	122	—	122
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 31 October 2011	—	514	514

The Other subsidiaries and Joint Ventures represent certain subsidiary companies and joint ventures that have not been consolidated into the Group on the grounds of being immaterial.

12. Trade and other receivables

	2011 £	*2012* £	*2013* £
Trade receivables	753,334	1,527,386	2,053,804
Other receivables	67,646	266,681	368,453
Prepayments	116,960	196,192	180,151
	937,940	1,990,259	2,602,408

There are no bad or doubtful receivables. An analysis of trade receivables is set out in note 26.

13. Borrowings

	2011 £	*2012* £	*2013* £
8% Unsecured bonds	—	—	752,000
Convertible loan notes	—	225,000	50,000
Loan	125,938	138,542	138,542
	125,938	363,542	940,542
Analysis of borrowings			
Current borrowings			
Convertible loan notes	—	225,000	50,000
Loan	125,938	138,542	138,542
	125,938	363,542	188,542
Non-current borrowings			
8% Unsecured bonds	—	—	752,000

The financial liabilities are recognised at amortised cost. There is no material difference between the fair value and the carrying value.

Convertible loan notes issued relate to the acquisition of Acquired Client Portfolios on 3 April 2012 and are treated in accordance with the accounting policy on contingent consideration. The conversion is contracted to take place on 30 June 2014 at the market value of the shares at that date (previously this was due to convert at 30 April 2014 but was subsequently amended by the contracting parties). During the year to 31 October 2012 £175,000 loan notes were cancelled as a result of earn out targets not being achieved and this cancellation has been taken through the income statement due being classed as contingent consideration.

The 8% unsecured bond is due in 2020.

The loan balance is unsecured with interest charged at 10% on the balance. There is no formal repayment date for the balance, however the intention is to repay the balance within one year.

14. Trade and other payables

	2011	***2012***	***2013***
	£	***£***	***£***
Current			
Trade payables	114,513	161,858	225,533
Contingent consideration	310,178	308,357	1,839,145
Commissions payable	700,220	981,039	1,402,724
Other payables	10,574	793	1,107
Accruals	46,907	151,083	326,778
	1,182,392	1,603,130	3,497,672
Non-current			
Contingent consideration	242,372	535,168	2,219,920
	242,372	535,168	2,219,920

15. Deferred tax

Deferred tax liability

	Deferred tax asset	***Deferred tax liability***
	£	***£***
Balance at 1 November 2010	—	10,116
Charge to profit or loss	—	2,929
Balance at 31 October 2011	—	13,045
Charge to profit or loss	10,077	2,636
Fair value adjustments on business combinations	—	28,880
Balance at 31 October 2012	10,077	44,561
Charge to profit or loss	1,126	18,317
Fair value adjustments on business combinations	—	581,381
Balance at 31 October 2013	11,203	644,259

The deferred tax liability is made up as follows:

	2011 £	2012 £	2013 £
Accelerated capital allowances	13,045	15,761	34,078
Fair value adjustments on business combinations	—	28,800	610,181
	13,045	44,561	644,259

The deferred tax asset is made up as follows:

	2011 £	2012 £	2013 £
Capital Allowances	—	10,077	11,203

16. Share capital

	2011 £	2012 £	2013 £
Authorised, issued and fully paid 10p ordinary shares	1,409,687	1,478,037	1,711,450

On 18 May 2011 the Company was incorporated and 2 ordinary shares were issued to the subscribers to the memorandum of association.

On 9 June 2011, 11,899,998 Ordinary Shares of £0.10 each were allotted and fully paid at par in exchange for the share capital of AFH Group Limited to provide initial working capital, which was treated as merger accounting.

On 23 June 2011, 1,736,250 Ordinary Shares were issued at £0.80 each with £0.70 per share transferred to the share premium account to provide additional working capital.

On 3 August 2011, 460,624 Ordinary Shares were issued at £0.80 each with £0.70 per share transferred to the share premium account to provide additional working capital.

On 3 April 2012, 25,000 Ordinary Shares were issued at £1.00 each in connection with the acquisition of the assets and business of The Arden Court Group Ltd with £0.90 per share transferred to the share premium account.

On 18 October 2012, 658,500 Ordinary Shares were issued at £1.00 each with £0.90 per share transferred to the share premium account to provide additional working capital.

On 20 August 2013, 1,205,505 Ordinary Shares were issued at £1.09 each with £0.99 per share transferred to the share premium account to provide additional working capital.

On 21 August 2013, 36,697 Ordinary Shares were issued at £1.09 each with £0.99 per share transferred to the share premium account to provide additional working capital.

On 8 October 2013, 82,569 Ordinary Shares were issued at £1.09 each with £0.99 per share transferred to the share premium account to provide additional working capital.

On 9 October 2013, 590,953 Ordinary Shares were issued at £1.09 each with £0.99 per share transferred to the share premium account to provide additional working capital.

On 22 October 2013, 418,410 Ordinary Shares were issued at £1.195 each with £1.095 per share transferred to the share premium account to provide additional working capital.

Issue costs of £30,855 were incurred for the share issues on 20 August 2013, 21 August 2013, 8 October 2013, 9 October 2013 and 22 October 2013, which have been included within the Share Premium account.

The calculation of earnings per share is based on the profit attributable to the equity holders for the year of £979,006 (2012 – £167,998, 2011 – £396,178) and weighted average number of shares in issue during the period of 15,078,169 (2012 – 14,277,153, 2011 – 13,949,193).

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, 2011 – £nil). The conversion is contracted to take place on 30 June 2014 at the market value of the shares at that date (previously this was due to convert at 30 April 2014 but was subsequently amended by the contracting parties).

Share-based payment transactions

During the three years ended 31 October 2013, the Group has had four share-based payment arrangements, which are described below.

Type of arrangement	***EMI Scheme Share-option Scheme***	***Contractors Share-option Scheme***	***EMI Scheme Share-option Scheme***	***Contractors Share-option Scheme***
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 or the service of a notice by the directors	Change of control, asset sale or the service of a notice by the directors

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

The share-option schemes granted on 1 August 2012 will vest after three years from the date of the grant, however may be exercised early if the first of the vesting conditions described above occurs and will be exercised on a time apportioned basis. 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 throughout the three year period to 31 October 2013 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 in the same industry.

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

The estimated fair value of each share granted in the executive share plan is £nil (2012 – 102.5p, 2011 – 83.5p).

Further details of the share option schemes are as follows:

	Number of options 2011	***Weighted average exercise price 2011***	***Number of options 2012***	***Weighted average exercise price 2012***	***Number of options 2013***	***Weighted average exercise price 2013***
At 1 November	—	—	543,672	0.37	861,873	0.62
Granted	543,672	0.37	346,764	1.00	—	—
Lapsed	—	—	(28,563)	0.57	(64,255)	0.87
Outstanding at 31 October	543,672	0.37	861,873	0.62	797,618	0.60

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.

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

The options outstanding at 31 October 2011 have an exercise price of £0.37, and a weighted average remaining contractual life of 1.67 years.

The share-based payment expensed recognised is set out below:

	2011	***2012***	***2013***
	£	**£**	**£**
Share-based payments expense	42,135	187,430	—

17. Reserves

The nature and purpose of each of the reserves included within equity is as follows:

Share premium

Share premium is the amount paid for shares issued in excess of the nominal value.

Merger reserve

The merger reserve was created when the Group was formed on 23 June 2010, bringing AFH Financial Group and AFH Group Limited under a common ownership structure. The shareholders of AFH Group Limited exchanged for shares in AFH Financial Group.

Share-based payment reserve

The share-based payment reserve is used to recognize the value of share-based payment transactions provided to employees, including key management personnel, as part of their remuneration.

18. Directors' remuneration

	2011	***2012***	***2013***
	£	**£**	**£**
Remuneration for qualifying services	97,356	274,000	326,500
Remuneration disclosed above include the following amounts paid to the highest paid director:			
Remuneration for qualifying services	95,747	250,000	273,417

No share based payments were made to directors during the year ended 31 October 2013. During the year 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. During the year ended 31 October 2011, 13,585 share options were granted to Mr J Wheatley at 37p each and none were granted to Mr T Denne.

19. Cash generated from operations

	2011 £	2012 £	2013 £
Profit before tax	572,944	295,065	1,224,283
Adjustments for:			
Interest and dividend income	(65)	(13,494)	(987)
Interest expenses	11,469	12,631	22,512
Depreciation, amortisation and impairment	58,786	73,180	145,216
Profit on disposal of tangible assets	—	—	(284)
Profit on disposal of intangible assets	—	—	(5,619)
Equity settled share based payment expense	42,135	187,430	—
Cancellation of loan notes	—	—	(175,000)
Movements in working capital:			
– Trade and other receivables	71,809	(348,144)	(485,409)
– Trade and other payables	(105,788)	(223,575)	447,759
Cash generated from operations	651,290	(16,907)	1,172,471

20. Financial commitments

At the reporting dates, the Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & buildings 2011 £	Other 2011 £	Land & buildings 2012 £	Other 2012 £	Land & buildings 2013 £	Other 2013 £
Due within one year	94,624	—	52,006	8,889	212,356	40,090
Between one and two years	94,624	—	212,356	8,543	229,691	38,055
Between two and five years	283,872	—	715,077	10,485	667,405	21,425
In over five years	94,624	—	182,020	—	—	—
Total	567,744	—	1,161,459	27,917	1,109,452	99,570

21. Financial instruments

Interest rate risk management

The Group have an exposure to interest rate risk arising on interest-bearing deposits.

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.

The possible movement in UK interest rates would not have a significant profit or loss.

Liquidity risk management

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

An analysis of the Group's contracted maturities of financial liabilities, including interest payments is as follows:

2013	Effective interest rate	Carrying amount £	Contractual cash flows £	Within a year £	1-2 years	2-5 years £	>5 years £
Loans	10%	138,542	138,542	138,542	—	—	—
8% unsecured bond	8%	752,000	752,000	—	—	—	752,000
Convertible loan notes	—	50,000	50,000	50,000	—	—	—
Trade payables	—	225,533	225,533	225,533	—	—	—
Other payables	—	1,107	1,107	1,107	—	—	—
Contingent consideration	—	4,059,065	4,059,065	1,839,145	1,425,182	794,738	—
Commissions payable	—	1,402,724	1,402,724	1,402,724	—	—	—
Total		6,628,971	6,628,971	3,657,051	1,425,182	794,738	752,000

2012	Effective interest rate	Carrying amount £	Contractual cash flows £	Within a year £	1-2 years £	2-5 years £	>5 years £
Loans	10%	138,542	138,542	138,542	—	—	—
8% unsecured bond	8%	—	—	—	—	—	—
Convertible loan notes	—	225,000	225,000	—	225,000	—	—
Trade payables	—	161,858	161,858	161,858	—	—	—
Other payables	—	793	793	793	—	—	—
Contingent consideration	—	1,458,850	1,458,850	605,973	732,877	120,000	—
Commissions payable	—	981,039	981,039	981,039	—	—	—
Total		2,966,082	2,966,082	1,888,205	957,877	120,000	—

2011	Effective interest rate	Carrying amount £	Contractual cash flows £	Within a year £	1-2 years £	2-5 years £	>5 years £
Loans	10%	125,938	125,938	125,938	—	—	—
8% unsecured bond	8%	—	—	—	—	—	—
Convertible loan notes	—	—	—	—	—	—	—
Trade payables	—	114,513	114,513	114,513	—	—	—
Other payables	—	10,574	10,574	10,574	—	—	—
Contingent consideration	—	574,413	574,413	332,041	128,622	113,750	—
Commissions payable	—	700,220	700,220	700,220	—	—	—
Total		1,525,658	1,525,658	1,283,286	128,622	113,750	—

There is no material difference between the fair value and carrying value for those financial liabilities held at amortised cost.

Credit risk

The Group has no significant exposure to credit risk with no bad or doubtful receivables.

The Group's maximum exposure to credit risk is represented by its trade receivables and cash balances, which are usually paid within 30 days.

Aged trade receivables

	Current £	*> 30 days* £	*> 60 days* £	*> 90 days* £	*Total receivables* £
2013	548,475	204,859	—	—	753,334
2012	1,159,726	367,660	—	—	1,527,386
2011	1,563,637	490,168	—	—	2,053,804

The Group operates different credit terms in different parts of the business. The balances represent number of days from the date of invoice. No impairments for bad or doubtful debts have been made.

22. Related party transactions

During the year commissions of £18,012 (2012 – £38,892, 2011 – £30,481) 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, 2011 – £2,860) were paid to AFH Price Pearson Wheatley Limited. The director, Mr J Wheatley, owns 90% of the issued share capital in AFH Price Pearson Wheatley Limited.

23. Events subsequent to the Statement of Financial Position

On 21 November 2013 the Group acquired AG Financial Planning Ltd, an IFA based in Bridgend, Wales for £195,000 in cash. Further consideration up to a maximum of £227,000 may be payable over the 24 months following completion, depending on the performance of the acquired business during that period.

