

Company Registration No. 07638831 (England and Wales)

AFH FINANCIAL GROUP PLC
ANNUAL REPORT
FOR THE PERIOD ENDED 31 OCTOBER 2011

AFH FINANCIAL GROUP PLC

DIRECTORS AND ADVISERS

| | |
|----------------------------|---|
| Directors | A Hudson J Wheatley T Denne |
| Secretary | A Brown |
| Company number | 07638831 |
| Registered office | St Johns House 16 Church Street Bromsgrove Worcestershire B61 8BN |
| Registered auditors | Baldwins (Stourbridge) Limited Chartered Certified Accountants 1st Floor, Copthall House 1 New Road Stourbridge West Midlands DY8 1PH |

AFH FINANCIAL GROUP PLC

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AFH FINANCIAL GROUP PLC

CHAIRMANS REPORT

FOR THE PERIOD ENDED 31 OCTOBER 2011

Audited results for the period from 23 June 2011 to 31 October 2011

AFH, PLUS-SX Newcomer of the Year 2012 and a leading discretionary wealth management and independent financial advisory (IFA) firm, today announces consolidated audited results representing the 131 day period from its flotation on PLUS-SX on 23 June 2011 to its financial year end on 31 October 2011. AFH's October year end coincides with that of its principal operating subsidiary, AFH Independent Financial Services Ltd (trading as AFH Wealth Management), which generates over 90 per cent of the Group's revenue and whose results for the 12 months ended 31 October 2011 are reflected below.

Group highlights

- Strong balance sheet with net assets of £11.3m and cash of £1.7m with no bank debt
- EBITDA of £227,387 (before exceptional items, share option costs and flotation costs)
- Adviser numbers up 32% from 53 at flotation to 70 today
- Six acquisitions made since June 2011
- AFH voted as PLUS-SX Newcomer of the Year at the 2012 PLUS Awards

Main operating business highlights

- Strong performance from AFH Independent Financial Services Ltd.
- Gross revenue up 12% (on an annualised basis) to £5.4m for the 12 months ended 31 October 2011
- Recurring income at 49% of revenue
- EBITDA of £827,000 (up 15% on an annualised basis)

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

"I am delighted to be able to report a strong performance by the Group in such a challenging financial climate. At flotation, we set out our strategy of driving growth both organically and by way of acquisition. The 32% increase in adviser numbers and the six acquisitions completed since June 2011 are strong evidence that we are successfully implementing this strategy. The Group's management team has been strengthened considerably to accommodate the further rapid expansion we envisage for AFH."

"We expect the Group's robust performance to continue, with the integration of the new advisers and the acquired businesses having a real impact in the second half of the financial year."

"AFH is cash generative and profitable, with a strong balance sheet. The Board believes that the Group is therefore well placed to prosper in the years ahead."

Chairman and Chief Executive's Statement

I am pleased to report the consolidated audited results for the 131 day period from AFH's flotation on 23 June 2011 to its financial year end on 31 October 2011. AFH's October year end coincides with that of AFH Independent Financial Services Ltd, the Group's principal operating subsidiary trading as AFH Wealth Management. This principal subsidiary generates over 90 per cent of the Group's revenue and its results for the 12 months ended 31 October 2011 are reflected below.

The Board is pleased with the Group's performance during the period, given the impact of the flotation costs and the inevitable distraction of management's time. I am delighted to report that, despite this and the ongoing macro-economic uncertainty, the Group traded profitably throughout the period and ended it with cash of £1.7m and no bank debt.

AFH FINANCIAL GROUP PLC

CHAIRMANS REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 OCTOBER 2011

Three acquisitions were made in October 2011, with a further three acquisitions made since the period end. The three businesses acquired in 2012 have added more than 1,300 new clients to the Group and I am pleased to report that all acquisitions made since June 2011 have been successfully integrated into the Group. The Board anticipates that the Group will make further complementary acquisitions in due course as it takes advantage of opportunities arising out of the wider economic downturn and the Retail Distribution Review discussed below. As previously stated, the principal benefit for AFH lies in the opportunity to provide advice and investment services to the newly acquired clients and deliver an incremental increase in AFH's recurring revenues.

