Annual Report and Accounts

Year ending 31 October 2017

Together.

A better future.

AFH financial group plc

Our vision:

The first choice for wealth management advice in the UK

Contents

Our mission is identified by key milestones that the business will aim to achieve in order to reach our vision. These are:

Earn trust

by propagating the attitude and introducing the processes and safeguards that ensure we never fail to deliver our promises.

Build our reputation

by providing the best financial advice and wealth management support to an increasingly broad audience.

Leverage our increasing size

to eliminate third-party charges and conspicuously pass that saving on to clients so the cost of wealth management reduces.

Grow our community

by being active in the channels and adopting the formats that meet the changing needs of the people.

Add value

by establishing work practices that deliver the best solutions in the most efficient way.

Maintain personal relationships

with clients by having more advisers than anyone else.

Chairman's statement

I am extremely pleased to report another successful year with increased margins driven by the economies of scale predicated by our strategy of organic and acquisitive growth. New business and continued demand for financial advice from existing clients, together with a series of earnings accretive acquisitions during the year, enabled the Group to grow its funds under management by 39% to £2.79bn and increase revenues by 39% to £33.6m.

As highlighted in my previous reports, the Group has invested heavily to establish an infrastructure able to support a large national financial services business and this year we were able to build on this scale to achieve a double digit increase in our Underlying EBITDA margin to approximately 17%.

In line with our drive to increase shareholder value the Group has established a strategic aim of reducing investment costs for our clients by leveraging the increased scale of AFH for their benefit, while ensuring the long-term sustainability of the Group. We believe that this is not only in the spirit of sound commercial business but leads the way for future financial services models, as many commentators predict that we approach a period of reduced gross market returns.

Organic revenue growth of £4.6m represented an increase of 19% on revenues generated in 2016 while gross margins from the core business was retained at 55%. During the year funds under management grew organically, with £250m gross in flows, representing a second consecutive year of double-digit organic growth. We continue to see demand for financial advice from our clients driven by legislative changes, including pension freedoms, and lifestyle needs. This has generated record levels of financial planning revenue to supplement our strong levels of recurring income.

During the year the Group completed 14 acquisitions with a combined value of £18.7 million, including two acquisitions with a target value in excess of £5m (assuming performance criteria are satisfied). It is equally fulfilling to be able to report that once again prior-year acquisitions have traded successfully. The average deferred pay-out for those acquisitions reaching a performance milestone has again exceeded 90% of the target set at the time of the transactions.

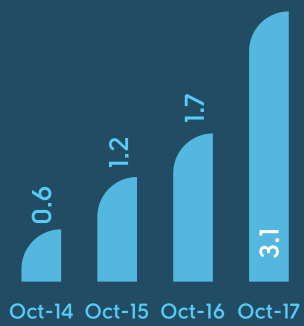
The acquisition of 13 IFA businesses during the year again encompassed retiring IFAs, whose client portfolios have been transitioned to existing AFH advisers, as well as larger organisations whose clients and advisers have been absorbed into the AFH model. This approach allows investments to be retained on existing platforms and products where appropriate but enables clients to move to our cost-effective discretionary service where a clear benefit to the client can be demonstrated. Integration of acquisitions made during the year has been completed successfully and I am pleased to report that a number of the larger acquisitions are trading above target.

In addition to the 13 IFA acquisitions, in June 2017 we announced the acquisition of Eunisure Ltd, a financial protection broker based in Newmarket, Suffolk. As we reported at the time, this acquisition provided an entrance into the protection sector, which we believe to be underserved currently by the financial community. It also opens an additional client community to our financial advisers and provides a strong catchment of financially aware advisers who we believe can form the basis of an in-house academy to train future IFAs. The business has performed in line with expectations since June, reporting increasing margins and improved rates of client persistency.

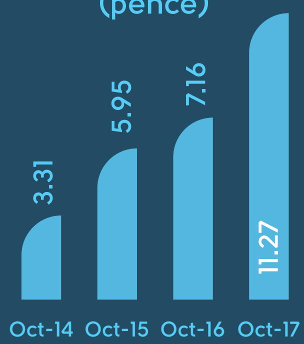
The strong revenue growth supported by a controlled fixed cost base has delivered a £2m (57%) increase in underlying EBITDA to £5.7m and a 56% rise in reported EPS to 11.22p (2016: 7.16p).

In my last report I commented on the digital transformation project. The Board has committed over £1m for the initial phase of digitising both the Group's internal operations and its interaction with clients and advisers as the business develops its captive distribution channels to provide tailored advice and investment management solutions. Phase 1, which

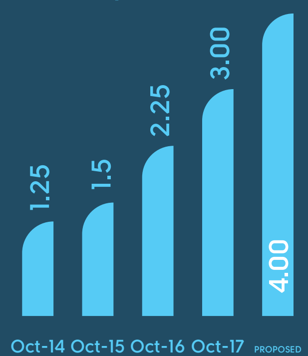
Earnings attributable to shareholders £m



EPS (pence)



Dividend per share (pence)



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has already delivered improved communication, including video updates and digital information packs for advisers, staff and clients whilst generating client-facing operational efficiencies, continues into the current financial year when it is expected to move to Phase 2. This will create personalised portals for both clients and our advisers in addition to embracing the wider mass affluent market.

The market

The economic backdrop for financial markets was favourable during the year. Global equity markets hit fresh record highs, as the recovery in the world economy broadened and gathered momentum. The improving growth picture meant that the withdrawal of emergency monetary stimulus put in place in the wake of the 2008-09 financial crisis was a dominant theme for investors. The US Federal Reserve raised interest rates during the 12-month period and started winding down its balance sheet in October 2017. Given that ultra-low interest rates and quantitative easing (QE) have been key drivers of risk assets in recent years, the withdrawal of such stimulus has always represented a concern for financial markets. However, the markets took the moves in their stride, not least as below-target inflation reinforced expectations that any withdrawal of stimulus would be gradual. Moreover, with corporate earnings improving, markets have become somewhat less dependent on support from central banks.

Although political developments had threatened to disrupt markets during the year, the influence of politicians proved generally benign. In Europe, the tide of populism was turned back, as voters in France rejected Marine Le Pen's anti-euro campaign and elected the pro-euro candidate Emmanuel Macron. In turn, diminished political risk, along with improving business and consumer confidence, helped euro-area equity markets perform strongly during the period.

In contrast, political risk in the UK increased after the government lost its majority following Prime Minister Theresa May's decision to call a snap election in June. With Brexit negotiations ongoing, the surprise election result added to the uncertainty facing UK business. However, even in the UK, the backdrop of an improving global economic outlook more than compensated for political concerns, with both the FTSE100 and FTSE250 generating double-digit returns over the period.

Shareholders

In April 2017 and December 2017, following the year end, two successful fundraisings enabled the Company to expand its institutional shareholder base while benefitting from the continued support of our existing institutional shareholders. I would like to welcome our new shareholders, who join at an exciting period of the Group's development, and to thank existing shareholders for their continuing support. The Group has a strong Balance Sheet on which to execute its pipeline of acquisitions and, we believe, a strong shareholder base that can support its growth ambitions.

The Directors' believe that the most effective way to strengthen the relationship with all shareholders is through regular market updates but also welcome the opportunity to meet shareholders and to maintain an ongoing and constructive dialogue with them.

Dividend

The Directors' intend to continue the Group's progressive dividend policy while recognising the requirement to maintain sufficient cash reserves within the business to fund its growth strategy. Having considered this in the light of the strong performance during the year under review, the Directors' propose a dividend of 4.0 pence per share, an increase of 33% over the 2017 dividend. Subject to shareholder approval at AFH's forthcoming Annual General Meeting, the dividend will be paid on 4 May 2018 to shareholders on the register of members at the close of business on 20 April 2018. The ex-dividend date is 19 April 2018.

Our people

The profitable growth of AFH is due to the hard work and professional approach of our staff and advisers. I would like to thank them for the contribution they have made to another highly successful year in which we have continued to grow our business profitably and improve our operating margins in line with the Board's expectations. It is our ambition to become an employer of choice for staff and to maintain the alignment of interest between our staff and advisers with those of our clients and shareholders. It is in response to the support we receive from our staff that we continue to develop and promote our people from within the Group at every opportunity, so that many key positions are occupied by home-grown talent. It is the enthusiasm, dedication and creativity of our staff and advisers that allows the Group to continue to deliver according to its strategy each year.

Outlook

The Directors believe there is a continuing requirement for a professional, financial planning-led approach to wealth management delivered by trusted personal advisers. They also recognise that the consolidation of the IFA market at many levels within the sector will continue.

The Board believes that it has put in place the necessary infrastructure to support its growth plans for 2018 and beyond. Continued investment in technology is expected to accelerate the benefits of scale and the infrastructure investment made in previous periods.

The Company continues to be cash generative and maintains a strong balance sheet. Following completion of the fundraising in December 2017, the Group has unrestricted cash assets in excess of £20m and will continue to actively seek appropriately priced opportunities to expand its captive distribution throughout the financial sector, generate additional revenue and drive increased profitability.

Given the progress made in 2017 and the early months of the 2018 financial year, the Directors view the coming period as providing excellent prospects and look forward to continuing our success in the future.

John Wheatley
Chairman

29 January 2018

Chief executive's report

I am encouraged by the strong progress we made in 2017 and, driven by the increase in our recurring revenue and our underlying EBITDA margin, the continued achievement of the revenue and profitability targets that we set ourselves.

Financial Performance

The year under review produced our fourth consecutive year of growth and improved profitability since joining AIM in 2014. Increased revenues and improved margins have resulted in a 46% increase in Underlying Earnings per Share to 17.0p after taking into account the dilutive impact of our successful fundraising in April 2017.

The success of integrating our acquisitions complimented double-digit organic growth with productivity per adviser reaching record levels. Revenue for the 12 months ended 31 October 2017 of £33.6m was almost 40% above the corresponding period (2016: £24.1m) and continues our progress to our three-to-five-year aspirational target.