On 26 November 2013 the Group acquired the business and assets of Robert Magee & Associates Ltd £204,000 in cash. Further consideration up to a maximum of £282,000 may be payable over the 26 months following completion, depending on the performance of the acquired business during that period.

On 11 December 2013 the Group acquired the assets of Michael Mac Wealth Management for £58,851 in cash. Further consideration up to a maximum of £191,580 may be payable over the 24 months following completion, depending on the performance of the acquired business during that period.

On 16 January 2014 the Group acquired the business and assets of SR Wealth Management for £94,500 in cash. Further consideration up to a maximum of £105,000 may be payable over the 26 month period following the acquisition, depending on the performance of the acquired business during that period.

Pursuant to a private subscription in April 2014 the Company issued the following Ordinary Shares at a price of 140 pence per Ordinary Share:

on 4 April 2014 – 507,855 Ordinary Shares;

on 7 April 2014 – 649,999 Ordinary Shares,

following which the total number of Ordinary Shares in issue was 18,272,362.

On 19 May 2014 the Group acquired the business and assets of Omega Consulting (Norwich)

Ltd for £28,500 in cash. Further consideration up to a maximum of £88,500 may be payable over the 26 month period following the acquisition, depending on the performance of the acquired business during that period.

24. Principal Subsidiaries

Listed below are the companies which are included in the consolidated results of the Group

Company	*Principal Activity*	*Percentage owned*	*Registered country*
AFH Group Ltd	Holding Company	100%	England & Wales
AFH Legal Limited	Other legal activities	100%	England & Wales
AFH Independent Financial Services	Other financial services	100%[(1)]	England & Wales
Origin Financial Limited	Other financial services	100%	England & Wales
Getinvested Limited	Other financial services	100%[(1)]	England & Wales
AFH JV Holdings Ltd	Other financial services	100%[(1)]	England & Wales
Shape Financial Limited	Other financial services	100%[(1)]	England & Wales
A G Financial Planning Ltd	Other financial services	100%	England & Wales
St Johns Asset Management Limited	Other financial services	100%	England & Wales
St Johns Capital Limited	Other financial services	100%	England & Wales
AFH Acquisitions Ltd	Holding Company	100%[(1)]	England & Wales
UIMCO Ltd	Dormant	100%	England & Wales
AFH Tax Management Ltd	Other financial services	100%[(1)]	England & Wales
SPV1	Intermediary parent	100%[(2)]	England & Wales
AFH SPV2 Ltd	Other financial services	100%[(2)]	England & Wales

(1) 100% subsidiaries owned by AFH Group Ltd, a wholly owned subsidiary of AFH Financial Group plc.

(2) SPV1 and AFH SPV2 Ltd are both 100% subsidiaries owned by AFH Acquisitions Ltd, a wholly owned subsidiary of AFH Group Limited.

PART IV

ACCOUNTANTS' REPORT ON SHAPE FINANCIAL LIMITED

A – Accountants' report on Shape Financial Limited

The Directors
AFH Financial Group PLC
AFH House
Buntsford Drive
Stoke Heath
Bromsgrove
Worcestershire
B60 4JE

The Directors
Allenby Capital Limited
3 St Helen's Place
London
EC3A 6AB

23 June 2014

Dear Sirs

Shape Financial

We report on the historical financial information of Shape as set out in Part B of this Part IV. This financial information has been prepared for inclusion in the Admission Document dated 23 June 2014 of AFH Financial Group on the basis of the accounting policies set out in note 1.

Shape Financial is also included within the Accountants' report on AFH Financial Group as set out in Part III of the Admission Document since acquisition by the Group on 21 June 2013. AFH Financial Group Limited consolidates the results of Shape Financial for the period 21 June 2013 to 31 October 2013.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Responsibilities

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in this document.

The Directors of the Group are responsible for preparing the financial information on the basis of accounting policies set out in note 1 of Part B of this Part IV and in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU").

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of this document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 23 June 2014, a true and fair view of the state of affairs of Shape Financial as at 31 March 2011, 31 March 2012, 31 March 2013 and 31 October 2013 and of the financial performance and position for the three years ended 31 March 2013 and the period ending 31 October 2013 in accordance with International Financial Reporting Standards adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully,

Mazars LLP

B – Historical Financial Information on Shape Financial

The financial information set out below of Shape Financial for the three years ended 31 March 2013 and the period ending 31 October 2013 has been prepared by the Directors of the Group on the basis set out in note 1.

The accompanying notes represent an integral part of the financial information.

The financial information contained within this section does not constitute statutory financial accounts within the meaning of Section 434 of the Companies Act.

Statement of Comprehensive Income

	Note	Year 31 March 2011 £	Year 31 March 2012 £	Year 31 March 2013 £	Seven months 31 October 2013 £
Revenue	2	1,363,611	1,509,091	1,573,725	968,127
Cost of sales		(976,719)	(1,132,656)	(1,260,582)	(719,141)
Gross profit		**386,892**	**376,435**	**313,143**	**248,986**
Administrative expenses		(216,609)	(231,649)	(221,495)	(164,001)
Operating profit	3	**170,283**	**144,786**	**91,648**	**84,985**
Finance income	4	23	79	71	14,414
Finance costs	4	(704)	(299)	(1,001)	—
Profit before tax		**169,602**	**144,566**	**90,718**	**99,399**
Income tax	6	(36,792)	(29,697)	(19,371)	4,650
Profit for the year attributable to owners of the parent		**132,810**	**114,869**	**71,347**	**104,049**
Other comprehensive income		—	—	—	—
Total comprehensive income for the year attributable to owners of the parent		**132,810**	**114,869**	**71,347**	**104,049**
Earnings per share					
Basic	12	1,328.10	1,148.69	713.47	1,040.49
Diluted	12	1,328.10	1,148.69	713.47	1,040.49

Statement of Financial Position

	Note	*31 March 2011* £	*31 March 2012* £	*31 March 2013* £	*31 October 2013* £
Assets					
Non-current assets					
Property, plant and equipment	8	25,501	21,230	15,923	2,634
		25,501	**21,230**	**15,923**	**2,634**
Current assets					
Trade and other receivables	9	39,705	102,521	74,423	211,421
Cash and cash equivalents		257,669	280,935	274,773	266,093
		297,374	**383,456**	**349,196**	**477,514**
Total assets		**322,875**	**404,686**	**365,119**	**480,148**
Liabilities					
Current liabilities					
Trade and other payables	10	36,789	84,649	74,343	147,511
Current tax liabilities		36,792	29,823	19,215	17,027
Financial liabilities – Borrowings	11	10,386	—	—	—
		83,967	**114,472**	**93,558**	**164,538**
Net current assets		**213,407**	**268,984**	**255,638**	**312,976**
Non-current liabilities					
Financial liabilities – Borrowings	11	3,563	—	—	—
		3,563	**—**	**—**	**—**
Total liabilities		**87,530**	**114,472**	**93,558**	**164,538**
Net assets		**235,345**	**290,214**	**271,561**	**315,610**
Shareholders' equity					
Share capital	12	100	100	100	100
Retained earnings		235,245	290,114	271,461	315,510
Total Shareholders' equity		**235,345**	**290,214**	**271,561**	**315,610**

Statement of Changes in Equity

	Share capital	*Retained earnings*	*Total*
	£	**£**	**£**
Balance at 1 April 2010	**100**	**184,192**	**184,292**
Profit for the year	—	132,810	132,810
Other comprehensive income	—	—	—
Total comprehensive income	—	132,810	132,810
Dividend	—	(81,757)	(81,757)
Balance at 31 March 2011	**100**	**235,245**	**235,345**
Profit for the year	—	114,869	114,869
Other comprehensive income	—	—	—
Total comprehensive income	—	114,869	114,869
Dividend	—	(60,000)	(60,000)
Balance at 31 March 2012	**100**	**290,114**	**290,214**
Profit for the year		71,347	71,347
Other comprehensive income	—	—	—
Total comprehensive income	—	71,347	71,347
Dividend	—	(90,000)	(90,000)
Balance at 31 March 2013	**100**	**271,461**	**271,561**
Profit for the period	—	104,049	104,049
Other comprehensive income	—	—	—
Total comprehensive income	—	104,049	104,049
Dividend	—	(60,000)	(60,000)
Balance at 31 October 2013	**100**	**315,510**	**315,610**

Statement of Cash Flows

	Note	*Year 31 March 2011* £	*Year 31 March 2012* £	*Year 31 March 2013* £	*Seven months 31 October 2013* £
Cash flows from/(used in) operating activities					
Cash generated from operations	13	186,827	137,021	114,478	39,312
Tax paid		(22,564)	(36,779)	(29,710)	—
Net cash inflow from operating activities		**164,263**	**100,242**	**84,768**	**39,312**
Cash flows (used in) / from investing activities					
Purchase of property, plant and equipment		(2,400)	(2,807)	—	(2,690)
Proceeds from sale of property, plant and equipment		—	—	—	284
Interest received		23	79	71	14,414
Net cash (outflow)/inflow from investing activities		**(2,377)**	**(2,728)**	**71**	**12,008**
Cash flows used in financing activities					
Repayment of borrowings		(10,003)	(13,949)	—	—
Interest paid		(704)	(299)	(1,001)	—
Dividends		(81,757)	(60,000)	(90,000)	(60,000)
Net cash outflow from financing activities		**(92,464)**	**(74,248)**	**(91,001)**	**(60,000)**
Net increase/(decrease) in cash and cash equivalents		69,422	23,266	(6,162)	(8,680)
Cash and cash equivalents at the beginning of the year		188,247	257,669	280,935	274,773
Cash and cash equivalents at the end of the year / period		**257,669**	**280,935**	**274,773**	**266,093**

Notes to the Accounts

1. General Information

Shape Financial is a company incorporated in England and Wales under the Companies Act 2006 and is registered at AFH House, Buntsford Drive, Stoke House, Bromsgrove, Worcestershire, B60 4JE.

Shape Financial is principally engaged in the provision of independent financial advice to the retail market.

This financial information has been prepared for the 3 years ended 31 March 2013 and the seven month period ended 31 October 2013.

1.1 Principal accounting policies

(a) Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") Interpretations that are endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to those companies reporting under IFRS.

The financial information has been prepared in Sterling.

The principal accounting policies adopted are set out below and have been applied consistently throughout the three financial years and financial period presented.

During 2013 Shape Financial changed its year end to 31 October 2013 to be aligned with that of its ultimate parent undertaking, the Company.

(b) Going Concern

The Directors have considered the Company's business activities, its cash flows and capital position. They are satisfied that Shape Financial 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 information.

(c) Property, plant and equipment

Property, 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 at 25% per annum on reducing balance
- Fixtures, fittings and equipment at 25% 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 and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

(d) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(e) Trade and other receivables

A provision for impairment is made when there is objective evidence that Shape Financial will not be able to collect all of the amounts due under the original terms of the invoice. Any provisions are recognised as an expense in the Statement of Comprehensive Income

(f) Leases

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term.

(g) 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 Statement of Cash Flow, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(h) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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 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).

(i) 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.

(j) 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 substantively enacted at the reporting date.

(k) 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 as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

(l) Dividend recognition

Dividend distributions to Shape Financial'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 Shape Financial's shareholders at the Annual General Meeting.

(m) Changes in accounting policies

Standards, interpretations and amendments effective from 1 November 2010

None of the new standards, interpretations and amendments, effective for the first time from 1 November 2010, have had a material effect on the financial information. All new or amended standards effective from 1 November 2010 have been implemented.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of this financial information, the following standards and interpretations which have not been applied in this financial information were in issue but not yet effective:

Periods commencing Standard or interpretation on or after 1 November 2013

IFRS 2 (amended) Share-based payment 1 July 2014

IFRS 3 (amended) Business Combinations 1 July 2014

IFRS 7 (amended) Financial Instruments Disclosures 1 January 2015

IFRS 9 Financial Instruments 1 January 2015

IFRS 13 Fair Value Measurement 1 January 2014

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

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

IAS 36 (amendment) Impairment of assets – Recoverable amount disclosures for non-financial assets 1 January 2014

IAS 39 Financial Instruments: Recognition and Measurement – Novations of derivatives and hedge accounting 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 Shape Financial in the future periods.

(n) Financial instruments

Financial assets

Financial assets are recognised in the Statement of Financial Position when Shape Financial 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.

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.

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.

Fair value through profit and loss

Financial assets at fair value through profit and loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit and loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in finance income or finance cost in the income statement.

The Company has not designated any financial assets upon initial recognition as at fair value through profit and loss.

The Company evaluated its financial assets held for trading to determine whether the intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future is significantly changed, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit and loss using the fair value option at designation.

Impairment of financial assets

Financial assets 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 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, Shape Financial's obligations are discharged, cancelled or expired.

Equity instruments

Equity instruments issued by Shape Financial are recorded at the proceeds received, net of direct issue costs.

(o) Financial risks

Financial risks factors

Shape Financial'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. Shape Financial's overall risk management programme seeks to minimise potential adverse effects on Shape Financial's financial performance.

Market risk

Shape Financial's main sources of revenue and operating cash flows are substantially independent of changes in market interest rates. Shape Financial 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 (AFH Financial Group, see note 17) 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.