The Board is also pleased that the successful execution of its strategy has compensated for the challenging wider economic conditions. In its financial year ended 31 October 2011, AFH Independent Financial Services Ltd increased gross revenue to £5.4m (up 12% on an annualised basis) and EBITDA to £827,000 (up 15% on an annualised basis). Recurring income, which is not reliant upon new business, now represents nearly half of the Group's revenue.

Organic growth, through the recruitment of new, high quality, independent financial advisers, is accelerating and the Group has been active in growing adviser numbers, up a third, from 53 at the date of our 2011 flotation to 70 today.

The Retail Distribution Review (RDR) comes into effect in January 2013 and will change the retail financial services landscape considerably. Whilst it represents a threat to a significant proportion of IFA businesses, we nevertheless continue to see the RDR as a huge opportunity for AFH, which is well placed to take advantage of the transformation.

On behalf of the AFH Board, I would like to formally thank our staff and shareholders for their continued support. Each year we set ourselves challenging targets across the Group, and each year our team reacts positively to the challenges set. Although we have been active in recruiting new advisers, we also continue to develop and promote our people from within at every opportunity. 2012 remains an exciting year for the Group and I look forward to reporting on further progress throughout the new financial year.

At flotation, we set out our strategy of driving growth both organically and by way of acquisition. The 32% increase in adviser numbers and the six acquisitions completed since June 2011 are strong evidence that we are successfully implementing this strategy. The Group's management team has been strengthened considerably to accommodate the further rapid expansion we envisage for AFH.

We expect the Group's robust performance to continue, with the integration of the new advisers and the acquired businesses having a real impact in the second half of the financial year.

AFH is cash generative and profitable, with a strong balance sheet. The Board believes that the Group is therefore well placed to prosper in the years ahead.



A Hudson
Chairman and Chief Executive
23 March 2012

AFH FINANCIAL GROUP PLC

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 OCTOBER 2011

The directors present their report and financial statements for the period ended 31 October 2011.

Principal activities and review of the business

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

The company was incorporated on 18 May 2011 and commenced trading on 23 June 2011.

A business review is included in the Chairmans Report set out on pages 1 to 2.

Results and dividends

The consolidated profit and loss account for the period is set out on pages 5 to 6.

Directors

The following directors have held office since 23 June 2011:

A Hudson
J Wheatley
T Denne

Creditor payment policy

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

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

On average, trade creditors at the year end represented 40 days' purchases.

Auditors

The auditors, Baldwins (Stourbridge) Limited have expressed their willingness to continue in office and a resolution proposing that they be re-appointed will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

AFH FINANCIAL GROUP PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 OCTOBER 2011

Statement of directors' responsibilities

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

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

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

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

Statement of disclosure to auditors

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

By order of the board



A Brown

Secretary

23 March 2012

AFH FINANCIAL GROUP PLC

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFH FINANCIAL GROUP PLC

We have audited the group and parent company financial statements (the "financial statements") of AFH Financial Group Plc for the period ended 31 October 2011 set out on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 - 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 October 2011 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

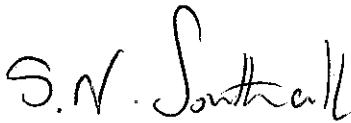
AFH FINANCIAL GROUP PLC

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

Matters on which we are required to report by exception

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

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



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

29 March 2012

Chartered Certified Accountants
Statutory Auditor

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

AFH FINANCIAL GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 OCTOBER 2011

| | Notes | Period ended 31 October 2011 £ |
|--|-----------|--|
| Turnover | 2 | 2,107,966 |
| Cost of sales | | (1,053,835) |
| Gross profit | | <u>1,054,131</u> |
| Administrative expenses | | (950,386) |
| Operating profit | 3 | <u>103,745</u> |
| Other interest receivable and similar income | | 54 |
| Interest payable and similar charges | 4 | (4,945) |
| Profit on ordinary activities before taxation | | <u>98,854</u> |
| Tax on profit on ordinary activities | 5 | (55,538) |
| Profit on ordinary activities after taxation | | <u><u>43,316</u></u> |
| Earnings per share (pence) | | |
| Basic | 15 | 0.311 |
| Diluted | 15 | <u><u>0.304</u></u> |

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

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

AFH FINANCIAL GROUP PLC

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 31 OCTOBER 2011

| | Period ended 31 October 2011 £ |
|--|---|
| Profit for the financial period | 43,316 |
| Total gains and losses recognised since last financial statements | <u>43,316</u> |