The growing requirement of our clients for financial advice generated £12.2m (2016: £7.8m) of new business revenues, while recurring income of £21.4m (2016: £16.3m) continues to strengthen our revenue base, driven by our growing funds under management ("FUM"). During the year over 90% of our organically generated inflow of funds were invested on a discretionary mandate and at the year-end more than £1.3bn of funds were managed on this basis.

In addition to the organic funds invested, an additional £530m of funds was brought under management as the result of acquisitions made during the year.

	Funds under Management £bn
Reported as at 1 November 2016	2.0
Inflows through acquisitions	0.53
Inflows from existing business	0.27
Market impact	0.12
Outflows	(0.13)
Balance as at 31 October 2017	2.79

Gross margins remain strong despite a small decrease to 53% (2016: 55%) as a result of the impact of the lower margin protection business Eunisure that was acquired in June 2017. The gross margin of our core business remained at 55% (2016: 55%) while we were again able to utilise our growing purchasing power for the benefit of our clients and reduce third-party costs for them for a third successive year.

2017 was a year of further investment in our technology and infrastructure, as we continued to seek operational efficiencies and offer a streamlined experience to our clients. While we believe that face-to-face advice is and will continue to be the key to solid client relationships, we are building technology solutions to support our advisers, provide greater flexibility and personalisation in our interaction with existing and potential clients and take on new competitors entering the market focussed on technology solutions. As we moved into 2018 a new cloud-based enterprise management solution was taken live and further cloud-based projects in our risk and technical advisory areas are expected to be completed within the current financial year.

Our marketing strategy has embraced the digital opportunities and challenges for the sector. In June 2017 the Group undertook a rebranding exercise, not only to create an image more aligned with the business values and approach of today's AFH 2017 but also to facilitate and promote our business in the new digital environment. During the year we charged through the Statement of Comprehensive Income more than £700k on developing our marketing and brand offering while investing a further £400k in capital expenditure to support our long-term digital aspirations.

The significant growth of the Group has made it possible to finance these marketing and IT projects, which we believe will generate significant shareholder and client value in the future.

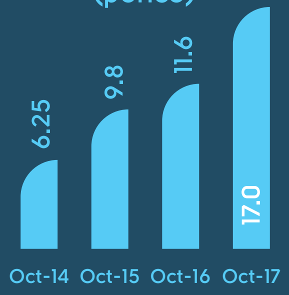
During the period we reported a 57% increase in underlying EBITDA and a further improvement to our underlying EBITDA margin, as the efficiencies and economies of scale we have worked towards were reflected in our results. I am particularly pleased by the increased margin to 17% (2016: 15%) as this is one of our key internal metrics and aspirational measures.

Profit after tax for the year of £3.1m represents a 83% increase in the year (2016: £1.7m) and after the dilution created by our successful fund raising in April 2017 has increased reported Earnings Per Share to 11.22p. Underlying Earnings per Share, EBITDA plus non-cash share-based payments as adjusted for tax, is a key measure used by the Board as it reflects the cash earnings per share generated by the business. In 2017 this has increased to 16.97p (2016 11.64p), representing a 46% increase.

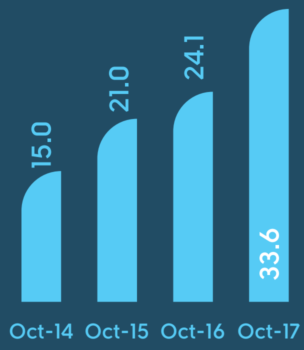
Strategy

During the year considerable investment was made in rebranding the Group to reflect our business vision and to ensure that our values and culture are reflected in all aspects of our business. At the start of

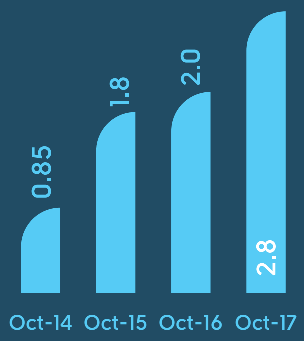
Underlying EBITDA adjusted for tax per share (pence)



Revenue £m



Funds Under Management £bn



the financial year the Board set itself three financial aspirations over a three-to-five-year timeframe:

- Funds under management of £5bn
- Revenues of £75m
- Underlying EBITDA margin of 20% on revenue

At the same time we formalised our vision to be the "FIRST CHOICE FOR WEALTH MANAGEMENT AND ADVICE IN THE UK" and documented our values and "brand pillars" to ensure that we were able to measure and achieve both our vision and financial aspirations.

Central to our strategy is to put clients' interests first in order to build a sustainable business that reflects our vision, including a drive to reduce the cost of ancillary services for our clients and to embrace them in the AFH community. As noted above, during the year we continued to drive down custody and administration costs and put in place a model to reduce fund-management fees while retaining our independent status, providing access for our clients to the whole of market.

The Group came to the market in June 2014 with the strategy of growing both revenue and profitability through a combination of organic and acquisitive growth. The Board remains committed to this strategy, which to date has consistently delivered financial results in line with market expectations. While there have been a number of new entrants, many private equity-backed, who have applied pricing pressure for acquisitions, the Group was able to maintain its previous pricing multiples during the year while attracting high quality businesses by providing the opportunity for vendors to join the AFH community and enjoy, along with their clients, the benefits of the Group strategy and vision.

The same strategy has enabled the Group to enjoy double-digit organic growth in both funds under management and recurring revenue while maintaining gross margins and generating operating efficiencies to drive growth in earnings per share.

Our focus continues to be to maintain our existing strategy to meet our clients' ongoing needs in order to fulfil our vision and expand our brand throughout the UK financial services sector.

Segmental review

Financial advisory and investment management

Financial advisory and the subsequent management of client portfolios represents the core business of AFH. Our structure is based on the simple philosophy that the most appropriate way to manage a client's portfolio is to fully understand their current and future financial aims, their attitude to risk and their lifestyle requirements before constructing appropriate personal models and finally managing their money to meet their objectives. Our fee income is therefore split between initial financial planning and the ongoing management of a client's financial affairs and their assets.

During the year our initial financial planning fees totalled £9.5m, an increase of £1.6m (20%) above our 2016 results, reflecting the increasing client requirements for financial planning driven by changing legislation, in particular the changes to the UK pension market, with its associated opportunities and risks as well as developing lifestyle needs.

Ongoing management fees increased to £20.6m (2016: £16.2m) reflecting the increased funds under management which, as noted above, increased to £2.8bn as a result of net organic inflows together with assets attached to acquisitions during the year. This increase was reflected in the ratio of recurring income within this division which rose to 69% (2016: 68%).

Gross margins in our core business remained at 55% reflecting the increased level of business generated centrally relative to that self-generated by our advisers.

The division generated EBITDA of £6.6m (2016: £4.8m) representing a 22% margin on revenue (2016: 20%) and demonstrating the benefits of scale that was targeted in my last report to shareholders.

Protection Broking

In June 2017 the Company completed the purchase of Eunisure Limited to open a new business stream focused on life and medical insurance protection cover. This business is more transactional than our core business, with over 90% of revenues generated as new business. The initial results of Eunisure have been positive and ahead of our expectations.

When acquiring Eunisure the Board recognised a commercial opportunity to provide a service to a market sector that has been underserved in recent years, creating a protection gap in the UK estimated by Swiss Re to be in excess of £2.5trn, while forming a potential source of young aspiring advisers for our core business. To date we have identified over 40 Eunisure advisers with the potential and desire to train within AFH in mortgage and other financial products and we will continue to develop this talent within our fledgling in-house academy.

During the five months since acquisition Eunisure generated almost £3m of revenue at a 35% gross margin. The low cost base of the business and the synergies of the group enabled Eunisure to report an EBITDA margin of 22% for the period and further synergies will be sought in the future.

Acquisitions

The Group maintains an in-house acquisitions and integration team that allows us to undertake multiple acquisitions and to integrate them fully into the AFH model.

During the year the Group completed 14 acquisitions for a combined maximum cost of £18.7 million. Of this capped value £8.7m was paid in initial consideration with the balance to be paid through our earn-out model over the next four financial years. The Company also paid over £3.2m in deferred consideration for acquisitions made in previous years, representing over 90% of the maximum earn-out agreed at the time of the transactions.

With the exception of the Eunisure protection broking business, all acquisitions were IFA businesses that have been integrated into the AFH model and trade under the AFH brand and regulatory permissions.

Capital structure

The Group remains free of secured debt, with the exception of a mortgage held on the freehold property acquired in 2015, and maintains a capital structure that the Board believes provides a conservative level of gearing through Unsecured Corporate Bonds. The Group continues to maintain a net cash position and all regulated subsidiary companies reported significant margins above their regulatory and stress-tested capital requirements as at 31 October 2017.

In assessing its appetite for financial gearing the Board considers the deferred consideration outstanding on acquisitions to provide an element of financing structuring and allows an unsecured leveraging for the benefit of our shareholders.

In April we concluded an equity fund raising of £10m and welcomed a number of new institutional investors to our share register. The funds were raised to finance the initial cost of our acquisitions and since that time over 85% of the money raised has been used for the purchase of eight businesses during the second half of the year and a further three since the year end.

In December 2017, the Company raised a further £17.5m in an exercise that was well supported by both existing and new institutions. As a result the Company has cash resources in excess £20m with which to continue its acquisitive activities while remaining free from secured debt.

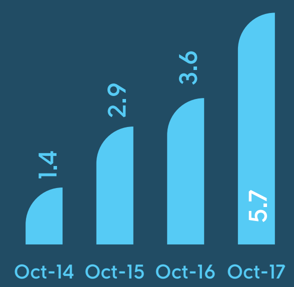
Current year trading

The current year has started in line with expectations as the buoyant activity levels of 2017 have continued into the new year. The Group has seen further organic growth in new business which in turn has added to our funds under management on which we earn recurring fees. Since the year end we have announced three acquisitions which are expected to be fully integrated during the first half of the year. The successful fund-raising in December has provided a strong cash position that will allow AFH to take advantage of the continuing rate of consolidation within the IFA market during the current year and finance larger acquisition opportunities as they arise. Our increasing adoption of technology to support our advisers and clients is generating new opportunities for organic growth and supports our strategic model of incremental acquisitive growth on the base of a strong existing client base.