Shape Financial 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. Shape Financial maintains flexibility by maintaining significant headroom in its cash position.

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

Capital risk management

Shape Financial's objectives when managing capital are to safeguard Shape Financial'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.

Shape Financial 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 Shape Financial is composed of equity attributable to the shareholders and long term unsecured corporate bonds, as detailed in the Statement of Changes in Equity.

The capital structure of Shape Financial consists of debt, cash and cash equivalents and equity comprising share capital, reserves and retained earnings. Shape Financial 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.

Fair value estimation

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.

(p) Critical accounting judgements and key sources of estimation uncertainty

The application of Shape Financial's 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.

2. Revenue and segmental analysis

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

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

The total revenue of Shape Financial 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 Shape Financial's revenues (2013 – nil, 2012 – nil, 2011 – nil).

3. Profit for the year / period

	Year 31 March 2011	*Year 31 March 2012*	*Year 31 March 2013*	*Seven months 31 October 2013*
	£	*£*	*£*	*£*
Profit for the year is stated after charging:				
Depreciation of tangible assets	8,500	7,078	5,307	56
Operating lease rentals	—	—	8,232	4,870
Loss on disposal of tangible assets	—	—	—	15,639

Audit fees are borne by the parent company AFH Financial Group for the period ending 31 October 2013. In prior period no statutory audits were undertaken on Shape Financial due to Companies Act exemption being taken.

4. Finance costs and income

Finance costs	*Year 31 March 2011*	*Year 31 March 2012*	*Year 31 March 2013*	*Seven months 31 October 2013*
	£	*£*	*£*	*£*
On bank loans and overdrafts	704	299	15	—
Other interest and financial charges	—	—	986	—
	704	299	1,001	—

Finance income	*Year 31 March 2011*	*Year 31 March 2012*	*Year 31 March 2013*	*Seven months 31 October 2013*
	£	*£*	*£*	*£*
Bank interest	23	79	71	14,414

5. Employees

	Year 31 March 2011	*Year 31 March 2012*	*Year 31 March 2013*	*Seven months 31 October 2013*
	£	*£*	*£*	*£*
Wages and salaries	86,941	84,915	88,081	49,599
Social security costs	6,345	5,785	6,181	2,322
	93,286	90,700	94,262	51,921

The average number of employees (including directors of Shape Financial) during the year / period were as follows:

	Year 31 March 2011	*Year 31 March 2012* Number	*Year 31 March 2013* Number	*Seven months 31 October 2013* Number
Office	7	7	7	6
Total	7	7	7	6

6. Income Tax expense

	Year 31 March 2011 £	*Year 31 March 2012* £	*Year 31 March 2013* £	*Seven months 31 October 2013* £
Current tax				
– Current year/period	36,792	29,697	19,371	550
– Adjustment for prior years	—	—	—	(5,200)
Deferred tax				
– Relating to origination and reversal of temporary differences	—	—	—	—
Income tax expense reported in the Statement of Comprehensive Income	36,792	29,697	19,371	(4,650)

Reconciliation of profit before tax to total tax expense for the year/period:

	Year 31 March 2011 £	*Year 31 March 2012* £	*Year 31 March 2013* £	*Seven months 31 October 2013* £
Profit before tax	169,602	144,566	90,718	99,399
Profit become income tax multiplied by the rate of Corporation tax in the UK (21%; 20%; 20%; 20%)	35,616	28,913	18,144	19,880
Effect of:				
Non-deductible expenses	—	25	224	—
Depreciation in excess of capital allowances not recognised as a deferred tax asset	1,176	772	1,003	2,579
Prior year deferred tax adjustment	—	—	—	(5,200)
Utilisation of previously unrecognised tax losses	—	—	—	(18,062)
Other tax adjustments	—	(13)	—	(3,847)
Income tax expense reported in the Statement of Comprehensive Income	36,792	29,697	19,371	(4,650)

7. Dividends

	Year 31 March 2011 £	Year 31 March 2012 £	Year 31 March 2013 £	Seven months 31 October 2013 £
Ordinary final paid	81,757	60,000	90,000	60,000
Dividend per share	817.5	600.0	900.0	600.0

8. Property, plant and equipment

	Computer and office equipment £	Fixtures, fittings & equipment £	Total £
At 1 April 2010	31,943	14,804	46,747
Additions	2,006	394	2,400
At 31 March 2011	33,949	15,198	49,147
Additions	2,356	451	2,807
At 31 March 2012	36,305	15,649	51,954
Additions	—	—	—
At 31 March 2013	36,305	15,649	51,954
Additions	2,690	—	2,690
Disposals	(36,305)	(15,649)	(51,954)
At 31 October 2013	2,690	—	2,690
Depreciation			
At 1 April 2010	9,244	5,902	15,146
Charge for the year	6,176	2,324	8,500
At 31 March 2011	15,420	8,226	23,646
Charge for the year	5,222	1,856	7,078
At 31 March 2012	20,642	10,082	30,724
Charge for the year	3,915	1,392	5,307
At 31 March 2013	24,557	11,474	36,031
On disposals	(24,557)	(11,474)	(36,031)
Charge for the year	56	—	56
At 31 October 2013	56	—	56
Net book value			
At 31 October 2013	2,634	—	2,634
At 31 March 2013	11,748	4,175	15,923
At 31 March 2012	15,663	5,567	21,230
At 31 March 2011	18,529	6,972	25,501

9. Trade and other receivables

	31 March 2011	*31 March 2012*	*31 March 2013*	*31 October 2013*
	£	**£**	**£**	**£**
Trade receivables	34,673	102,393	74,061	122,809
Amounts owed by Group undertakings	—	—	—	80,000
Prepayments	1,277	128	362	8,612
Other debtors	3,755	—	—	—
	39,705	102,521	74,423	211,421

There are no bad or doubtful receivables. An analysis of trade receivables is set out in note 15.

10. Trade and other payables

	31 March 2011	*31 March 2012*	*31 March 2013*	*31 October 2013*
	£	**£**	**£**	**£**
Current				
Trade payables	6,548	9,291	18,119	25,817
Commissions payable	23,218	71,673	51,843	114,714
Other payables	3,357	—	271	—
Amounts owed to Group undertakings	—	—	—	3,637
Accruals	3,666	3,685	4,110	3,343
	36,789	84,649	74,343	147,511

11. Borrowings

	31 March 2011	*31 March 2012*	*31 March 2013*	*31 October 2013*
	£	**£**	**£**	**£**
Current borrowings				
Loan	10,386	—	—	—
Non-current borrowings				
Loan	3,563	—	—	—
	13,949	—	—	—

The financial liabilities are recognised at amortised cost. There is no material difference between the fair value and the carrying value.

The loan balance is an unsecured bank loan with interest charged at 3.5% of the balance. The bank loan is repayable in instalments.

12. Share capital

	31 March 2011	*31 March 2012*	*31 March 2013*	*31 October 2013*
	£	**£**	**£**	**£**
Authorised, issued and fully paid £1 ordinary shares	100	100	100	100

The calculation of earnings per share is based on the profit attributable to the equity holders for the period of £104,049 (2013 year – £71,347, 2012 – £14,869, 2011 – £132,810) and weighted average number of shares in issue during the period of 100 (2013 year – 100, 2012 – 100, 2011 – 100).

13. Cash generated from operations

	31 March 2011 £	31 March 2012 £	31 March 2013 £	31 October 2013 £
Profit before tax	169,602	144,566	90,718	99,399
Adjustments for:				
Interest and dividend income	(23)	(79)	(71)	(14,414)
Interest expenses	704	299	1,001	—
Depreciation	8,500	7,076	5,308	56
Loss on disposal of tangible assets	—	—	—	15,639
Movements in working capital:				
– Trade and other receivables	31,206	(62,816)	28,098	(136,998)
– Trade and other payables	(23,162)	47,975	(10,576)	75,630
Cash generated from operations	186,827	137,021	114,478	39,312

14. Financial commitments

At the reporting dates, Shape Financial has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & buildings 31 March 2011 £	Other 31 March 2011 £	Land & buildings 31 March 2012 £	Other 31 March 2012 £	Land & buildings 31 March 2013 £	Other 31 March 2013 £	Land & buildings 31 October 2013 £	Other 31 October 2013 £
Due within one year	7,632	835	7,632	835	7,632	835	3,180	835
Between one and two years	7,632	835	7,632	835	—	626	—	—
Between two and five years	7,632	1,461	—	626	—	—	—	—
In over five years	—	—	—	—	—	—	—	—
Total	22,896	3,131	15,264	2,296	7,632	1,461	3,180	835

15. Financial instruments

Interest rate risk management

Shape Financial has an exposure to interest rate risk arising on interest-bearing deposits.

The Board of the Group 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.

The possible movement in UK interest rates would not have a significant impact on profit or loss.

Liquidity risk management

The Board monitors forecasts of Shape Financial'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 Shape Financial.

The Board of the Group reviews Shape Financial's liquidity at its monthly meetings. Board policy involves projecting cash flows and considering the level of liquid assets necessary to meet these requirements.

An analysis of Shape Financial's contracted maturities of financial liabilities, including interest payments is as follows:

2013 – October	***Effective interest rate***	***Carrying amount £***	***Contractual cash flows £***	***Within a year £***	***1-2 years £***
Trade payables	—	25,817	25,817	25,817	—
Commissions payable	—	114,714	114,714	114,714	—
Amounts owed to Group undertakings	—	3,637	3,637	3,637	—
Total		144,168	144,168	144,168	—

2013 – March	***Effective interest***	***Carrying amount £***	***Contractual cash flows £***	***Within a year £***	***1-2 years £***
Trade payables	—	18,119	18,119	18,119	—
Other payables	—	271	271	271	—
Commissions payable	—	51,843	51,843	51,843	—
Total		70,233	70,233	70,233	—

2012	***Effective interest***	***Carrying amount £***	***Contractual cash flows £***	***Within a year £***	***1-2 years £***
Trade payables	—	9,291	9,291	9,291	—
Other payables	—	—	—	—	—
Commissions payable	—	71,673	71,673	71,673	—
Total		80,964	80,964	80,964	—

2011	***Effective interest***	***Carrying amount £***	***Contractual cash flows £***	***Within a year £***	***1-2 years £***
Trade payables	—	6,548	6,548	6,548	—
Other payables	—	3,357	3,357	3,357	—
Commissions payable	—	23,218	23,218	23,218	—
Loan	3.5%	13,949	14,566	10,386	3,563
Total		20,497	21,114	16,934	3,563

There is no material difference between the fair value and carrying value for those financial liabilities held at amortised cost.

Credit risk

Shape Financial has no significant exposure to credit risk with no bad or doubtful receivables.

Shape Financial's maximum exposure to credit risk is represented by its trade receivables, (which are usually paid within 30 days) and cash balances.

Aged trade receivables

	Current	**>30 days**	**>*60 days***	**>*90 days***	***Total receivables***
	£	**£**	**£**	**£**	**£**
2013 – October	122,809	—	—	—	122,809
2013 – March	74,061	—	—	—	74,061
2012	102,393	—	—	—	102,393
2011	34,673	—	—	—	34,673

The trade receivable balances represent the number of days from the date of invoice. No impairments for bad or doubtful debts have been made.

16. Parent undertakings

On 21 June 2013 100% of Shape Financial was acquired by AFH Financial Group. The results of Shape Financial have been consolidated into the financial information, as set out in Part A of Part III, of AFH Financial Group for the period 21 June 2013 to 31 October 2013.

17. Related party transactions

At the balance sheet date there were loans due from / (to) fellow Group companies as follows:

	31 March 2011	***31 March 2012***	***31 March 2013***	***31 October 2013***
	£	**£**	**£**	**£**
AFH Group Ltd	—	—	—	80,000
AFH Independent Financial Services Ltd	—	—	—	(3,637)

PART V

UNAUDITED PROFORMA STATEMENT OF CONSOLIDATED NET ASSETS

The unaudited consolidated pro forma statement of net assets (the "Statement") has been prepared to illustrate the effect of the Placing, the Subscription and Admission had the Placing, the Subscription and Admission taken place on 31 October 2013. This pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Group. The Statement has been compiled on the basis described below.

	Net assets of the Group as at 31 October 2013 (Note 1)	*Placing, the Subscription & Admission (Note 2)*	*Unaudited Pro forma net assets of the Group as at 31 October 2013*
	£	**£**	**£**
Assets			
Non-current assets			
Intangible assets	8,161,329	—	8,161,329
Property, plant and equipment	251,212	—	251,212
Investments	598	—	598
Deferred tax asset	11,203	—	11,203
	8,424,342		**8,424,342**
Current assets			
Trade and other receivables	2,602,408	—	2,602,408
Current tax assets	11,158	—	11,158
Cash and cash equivalents	4,333,949	1,061,743	5,395,692
	6,947,515	**1,061,743**	**8,009,258**
Total assets	**15,371,857**	**1,061,743**	**16,433,600**
Liabilities			
Current liabilities			
Trade and other payables	3,795,287	—	3,795,287
Current tax liabilities	311,565	—	311,565
Financial liabilities – Borrowings	188,542	—	188,542
	4,295,394	—	**4,295,394**
Net current assets	**2,652,121**	**1,061,743**	**3,713,864**
Non-current liabilities			
Trade and other payables	2,219,920	—	2,219,920
Financial liabilities – Borrowings	752,000	—	752,000
Deferred tax liability	644,179	—	644,179
	3,616,099	—	**3,616,099**
Total liabilities	**7,911,493**	—	**7,911,493**
Net assets	**7,460,364**	**1,061,743**	**8,522,107**

Notes:

1. The net assets of AFH Financial Group as at 31 October 2013 have been extracted, without adjustment, from the Financial Information included in Section B of Part III of this document.
2. An adjustment has been made to reflect the net proceeds of the Placing and the Subscription receivable by the Company of £1.06 million (net of estimated expenses of £0.40 million).
3. The unaudited pro forma statement of consolidated net assets of the Group does not take into account any trading or working capital movements since 31 October 2013.