AFH FINANCIAL GROUP PLC

BALANCE SHEETS

AS AT 31 OCTOBER 2011

| | Notes | Group 2011 £ | Company 2011 £ |
|--|-------|--------------------|----------------------|
| Fixed assets | | | |
| Intangible assets | 7 | 10,441,638 | - |
| Tangible assets | 8 | 60,402 | - |
| Investments | 9 | 514 | 9,620,464 |
| | | <u>10,502,554</u> | <u>9,620,464</u> |
| Current assets | | | |
| Debtors | 10 | 938,143 | 3,000 |
| Cash at bank and in hand | | 1,722,273 | 1,502,162 |
| | | <u>2,660,416</u> | <u>1,505,162</u> |
| Creditors: amounts falling due within one year | 11 | (1,544,603) | (24,966) |
| Net current assets/(liabilities) | | <u>1,115,813</u> | <u>1,480,196</u> |
| Total assets less current liabilities | | 11,618,367 | 11,100,660 |
| Creditors: amounts falling due after more than one year | 12 | (242,372) | - |
| Provisions for liabilities | 13 | (13,045) | - |
| | | <u>11,362,950</u> | <u>11,100,660</u> |
| Capital and reserves | | | |
| Called up share capital | 15 | 1,409,687 | 1,409,687 |
| Share premium account | 16 | 9,867,812 | 9,867,812 |
| Profit and loss account | 16 | 85,451 | (176,839) |
| Shareholders' funds | 17 | <u>11,362,950</u> | <u>11,100,660</u> |

Approved by the Board and authorised for issue on 23 March 2012



A Hudson
Director

Company Registration No. 07638831

AFH FINANCIAL GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 OCTOBER 2011

| | | Period ended 31 October 2011 £ |
|---|-----------|--|
| Net cash outflow from operating activities | | (60,639) |
| Returns on investments and servicing of finance | | |
| Interest received | 54 | |
| Interest paid | (4,945) | |
| | <hr/> | |
| Net cash outflow for returns on investments and servicing of finance | | (4,891) |
| Taxation | | (157,016) |
| Capital expenditure | | |
| Payments to acquire intangible assets | (460,097) | |
| Payments to acquire tangible assets | (14,735) | |
| | <hr/> | |
| Net cash outflow for capital expenditure | | (474,832) |
| | | <hr/> |
| Net cash outflow before management of liquid resources and financing | | (697,378) |
| Financing | | |
| Issue of ordinary share capital | 1,757,499 | |
| Other new long term loans | 185,750 | |
| Other new short term loans | 173,883 | |
| Repayment of other long term loans | (77,765) | |
| Repayment of other short term loans | (310,174) | |
| | <hr/> | |
| Net cash inflow/(outflow) from financing | | 1,729,193 |
| | | <hr/> |
| Increase/(decrease) in cash in the period | | 1,031,815 |
| | | <hr/> <hr/> |

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 OCTOBER 2011

| | | |
|----------|---|-----------------|
| 1 | Reconciliation of operating profit to net cash outflow from operating activities | 2011 |
| | | £ |
| | Operating profit | 103,745 |
| | Depreciation of tangible assets | 9,930 |
| | Amortisation of intangible assets | 16,116 |
| | Loss on disposal of intangible assets | 11,867 |
| | Increase in debtors | (154,277) |
| | (Decrease)/Increase in creditors within one year | (90,155) |
| | Share-based payment charge | 42,135 |
| | Net cash outflow from operating activities | (60,639) |

| | | | | | |
|----------|-------------------------------------|---------------------|------------------|-------------------------------|------------------------|
| 2 | Analysis of net (debt)/funds | 23 June 2011 | Cash flow | Other non-cash changes | 31 October 2011 |
| | | £ | £ | £ | £ |
| | Net cash: | | | | |
| | Cash at bank and in hand | 690,458 | 1,031,815 | - | 1,722,273 |
| | Debts falling due within one year | (594,270) | 136,291 | - | (457,979) |
| | Debts falling due after one year | (134,387) | (107,985) | - | (242,372) |
| | | (728,657) | 28,306 | - | (700,351) |
| | Net funds/(debt) | (38,199) | 1,060,121 | - | 1,021,922 |

| | | |
|----------|--|------------------|
| 3 | Reconciliation of net cash flow to movement in net (debt)/funds | 2011 |
| | | £ |
| | (Decrease)/increase in cash in the period | 1,031,815 |
| | Cash (inflow)/outflow from (increase)/decrease in debt | 28,306 |
| | Movement in net (debt)/funds in the period | 1,060,121 |
| | Opening net debt | (38,199) |
| | Closing net (debt)/funds | 1,021,922 |