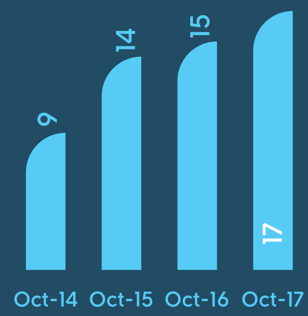
Alan Hudson
Chief Executive Officer

29 January 2018

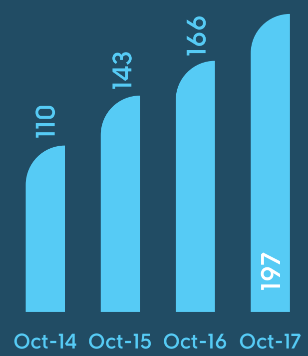
Underlying EBITDA £m



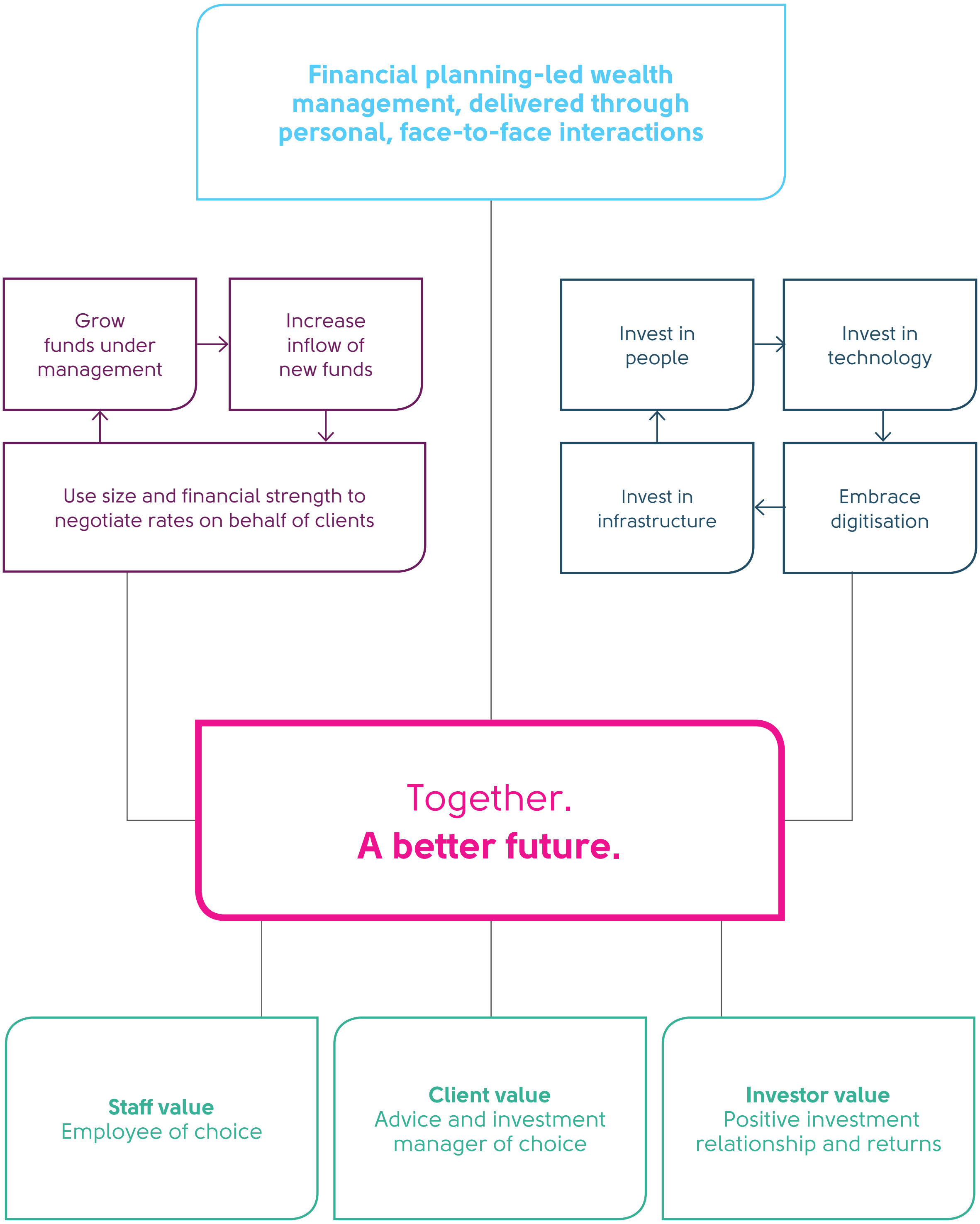
Underlying EBITDA margin (%)



Revenue per adviser £'000



Strategic Business Model



General Information

The following section summarises the principal risks and uncertainties that impact both the Group and the market in which we operate. The Board is responsible for assessing the principal risks and these are monitored on a regular basis by the Risk Committee under the Chairmanship of the Group Head of Risk.

Against each of the principal risks consideration is given to the Group's exposure and the extent to which the risk can be mitigated. There have been no material changes in the principal risks to the Group during the year. However, political uncertainties caused by the continuing Brexit negotiations and the minority government in Westminster have, in the opinion of the Risk Committee, increased the likelihood and impact of regulatory, legislative and tax changes to the financial services sector and the economy as a whole.

The Board considers risk within four categories: - Conduct, Credit, Market and Operational. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance and its reputation arising from these risk areas.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an appropriate capital structure to reduce the cost of capital. The Group monitors capital by maintaining or adjusting the capital structure by managing the level 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 Key financial and non financial risks identified by the Board and the measures taken to mitigate their impact are:-

Risks and impacts		How we monitor and manage the risk	Change in the year
Cyber Risks	The failure or compromise of an IT system, whether internal our outsourced, could lead to disruption of services to clients, reputational damage and a negative impact on profitability.	The Group seeks to minimise this risk through close working relationships with our outsourced suppliers supported by appropriate Service Level Agreements against which performance is monitored. Business continuity arrangements are in place for our major technical services, many of which have been moved to a cloud environment during 2016/17. We continue to monitor and enhance our existing cyber security capability in line with the increasing threat and work with third party partners to test and implement security protocols.	↑
Reduced market yield risk	In an environment where market forecasters are projecting lower yields in the future, the Group may fail to deliver past levels of return to our clients.	Our business model is based on providing above average market returns while reducing the cost of investment for our clients, thereby increasing the net yield from their portfolios. The Investment committee includes external professionals who work with our research analysts to construct and manage portfolios appropriate to the risk and financial planning needs of our clients. Our discretionary clients' portfolios are managed on an ongoing basis to react to short term market fluctuations within the investment strategy set out by the Investment Committee.	↑
Adviser recruitment and retention risk	Adviser recruitment and retention is an area of ongoing focus for the Group.	We employ a number of specialist managers within our Business Development and T&C teams to recruit and manage high quality advisers who adhere to the Group's client-centric culture. AFH generated clients are matched to advisers based on relevant expertise and location to cement both clients and advisers within the Group community. Our commercial structure encourages the retention of advisers.	→

Risks and impacts		How we monitor and manage the risk	Change in the year
Regulatory, legislative and tax risk	There is a risk of regulatory, legislative or tax changes.	These cannot be easily mitigated. However, we actively engage with our regulators in an open and constructive manner. The Group employs appropriate expertise within the Risk and Technical teams to maintain an awareness of impending changes and where appropriate engages with independent experts to implement suitable processes. Internal management is augmented by scheduled external audits of our compliance function and processes. Our governance structure, implemented through committees and managed internally, seeks to ensure that we remain compliant with evolving regulations.	↑
Acquisitive risk	The acquisitive nature of our business risks importing advice liabilities and people into the Group who do not share our culture or standards.	The Group employs a full time acquisitions team who are responsible for the Due Diligence, contractual negotiations and integration of all acquisitions under the ultimate direction of the Chief Executive Officer. The Group adopts standard process questionnaires and contracts for acquisitions and always obtains full indemnities from each of the vendors in respect of any financial advice liability relating to the period before acquisition. The earn out model used by the Group provides a cash asset during the initial two years post acquisition against which any undisclosed liabilities can be offset. The cultural fit of vendors and their client base is examined during due diligence, and formal induction courses are mandatory for joining advisers prior to completion of the acquisition.	→
Interest rate and operating cash flow risks	There is a risk of higher interest rates and/or delay in cash receipts.	The Group manages its treasury function on a centralised basis. The 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 while not having a material adverse effect on cash flow. There are no significant variable rate interest-bearing liabilities. The Group receives its income from large regulated financial institutions who it monitors for potential liquidity issues on a regular basis. The Board monitors both its regulatory requirements and cash flow forecasts on a regular basis and works with its professional advisers to ensure that appropriate funding is in place at all times.	→
Credit risk	Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as commercial transactions.	Credit risk is managed on a Group basis. 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 ensures flexibility by maintaining significant headroom in its cash position. Management monitors forecasts of the Group's liquidity on the basis of expected cash flows. This is carried out in accordance with recommended accounting practice and limits set by the Group. The Board reviews the Group's liquidity at its monthly meetings. It remains the Group strategy to ensure that sufficient equity funding has been raised to finance both the initial consideration and any additional cash requirement that could arise through deferred consideration relating to any acquisition in advance of that acquisition being completed.	→

Key performance indicators

The directors consider the key performance indicators ("KPIs") for the Group to be:

- Revenue – this is total income (excluding VAT) from all revenue streams;
- Gross margin – this is the revenue generated by the Group after fees paid to its independent financial advisors and other direct costs of sale;
- Underlying EBITDA margin – this is profit generated from the Group's operating activities before any financing income or costs, taxation, non-cash share-based payments, depreciation and amortisation as a proportion of revenue;
- Adjusted profit before tax – profit before taxation, non-cash share-based payments, depreciation and amortisation of intangible assets; and
- Adjusted EPS – total comprehensive income for the year, net of tax, attributable to equity holders of the Group, adjusted to add back acquisition costs expensed under IFRS 3 (Revised) and the amortisation of intangible assets, divided by the number of ordinary shares in issue;

Non-financial key performance indicators

The directors consider the group's non-financial key performance indicators ("KPIs") for the Group to be:

- Advice Quality Reviews – review of the suitability of financial planning and investment advice provided to our client base;
- File quality – measuring the quality and integrity of documentation ensuring that it provides sufficient defence against future financial and regulatory scrutiny and represents the quality of advice provided;
- Complaints – measuring the volume of regulated advice and service complaints received within any given period;
- TCF surveys – qualitative information sought from clients who engage in new/repeat advice process; and
- Breaches – measuring process failures throughout the group and thematic evidence produced to highlight weaknesses for action.