PART VI

ADDITIONAL INFORMATION

1 Responsibility

1.1 The Directors, whose names appear on page 5 of this Document, and the Company accept responsibility, both individually and collectively, for the information contained in this Document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 The Reporting Accountant accepts responsibility for its reports set out in Parts III and IV of this Document. To the best of the knowledge of the Reporting Accountant (who has taken all reasonable care to ensure that such is the case), the information contained in such reports is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 The Company

2.1 The Company was incorporated on 18 May 2011 in England and Wales under the Act as a public limited company with registration number 07638831 under the name AFH Financial Group PLC.

2.2 The liability of the members of the Company is limited.

2.3 The registered office of the Company (and its principal place of business) is at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, Worcestershire B60 4JE and the telephone number is 01527 577 775.

2.4 The Company currently has 15 wholly owned subsidiaries, all incorporated in the UK, the details of which are set out below:

Name	*Principal activity*
Shape Financial Limited	Financial Management
AFH Group Limited	Financial Services Holding Company
AFH Independent Financial Services Limited	Financial Intermediation
Origin Financial Limited	Fund Management Activities
AFH (JV) Holdings Limited	Non-trading Company
St. Johns Asset Management Limited	Financial Intermediation
AG Financial Planning Limited	Financial Intermediation
AFH Acquisitions Limited	Financial Services Holding Company
AFH SPV 1 Limited	Financial Services Holding Company
AFH Tax Management Limited	Financial Intermediation
AFH SPV 2 Limited	Financial Intermediation
AFH Legal Limited	Legal Activities
St. John’s Capital Limited	Financial Intermediation
UIMCO Limited	Financial Intermediation
Getinvested Limited	Financial Intermediation

2.5 The Company currently has 12 partly owned indirect subsidiaries, all of which are UK incorporated, and all of which are held through AFH (JV) Holdings Limited. Details are set out below:

Name	***Principal activity***	***Percentage of issued share capital held***	***Percentage of voting rights held***
MFA Wealth Management Limited	Financial Intermediation	50	100
Holland House Financial Services Limited	Financial Intermediation	50	100
Price Deacon Witham Financial Services Limited	Insurance and Pension Funding	50	100
Lindasi Limited	Financial Intermediation	50	100
Cotswold Financial Advisers Limited	Financial intermediation	50	100
Strand House Wealth Management Limited	Financial Services Holding Company	50	100
PPW Financial Services Limited	Accounting and Auditing Activities	50	100
Mercury House Financial Services Limited	Financial Intermediation	50	100
Groucott Moor Financial Services Limited	Financial Intermediation	50	100
Broomfield & Alexander Wealth Management Limited	Financial Intermediation	50	100
Swinford Independent Financial Advisers Limited	Financial Intermediation	50	100
Bloomer Heaven Wealth Management Limited	Management Consultancy Activities	50	100

2.6 The Ordinary Shares were created under the Act.

3 Share Capital

3.1 The capital history of the Company from the date of the Company's incorporation to the date of this Document is as follows:

3.1.1 The Company was incorporated on 18 May 2011 when two Ordinary Shares were issued to the subscribers to the memorandum of association.

3.1.2 On 9 June 2011 the Company issued 11,899,998 Ordinary Shares at a price of 80 pence per Ordinary Share as consideration for the purchase of AFH Group Limited to its shareholders, following which the total number of Ordinary Shares in issue was 11,900,000.

3.1.3 On 23 June 2011, the Company issued 1,736,250 Ordinary Shares at a price of 80 pence per Ordinary Share to raise funds for additional working capital, following which the total number of Ordinary Shares in issue was 13,636,250.

3.1.4 On 3 August 2011 the Company issued 460,624 Ordinary Shares at a price of 80 pence per Ordinary Share by way of a private placing, following which the total number of Ordinary Shares in issue was 14,096,874.

3.1.5 On 3 April 2012 the Company issued 25,000 Ordinary Shares at a price of £1.00 per Ordinary Share in satisfaction of obligations to make a cash payment in connection with the acquisition of the assets and business of The Arden Court Group Ltd (the "**Arden Acquisition**"), following which the total number of Ordinary Shares in issue was 14,121,874.

3.1.6 On 18 October 2012 the Company issued 658,500 Ordinary Shares at a price of £1.00 per Ordinary Share by way of a private placing, following which the total number of Ordinary Shares in issue was 14,780,374.

3.1.7 On 20 August 2013 the Company issued 1,205,505 Ordinary Shares at a price of £1.09 per Ordinary Share to raise funds for acquisitions and for additional working capital, following which the total number of Ordinary Shares in issue was 15,985,879.

3.1.8 On 21 August 2013 the Company issued 36,697 Ordinary Shares at a price of £1.09 per Ordinary Share to raise funds for acquisitions and for additional working capital, following which the total number of Ordinary Shares in issue was 16,022,576.

3.1.9 On 8 October 2013 the Company issued 82,569 Ordinary Shares at a price of £1.09 per Ordinary Share to raise funds for acquisitions and for additional working capital, following which the total number of Ordinary Shares in issue was 16,105,145.

3.1.10 On 9 October 2013 the Company issued 590,953 Ordinary Shares at a price of £1.09 per Ordinary Share to raise funds for acquisitions and for additional working capital, following which the total number of Ordinary Shares in issue was 16,696,098.

3.1.11 On 22 October 2013, the Company issued 418,410 Ordinary Shares at a price of £1.195 per Ordinary Share to raise funds for acquisitions and for additional working capital, following which the total number of Ordinary Shares in issue was 17,114,508.

3.1.12 Pursuant to a private subscription in April 2014 the Company issued the following Ordinary Shares at a price of 140 pence per Ordinary Share:

3.1.12.1 on 4 April 2014 – 507,855 Ordinary Shares;

3.1.12.2 on 7 April 2014 – 649,999 Ordinary Shares,

following which the total number of Ordinary Shares in issue was 18,272,362.

3.2 Save as referred to in paragraph 4 below of this Part VI, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option, and there are in issue no convertible securities.

3.3 There are no shares not representing share capital and there are no Ordinary Shares in the Company held by or on behalf of the Company or by any of the Subsidiaries.

3.4 The Placing will result in the issue of 346,252 New Ordinary Shares and the Subscription will result in the issue of 697,850 Subscription Shares. The Company's issued share capital is at the date of this Document is, and is expected to be immediately following Admission, as follows:

	As at the date of this Document		***As at Admission***	
	Amount (£)	***Number of Ordinary Shares in issue***	***Amount (£)***	***Number of Ordinary Shares in issue***
Issued	£1,827,236	18,272,362	£1,931,646	19,316,464

3.5 At the last annual general meeting of the Company held on 28 April 2014, all proposed resolutions were passed including an ordinary resolution authorising the Directors to allot new Ordinary Shares in the Company up to an aggregate nominal amount of £300,000 (consisting of 3,000,000 Ordinary Shares) and a special resolution authorising the disapplication of statutory pre-emption rights in respect of the same.

3.6 There is no class of shares in issue other than Ordinary Shares.

3.7 No Ordinary Shares are issued other than as fully paid.

3.8 The share capital reconciliation as required to be disclosed in accordance with the AIM Rules is as follows:

	As at 1 November 2012	***As at 31 October 2013***
Issued Ordinary Shares	14,780,374	17,114,508

4 Share Options, Convertible Securities and Bonds

4.1 In order to motivate the Company's employees and contractors, the Board has adopted option schemes to authorise the Company to issue share options to employees and to contractors.

4.2 As at the date of this Document the Company has in issue, and unexercised, an aggregate of 1,440,475 options to subscribe for new Ordinary Shares. The material terms of these options are set out below and further details on the Share Option Schemes are contained in paragraph 8 of this Part VI:

	EMI Options	***Contractors' Options***
Date of Grant	22 June 2011	22 June 2011
Number granted	127,700	382,824
Vesting Date	22 June 2014	22 June 2014
Date of Lapse	22 June 2021	22 June 2021
Exercise Price	£0.37 per Ordinary Share	£0.37 per Ordinary Share
Date of Grant	1 August 2012	1 August 2012
Number granted	104,094	183,000
Vesting Date	1 August 2015	1 August 2015
Date of Lapse	1 August 2022	1 August 2022
Exercise Price	£1.00 per Ordinary Share	£1.00 per Ordinary Share

4.3 Alan Hudson was granted 150,000 unapproved options in January 2014 to be issued conditional on Admission and exercisable at the Placing Price.

4.4 John Wheatley was granted 13,585 Contractors Options on 22 June 2011 at £0.37 per Ordinary Share and 5,000 Contractors Options on 1 August 2012 at £1.00 per share. He was granted 25,000 unapproved options in January 2014 to be issued conditional on Admission and exercisable at the Placing Price.

4.5 Toby Denne was granted 5,000 Contractors Options at £1.00 per Ordinary Share on 1 August 2012 and 100,000 EMI Options at £1.20 per Ordinary Share on 13 January 2014 and was granted, conditional on Admission, £130,000 worth of EMI Options exercisable at the Placing Price.

4.6 Paul Wright was granted 125,000 EMI Options at £1.20 per Ordinary Share on 13 January 2014. He will be granted up to a further 125,000 options, conditional on Admission, of which the equivalent of £100,000 will be granted as EMI Options and the balance as unapproved options, these options to be exercisable at the Placing Price.

4.7 Susan Lewis was granted 25,000 unapproved options in January 2014 to be issued conditional on Admission and exercisable at the Placing Price.

4.8 The Company has £50,000 convertible loan notes outstanding pursuant to the Arden Agreement issued pursuant to the Arden Loan Note Instrument. The loan notes are due to be converted on 30 June 2014 into Ordinary Shares at a price to be determined in accordance with the average mid-market quotation for the Ordinary Shares over a period of five consecutive dealing days ending with the date of conversion. Further details are set out in paragraph 14.2.1 of this Part VI.

4.9 On 3 September 2013 the Company issued £752,000 of 8% bonds which are due for redemption on 10 September 2020 when the principal amount will be repaid. Interest payments under the bonds are made bi-annually in arrears on 30 June and 31 December each year. Further details are set out in paragraph 14.2.8 of this Part VI.

5 Directors

5.1 Other than directorships of Group companies, the current directorships and partnerships of the Directors and directorships and partnerships held by them over the previous five years are as follows:

Director	*Current Directorships/ Partnerships*	*Previous Directorships/ Partnerships*
Alan Hudson	A&F Hudson Swinford Independent Financial Advisers Limited MFA Wealth Management Limited Broomfield & Alexander Wealth Management Limited Prevision Financial Services Ltd St Johns Capital Limited Lindasi Limited Broomfield & Alexander Wealth Management Limited Cotswold Financial Advisers Limited Price Deacon Witham Financial Services Limited Mercury House Financial Services Limited Groucott Moor Financial Services Limited Holland House Financial Services Limited PPW Financial Services Ltd Strand House Wealth Management Limited Hudson Equestrian LLP	AFH Small Business School Limited AFH Trust and Estate Planning Limited AFH Equestrian Limited AFH Mortgage & Loans Limited AFH Price Pearson Wheatley Limited A.F.H. Executive Financial Planning Limited G.R. Brickstock & Associates Financial Services Limited Bell Chambers Limited Judy Ward (Financial Services) Limited MFA Wealth Management Ltd Marlowe & Co Financial Services Ltd Jones & Co Independent Financial Services Limited Straight Financial Services Limited Cherish Wealth Management Limited Barlow, Gray & Company Limited Brian Potter & Associates Financial Services Limited Allabusinessneeds.com Limited Anthony Butcher & Company Limited Blythe Phillips Management Services Limited
Toby Denne	Bonnes Saveurs Limited African Alpha Business Angel Syndicate Limited Durral Limited Flight Calibration Services Limited St Johns Asset Management Limited	Leckford Partners Limited BetClearer Limited CHGAC Investments Census Portfolio Management Limited Allium Capital Limited Texture Restaurant Limited
Paul Wright	Oxford United Football Club Ltd Dot Com Childrens Foundation	Workplace Systems International plc Workplace Systems Limited Workplace Group Limited Workplace Australia Pty Ltd Workplace Inc London Rugby League Limited London Broncos Rugby League Foundation WASP Management Software Ltd Care Interactive Software Ltd Insight Interactive Ltd Insight Logistics Limited LSI Consulting Ltd Labor Solutions International Inc Shoo 535 Ltd
John Wheatley	Bluehone Holdings plc Bromsgrove School Foundation PPW Financial Services Limited	Cradley Group Holdings plc Frederick Woolley Limited Vernon Leisure Limited

Director	*Current Directorships/ Partnerships*	*Previous Directorships/ Partnerships*
	Crofts & Assinder Holdings Limited Old Edwardians Association (The) Dodderhill School Swinford Independent Financial Advisers Limited CW Xperts Limited Crofts & Assinder Limited Old Edwardians Association FW Cables Limited FW Cables (Holdings) Limited AFH Price Pearson Wheatley Limited Destiny Publishing LLP	Hanbridge Enterprise Limited Advantage Designs Limited Woven Carpets of Kidderminster Limited Rowe (Kidderminster) Limited JDR Products Ltd EMA Productions
Susan Lewis	Eversheds LLP Newhall Nominees Ltd	Business Professional Services Birmingham Limited

5.2 The business address of each of the Directors is c/o AFH Financial Group plc, AFH House Buntsford Drive, Stoke Heath, Bromsgrove, Worcestershire B60 4JE.