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 OCTOBER 2011

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

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

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 October 2011. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Associated undertakings

The group's share of profits less losses of associated undertakings is immaterial and has not been included in the consolidated profit and loss account.

1.5 Turnover

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

1.6 Goodwill

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

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

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

1.7 Tangible fixed assets and depreciation

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

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

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

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 OCTOBER 2011

1 Accounting policies

(continued)

1.8 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

1.9 Investments

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

1.10 Deferred taxation

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

1.11 Foreign currency translation

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

1.12 Share-based payments

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

2 Turnover

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

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 OCTOBER 2011

| | | |
|----------|--|----------------|
| 3 | Operating profit | 2011 |
| | | £ |
| | Operating profit is stated after charging: | |
| | Amortisation of intangible assets | 16,116 |
| | Depreciation of tangible assets | 9,930 |
| | Loss on disposal of intangible assets | 11,867 |
| | Operating lease rentals | 156,143 |
| | | <u>156,143</u> |
| | Auditors' remuneration | |
| | Fees payable to the group's auditor for the audit of the group's annual accounts (company £10,200) | 22,200 |
| | Taxation services | 480 |
| | | <u>22,680</u> |
| | | <u>22,680</u> |
| 4 | Interest payable | 2011 |
| | | £ |
| | On other loans wholly repayable within five years | 4,945 |
| | | <u>4,945</u> |
| | | <u>4,945</u> |

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 OCTOBER 2011

| 5 Taxation | 2011 |
|--|-------------|
| | £ |
| Domestic current year tax | |
| U.K. corporation tax | 52,609 |
| | <hr/> |
| Total current tax | 52,609 |
| | <hr/> |
| Deferred tax | |
| Origination and reversal of timing differences | 2,929 |
| | <hr/> |
| | 55,538 |
| | <hr/> <hr/> |
| Factors affecting the tax charge for the period | |
| Profit on ordinary activities before taxation | 98,854 |
| | <hr/> <hr/> |
| Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 25.68% (2011 - 0.00%) | 25,386 |
| | <hr/> |
| Effects of: | |
| Non deductible expenses | 22,459 |
| Depreciation add back | 7,208 |
| Capital allowances | (2,444) |
| | <hr/> |
| | 27,223 |
| | <hr/> |
| Current tax charge for the period | 52,609 |
| | <hr/> <hr/> |

6 Loss for the financial period

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

| | 2011 |
|---|-------------|
| | £ |
| Holding company's loss for the financial period | (218,974) |
| | <hr/> <hr/> |

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 OCTOBER 2011

7 Intangible fixed assets

Group

| | Goodwill £ |
|-----------------------|--------------------------|
| Cost | |
| At 23 June 2011 | 1,995,983 |
| Additions | 8,832,920 |
| Disposals | (11,867) |
| At 31 October 2011 | <u>10,817,036</u> |
| Amortisation | |
| At 23 June 2011 | 359,282 |
| Charge for the period | 16,116 |
| At 31 October 2011 | <u>375,398</u> |
| Net book value | |
| At 31 October 2011 | <u><u>10,441,638</u></u> |

8 Tangible fixed assets

Group

| | Plant and machinery £ | Fixtures, fittings & equipment £ | Total £ |
|-----------------------|-----------------------------|---|----------------------|
| Cost | | | |
| At 23 June 2011 | 50,132 | 55,933 | 106,065 |
| Additions | 7,143 | 7,592 | 14,735 |
| At 31 October 2011 | <u>57,275</u> | <u>63,525</u> | <u>120,800</u> |
| Depreciation | | | |
| At 23 June 2011 | 22,615 | 27,853 | 50,468 |
| Charge for the period | 6,084 | 3,846 | 9,930 |
| At 31 October 2011 | <u>28,699</u> | <u>31,699</u> | <u>60,398</u> |
| Net book value | | | |
| At 31 October 2011 | <u><u>28,576</u></u> | <u><u>31,826</u></u> | <u><u>60,402</u></u> |
| At 23 June 2011 | <u><u>19,955</u></u> | <u><u>30,306</u></u> | <u><u>50,261</u></u> |