Directors during the financial year

John Wheatley, Alan Hudson, Paul Wright, Susan Lewis, Mark Chambers, Austin Broad and Alexis Larvin were directors of the company throughout the financial year.

Directors' attendance at Board and Board Committee meetings

	Strategy Meetings	Board Meetings	Audit Committee	Remuneration Committee
J Wheatley	1/1	12/12	2/2	1/1
S Lewis	1/1	12/12	2/2	1/1
M Chambers	1/1	12/12	2/2	1/1
A Hudson	1/1	12/12	2/2	1/1
P Wright	1/1	12/12	2/2	N/a
A Larvin	1/1	12/12	N/a	N/a
A Broad	1/1	12/12	N/a	N/a

Director's report

Some strategic considerations are documented within the Directors' Report on pages 22-23.

Full disclosure of information

Each of the Directors at the time of this report confirm that so far as they are aware, there is no relevant audit information of which the company's auditor is unaware and they have taken all appropriate steps to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Approved by the board

John Wheatley
Chairman

29 January 2018

John Wheatley – Non Executive Chairman

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. John qualified as a Chartered Accountant with Peat Marwick Mitchell. After three years as Finance Director of a packaging manufacturer in West Bromwich he became a partner in the Midlands region of KPMG in 1985 where he gained an extensive experience of working with public and 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.

Alan Hudson CEO

Alan is responsible for the day-to-day running of the Group with particular focus on its acquisition strategy. He has considerable financial planning and investment management experience as a Chartered Financial Planner and in 1990 founded the business operated by AFH Financial Group. Prior to founding AFH Financial Group, Alan ran the Birmingham office of Target Life. Alan is a member of the Group's Audit and Remuneration and Risk Committees and alongside Austin and Mark sits on the Group Investment Committee.

Paul Wright CFO

Paul is responsible for overall financial and legal aspects of AFH's operations and for its interactions with the Group's corporate advisers. Paul has broad experience of managing regulated businesses through change in high growth situations with extensive M&A and integration experience. 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 recorded significant growth driven by an acquisition strategy. Since 1995 he has been Group CFO of a number of UK listed companies in the technology and financial services sectors. Paul sits on the Group's Risk Committee and attends the Audit Committee by invitation.

Alexis Larvin Executive Director

Alexis is Group Head of Risk having been appointed to the Board in October 2015. She is responsible for all regulatory compliance across the Group, leading a centralised team based in Bromsgrove. Alexis has worked for AFH for more than 10 years, having previously gained relevant experience within the financial services sector. Alexis Chairs the Group's Risk Committee.

Austin Broad Executive Director

Austin is currently Group Head of Advice having joined the Group in 2007. He was appointed to the Board in October 2015 since when he has been AFH's spokesperson on technical matters while leading a team of qualified advice technicians. Austin has extensive experience within the sector as an Independent Financial Adviser and technical expert. He works closely with the Group Head of Risk and the Advice & Regulatory Support department shaping advice guidance within the firm for the benefit of clients. Austin sits on the Group Investment Committee

Sue Lewis Non- Executive Director

Sue chairs the group's remuneration committee and is a member of the Audit Committee. She joined the group in 2014 prior to the IPO onto the AIM market. Sue is a senior partner at Eversheds Sutherland Limited, 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.

Mark Chambers Non- Executive Director

Mark joined AFH in October 2014 shortly after the Group was listed on the AIM market and is a member of the Remuneration, Audit and Investment committees. Mark has over 30 years of financial and business experience having spent 19 years at Man Group Plc between 1994 and 2013 in a range of senior roles including Head of Institutional Sales and Head of Global Banking Sales. Mark has also previously held senior positions at Daiwa Europe Ltd and County Nat West Securities Ltd.

Directors' remuneration report

The Remuneration Committee meets at least once a year to review the remuneration of the Executive Directors and approve policies for remuneration of other senior executives. The Committee also monitors performance and approves the payment of all performance-related bonuses and administers the operation of the group's share option and share incentive schemes.

The Committee is chaired by Susan Lewis and comprises Susan Lewis, John Wheatley, Mark Chambers and Alan Hudson.

Alan Hudson does not participate in any discussions in which he has an interest.

Introduction

This Report describes how the Board has voluntarily applied the Principles of Good Governance relating to Director's remuneration. The report also provides the information required to be reported on Directors' remuneration under AIM Rule 19.

Remuneration policy

The policy is to provide remuneration packages for executive directors which aim to attract and retain high quality executives capable of achieving the Group's objectives and thereby enhance shareholder value. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration package is undertaken by the Committee.

The remuneration of the Non-Executive Directors is determined by the Board of Directors.

The following comprises the components of the remuneration of all Executive Directors:

Salary

The base salaries of the executive directors are set at levels considered to be appropriate when they enter into service agreements with the Group. The base salaries are reviewed by the Remuneration Committee annually and any increases are awarded having regard to performance and salary levels in comparable organisations.

Annual performance-related payments

It is the policy of the Company to operate bonus arrangements for the Executive Directors which are performance related, the primary measures being the achievement of financial targets and personal performance.

Benefits in kind

A range of taxable benefits are available to Executive Directors. These benefits primarily comprise the provision of company pension contribution, life assurance and private medical insurance.

Share option schemes

The Company has established approved and unapproved share option schemes, in which the executive directors may participate. Details are set out in note 17 to these financial statements.

Pension arrangements

The group pays a defined contribution to the pension scheme of certain executive directors. The individual pension schemes are private and their assets are held separately from those of the Group.

Executive Directors' contracts

Executive directors are employed under service contracts requiring a maximum of 12 months' notice by the company.

Non-Executive Directors' contracts

The Chairman and the non-executive directors each receive a fee for their services under appointment letters which are for an initial period of 12 months and thereafter terminable by 3 months' notice from either party. The fee is approved by the Board, mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments. The non-executive directors and the Chairman are reimbursed for travelling and other minor expenses incurred.

Directors' emoluments

	Salary	Bonus	Adviser Fees	Other Benefits	Share based payments	Total 2017	Total 2016
Executive Directors							
A Hudson	400,000	100,000	1,129	28,593	14,847	544,569	447,226
P Wright	150,000	50,000	–	–	7,514	207,514	173,729
A Broad	104,000	20,000	–	5,200	959	130,159	120,982
A Larvin	114,400	20,000	–	5,720	1,314	141,434	147,638
Non-executive Directors							
J Wheatley	40,000	–	–	–	3,796	43,796	39,454
M Chambers	30,000	–	–	–	881	30,881	25,673
S Lewis	30,000	–	–	–	3,355	33,355	29,117

Directors' interests

Directors' beneficial interest in the Ordinary shares of the Company (which included those of their families) were as follows:

Director:	Shares held at 1 Nov 2016	Share options held at 1 Nov 2016	Movements during the year	Total at 31 Oct 2017
J Wheatley	227,121	58,585	6,000	291,706
A Hudson	7,555,700	250,000	(900,000)	6,905,700
P Wright	35,000	310,000	32,000	377,000
M Chambers	20,000	10,000	5,000	35,000
S Lewis	–	35,000	–	35,000
A Broad	15,000	146,420	16,000	177,420
A Larvin	–	161,420	16,000	177,420

Note:

Directors' shareholdings include any shareholdings of trusts or family members deemed to be connected persons.

As part of the placing in April 2017, A Hudson agreed to sell 1,000,000 existing Ordinary Shares at the Placing Price to satisfy excess demand in the Placing. The other movements during the year are detailed on page 20.

On 2 February, J Wheatley acquired 6,000 ordinary shares of 10 pence each at a price of 170 pence per Ordinary Share. On 2 February, M Chambers acquired 5,000 ordinary shares of 10 pence each at a price of 170 pence per Ordinary Share.

The mid-market price of the shares at 31 October 2017 was 247.5p. The range during the year was 165p to 305p.