5.3 Save as disclosed in paragraphs 5.4 and 5.5 below, as at the date of this Document, none of the Directors has:

5.3.1 any unspent convictions in relation to indictable offences; or

5.3.2 been declared bankrupt or made any individual voluntary arrangement; or

5.3.3 been a director of a company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors; or

5.3.4 been a partner or in a partnership at the time of or within the twelve months preceding the partnership being subject to a compulsory liquidation, administration or partnership voluntary arrangement; or

5.3.5 had any asset subject to receivership or been a partner of any partnership at the time of or within the twelve months preceding any asset of such partnership being subject to a receivership; or

5.3.6 been subject to any public criticism by statutory or regulatory authorities (including recognised professional bodies), nor disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5.4 John Wheatley was a non-executive director of Woven Carpets of Kidderminster Ltd from 13 September 2010 to 21 May 2013. This company was placed in administration on 24 February 2012 and was dissolved on 21 May 2013.

5.5 Paul Wright was a director of the Sports Café Holdings plc from 1 January 2005 to 10 January 2008. Sports Café Holdings plc was placed into administration on 11 January 2008.

6 Directors' and Other Interests

6.1 The interests of the Directors (all of which are beneficial, unless otherwise stated), and (so far as is known to the Directors, or could with reasonable diligence be ascertained by them) the interests of persons connected with the Directors, in the Ordinary Share capital of the Company as at 22 June 2014 (being the latest practicable date prior to publication of this Document) and as at Admission will be as follows:

	As at the date of this Document		*As at Admission*	
Director	***Number of Ordinary Shares***	***Percentage of issued Ordinary Share Capital***	***Number of Ordinary Shares***	***Percentage of Enlarged Share Capital***
Alan Hudson*	8,826,467	48.31%	7,782,366	40.29%
John Wheatley**	194,264	1.06%	227,121	1.18%
Toby Denne	89,174	0.49%	267,745	1.39%
Susan Lewis	N/A	N/A	N/A	N/A
Paul Wright	N/A	N/A	35,000	0.18%

* Shareholding held via a share dealing account in the name of his broker, Thomas Grant and Company Nominees Limited

** Shareholding held via his self-invested personal pension.

6.2 The Directors hold the following options to subscribe for new Ordinary Shares:

Director	***No of Options and type of Option***	***Exercise Price***	***Expiry Date***
Alan Hudson	150,000 unapproved options granted in January 2014 to be issued conditional on Admission	Placing Price	30 June 2024
John Wheatley	13,585 Contractors Options granted on 22 June 2011	£0.37 per share	22 June 2021
	5,000 Contractors Options granted on 1 August 2012	£1.00 per share	1 August 2022
	25,000 unapproved options granted in January 2014 to be issued conditional on Admission	Placing Price	30 June 2024
Toby Denne	5,000 Contractors Options granted on 1 August 2012	£1.00 per share	1 August 2022
	100,000 EMI Options granted on 13 January 2014	£1.20 per share	12 January 2024
	£130,000 worth of EMI Options granted in December 2013 to be issued conditional on Admission	Placing Price	30 June 2024
Susan Lewis	25,000 unapproved options granted in January 2014 to be issued conditional on Admission	Placing Price	30 June 2024
Paul Wright	125,000 EMI Options granted on 13 January 2014	£1.20 per share	12 January 2024
	£100,000 worth of EMI Options and up to 125,000 unapproved options (less the £100,000 worth of EMI Options), granted in December 2013 to be issued conditional on Admission	Placing Price	30 June 2024

6.3 Save as disclosed above, the Directors are not aware of any interests of persons connected with them.

6.4 The Directors are not required to hold any Ordinary Shares under the Articles.

6.5 Other than as set out below, the Company is not aware of any person, other than the Directors and their immediate families, who as at 22 June 2014 (being the latest practicable date prior to publication of this Document) and immediately following Admission will, directly or indirectly, be interested in 3 per cent. or more of the voting rights of the Company or who, directly or indirectly, jointly or severally exercise or could exercise control over the Company, or whose interest is notifiable under the Disclosure and Transparency Rules or otherwise in the UK.

	As at the date of this Document		***As at Admission***	
	Number of Ordinary Shares	***Percentage of issued Ordinary Share Capital***	***Number of Ordinary Shares***	***Percentage of Enlarged Share Capital***
Mr Paul Connor	2,000,000	10.95%	2,000,000	10.35%
Philip and Lynne Mobberley	2,253,634	12.33%	2,967,919	15.36%

6.6 The voting rights of the significant shareholders as set out in this paragraph 6 do not differ from the voting rights of the other Shareholders.

6.7 As at the date of this Document, Paul Connor holds more than 10% of the issued share capital in the Company. Please refer to paragraph 15.3 of this Part VI for regulatory implications.

6.8 Other than the protections afforded to Shareholders in the Company under the Takeover Code (details of which are set out in Part I of this Document) there are no controls in place to ensure that any Shareholder having a controlling interest in the Company does not abuse that interest.

6.9 Save for the Placing, neither the Directors nor the Company are aware of any arrangements in place which may result in a change in control of the Company.

6.10 Save as disclosed in this Document, none of the Directors has any interest, beneficial or non-beneficial, in the share or loan capital of the Company.

6.11 Save as disclosed in this Document, no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Group and no contract or arrangement exists in which any Director is materially interested and which is significant in relation to the business of the Group.

6.12 There are no outstanding loans granted by the Company to any Director, nor are there any guarantees provided by the Company for their benefit.

6.13 No Director or any member of a Director's family has a related financial product referenced to the Ordinary Shares.

7 Directors' Service Contracts and Letters of Appointment

7.1 ***Executive Directors***

7.1.1 **Alan Hudson** was appointed as a director of the Company on 13 November 1990 and is currently the Chief Executive Officer pursuant to a service agreement dated 9 June 2011. His current annual salary is £275,000 per annum. His service agreement is terminable on six months' notice. He is entitled to a maximum of 180 days sick pay in any 12 month period.

7.1.2 **Paul Wright** was appointed to the Board as Chief Financial Officer pursuant to a service agreement dated 13 January 2014. His current annual salary is £100,000 per annum. His service agreement is terminable on six months' notice from him and 12 months' notice from the Company. He is entitled to a maximum of 12 weeks sick pay in any 12 month period.

7.1.3 **Toby Denne** was appointed as a director of the Company on 1 October 2013 and currently holds the position of Chief Investment Officer pursuant to a service agreement dated 23 January 2014. His current annual salary is £100,000 per annum.

His service agreement is terminable on six months' notice from him and 12 months' notice from the Company. He is entitled to a maximum of 12 weeks sick pay in any 12 month period.

7.1.4 All of the service contracts described above contain provisions on confidentiality, protection of the Group's intellectual property, and restrictive covenants during employment, and for six months post termination.

7.2 ***Non-Executive Directors***

7.2.1 **John Wheatley** entered into a letter of appointment with the Company on 21 February 2014 pursuant to which he was appointed as non-executive Chairman for an initial period of 12 months; thereafter the appointment is terminable on six months' notice. His current fee is £20,000 per annum to be reviewed on Admission.

7.2.2 **Susan Lewis** entered into a letter of appointment with the Company on 21 February 2014 where she was appointed as a non-executive director for an initial period of 12 months; thereafter the appointment is terminable on three months' notice. Her current fee is £15,000 per annum to be reviewed on Admission.

7.2.3 Both letters of appointment referred to above contain provisions which require disclosure of significant work commitments outside the Company and provisions for the protection of the Companies on confidential information. The Company is obliged to provide directors' and officers' liability insurance.

7.3 All Directors other than Alan Hudson (Chief Executive Officer) are required to retire in accordance with the Articles, details of which are set out in paragraph 11.4.7 of this Part VI. It is intended that the Articles will be amended by the deletion of this provision at the first annual general meeting of the Company to be held following Admission

7.4 There are no Directors' service contracts, or contracts in the nature of services, with the Company, other than those which expire or are terminable without payment of compensation on no more than 12 months' notice.

7.5 The aggregate remuneration payable and benefits in kind to be granted to the Directors in the current financial period ending 31 October 2014 under the arrangements in force at the date of this Document is estimated to be £510,000.

7.6 None of the Directors are contractually entitled to receive any additional payment on termination of their employment.

7.7 Save as set out above and save for the Placing Agreement, Relationship Deed, Lock-In Deeds and Orderly Market Deeds, (which are summarised in paragraph 14 of this Part VI), there are no agreements, arrangements or understanding (including compensation agreements) between any of the Directors, Shareholders or recent Shareholders connected with or dependent upon Admission or the Placing.

8 Share Option Schemes

8.1 The Group has two Share Option Schemes under which Options are currently outstanding over Ordinary Shares, in order to allow selected employees and directors to share in the success of the Group and to incentivise and retain key staff members consisting of the AFH EMI Share Option Plan and the AFH Contractors' Share Option Plan.

8.2 ***The AFH EMI Share Option Plan:***

8.2.1 Eligibility: employees of any member of the Group if they satisfy certain qualifying requirements including working time.

8.2.2 Grants of options: Directors have absolute discretion to grant options.

8.2.3 Exercise price: the exercise price is determined by the Directors but shall not be less than the nominal value. Please refer to paragraph 4.2 of this Part VI for details of the price determined in relation to each grant.

8.2.4 Total number of shares available: there is an overall EMI limit for the Company of £3 million (determined by the market value at grant of the options).

8.2.5 Exercise of options: during his lifetime, only the individual to whom the option is granted may exercise the option. No option is exercisable later than the day immediately preceding 10 years after the date of grant. The option may only be exercised after the third anniversary of the date of grant. The optionholder must be in employment within the Group throughout the period beginning with the date of grant and ending with the exercise date. Options can only be exercised earlier if there is a takeover or asset sale.

8.2.6 Employees leaving the Company: if an employee leaves the option ceases to be exercisable; however, the Directors may decide that the option can be exercised but only in respect of such number or proportion that the Directors specifies and only within 30 days following the leaving date of the employee.

8.2.7 Variation of share capital: the Directors may make such adjustments as they consider appropriate to the aggregate number or amount of shares subject to any option or to the exercise price of any option or if an option has been exercised but no shares have been allotted or transferred in accordance with the option contract, to the number of shares which may be allotted or transferred and the exercise price of each of these share.

8.2.8 Alteration: the Directors may at any time alter or add to any of the provisions provided that no alteration or addition shall be made to:

8.2.8.1 the advantage of existing or new optionholders;

8.2.8.2 the provisions relating to eligibility to participate;

8.2.8.3 the overall limitations on the issue of new shares;

8.2.8.4 the individual limitations on option grants;

8.2.8.5 the basis for determining optionholders' rights to acquire shares; and/or

8.2.8.6 the adjustment of such rights in the event of variation of the Ordinary Share capital or this rule without the prior approval of the Remuneration Committee of the Directors,

save that these provisions shall not apply to the extent that the alteration or addition is in the opinion of the Directors, a minor amendment which is necessary or appropriate to benefit the administration of the option place; to take account of any change in legislation; or to obtain or maintain favourable tax, exchange control or regulatory treatment for existing or new optionholders, or any member of the Group. The provisions of any option contract may only be altered by written agreement between the Company and the optionholder.

8.3 ***The AFH Contractors' Share Option Plan:***

8.3.1 Eligibility: may only be granted to:

8.3.1.1 an appointed representative of a member of the Group;

8.3.1.2 any other person who is, or persons in partnership who together are, authorised to market the products and services of the Group;

8.3.1.3 any person who is a shareholder, director, member, participator or employee of any such person mentioned in 8.3.1.1 to 8.3.1.2; and

8.3.1.4 a self-employed contractor providing services to a member of the Group.

8.3.2 Grants of options: Directors have absolute discretion to grant options.

8.3.3 Exercise price: specified by the Directors at the date of grant but shall not be less that the nominal value of a share. Please refer to paragraph 4.2 of this Part VI for details of the price determined in relation to each grant.