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 OCTOBER 2011

9 Fixed asset investments Group

| | Shares in participating interests £ |
|--------------------------------------|--|
| Cost | |
| At 23 June 2011 & at 31 October 2011 | 514 |
| Net book value | |
| At 31 October 2011 | 514 |
| At 23 June 2011 | 514 |

The results of participating interests are considered to be immaterial and have not been included in these financial statements.

Company

| | Shares in group undertakings £ |
|-----------------------|---|
| Cost | |
| At 23 June 2011 | - |
| Additions | 9,620,464 |
| At 31 October 2011 | 9,620,464 |
| Net book value | |
| At 31 October 2011 | 9,620,464 |
| At 22 June 2011 | - |

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

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 OCTOBER 2011

9 Fixed asset investments

(continued)

Holdings of more than 20%

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

| Company | Country of registration or incorporation | Shares held | |
|--------------------------------|--|-------------|-----|
| | | Class | % |
| Subsidiary undertakings | | | |
| AFH Group Ltd | UK | Ordinary | 100 |

The principal activity of these undertakings for the last relevant financial year was as follows:

| | Principal activity |
|---------------|--------------------|
| AFH Group Ltd | Holding Company |

10 Debtors

| | Group 2011 £ | Company 2011 £ |
|--------------------------------|--------------------|----------------------|
| Trade debtors | 753,334 | - |
| Corporation tax | 203 | - |
| Other debtors | 67,646 | - |
| Prepayments and accrued income | 116,960 | 3,000 |
| | <u>938,143</u> | <u>3,000</u> |

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 OCTOBER 2011

11 Creditors : amounts falling due within one year

| | Group 2011 £ | Company 2011 £ |
|---------------------------------------|-----------------------------|-------------------------------|
| Trade creditors | 114,513 | - |
| Amounts owed to group undertakings | - | 4,842 |
| Corporation tax | 180,228 | - |
| Other taxes and social security costs | 34,182 | 7,858 |
| Directors current accounts | 4,597 | - |
| Other creditors | 1,164,176 | - |
| Accruals and deferred income | 46,907 | 12,266 |
| | <u>1,544,603</u> | <u>24,966</u> |
| | <u>457,979</u> | <u>-</u> |

12 Creditors : amounts falling due after more than one year

| | Group 2011 £ | Company 2011 £ |
|------------------------------------|-----------------------------|-------------------------------|
| Other creditors | <u>242,372</u> | <u>-</u> |
| Analysis of other creditors | | |
| Wholly repayable within five years | 700,351 | - |
| Included in current liabilities | <u>(457,979)</u> | <u>-</u> |
| | <u>242,372</u> | <u>-</u> |

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 OCTOBER 2011

13 Provisions for liabilities

Group

| | Deferred taxation £ |
|----------------------------|---------------------------|
| Balance at 23 June 2011 | 10,116 |
| Profit and loss account | 2,929 |
| | <hr/> |
| Balance at 31 October 2011 | 13,045 |
| | <hr/> <hr/> |

The deferred tax liability is made up as follows:

| | Group 2011 £ | Company 2011 £ |
|--------------------------------|--------------------|----------------------|
| Accelerated capital allowances | 13,045 | - |
| | <hr/> <hr/> | <hr/> <hr/> |

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 OCTOBER 2011

14 Share-based payment transactions

During the period ended 31 October 2011, the group had two share-based payment arrangements, which are described below.

| Type of arrangement | EMI Scheme Share-option Plan | Contractors Share-option Plan |
|----------------------------|--|--|
| Date of grant | 22 June 2011 | 22 June 2011 |
| Number granted | 138,567 | 405,105 |
| Contractual life | 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 |

Both of the share-option plans will vest after two year from the date of the grant, and may only be exercised after the first of the vesting conditions described above occurs. There are no cash settlement alternatives.

The estimated fair value was calculated by applying the market value at the balance sheet date.