Interest in options

The Group operates Share Option Plans by which the Executive Directors and other senior executives are able to subscribe for ordinary shares in the Company. The interests of the directors were as follows:

	Date granted	No. of ordinary shares	Exercise price	Earliest date exercisable	Latest date exercisable
J Wheatley	22 June 2011	13,585	37p	22 June 2014	21 June 2021
	1 August 2012	5,000	100p	1 August 2015	31 July 2022
	30 June 2014	25,000	140p	30 June 2017	29 June 2024
	26 January 2016	15,000	171.5p	26 January 2019	25 January 2026
A Hudson	30 June 2014	150,000	140p	30 June 2017	29 June 2024
	15 February 2016	100,000	180p	15 February 2019	14 February 2026
	2 February 2017	100,000	173p	2 February 2020	1 February 2027
P Wright	13 January 2014	125,000	120p	13 January 2017	12 January 2024
	30 June 2014	56,973	140p	30 June 2017	29 June 2024
	21 July 2014	68,027	147p	21 July 2017	20 July 2024
	15 February 2016	60,000	180p	15 February 2019	14 February 2026
	2 February 2017	32,000	173p	2 February 2020	1 February 2027
S Lewis	30 June 2014	25,000	140p	30 June 2017	29 June 2024
	26 January 2016	10,000	171.5p	26 January 2019	25 January 2026
M Chambers	26 January 2016	10,000	171.5p	26 January 2019	25 January 2026
A Broad	22 June 2011	40,755	37p	22 June 2015	21 June 2021
	1 August 2012	10,000	100p	1 August 2016	31 July 2022
	13 January 2014	35,000	120p	13 January 2017	12 January 2024
	1 November 2014	665	150.5p	1 November 2017	31 October 2024
	15 February 2016	60,000	180p	15 February 2019	14 February 2026
	2 February 2017	16,000	173p	2 February 2020	1 February 2027
A Larvin	22 June 2011	40,755	37p	22 June 2015	21 June 2021
	1 August 2012	10,000	100p	1 August 2016	31 July 2022
	13 January 2014	50,000	120p	13 January 2017	12 January 2024
	1 November 2014	665	150.5p	1 November 2017	31 October 2024
	15 February 2016	60,000	180p	15 February 2019	14 February 2026
	2 February 2017	16,000	173p	2 February 2020	1 February 2027

During the year A Hudson purchased 100 B shares in AFH Group Limited for £3,333 under a Group growth share scheme. These shares can be converted into 100,000 equity share options after three years subject to certain performance conditions and have been shown as movements during the year in the table above. P Wright, purchased 32 B shares in AFH Group Limited for £1,066 under a Group growth share scheme. These shares can each be converted into 32,000 equity share options after three years subject to certain performance conditions and have been shown as movements during the year in the table above. A Broad and A Larvin each purchased 16 B shares in AFH Group Limited for £533 under a Group growth share scheme. These shares can each be converted into 16,000 equity share options after three years subject to certain performance conditions and have been shown as movements during the year in the table above.

Any shares that do not meet the performance criteria are cancelled after three years.

No director had any other beneficial interest at the year end in the shares of any other Group Company.

This report was approved by the Board of Directors on 29 January 2018 and signed on its behalf by:

Susan Lewis
Chairman
Remuneration Committee

29 January 2018

The directors present their report and financial statements for the year ended 31 October 2017.

Principal activities

The principal activity of the Group continued to be that of independent financial advisers and investment managers.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 27.

The amount that the directors recommend should be paid out by way of dividends has been disclosed in the Strategic Report on page 6.

Future developments

The Group continues to seek high quality IFA and related financial sector businesses of all sizes that will embrace the AFH culture of providing exceptional value to our growing client base while providing attractive returns to our shareholders.

The Group continues to invest in its digital footprint to improve the service to both clients and AFH advisers while enabling greater efficiency in its administration. This digitalisation of both the advice and investment service is also expected to open new market channels to future clients who embrace digital and mobile technology.

Directors

The following directors have held office since 1 November 2016:

Mr A Hudson
Mr J Wheatley
Mr P Wright
Mrs S Lewis
Mr M Chambers
Mr A Broad
Mrs A Larvin

Directors' indemnities

The company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Matters covered in the Strategic Report and Financial Statements

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 2-15 and in notes 22 and 24 of the Financial Statements. These matters relate to principal risks and uncertainties which have been disclosed in the Strategic Report, Financial Risk Management which has been disclosed in note 22, and Events subsequent to the Statement of Financial Position which has been disclosed in note 24.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee consultation

The group involves employees in the running of the business through a senior management team that works closely with management and staff members.

Employees are involved in an employee forum where they can contribute ideas to improve the business, staff benefits and the working environment.

In line with legislation the groups offers a group-wide pension scheme. Staff have the option to opt out if they wish.

Auditors

A resolution proposing that Mazars LLP be reappointed as auditors of the Company will be put to the members at the Annual General Meeting.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union 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 profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

Anne-Marie Brown
29 January 2018

Opinion

We have audited the financial statements of AFH Financial Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Due to the probable high significance of revenue to any user of the AFH Financial Group plc financial statements, recognition of revenue is considered to be a key audit matter.

Our response

Our procedures over revenue recognition included, but were not limited to:

- Documentation and critical assessment of revenue recognition and year-end revenue cut-off procedures to ensure that these are appropriate.
- Walking through the key controls pertaining to the recognition of revenue.
- Testing in detail samples from the underlying data including checking that these were consistent with third party evidence.
- Reviewing and reconciling cash receipts, both during the year and post year end, to the reported revenue balance.
- Reviewing the procedures for setting-up new clients and a detailed review of key reconciliations and any accounting adjustments triggered by this exercise.

No material misstatements were identified as a result of the audit procedures performed.

Client portfolios – impairment assessment

As at 31 October 2017 the Client Portfolio intangible asset totalled £36.5m, making this the largest asset held on the statement of financial position. Management are required to consider on at least an annual basis whether there is any indication of an impairment in relation to this balance. This assessment requires management to exercise their judgement when considering future cashflows and the application of an appropriate discount rate.

Our response

Our procedures in relation to management's Client Portfolios impairment assessment included, but were not limited to:

- Reviewed in detail management's calculations of forecasted performance and compared to historical performance
- Assess the appropriateness of all key assumptions adopted such as the discount rate
- Corroborated their supporting calculations and commentary to other evidence.

No material misstatements were identified as a result of the audit procedures performed.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the financial statements and our audit. Materiality is used so we can plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. The level of materiality we set is based on our assessment of the magnitude of misstatements that individually or in aggregate, could reasonably be expected to have influence on the economic decisions the users of the financial statements may take based on the information included in the financial statements.

Based on our professional judgement the level of overall materiality we set for the financial statements is £313,000. Materiality has been determined with reference to a benchmark of Profit before tax, of which it represents 9%.

We used profit before tax to calculate our materiality as, in our view, this is the most relevant measure of the underlying financial performance of the company.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £9,400 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified during the course of assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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 accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. 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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Louis Burns (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

29 January 2018

Consolidated Statement of Comprehensive Income
For the year ended 31 October 2017

	Note	2017 £'000	2016 £'000
Revenue	2	33,639	24,130
Cost of sales		(15,672)	(10,771)
Gross profit		17,967	13,359
Administrative expenses before amortisation and depreciation and share based payments expenses		(12,320)	(9,771)
Underlying EBITDA		5,647	3,588
Amortisation and Depreciation		(1,778)	(1,206)
Non cash share based payments		(136)	(144)
Operating profit	3	3,733	2,238
Finance income	4	19	40
Finance costs	4	(245)	(248)
Profit before tax		3,507	2,030
Income tax expense	6	(444)	(353)
Profit for the year attributable to owners of the parent		3,063	1,677
Other comprehensive income		–	–
Total comprehensive income for the year attributable to owners of the parent		3,063	1,677
Earnings per share (in pence)			
Basic	17	11.22	7.16
Diluted	17	10.31	6.61
Underlying EBITDA adjusted for tax per share (in pence)			
Basic	17	16.97	11.64
Diluted	17	15.58	10.75

All results derive from continuing operations.

Consolidated Statement of Financial Position
As at 31 October 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Intangible assets	8	38,930	21,359
Property, plant and equipment	9	1,195	1,202
Investments	10	1	1
Deferred tax asset	15	28	43
		40,154	22,605
Current assets			
Trade and other receivables	12	6,015	4,465
Cash and cash equivalents		9,275	6,717
		15,290	11,182
Total assets		55,444	33,787
Liabilities			
Current liabilities			
Trade and other payables	14	11,502	7,837
Current tax liabilities	2	468	322
Financial liabilities – Borrowings	13	77	76
		12,047	8,235
Net current assets/(liabilities)		3,243	2,947
Non-current liabilities			
Trade and other payables	14	6,736	2,047
Financial liabilities – Borrowings	13	3,281	3,352
Provision	16	49	–
		10,066	5,399
Total liabilities		22,113	13,634
Net assets		33,331	20,153
Shareholders' equity			
Share capital	17	3,058	2,413
Share premium account	18	24,224	13,989
Merger reserve	18	(540)	(540)
Share-based payment reserve	18	630	494
Retained earnings		5,959	3,797
Total Shareholders' equity		33,331	20,153

Approved by the Board of Directors 29 January 2017

Mr P K Wright
Director

Company Statement of Financial Position
As at 31 October 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Investments	10	2,022	2,022
		2,022	2,022
Current assets			
Trade and other receivables	12	27,153	14,812
Cash and cash equivalents		4,078	5,277
		31,231	20,089
Total assets		33,253	22,111
Liabilities			
Current liabilities			
Trade and other payables	14	773	777
		773	777
Net current assets		30,458	19,312
Non-current liabilities			
Financial liabilities – Borrowings	13	2,894	2,894
Total liabilities		3,667	3,671
Net assets		29,586	18,440
Shareholders' equity			
Share capital	17	3,058	2,413
Share premium account	18	24,224	13,989
Share-based payment reserve	18	631	494
Retained earnings		1,673	1,544
Total Shareholders' equity		29,586	18,440

Approved by the Board of Directors 29 January 2018

Mr P K Wright
Director

Company Number - 07638831

Consolidated Statement of Changes in Equity
As at 31 October 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2015	2,012	8,112	(540)	384	2,661	12,629
Profit for the year	–	–	–	–	1,677	1,677
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	1,677	1,677
Issue of share capital	401	5,877	–	–	–	6,278
Share based payment cost – note 17	–	–	–	110	–	110
Dividend	–	–	–	–	(541)	(541)
Balance at 31 October 2016	2,413	13,989	(540)	494	3,797	20,153
Profit for the year	–	–	–	–	3,063	3,063
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	3,063	3,063
Issue of share capital	645	10,235	–	–	–	10,880
Share based payment cost – note 17	–	–	–	136	–	136
Dividend	–	–	–	–	(901)	(901)
Balance at 31 October 2017	3,058	24,224	(540)	630	5,959	33,331

Company only Statement of changes in equity
As at 31 October 2017

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2015	2,012	8,112	384	673	11,181
Profit for the year	–	–	–	1,412	1,412
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	1,412	1,412
Issue of share capital	401	5,877	–	–	6,278
Share based payment cost – note 17	–	–	110	–	110
Dividend	–	–	–	(541)	(541)
Balance at 31 October 2016	2,413	13,989	494	1,544	18,440
Profit for the year	–	–	–	1,030	1,030
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	1,030	1,030
Issue of share capital	645	10,235	–	–	10,880
Share based payment cost – note 17	–	–	137	–	137
Dividend	–	–	–	(901)	(901)
Balance at 31 October 2017	3,058	24,224	631	1,673	29,586

Consolidated Statement of Cash Flows
For the year ended 31 October 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash generated from operations	20	5,704	3,260
Tax paid		(351)	(365)
Net cash inflow from operating activities		5,353	2,887
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(265)	(423)
Purchase of other intangible assets, net of cash		(11,141)	(4,970)
Interest received	4	19	34
Net cash outflow from investing activities		(11,387)	(5,359)
Cash flows from financing activities			
Proceeds from issue of shares		10,022	6,501
Share issue costs		(412)	(223)
Proceeds from finance leasing		255	–
Repayment of borrowings		(121)	(67)
Interest paid		(251)	(248)
Dividends		(901)	(541)
Net cash inflow from financing activities		8,592	5,422
Net increase/(decrease) in cash and cash equivalents		2,558	2,950
Cash and cash equivalents at the beginning of the year		6,717	3,767
Cash and cash equivalents at the end of the year		9,275	6,717

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 Heath, Bromsgrove, Worcestershire, B60 4JE.