8.3.4 Total number of shares available: shall not exceed such number of shares as represents 15 per cent of the Ordinary Share capital in issue on the day of the grant.

8.3.5 Exercise of options: during his lifetime, only the individual whom the option is granted may exercise the option. No option is exercisable later than the day immediately preceding 10 years after the date of grant. The option may only be exercised after the third anniversary of the date of grant. The optionholder must be in employment within the Group throughout the period beginning with the date of grant and ending with the exercise date. Options can only be exercised earlier if there is a takeover or asset sale.

8.3.6 Employees leaving the Company: if an employee leaves the option ceases to be exercisable; however, the Directors may decide that the option can be exercised but only in respect of such number or proportion that the Directors specifies and only within 30 days following the leaving date of the employee.

8.3.7 Variation of share capital: the Directors may make such adjustments as they consider appropriate to the aggregate number or amount of shares subject to any option or to the exercise price of any option or if an option has been exercised but no shares have been allotted or transferred in accordance with the option contract, to the number of shares which may be allotted or transferred and the exercise price of each of these share.

8.3.8 Alteration: the Directors may at any time alter or add to any of the provisions provided that no alteration or addition shall be made to:

8.3.8.1 the advantage of existing or new optionholders;

8.3.8.2 the provisions relating to eligibility to participate;

8.3.8.3 the overall limitations on the issue of new shares;

8.3.8.4 the individual limitations on option grants;

8.3.8.5 the basis for determining optionholders' rights to acquire shares; and/or

8.3.8.6 the adjustment of such rights in the event of variation of the Ordinary Share capital or this rule without the prior approval of the Remuneration Committee of the Directors,

save that these provisions shall not apply to the extent that the alteration or addition is in the opinion of the Directors, a minor amendment which is necessary or appropriate to benefit the administration of the option place; to take account of any change in legislation; or to obtain or maintain favourable tax, exchange control or regulatory treatment for existing or new optionholders, or any member of the Group. The provisions of any option contract may only be altered by written agreement between the Company and the optionholder.

9 Accounting

The Company's accounting reference date is 31 October in each year. The Company's next accounting reference period will end on 31 October 2014.

10 Taxation

10.1 *General*

Capital gains taxes apply in the UK and investors should consult with their own independent taxation advisers as to the implications of relevant capital gains tax or other taxes relevant to their investment in the Ordinary Shares the subject of this Document. Shareholders who are in any doubt as to their tax position, or who are subject to tax in a jurisdiction other than the UK should consult their own professional adviser.

The following comments are intended as a general guide to the UK tax treatment of the acquisition, ownership and disposal of shares for persons who are the absolute beneficial owners of those shares. The comments are based on the law and understanding of the practice of tax authorities in those jurisdictions at the date of this Document. The comments do not apply to certain categories of shareholder, such as persons owning Ordinary Shares as securities to be realised in the course of a trade. All persons are advised to obtain their own professional advice on the tax implications of acquiring, owning and/or disposing of Ordinary Shares.

10.2 *Dividends*

Under current UK legislation, no tax is withheld from dividend payments by the Company. The Company assumes no obligation to withhold UK tax at source from dividend payments.

A UK resident individual Shareholder will be entitled to a tax credit in respect of any dividend received from the Company and will be taxed on the aggregate of the dividend and the tax credit (the "Gross Dividend"). The value of the tax credit is one ninth of the dividend received (or ten percent of the Gross Dividend). The Gross Dividend will be treated as the top slice of the individual's income.

In the case of a UK resident individual who is liable to income tax at the basic rate only, there will be no further tax to pay on the dividend received. A UK resident individual who is liable to income tax at the higher rate will be subject to income tax on the Gross Dividend at 32.5 percent, but will be able to set the tax credit off against part of this liability. As a result, such a Shareholder will suffer income tax at an effective rate of 25 percent of the dividend received. A UK resident individual who is liable to income tax at the additional rate will be subject to income tax on the Gross Dividend at 37.5 percent, but will be able to set the tax credit off against part of this liability. As a result, such a Shareholder will suffer income tax at an effective rate of 30.55 percent of the dividend received. A UK resident Shareholder who is not liable to income tax on the dividend (or part of it) is not able to claim payment of the tax credit in cash from HM Revenue & Customs.

UK resident corporate Shareholders (including authorised unit trusts and open-ended investment companies) and pension funds will not normally be liable to UK taxation on any dividend received and are not entitled to payment in cash of the related tax credit.

Whether Shareholders who are resident for tax purposes in countries other than the UK are entitled to the whole or a proportion of the tax credit in respect of dividends on their Ordinary Shares depends in general upon the provisions of any double taxation convention or agreement which exists between such countries and the United Kingdom.

10.3 *Capital gains*

Shareholders who are resident for tax purposes in the United Kingdom may be liable to UK taxation on chargeable gains on a disposal of Ordinary Shares, depending upon their individual circumstances and subject to any available exemption or relief.

A Shareholder who is not resident for tax purposes in the United Kingdom will not be liable to UK taxation on chargeable gains unless the Shareholder carries on a trade, profession or vocation in the UK through a branch or agency and the Ordinary Shares disposed of are, or have been, used, held or acquired for the purposes of such trade, profession or vocation or for the purposes of such branch or agency. Such Shareholders may also be subject to tax under any law to which they are subject outside the United Kingdom.

United Kingdom resident individual Shareholders, depending upon their individual circumstances and any available reliefs, may be subject to capital gains tax at the prevailing rate on any disposals Ordinary Shares. For individuals whose total taxable income and gains after all allowable deductions (including losses, the income tax personal allowance and the capital gains tax annual exempt amount) is less than the upper limit of the basic rate income tax band (£313,865 for 2014-2015), the rate of capital gains tax will be 18 percent. For gains (and any parts of gains) above that limit, the rate will be 28 percent. For trustees and personal representatives, the rate will be 28 percent for gains above the applicable capital gains tax annual exempt amount.

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax, but may not create or increase a loss.

10.4 *Inheritance tax*

The Ordinary Shares are assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of Ordinary Shares by, or the death of, an individual Shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the Shareholder is neither domiciled nor deemed to be domiciled in the United Kingdom.

10.5 *Enterprise Investment Scheme*

The Company intends to operate so that it qualifies for the taxation advantages offered under the EIS. The main advantages are as follows:

Individuals can claim a tax credit of 30 per cent. of the amount invested in the Company against their UK income tax liability, thus reducing the effective cost of their investment to 70 pence for each £1 invested. However, there is an EIS subscription limit of £1,000,000 in each tax year and, to retain the relief, the Ordinary Shares must be held for at least three years.

UK investors (individuals or certain trustees) may defer a chargeable gain by investing the amount of the gain in the Company. There is no limit to the level of investment and, therefore, to the amount of gain which may be deferred in this way.

There is no tax on capital gains made upon disposal after the Three Year Qualifying Period (defined below) of shares in an EIS qualifying company on which income tax relief has been given and not withdrawn. If a loss is made on disposal of the shares at any time, the amount of the loss (after allowing for any income tax relief initially obtained) can be set off against either the individual's gains for the tax year in which the disposal occurs, or, if not so used, against capital gains of a subsequent tax year, or against the individual's income of the tax year of the disposal or of the previous tax year.

Provided a Shareholder has owned Ordinary Shares in the Company for at least two years and certain conditions are met at the time of transfer, up to 100 per cent. business property relief should be available, which can reduce the inheritance tax liability on the transfer of Ordinary Shares to nil.

For example: if an EIS qualifying investor who has a chargeable capital gain of £50,000 and invests this amount in the Company, they could receive tax reliefs as follows:

Initial Investment	£50,000
Income Tax Relief at 30%	£(15,000)
CGT deferral relief at 28%	£(14,000)
Net cash cost of EIS investment	£21,000

However the deferred gain will come back into charge when the EIS shares are disposed of, or if the Company ceases to qualify as an EIS company within the Three Year Qualifying Period.

The amount of relief an investor may gain from an EIS investment in the Company will depend on the investor's individual circumstances.

Three Year Qualifying Period

In order to retain EIS reliefs, an investor must hold their shares for at least three years. A sale or other disposal (other than an inter-spousal gift or a transfer on death) will result in any income tax relief that has been claimed being clawed back by HMRC. Additionally, any capital gains deferred will come back into charge and the capital gains tax exemption will be lost. It is the investor's responsibility to disclose a disposal to HMRC.

Additionally, if the Company ceases to meet certain qualifying conditions within the Three Year Qualifying Period, tax reliefs will be lost.

The Three Year Qualifying Period expires on the later of the third anniversary of the date the shares are issued, and the third anniversary of the date the Company's trade commenced. In this case, as the Company is already trading, the Three Year Qualifying period will expire on the third anniversary of the date the shares are issued. This will be shown as the "Termination Date" on the EI3 certificate which the Company will issue to investors following formal approval of the share issue by HMRC.

Advance Assurance of EIS Status

In order for investors to claim EIS reliefs relating to their shares in the Company, the Company has to meet a number of rules regarding the kind of company it is, the amount of money it can raise, how and when that money must be employed for the purposes of the trade, and the trading activities carried on. The Company must satisfy HMRC that it meets these requirements, and is therefore a qualifying company.

The Company has sought advance assurance from HMRC that it would be able to issue shares under the EIS regime.

EIS Tax Legislation – further detail

The following is a summary of the main provisions of the EIS regime as far as is relevant to the Company. It does not set out any of the provisions in full and prospective investors are strongly recommended to seek professional advice as to the tax relief that their particular investment will attract and the tax consequences of selling or otherwise disposing of their shares.

11 Articles

11.1 *Voting Rights*

11.1.1 Subject to any terms as to voting under which any shares may be issued, or may for the time being be held, every member present in person shall have one vote on a show of hands and, on a poll, every member shall have one vote for every Ordinary Share of which he is the holder. The duly authorised representative of a corporate member may exercise the same powers on behalf of that corporation as it could exercise if it were an individual member.

11.1.2 A member is not entitled to vote unless all calls due from him have been paid. A member is not entitled to attend or vote at meetings of the Company in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Act and, having failed to supply the Company with the information which he knows to be, or having recklessly given information which is, false in any material particular, within the period specified in such notice (being not less than 14 days or 28 days, depending on the size of his shareholding, from the date of service of such notice) is served with a disenfranchisement notice. Such disenfranchisement notice will apply only for so long as the notice from the Company has not been complied with.

11.2 *Transfer of Shares*

11.2.1 The Ordinary Shares are in registered form. Any member may transfer all or any of his shares by an instrument of transfer in the usual form or in such other form as the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee. The transferor shall be deemed to remain the holder until the name of the transferee is entered in the register. There is no restriction on the registration of a transfer of a fully paid share provided the transfer:

11.2.1.1 is duly stamped and lodged at the registered office, accompanied by the relevant share certificate and such other evidence of the right of the transferor to make the transfer as the Board may reasonably require;

11.2.1.2 is in respect of only one class of share; and

11.2.1.3 is in favour of not more than four transferees

if one or more of the above conditions is not complied with, the Board has the discretion whether or not to register the transfer in question.

11.2.2 The Board may, in its absolute discretion and without assigning any reason, refuse to register any transfer of shares, all or any of which are not fully paid or on which the Company has a lien, provided that such discretion may not be executed in such a way as to prevent dealings in the shares from taking place on an open and proper basis.

11.3 *Dividends*

11.3.1 Subject to the Act and every other statute for the time being in force concerning companies and affecting the Company ("**Statutes**"), the Company may by ordinary resolution declare dividends to be paid to members of the Company according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the Directors. Subject to the Statutes, the Directors may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company.

11.3.2 Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company.

11.3.3 The Directors may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

11.4 *Directors*

11.4.1 The Board may, subject to quorum and voting requirements, authorise a matter which would otherwise involve a Director breaching his statutory duty to avoid conflicts of interest. The Director seeking authorisation must provide all relevant information to the Board and is excluded from voting and counting towards the quorum. Any authorisation is revocable and may be conditional.

11.4.2 Provided a Director has declared his interest in accordance with the articles and statute, that Director may:

11.4.2.1 be a party to or otherwise directly or indirectly interested in any contract with the Company or in which the Company has a direct or indirect interest;

11.4.2.2 be or become a director or other officer of, or employed by, or otherwise interested in, any subsidiary company of the Company or in which the Company is otherwise interested;

11.4.2.3 hold any other office or place of profit within the Company (except that of Auditor) in conjunction with his office of director for such period and upon such terms, including as to remuneration, as the Board may decide;

11.4.2.4 act by himself or through a firm with which he is associated in a professional capacity for the Company or any other company in which the Company is interested; and/or

11.4.2.5 be or become a director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

11.4.3 A Director may not vote or be counted in a quorum in relation to any resolution of the Board in respect of a contract in which he has an interest, including resolutions regarding his own appointment, unless the interest cannot reasonably be regarded as giving rise to a conflict or the interest arise only from one or more of the following matters:

11.4.3.1 the giving to him or any other person of a guarantee, security, or indemnity in respect of money lent to, or an obligation undertaken by him or by any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;

11.4.3.2 the giving to a third party of a guarantee, security, or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

11.4.3.3 the giving to him of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;

11.4.3.4 the funding by the Company of his expenditure on defending proceedings or the doing by the Company of anything to enable him to avoid incurring such expenditure where all other Directors are being offered substantially the same arrangements;

11.4.3.5 where the Company or any of its subsidiary undertakings is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;

11.4.3.6 any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;

11.4.3.7 any contract concerning any other company (not being a company in which the Director has a Relevant Interest) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;

11.4.3.8 any contract concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which relates both to Directors and employees of the Company or of any of its subsidiary undertakings and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;

11.4.3.9 any contract for the benefit of employees of the Company or of any of its subsidiary undertakings under which the benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the contract relates; and

11.4.3.10 any contract for the purchase or maintenance of insurance against any liability for, or for the benefit of, any Director or Directors or for, or for the benefit of, persons who include Directors.