The estimated fair value was calculated by applying a option pricing model.

The estimated fair value of each share granted in the executive share plan is 83.5p.

Further details of the share option plans are as follows:

| | Number of options | Weighted average exercise price |
|--------------------------------|------------------------------|--|
| | 2011 | 2011 £ |
| Granted | 543,672 | 0.37 |
| Outstanding at 31 October 2011 | <u>543,672</u> | <u>0.37</u> |

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 OCTOBER 2011

14 Share-based payment transactions (continued)

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

| | 2011 £ |
|---|-----------|
| Expense arising from share-based payment transactions | 42,135 |

15 Share capital 2011

| | £ |
|---|-----------|
| Allotted, called up and fully paid | |
| 14,096,874 Ordinary of 10p each | 1,409,687 |

On 23 June 2011 11,900,000 ordinary shares of £0.10 each were allotted and fully paid at par in exchange for the share capital of AFH Group Ltd to provide initial working capital, on the same date 1,736,250 ordinary shares of £0.10 each were allotted and fully paid at par for cash consideration to provide additional working capital.

On 3 August 2011 460,624 ordinary shares of £0.10 each were allotted and fully paid at par for cash consideration to provide additional working capital.

The calculation of earnings per share is based on the profit attributable to the equity holders for the period of £43,316 and weighted average number of shares in issue during the period of 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 increased number of shares for diluted earnings per share is therefore 14,246,799.

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 OCTOBER 2011

16 Statement of movements on reserves

Group

| | Share premium account £ | Profit and loss account £ |
|--|----------------------------------|---------------------------------|
| Profit for the period | - | 43,316 |
| Share based payment transactions | - | 42,135 |
| Premium on shares issued during the period | 9,867,812 | - |
| | <u>9,867,812</u> | <u>-</u> |
| Balance at 31 October 2011 | <u>9,867,812</u> | <u>85,451</u> |

Company

| | Share premium account £ | Profit and loss account £ |
|--|----------------------------------|---------------------------------|
| Loss for the period | - | (218,974) |
| Share based payment transactions | - | 42,135 |
| Premium on shares issued during the year | 9,867,812 | - |
| | <u>9,867,812</u> | <u>-</u> |
| Balance at 31 October 2011 | <u>9,867,812</u> | <u>(176,839)</u> |

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 OCTOBER 2011

| 17 Reconciliation of movements in shareholders' funds | 2011 |
|--|-------------|
| Group | £ |
| Profit for the financial period | 43,316 |
| Proceeds from issue of shares | 11,277,499 |
| Share based payment transactions | 42,135 |
| | <hr/> |
| Net addition to shareholders' funds | 11,362,950 |
| Opening shareholders' funds | - |
| | <hr/> |
| Closing shareholders' funds | 11,362,950 |
| | <hr/> <hr/> |
| | 2011 |
| | £ |
| | |
| Company | |
| Loss for the financial period | (218,974) |
| Proceeds from issue of shares | 11,277,499 |
| Share based payment transactions | 42,135 |
| | <hr/> |
| Net addition to shareholders' funds | 11,100,660 |
| Opening shareholders' funds | - |
| | <hr/> |
| Closing shareholders' funds | 11,100,660 |
| | <hr/> <hr/> |

18 Financial commitments

At 31 October 2011 the group had annual commitments under non-cancellable operating leases as follows:

| | Land and buildings |
|--------------------|---------------------------|
| | 2011 |
| | £ |
| Expiry date: | |
| In over five years | 94,624 |
| | <hr/> <hr/> |

| 19 Directors' remuneration | 2011 |
|--------------------------------------|-------------|
| | £ |
| Remuneration for qualifying services | 97,356 |
| | <hr/> <hr/> |

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 OCTOBER 2011

20 Employees

Number of employees

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

| | 2011 Number |
|-----------|------------------------|
| Directors | 3 |
| Office | 51 |
| | <hr/> |
| | 54 |
| | <hr/> <hr/> |

Employment costs

| | 2011 £ |
|-----------------------|-------------------|
| Wages and salaries | 460,376 |
| Social security costs | 43,379 |
| | <hr/> |
| | 503,755 |
| | <hr/> <hr/> |

21 Control

The company is controlled by A Hudson, who is a director and owns 68.67% of the issued share capital.