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

This financial information has been prepared for the year ended 31 October 2017.

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 Standards Interpretation Committee that are endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to those companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention.

The company financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the applicable provisions of the Companies Act 2006. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

The company financial statements have been prepared under the historic cost convention.

The financial information has been prepared in Sterling.

The principal accounting policies adopted are set out below and have been applied consistently.

The Company has taken advantage of the following exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8.

(i) The requirement of IFRS 7 'Financial Instruments Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;

(ii) The requirement of IFRS 13 'Fair Value Measurement' paragraph 91 to 99 relating to the fair value measurement disclosure of financial assets and financial liabilities that are measure at fair value;

(iii) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraph 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective;

(iv) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;

(v) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d); 111 relating to the presentation of a Cash Flow Statement;

(vi) The requirements of IAS 24 'Related Party Disclosures' relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the company and other wholly-owned subsidiaries of the group.

(b) Going Concern

The directors have considered the Group's business activities, its cash flows and capital position for a period of 12 month from approval of these accounts. The current view is that even without the organic growth and expected acquisition trail in the new financial year the group can continue to trade generating profits to cover its short term and long term liabilities.

Therefore, the directors 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.

1.1 Principal accounting policies (continued)

(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.

Control is achieved when the company has the power over the investee; is exposed or has rights to variable return from its involvement with the investee; and has the ability to use its power to affects its returns.

(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 includes 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 the following periods:

- Other intangibles – 10 years from the month of acquisition unless otherwise impaired.
- Acquired client portfolios – 20 years from the month of acquisition unless otherwise impaired.

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 cost

- Fixtures and fittings at 20% per annum on cost
- Freehold land – no charge
- Freehold land improvement at 12.5% per annum on cost

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 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) Leases

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

Lease incentives are recognised over the term of the lease that the incentive is attached to.

(j) Cash and cash equivalents

Cash and cash equivalents 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.

(k) 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.

(l) 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 financial advice is provided and when fees from the management of investments are earned.

1.1 Principal accounting policies (continued)

– 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).

(m) Taxation

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

Tax 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.

(n) 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.

(o) 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.

(p) 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.

(q) Changes in accounting policies

Standards, interpretations and amendments effective from 1 November 2016

The adoption of the following mentioned standards, amendments and interpretations in the current year have not had a material impact on the Group's financial statements.

	EU effective date Periods beginning on or after
Amendment to IAS 7 *Statement of Cash Flows:* Disclosure initiative	1 January 2017
Amendment to IAS 12 *Income Taxes:* Recognition of deferred tax assets for unrealised losses	1 January 2017
Annual Improvements to IFRSs (2014 – 2016): Clarification of the scope of IFRS 12 *Disclosure of Interests in Other Entities*	Expected to be endorsed 2017

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

The adoption of the following mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Group's financial statements.

	EU effective date Periods beginning on or after
Amendments to IAS 28 *Investments in Associates and Joint Ventures:* Long-term interests in Associates and Joint Ventures	Expected to be endorsed 2018
Amendment to IAS 40 *Investment Property:* Transfers of investment property	Expected to be endorsed Q1 2018
Amendment to IFRS 2 *Share-based Payment:* Classification and measurement of share-based payment transactions	Expected to be endorsed Q1 2018
Amendment to IFRS 4 *Insurance Contracts:* Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9 *Financial Instruments*	1 January 2018
Amendments to IFRS 9 *Financial Instruments:* Prepayment features with negative compensation	Expected to be endorsed 2018
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarifications to IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IFRS 16 *Leases*	1 January 2019
IFRS 17 *Insurance Contracts*	Expected endorsement date not available
Annual Improvements to IFRSs (2014 – 2016)	Expected to be endorsed Q4 2017
Annual Improvements to IFRSs (2015 – 2017)	Expected to be endorsed 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	Expected to be endorsed Q1 2018
IFRIC 23 *Uncertainty over Income Tax Treatments*	Expected to be endorsed 2018

The group is continuing to assess the full impact that adopting IFRS16 will have on the future financial statements, and therefore the full effect is yet to be determined.

1.1 Principal accounting policies (continued)

(r) Financial instruments

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.

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.

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.

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.

(s) 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 future expected earnings based on assets under management. Future earnings streams for each cash generating unit is then discounted over a finite period to calculate the fair value. The assumptions used by the Group 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 (2016: £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 2017 was £11.2m (2016 – £5.4m).

Intangible assets acquired in a business combination

The acquisition consideration for 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.

Acquisition of shares

The group's business model involves transactions where portfolios of customer contract assets are acquired from third party entities. These transactions may take place through the direct purchase of the customer contracts or via the acquisition of the share capital of legal entities owning the customer contracts.

Judgement is required by management in the interpretation of IFRS 3 for each share based customer contract transaction.

The directors of the Group assess for each acquisition, in line with IFRS 3 Appendix B, whether the share transactions constitute business combinations' or are in substance asset purchases. In making their judgement, the directors consider all factors within IFRS 3 Appendix B Paragraphs B7 through to B12.

After assessment, the directors conclude whether each transaction is an asset purchases or a business combination for financial reporting purposes.

2. Revenue and segmental analysis

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

Segmental statement of comprehensive income

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Head office 2017 £'000	Financial Advice and Investment Management 2017 £'000	Protection 2017 £'000	Total 2017 £'000
Revenue	–	30,671	2,968	33,639
Cost of sales	–	(13,750)	(1,922)	(15,672)
Gross profit	–	16,921	1,046	17,967
Administrative expenses before amortisation and depreciation and share based payments expenses	(1,620)	(10,314)	(386)	(12,320)
Underlying EBITDA	(1,620)	6,607	660	5,647
Amortisation and Depreciation	–	(1,766)	(12)	(1,778)
Non cash share based payments	(136)	–	–	(136)
Operating profit	(1,756)	4,841	648	3,733
Finance income	17	2	–	19
Finance costs	(228)	(17)	–	(245)
Profit before tax	(1,967)	4,826	648	3,507

	Head office 2016 £'000	Financial Advice and Investment Management 2016 £'000	Protection 2016 £'000	Total 2016 £'000
Revenue	–	24,130	–	24,130
Cost of sales	–	(10,771)	–	(10,771)
Gross profit	–	13,359	–	13,359
Administrative expenses before amortisation and depreciation and share based payments expenses	(1,237)	(8,568)	–	(9,805)
Underlying EBITDA	(1,237)	4,791	–	3,554
Amortisation and Depreciation	-	(1,206)	–	(1,206)
Non cash share based payments	(110)	–	–	(110)
Operating profit	(1,347)	3,585		2,238
Finance income	31	9	–	40
Finance costs	(228)	(20)	–	(248)
Profit before tax	(1,544)	3,574	–	2,030

Segment revenue reported above represents revenue generated from external customers. There were no Inter-segment sales in the current year.

The Accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1.

Segmental Assets

The following is an analysis of the Group's Assets from continuing operations by reportable segment.

	2017 £'000	2016 £'000
Head Office	4,073	5,304
Financial Advice and Investment Management	8,622	5,878
Protection	2,595	–
	15,290	11,182

Segmental Liabilities

The following is an analysis of the Group's Assets from continuing operations by reportable segment.

	2017 £'000	2016 £'000
Head Office	772	301
Financial Advice and Investment Management	8,224	7,536
Protection	2,506	–
	11,502	7,837

The total revenue of the Group for the year has been derived from its activities wholly undertaken in the United Kingdom.

No customer is defined as a major customer by revenue, contributing more than 10% of the Group revenues (2016 – £nil.)

3. Operating Profit

	2017 £'000	2016 £'000
Operating profit is stated after charging:		
Amortisation of intangible assets	1,517	999
Depreciation of tangible assets	261	181
Operating lease rentals	363	318

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:

	2017 £'000	2016 £'000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	15	15
Audit of accounts of subsidiaries	20	17
Other assurance services	2	2
Taxation services	5	5
	42	39

4. Finance costs

	2017 £'000	2016 £'000
Loan interest	245	248
	245	248

Finance income

	2017 £'000	2016 £'000
Bank interest	19	34
Rent	–	6
	19	40

5. Employees

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

	2017 £'000	2016 £'000
Wages and salaries	8,265	6,763
Social security costs	834	659
Other pension costs	279	180
Share based payments	137	110
	9,515	7,712

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

	2017 Number	2016 Number
Directors	7	7
Office	265	232
Total	272	239

6. Income tax expense

	2017 £'000	2016 £'000
Current tax		
– Current year	630	480
– Prior year	(201)	(129)
Deferred tax		
– Relating to origination and reversal of temporary differences	15	2
Income tax expense reported in the Statement of Comprehensive Income	444	353

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

	2017 £'000	2016 £'000
Profit before tax	3,512	2,030
Profit become income tax multiplied by the rate of		
Corporation tax in the UK 19.42% (2017), 20% (2016)	682	406
Effect of:		
Non-deductible (income)/expenses	(37)	76
Prior year adjustment	(201)	(129)
Income tax expense reported in the Statement of Comprehensive Income	429	353

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

7. Dividends

	2017 £'000	2016 £'000
Ordinary interim paid	901	541
Ordinary final paid	–	–
Dividend per share	3 pence	2.25 pence

The group is proposing an interim dividend based on the reported results of 4p per share, which equates £1,503,869.