11.4.3.11 The Directors shall be paid such remuneration (by way of fee) for their services as may be determined by the Board. The Directors shall also be entitled to be repaid by the Company all travel, hotel and other expenses of travelling to and from Board meetings, committee meetings, general and other meetings or otherwise reasonably incurred while engaged on the business of the Company or in the discharge of his duties as a Director. Any Director who by request of the Board performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, commission, percentage of profits or otherwise as the Board may determine.

11.4.4 The Board may exercise all the powers of the Company to provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to or for the benefit of past directors who held executive office or employment with the Company or any of its subsidiaries or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependants of any such Directors.

11.4.5 Directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office and they shall not be liable for any loss, damage or misfortune which may be incurred by the Company in or from the execution of those duties.

11.4.6 The Company may by ordinary resolution elect a person who is willing to act to be a Director either to fill a vacancy or as an additional Director. A Director may resign his office by notice in writing submitted to the Board. The Company may by ordinary resolution remove a Director before his appointment expires despite provisions in these Articles or any letter of appointment or service contract. Such removal is without prejudice to any claims a Director may then have against the Company for breach of contract.

11.4.7 Other than a Director appointed to the office of chief executive, managing director or joint managing director, a Director shall retire at least once every three years. A retiring director shall be eligible for re-election at the annual general meeting at which he retires. Any Director appointed by the Board holds office only until the next annual general meeting, when he is eligible for re-election.

11.4.8 Unless and until otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than two and there shall be no maximum number of Directors.

11.5 *Variation of rights*

11.5.1 Subject to the Statutes, all or any of the rights attached to any class of shares may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of such holders.

11.5.2 The quorum at any such general meeting is two persons holding or representing by proxy at least one third in nominal value of the issued shares of that class and at an adjourned meeting the quorum is one holder present in person or by proxy, whatever the amount of his shareholding.

11.5.3 Any holder of shares of the class in question present in person or by proxy may demand a poll. Every holder of shares of the class shall be entitled on a poll to one vote for every share of the class held by him. Except as mentioned above, such rights may not be varied. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking *pari passu* therewith or subsequent thereto.

11.6 *Share capital*

11.6.1 Subject to the Statutes, the Company may issue redeemable shares. Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or such restrictions as the Company may from time to time determine by ordinary resolution. Subject to the provisions of the Articles and the Statutes, the power of the Company to allot and issue shares shall be exercised by the Board at such time and for such consideration and upon such terms and conditions as the Board may determine.

11.6.2 Any resolution authorising the Company to sub-divide its shares, or any of them, into shares of a smaller amount, may determine that as between the holders of such shares resulting from the sub-division any of them may have any preference or advantage or be subject to any restriction as compared to the others.

11.6.3 Whenever as a result of a consolidation of shares any members would become entitled to fractions of a share the Board may deal with the fractions as it thinks fit and in particular may, on behalf of those members, sell the shares representing the fractions for the best price reasonably obtainable to any person and distribute the net proceeds of sale in due proportion among those members, and the Board may authorize some person to execute an instrument of transfer of the shares to, or in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings relating to the sale.

11.7 *Share warrants*

The Company may, with respect to any fully paid shares, issue a share warrant stating that the bearer of the warrant is entitled to the shares specified in it and may provide (by coupons or otherwise) for the payment of future dividends or other monies on the shares included in a share warrant. The power to issue share warrants may be exercised by the Board, which may determine and vary the conditions on which share warrants shall be issued. Subject to such conditions and to the Articles, the bearer of a share warrant shall be deemed to be a member for all purposes. The bearer of a share warrant shall be subject to the conditions for the time being in force applicable thereto, whether made before or after the issue of such share warrant.

11.8 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, and, subject to the Statutes, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

11.9 *General meetings*

11.9.1 The Company shall hold annual general meetings which shall be convened by the Board in accordance with the Statutes. All general meetings other than annual general meetings shall be called general meetings.

11.9.2 An annual general meeting can be called by giving at least 21 clear days' notice in writing.

11.9.3 The Board may call a general meeting whenever it thinks fit, and, on the request of members in accordance with the Act, it shall convene a general meeting for a date not more than 28 days after the notice convening the meeting. A general meeting can be called by giving at least 14 clear days' notice in writing. If there are no sufficient number of Directors present in the United Kingdom to call a general meeting, any Director can call a general meeting. If no Directors are present in the United Kingdom, any member of the Company may call a general meeting.

12 Mandatory Bids, Squeeze-Out and Sell-Out Rules relating to the Ordinary Shares

12.1 *Mandatory Bid*

The Takeover Code applies to the Company. Under the Takeover Code, where:

(i) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which he is already interested, and in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company; or

(ii) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested;

such person shall, except in limited circumstances, be obliged to extend offers, on the basis set out in Rules 9.3, 9.4 and 9.5 of the Takeover Code, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights. Offers for different classes of equity share capital must be comparable; the Panel should be consulted in advance in such cases.

12.2 *Squeeze-out*

Under sections 979 to 982 of the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares, provided that no such notice may be served after the end of (a) the period of three months beginning with the day after the last day on which the offer can be accepted, or (b) if earlier, and the offer is not one to which section 943(1) of the Act applies, the period of six months beginning with the date of the offer.

Six weeks following service of the notice, the offeror must send a copy of it to the Company together with the consideration for the Ordinary Shares to which the notice relates, and an instrument of transfer executed on behalf of the outstanding Shareholder(s) by a person appointed by the offeror.

The Company will hold the consideration on trust for the outstanding Shareholders.

12.3 *Sell-out*

Sections 983 to 985 of the Act also give minority Shareholders a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period, or, if longer a period of three months from the date of the notice.

If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

12.4 There have been no take-over bids by third parties in respect of the Company's equity, which have occurred during the last financial year or the current financial year.

13 Corporate Governance

13.1 ***Remuneration Committee***

The remuneration committee meets not less than twice a year. It is responsible for determining and reviewing the Group's policy on executive remuneration and other benefits and terms of employment, including performance related bonuses and share options. It administers the operation of the share option and share incentive schemes established by the Company. The members of the remuneration committee shall have no personal interest in the outcome of their decisions and shall seek to serve the interests of shareholders to ensure the continuing success of the Company. The remuneration of the non-executive directors is determined by the Board of the Company. No director is permitted to participate in the decisions concerning his own remuneration. Membership of the remuneration committee comprises Susan Lewis, John Wheatley and Alan Hudson.

13.2 ***Audit Committee***

The audit committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It receives and reviews reports from the Company's management and auditors relating to the interim and annual accounts to ensure compliance with accounting standards, statutory obligations, AIM Rules requirements and the Takeover Code. The audit committee also reviews the effectiveness of the internal controls of the Group. It meets together with the Chief Financial Officer not less than twice in each financial year. The audit committee meets the external auditor without the presence of executive directors at least once a year. It considers the appointment of, and the fees payable to, the external auditors and discuss with them the scope of the annual audit. It reviews the external auditors' management letter and detailed presentations. Membership of the audit committee comprises Susan Lewis and John Wheatley.

14 Material Contracts

Other than as set out below there are no contracts (not being in the ordinary course of business) entered into by the Company or any Subsidiary Undertaking in the two years immediately preceding the date of this Document which are or may be material or which contain any provision under which the Company or any Subsidiary Undertaking has any obligation or entitlement which is material to the Group as at the date of this Document, save for the Directors' service contracts (as described in paragraph 7 of this Part VI). An asset purchase or share purchase agreement is regarded as material (and set out below) if the total consideration payable under the agreement is greater than or equal to £750,000.

14.1 *The Company*

14.1.1 The Placing Agreement dated 20 June 2014 between (i) the Company (ii) each of the Directors (iii) Allenby Capital and (iv) the Selling Shareholder pursuant to which, subject to certain conditions, Allenby Capital has agreed to use its reasonable endeavours to procure subscribers or purchasers (as appropriate) for the Placing

Shares at the Placing Price. The Placing Agreement contains customary indemnities and warranties from the Company and the Directors in favour of Allenby Capital together with provisions which enable Allenby Capital to terminate the Placing Agreement in certain circumstances prior to Admission including circumstances where any of the warranties are found to be untrue and inaccurate in any material respect. The Company has agreed to pay to Allenby Capital the balance of a corporate finance fee of £75,000 on Admission, a commission of 5 per cent. on the aggregate value of funds raised by Allenby Capital pursuant to the Placing, and a commission of 2 per cent. on the aggregate value of the Subscription Shares at the Placing Price. In addition, the Selling Shareholder has agreed to pay to Allenby Capital a commission of 1 per cent. on the aggregate value of the Sale Shares at the Placing Price.

14.1.2 The Subscription Agreements dated 13 June 2014 between (i) the Company or the Selling Shareholder (as the case may be) and (ii) the Subscribers whom have agreed to purchase 697,850 Subscription Shares and a total of 941,067 Sale Shares. Participation in the Subscription is conditional upon and subject to Admission.

14.1.3 A Nominated Adviser and Broker Agreement dated 20 June 2014 between (i) the Company and (ii) Allenby Capital pursuant to which the Company has appointed Allenby Capital to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Allenby Capital an annual retainer fee of £35,000 (plus VAT) for its services as nominated adviser and broker under this agreement. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. Subject to either party being in material breach of their respective obligations under the agreement, the appointment of Allenby Capital under the agreement continues for an initial 12 month period from the date of the agreement and shall continue until terminated by either the Company or Allenby Capital giving three months' notice to the other (such notice not to expire prior to the initial 12 month period).

14.1.4 Lock-in Deeds entered into between (i) the Company (ii) Allenby Capital and (iii) each of the Directors dated 20 June 2014 pursuant to which the Directors have agreed not to dispose of any interest in the Ordinary Shares for the period of 12 months following Admission without the prior written consent of both the Company and Allenby Capital (acting in their absolute discretion) except in certain limited circumstances, being disposals (i) to an associate of the Director; (ii) to any person acting in the capacity of trustee of a trust created by the Director or upon any change of trustees of a trust so created provided that the trust is established for charitable purposes or there are no persons beneficially interested under the trust other than the Director and his associates; (iii) to any beneficiary of such a trust; (iv) in acceptance of a general offer (or by the giving of an irrevocable undertaking to accept such offer) made to shareholders of the Company to acquire all the issued shares of the Company; (v) under any scheme or reconstruction under section 110 of the Insolvency Act 1986; (vi) pursuant to any compromise or arrangement under Part 26 of the Companies Act providing for the acquisition by any person (or group of persons acting in concert) of 50 per cent. or more of the equity share capital of the Company and which compromise or arrangement has been sanctioned by the courts; (vii) for the purpose of raising funds to satisfy a liability for a breach of warranty under the Placing Agreement; (viii) pursuant to an intervening court order; or (ix) by the personal representatives after the death of the Director. The Directors have also agreed for a further period of 12 months to only dispose of an interest in the Ordinary Shares through Allenby Capital (or a replacement broker) in such manner as Allenby Capital (or the replacement broker) may reasonably require to ensure an orderly market of the Ordinary Shares.

14.1.5 Orderly Market Deeds entered between (i) the Company (ii) Allenby Capital and (iii) each of Paul Connor and Philip and Lynne Mobberley dated 20 June 2014 pursuant to which they have agreed for a period of 12 months from Admission to only dispose of an interest in the Ordinary Shares through Allenby Capital (or a replacement broker) in such manner as Allenby Capital (or the replacement broker) may reasonably require to ensure an orderly market of the Ordinary Shares.

14.1.6 The Relationship Deed entered into between (i) the Company (ii) Allenby Capital and (iii) Alan Hudson dated 20 June 2014 pursuant to which Alan Hudson undertakes to the Company and Allenby Capital, as a substantial shareholder of the Company, that as long as he and his related parties hold more than 30% of the voting rights in the Company, he is required so far as he reasonably can to exercise his voting rights in a number of ways to ensure the independence and best interests of the Group.