8. Intangible assets

	Other intangibles £'000	Goodwill £'000	Acquired client portfolios £'000	Total £'000
Cost				
At 1 November 2015	–	2,465	20,061	22,526
Additions	–	–	1,482	1,482
At 31 October 2016	–	2,465	21,543	24,008
Additions	401	4,500	14,042	19,104
At 31 October 2017	401	6,965	35,585	43,112
Amortisation and impairment				
At 1 November 2015	–	375	1,249	1,624
Charge for the year	–	–	1,025	1,025
At 31 October 2016	–	375	2,274	2,649
Charge for the year	16	–	1,517	1,533
At 31 October 2017	16	375	3,791	4,182
Net book value				
At 31 October 2017	385	6,590	31,794	38,930
At 31 October 2016	–	2,090	19,269	21,359

Goodwill and Acquired client portfolios

Goodwill believed to have an indefinite useful life is carried at cost. The determination of whether goodwill is impaired requires an assessment of the value in use. The recoverable amount of goodwill on a value in use calculation is based on the discounted cash flows expected from the intangible assets of each acquisition, assuming no future growth in revenue generated cash flows, discounted at an implied factor of 10%, for a period of 10 years with no annuity. On this basis the directors believe the value of goodwill is not impaired at 31 October 2017. The directors have concluded that Goodwill relates to two Cash Generating Units, see note 2.

8. Intangible assets (continued)

The Directors have assessed the sensitivity of the assumptions detailed above and consider that, due to the level of prudence already factored into these assumptions, it would require a significant adverse variance in any of these to reduce the fair value to a level where it matched the carrying value.

During the year ended 31 October 2017 fourteen asset purchases were undertaken relating to acquired client portfolios. Consideration for these acquisitions amounted to £14.2m, of which £14.2m related to client portfolios, see note 11. Included within the total consideration are amounts relating to contingent consideration of £7.2m. The contingent consideration is subject to earn outs based on future turnover over a period up to three year period.

In addition, one share purchase, disclosed in note 11, was undertaken, resulting in a further £4.5m of additional client portfolios being acquired.

9. Property, plant and equipment

Group

	Freehold land and improvements £'000	Computer and office equipment £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 1 November 2015	697	313	287	1,297
Additions	14	234	175	423
At 31 October 2016	711	547	462	1,720
Additions through acquisitions – see note 11	–	–	3	3
Additions	–	202	47	249
Disposals	–	(52)	(88)	(140)
At 31 October 2017	711	697	424	1,832
Depreciation				
At 1 November 2015	–	175	162	337
Charge for the year	31	78	72	181
At 31 October 2016	31	253	234	518
Charge for the year	31	156	58	245
Disposals	–	(38)	(88)	(126)
At 31 October 2017	62	371	204	637
Net book value				
At 31 October 2017	649	326	220	1,195
At 31 October 2016	680	294	228	1,202

Included in freehold land and improvements is £460,000 of land that has an indefinite useful life.

Included in the Computer and Office Equipment is £222,819, net book value, of assets under finance leases.

10. Investments

Group

	Shares in group undertakings £'000
Cost	
At 1 November 2015	1
Additions	–
Disposals	–
At 31 October 2016	1
Additions	–
Disposals	–
At 31 October 2017	1
Net book value	
At 31 October 2017	1
At 31 October 2016	1

The Shares in group undertakings represent certain subsidiary companies and joint ventures that have not been consolidated into the Group on the grounds of being immaterial.

Company

Fixed assets investments

	Shares in group undertakings £'000
Cost	
At 1 November 2015	2,022
Additions	–
Disposals	–
At 31 October 2016	2,022
Additions	–
Disposals	–
At 31 October 2017	2,022
Net book value	
At 31 October 2017	2,022
At 31 October 2016	2,022

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.

11. Business Combinations

a. Acquisitions in the financial year ended 31 October 2017

Acquisition of Eunisure Ltd and subsidiaries

Eunisure Ltd was acquired by AFH Group Limited on 1 June 2017 and undertakes the provision of independent financial advice to the retail market.

The acquisition has been accounted for using the acquisition method. The provisional fair value of the identifiable assets and liabilities of Eunisure Ltd as at the date of acquisition was:

	Fair value to be recognised on acquisition £'000	Fair value adjustments £'000	Previous carrying value £'000
Fixed Assets	4	–	4
Trade and Other Receivables	1,049	–	1,049
Cash at bank	1,325	–	1,325
Assets	2,378	–	2,378
Trade and other payables	758	–	758
Provisions	974	–	974
Liabilities	1,732	–	1,732
Total identifiable net assets at fair value	646		
Goodwill arising on acqusition (note 8)	4,500		
Purchase consideration transferred	5,146		
Initial cash consideration	2,146		
Deferred contingent consideration	3,000		
Total acquisition cost	5,146		

Cash outflow on acquisition	£'000
Cash paid	2,146
Cash acquired	(1,325)
Acquisition costs	–
Net cash outflow	821

The contingent consideration is payable in four tranches on 1 June 2018, 1 June 2019, 1 June 2020 and 1 June 2021 and subject to an earn-out based on future turnover. The maximum amount payable is £5.1m.

The post-acquisition revenue for the period ended 31 October 2017 was £3.0m and the post-acquisition profit for the period ended 31 October 2017 was £525k. If the acquisition had taken place on 1 November 2016, management estimate that the revenue would have been £6.0m and there would have been a profit of £950k.

This acquisition will continue to trade independently from AFH Independent Financial Services Limited.

12. Trade and other receivables

Group

	2017 £'000	2016 £'000
Trade receivables	4,426	3,139
Other receivables	725	662
Prepayments	864	664
	6,015	4,465

Company

	2017 £'000	2016 £'000
Amounts owed by Group Companies	24,101	14,785
Other receivables	14	–
Prepayments	38	27
	24,153	14,812

There are no bad or doubtful receivables.

13. Borrowings

Group

	2017 £'000	2016 £'000
8% Unsecured bonds	752	752
7.5% Unsecured bonds	2,142	2,142
Mortgage on freehold property	464	534
	3,358	3,428

Analysis of borrowings		
Current borrowings		
8% Unsecured bonds	–	–
7.5% Unsecured bonds	–	–
Mortgage on freehold property	77	76
	77	76

Non-current borrowings		
8% Unsecured bonds	752	752
7.5% Unsecured bonds	2,142	2,142
Mortgage on freehold property	387	538
	3,281	3,432

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

The 8% unsecured bond, issued in August 2013 is due in 2020. The 7.5% Unsecured bond, issued in December 2014 is due in December 2018.

The mortgage is repayable by instalments over an 8 year period with an interest rate of 2.9% over LIBOR.

13. Borrowings (continued)

Company

	2017 £'000	2016 £'000
8% Unsecured bonds	752	752
7.5% Unsecured bonds	2,142	2,142
	2,894	2,894

Analysis of borrowings		
Current borrowings		
8% Unsecured bonds	–	–
7.5% Unsecured bonds	–	–
	–	–

Non-current borrowings		
8% Unsecured bonds	752	752
7.5% Unsecured bonds	2,142	2,142
	2,894	2,894

14. Trade and other payables

Group

	2017 £'000	2016 £'000
Current		
Trade payables	1,373	1,090
Contingent consideration	4,637	3,396
Commissions payable	4,076	2,593
Other payables	599	269
Accruals	817	489
	11,502	7,837
Non-current		
Contingent consideration	6,736	2,047

Included in other payables is £205k of Finance Leases payable within 1 year.

Company

	2017 £'000	2016 £'000
Current		
Trade payables	82	74
Amounts owing to group undertakings	388	474
Accruals	303	229
	773	777

15. Deferred tax

Deferred tax asset	
Balance at 1 November 2015	45
Charge to profit or loss	(2)
Fair value adjustments on business combinations	–
Balance at 31 October 2016	43
Charge to profit or loss	(15)
Fair value adjustments on business combinations	–
Balance at 31 October 2017	28

The deferred tax asset is made up as follows:

	2017 £'000	2016 £'000
Prior year losses carried forward to offset future profits	28	43
	28	43

16. Provisions

Group

	2017 £'000	2016 £'000
Non-current		
Provisions	49	–

Onerous lease

A provision has been created during the financial year for the lease premiums on the part of the offices not currently in use. The provision has been calculated based on the floor space of the offices and monthly charge. The offices are expected to be in use by 31 October 2018.

17. Share capital

	2017 £'000	2016 £'000
30,583,443 (2015: 24,125,310) authorised, issued and fully paid 10p ordinary shares	3,058	2,413

On 25 January 2017, 5,500 Ordinary Shares were issued at £1.00 each to satisfy the exercise of share options with £0.90 per share transferred to the share premium account.

On 25 January 2017, 57,060 Ordinary Shares were issued at £0.37 each to satisfy the exercise of share options with £0.27 per share transferred to the share premium account.

On 19 April 2017, 500 Ordinary Shares were issued at £1.00 each with £0.90 per share transferred to the share premium account.

On 19 April 2017, 6,521 Ordinary Shares were issued at £0.37 each with £0.27 per share transferred to the share premium account.

On 25 April 2017, 5,714,285 Ordinary Shares were issued at £1.75 each with £1.65 per share transferred to the share premium account.

On 26 April 2017, 2,000 Ordinary Shares were issued at £1.00 each with £0.90 per share transferred to the share premium account.

On 30 April 2017, 180,639 Ordinary Shares were issued at £1.64 each with £1.54 per share transferred to the share premium account.

On 5 May 2017, 6,375 Ordinary Shares were issued at £1.88 each with £1.78 per share transferred to the share premium account.