14.2 *Subsidiaries*

14.2.1 An asset purchase agreement made between (i) Arden Court Group Limited (ii) AFH Group Limited (iii) UK IFA Limited dated 16 March 2013 pursuant to which AFH Group Limited purchased the business providing independent financial advice carried on by Arden Court Group Limited under the name of The Arden Court Limited and Arden Court Wealth Management Limited along with all the assets of the business except business claims, fixed assets, moveable plant and machinery, IT systems, cash and the Arden Court Group Limited's accounts and accounting records. The Group paid a total consideration of £609,000 in cleared funds, 25,000 Ordinary Shares and £225,000 convertible loan notes. The consideration is subject to various adjustment mechanisms linked to EBITDA which may result in a higher or lower total consideration figure. Some of the consideration is deferred and are still outstanding pursuant to the terms of a loan note instrument details of which are set out in paragraph 14.2.2 of this Part VI. This is a 'buy and keep' acquisition.

14.2.2 A loan note instrument of the Company constituting up to £125,000 0% fixed rate unsecured convertible loan notes dated 30 March 2012 for the benefit of Arden Court Group Limited. As a result of adjustment provisions in the Arden Agreement, the Company currently has £50,000 convertible loan notes outstanding. The loan notes were due to be converted on 1 May 2014 but AFH Group Limited has extended conversion of these loan notes by mutual agreement with Arden Court Group Limited to 30 June 2014. The convertible loan notes will convert into Ordinary Shares at a price to be determined in accordance with the average mid-market quotation for the Ordinary Shares over a period of five consecutive dealing days ending with the date of conversion. Arden Court Group Limited may be special resolution or written notice to the Company direct that the principal amount of all notes under the Arden Agreement be due and payable immediately if:

14.2.2.1 the Company fails to pay any principal within 10 business days after the due date of the payment;

14.2.2.2 failing to remedy a breach of undertaking under the instrument after Arden Court Group Limited has served written notice requiring remedy for 10 days;

14.2.2.3 any indebtedness of the Group is not paid by way of cross-default;

14.2.2.4 any Group member becomes insolvent;

14.2.2.5 enforcement proceedings against all or any part of the assets of any member of the Group is not discharged or stayed within 10 days;

14.2.2.6 there are winding-up, analogous proceedings, encumbrance enforcement or cessation of business of the Company; and

14.2.2.7 it becomes unlawful for the Company to perform or comply with its obligations under the instrument.

14.2.3 An asset purchase agreement made between (i) CH Financial Limited (ii) AFH Group Limited (iii) David Michael Chenkin and (iv) the Company dated 30 September 2013 pursuant to which AFH Group Limited purchased the business, together with all assets of the business except business claims, the business name, lease of the premise the business operated at, fixed assets, moveable plant and machinery, IT systems, cash and the CH Financial Limited's accounts and accounting records. The Group paid a total consideration of £1,000,000 of which £500,000 of deferred consideration is still outstanding at the date of this Document. Consideration is subject to adjustment mechanisms linked to income which may result in a higher or lower total consideration figure.

14.2.4 A share purchase agreement between (i) Origin Financial Limited (ii) Andrew John Smith, William Paul Dunbar, Alan George Green and Duncan Hughes (iii) AFH Group Limited and (iv) the Company dated 31 October 2013 pursuant to which AFH Group Limited purchased the entire issued share capital of Origin Financial Limited for a total consideration of £412,501 in cleared funds and two further deferred payments. The deferred payments are calculated based on completion statements. This is a 'buy and keep' acquisition.

14.2.5 A share purchase agreement between (i) Mr Martin Antoney, Mr David Michael Bowyer, Mr Keith Foy, Mr Alexander Richard Grant and Hammett Financial Services Ltd (ii) AFH Group Limited (iii) the Company (iv) Shape Financial Limited and (v) Mr Ashley John Hooper dated 21 June 2013 pursuant to which AFH Group Limited purchased the entire issued share capital of Shape Financial Limited. The Group paid a total consideration of £125,000 in cleared funds, the NAV Adjustment (defined therein), £140,000 in 'golden hellos' and two further deferred payments. The maximum consideration payable under this agreement is £1,500,000, the NAV Adjustment and Recovered Hellos (defined therein). The deferred payments are calculated based on formulas linked to turnover. This is a 'buy and keep' acquisition.

14.2.6 A discretionary investment advisory agreement between (i) Margetts and (ii) AFH IFS dated 18 November 2009. Margetts is the sole corporate director of AFH Strategic Core Fund. AFH IFS was appointed by Margetts to provide investment management and related advisory services to the AFH Strategic Core Fund. The agreement is terminable on six months' notice by either party or by Margetts immediately if it is in the interests of the shareholders (although the agreement does not specify, it can be assumed that 'shareholders' means the shareholders of the AFH Strategic Core Fund). The Directors have confirmed that termination of the agreement will have minimal effect on the business of the Group as AFH IFS would replace Margetts as the corporate director.

14.2.7 A clearing, settlement, administrative and support services agreement between (i) Pershing Securities Limited (ii) AFH IFS dated 30 November 2009 whereby Pershing was appointed to provide these services to AFH IFS. The Agreement is terminable by 180 days' written notice. Pershing can also terminate the contract by giving 30 days' written notice if the aggregate value of assets introduced by AFH IFS does not exceed £50 milion at any time (the Directors have confirmed that this requirement has always been met). The agreement is terminable immediately if there is a change of control of AFH IFS. Although the Placing may constitute such a change of control, the Directors have confirmed that obtaining an alternative supplier should Pershing wish to terminate would not be difficult.

14.2.8 A trust deed constituting the Company's unsecured bonds due 2020 between (i) the Company and (ii) ATC Solutions Limited pursuant to which the Company issued £752,000 of 8% bonds which are due for redemption on 10 September 2020 when the principal amount will be repaid. Interest payments under the bonds are made bi-annually in arrears on 30 June and 31 December each year.

15 Litigation

15.1 Apart from the complaints listed in 15.2 below, to the best of the Company's knowledge, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) in which Company or any Subsidiary is involved by or against any Group company which may have or have had in the twelve months preceding the date of this Document a significant effect on the Group's financial position or profitability.

15.2 *Complaints:*

15.2.1 In relation to current directly regulated businesses within the Group, AFH IFS, since 2008 has paid £12,217.87 in compensation up to 31 December 2013 as a result of customer complaints.

15.2.2 As at the date of this Document, AFH IFS has four customer complaints against it outstanding and two complaints referred to the Financial Ombudsman Service still pending:

15.2.2.1 for a complaint dated 25 October 2013, £1,650 has been paid to the client in full and final settlement;

15.2.2.2 for a complaint dated 31 January 2014, £1100.12 has been paid to the client in full and final settlement;

15.2.2.3 for another complaint dated 31 January 2014, the client claimed £4,080 in compensation in relation to a delay in setting up an annuity which resulted in lower interest rates. AFH IFS has rejected this complaint and instead offered to honour the higher interest rate; and

15.2.2.4 the other three complaints have not been quantified.

15.2.3 Shape Financial has one complaint against it outstanding and an offer of compensation has been made for £2,238.43. Shape Financial is currently awaiting confirmation from the client to accept this figure.

15.2.4 The Directors have confirmed that there are no other outstanding customer complaints and no other disputes with any supplier or purchaser with an expected claim value of £10,000 or more.

15.3 *Compliance*

15.3.1 Paul Connor holds more than 10% of the issued share capital of the Company and therefore is a "Controller" for the purposes of section 422 of FSMA. Immediately following Admission, Paul Connor's shareholding will remain above 10% of the enlarged issued share capital of the Company and the Company has informed the FCA of this. Paul Connor will be required to submit a Notification for a Change in Controller (section 178 notice) to the FCA.

15.3.2 Paul Connor holds over 10% of the issued share capital of the Company, and since AFH Legal is a wholly owned subsidiary of the Company, this means Paul Connor needs to be registered with the SRA. He has failed to do so up to now which is a breach of SRA rules. The Company has informed the SRA of the position with a view to the breach being remedied as soon as practicable.

16 Intellectual Property Rights

16.1 The Company has rights to 26 domain names:

16.1.1 afhfinancialgroup.co.uk

16.1.2 afhfinancialgroup.com

16.1.3 afhgroup.co.uk

16.1.4 afhifs.co.uk

16.1.5 afhlegal.co.uk

16.1.6 afhlegal.com

16.1.7 afhwealthmanagement.co.uk

16.1.8 afhwealthmanagement.com

16.1.9 afhwm.co.uk

16.1.10 afhwm.com

16.1.11 bellchambers.co.uk

16.1.12 bloomerheavenwealthmanagement.co.uk

16.1.13 bloomerheavenwealthmanagement.com

16.1.14 broomfieldwm.co.uk

16.1.15 financeforgrowth.co.uk

16.1.16 getinvested.co.uk

16.1.17 mjmacandco.co.uk

16.1.18 origin.eu.com

16.1.19 stjohnsam.co.uk

16.1.20 stjohnsam.com

16.1.21 stjohnsffg.co.uk

16.1.22 stjohnsffg.com

16.1.23 strandhousewm.co.uk

16.1.24 strandhousewm.com

16.1.25 unitisedinvestmentmanagementcomp..co.uk

16.1.26 unitisedinvestmentmanagementcompany.com

16.2 Save as disclosed in paragraph 16.1 above, there are no patents or intellectual property rights, licenses or particular contracts which are of fundamental importance to the Group's business.

17 Business Development

17.1 There are no capital commitments or new projects currently under contemplation by the Group, and there are no significant new products or services that have been introduced since the end of the last financial year.

18 Working Capital

18.1 The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

19 Information Relating to the Placing and the Subscription

There is no minimum amount which, in the opinion of the Directors, must be raised by the Company pursuant to the Placing and the Subscription.

20 Environmental Issues

Neither the Company nor the Directors are aware of any environmental issues or risks affecting the utilisation of the property, plant or machinery of the Group.

21 Related Party Transactions

21.1 Payroll of the Group is operated by AFH Price Pearson Wheatley Limited, a company owned by John Wheatley. The cost to the Group of this arrangement in the financial year ended 31 October 2013 was £5,000.

21.2 Commission of £18,000 was paid to A&F Hudson (a company associated with Alan Hudson, Chief Executive Officer of the Company) in the financial year ended 31 October 2013.

21.3 Save as set out in this paragraph 21 and paragraph 7 of Part VI of this Admission Document, there are no related party transactions that the Company or any Subsidiary Undertaking has entered into during the period covered by the historical financial information set out in Part's III and IV and up to the date of this Admission Document.

22 General Information

22.1 The gross proceeds of the Placing and Subscription receivable by the Company (before costs and expenses) are expected to be £1.46 million. The estimated amount of the expenses of the Placing, the Subscription and Admission, which are all payable by the Company, is approximately £0.40 million. The net proceeds of the Placing and Subscription receivable by the Company are therefore estimated to amount to approximately £1.06 million.

22.2 Mazars LLP of The Pinnacle, 160 Midsummer Boulevard, Milton Keynes, MK9 1FF has given and not withdrawn its written consent to the inclusion in this Document of references to its name in the form and context in which they appear.

22.3 Allenby Capital Limited of 3 St Helen's Place, London EC3A 6AB has given and not withdrawn its written consent to the inclusion in this Document of references to its name in the form and context in which they appear.

22.4 Field Fisher Waterhouse LLP of Riverbank House, 2 Swan Lane, London, EC4R 3TT, legal advisers to Allenby Capital, has given and not withdrawn its written consent to the inclusion in this Document of references to its name in the form and context in which they appear.

22.5 The Company's auditor is Baldwins (Stourbridge) Limited, First Floor, Copthall House, 1 New Road, Stourbridge, West Midlands, DY8 1PH, which is a member of the Institute of Chartered Accountants in England and Wales.

22.6 The financial information contained in this Document does not constitute full statutory accounts as referred to in section 434 of the Act.

22.7 There are not, neither in respect of the Company nor any of the Subsidiaries, any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year of the Company.

22.8 Save as disclosed in this Document, there has been no significant change in the financial or trading position of the Group since 31 October 2013, the date on which the latest financial information, as set out in Part III of this Admission Document, was prepared.

22.9 The Existing Ordinary Shares are, and the Placing Shares and the Subscription Shares will be, in registered form. It is expected that share certificates will be posted by 7 July 2014. No temporary documents of title will be issued.

22.10 Save as disclosed in paragraph 21.2 of Part VI of this Admission Document, there is no person, either directly or indirectly, has in the last twelve months received or is contractually entitled to receive either directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise disclosed in this Document and trade suppliers) (i) fees totalling £10,000 or more; (ii) its securities, where these have a value of £10,000 or more calculated by reference to the Placing Price; or (iii) any payment or benefit from the Company to the value of £10,000 as at the date of Admission.

22.11 Of the Placing Price, 10p represents the nominal value of each Placing Share and 130p the premium.

22.12 Monies received from applicants pursuant to the Placing and the Subscription will be held in accordance with the terms of the Placing Agreement until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 14 July 2014, application monies will be refunded to applicants at their risk and without interest.

22.13 To the extent information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors and the Company are aware and able to ascertain from information published by that third party, no facts have been omitted which may render the reproduced information inaccurate or misleading.

23 Publication of this Document

Copies of this Document shall be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) from Allenby Capital at 3 St Helen's Place, London EC3A 6AB for a period of one month from the date of Admission.

Date: 23 June 2014

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