On 1 June 2017, 196,335 Ordinary Shares were issued at £1.91 each with £1.81 per share transferred to the share premium account.

On 20 July 2017, 3,000 Ordinary Shares were issued at £1.00 each with £0.90 per share transferred to the share premium account.

On 21 July 2017, 9,500 Ordinary Shares were issued at £1.00 each with £0.90 per share transferred to the share premium account.

On 24 July 2017, 8,000 Ordinary Shares were issued at £1.00 each with £0.90 per share transferred to the share premium account.

On 24 July 2017, 19,562 Ordinary Shares were issued at £0.37 each with £0.27 per share transferred to the share premium account.

On 25 July 2017, 8,694 Ordinary Shares were issued at £0.37 each with £0.27 per share transferred to the share premium account.

On 25 July 2017, 1,000 Ordinary Shares were issued at £1.00 each with £0.90 per share transferred to the share premium account.

On 7 September 2017, 239,162 Ordinary Shares were issued at £2.45 each with £2.35 per share transferred to the share premium account.

Earnings per share

The calculation of earnings per share is based on the profit attributable to the equity holders for the year of £3,063,544 (2016 – £1,676,773) and weighted average number of shares in issue during the period of 27,300,689 (2016 – 23,424,352).

The calculation of Underlying EBITDA per share is based on the Underlying EBITDA of £5,648,704 (2016 – £3,533,134) and weighted average number of shares in issue during the period of 27,300,689 (2016 – 23,424,352).

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.

	31 October 2017 £'000	31 October 2016 £'000
Earnings for the purpose of basic earnings per share being net profit attributable to shareholders	3,063	1,677
Effect of dilutive potential ordinary shares	–	–
Earnings for the purpose of diluted earnings per share	3,063	1,677

	31 October 2017	31 October 2016
Weighted average number of ordinary shares for the purpose of basic earnings per share	27,300,689	23,424,352
Effect of dilutive potential ordinary shares	2,420,417	1,936,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	29,721,106	25,360,352

There are no adjustments between the net profit attributable to equity holders of the parent and the Earnings from continued operations for the purpose of diluted earnings per share excluding discontinued operation.

17. Share capital (continued)

Share-based payment transactions

During the year ended 31 October 2017, the Group has had eighteen share-based payment arrangements, which are described below.

Type of arrangement	Date of grant	Number granted	Contractual life	Vesting conditions
EMI Scheme Share-option Scheme	22-Jun-11	138,567	10 years	Change of control, asset sale, admission or the service of a notice by the directors
Contractors Share-option Scheme	22-Jun-11	405,105	10 years	Change of control, asset sale, admission or the service of a notice by the directors
EMI Scheme Share-option Scheme	01-Aug-12	149,264	10 years	Change of control, asset sale or the service of a notice by the directors
Contractors Share-option Scheme	01-Aug-12	197,500	10 years	Change of control, asset sale or the service of a notice by the directors
EMI Scheme Share-option Scheme	13-Jan-14	425,000	10 years	Change of control, asset sale or the service of a notice by the directors
EMI Scheme Share-option Scheme	21-Jul-14	156,463	10 years	Change of control, asset sale or the service of a notice by the directors
Unapproved Share-option Scheme	21-Jul-14	261,395	10 years	Change of control, asset sale or the service of a notice by the directors
Unapproved Share-option Scheme	01-Oct-14	64,781	10 years	Change of control, asset sale or the service of a notice by the directors
EMI Scheme Share-option Scheme	1-Feb-15	7,980	10 years	Change of control, asset sale or the service of a notice by the directors
EMI Scheme Share-option Scheme	24-Mar-15	3,322	10 years	Change of control, asset sale or the service of a notice by the directors
EMI Scheme Share-option Scheme	29-May-15	6,896	10 years	Change of control, asset sale or the service of a notice by the directors
EMI Scheme Share-option Scheme	01-Nov-15	127,806	10 years	Change of control, asset sale or the service of a notice by the directors
EMI Scheme Share-option Scheme	23-Dec-15	173,776	10 years	Change of control, asset sale or the service of a notice by the directors
EMI Scheme Share-option Scheme	01-Jan-16	35,000	10 years	Change of control, asset sale or the service of a notice by the directors
CSOP Scheme Share-option Scheme	01-Feb-16	5,830	10 years	Change of control, asset sale or the service of a notice by the directors
CSOP Scheme Share-option Scheme	01-Apr-16	18,867	10 years	Change of control, asset sale or the service of a notice by the directors
Growth Shares Scheme Share-option Scheme	01-Feb-16	280,000	10 years	Change of control, asset sale or the service of a notice by the directors
Growth Shares Scheme Share-option Scheme	01-Apr-16	42,000	10 years	Change of control, asset sale or the service of a notice by the directors
CSOP Scheme Share-option Scheme	3-Jan-17	119,540	10 years	Change of control, asset sale or the service of a notice by the directors
Growth Shares Scheme Share-option Scheme	2-Feb-17	288,000	10 years	Change of control, asset sale or the service of a notice by the directors
CSOP Scheme Share-option Scheme	10-Jul-17	3,690	10 years	Change of control, asset sale or the service of a notice by the directors

All share-option schemes will vest after three years from the date of the grant subject to individual performance vesting conditions. However, options 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 four year period to 31 October 2017 have been selected as follows:

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

Volatility 30% to 50% based on the actual volatility of AFH shares and 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 shares granted in the year, as set out above, is £nil (2016 – nil).

Further details of the share option schemes are as follows:

	Number of options 2017	Weighted average exercise price 2017 £	Number of options 2016	Weighted average exercise price 2016 £
At 1 November	2,190,015	1.13	1,633,576	1.00
Granted	411,230	2.02	537,640	1.65
Lapsed	187,828	1.80	25,799	1.26
Outstanding at 31 October	2,420,417	1.35	2,190,015	1.13

281,480 of the options outstanding at 31 October 2017 have an exercise price of £0.37, and a weighted average remaining contractual life of 3.65 years.

181,594 of the options outstanding at 31 October 2017 have an exercise price of £1.00, and a weighted average remaining contractual life of 4.75 years.

425,000 of the options outstanding at 31 October 2017 have an exercise price of £1.20, and a weighted average remaining contractual life of 6.25 years.

390,666 of the options outstanding at 31 October 2017 have an exercise price of £1.47, and a weighted average remaining contractual life of 6.75 years.

61,173 of the options outstanding at 31 October 2017 have an exercise price of £1.51, and a weighted average remaining contractual life of 6.9 years.

5,320 of the options outstanding at 31 October 2017 have an exercise price of £1.51, and a weighted average remaining contractual life of 7.25 years.

3,322 of the options outstanding at 31 October 2017 have an exercise price of £1.51, and a weighted average remaining contractual life of 7.5 years.

6,896 of the options outstanding at 31 October 2017 have an exercise price of £1.45, and a weighted average remaining contractual life of 7.75 years.

121,889 of the options outstanding at 31 October 2017 have an exercise price of £1.69, and a weighted average remaining contractual life of 8.75 years.

153,172 of the options outstanding at 31 October 2017 have an exercise price of £1.65, and a weighted average remaining contractual life of 8.75 years.

35,000 of the options outstanding at 31 October 2017 have an exercise price of £1.72, and a weighted average remaining contractual life of 8.5 years.

5,830 of the options outstanding at 31 October 2017 have an exercise price of £1.72, and a weighted average remaining contractual life of 8.5 years.

18,867 of the options outstanding at 31 October 2017 have an exercise price of £1.59, and a weighted average remaining contractual life of 8.5 years

280,000 of the options outstanding at 31 October 2017 have an exercise price of £1.80, and a weighted average remaining contractual life of 8.5 years.

42,000 of the options outstanding at 31 October 2017 have an exercise price of £1.67, and a weighted average remaining contractual life of 8.5 years.

17. Share capital (continued)

119,540 of the options outstanding at 31 October 2017 have an exercise price of £1.63, and a weighted average remaining contractual life of 9.25 years.

288,000 of the options outstanding at 31 October 2017 have an exercise price of £1.73, and a weighted average remaining contractual life of 9.25 years.

3,690 of the options outstanding at 31 October 2017 have an exercise price of £2.71, and a weighted average remaining contractual life of 9.75 years.

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

	2017 £'000	2016 £'000
Share-based payments expense	136	110

18. 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.

19. Directors' remuneration

Details of Directors' remuneration including share based payments made to directors during the years ended 31 October 2017 and 31 October 2016 are disclosed in the Report of the Remuneration Committee on pages 18-21.

20. Cash generated from operations

	2017 £'000	2016 £'000
Profit before tax	3,507	2,030
Adjustments for:		
Interest and dividend income	(19)	(34)
Interest expenses	245	248
Depreciation, amortisation and impairment	1,778	1,180
Equity settled share based payment expense	136	110
Movements in working capital:		
– Trade and other receivables	(1,195)	(114)
– Trade and other payables	1,252	(160)
Cash generated from operations	5,704	3,260

21. 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 2017 £'000	Other 2017 £'000	Land & buildings 2016 £'000	Other 2016 £'000
Due within one year	418	55	386	60
Between one and two years	418	16	417	55
Between two and five years	1,254	–	1,253	16
In over five years	413	–	831	–
Total	2,503	71	2,887	131

The group lease their head office and photocopiers. The head office lease has no break clause and expires in 7 years' time.

22. 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:

2017	Effective interest rate	Carrying amount £'000	Cash flows £'000	Within a year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000
Loans							
8% unsecured bond	8%	752	752	–	–	752	–
7.5% Unsecured bonds	7.5%	2,142	2,142	–	2,142	–	–
Mortgage on freehold land	2.9% over LIBOR	464	464	77	77	231	79
Trade payables		1,609	1,609	1,609	–	–	–
Other payables		1,707	1,707	1,707	–	–	–
Contingent consideration		11,210	11,210	4,474	6,736	–	–
Commissions payable		2,624	2,624	2,624	–	–	–
Total		20,508	20,508	10,491	8,955	983	79

22. Financial instruments (continued)

2016	Effective interest rate	Carrying amount £'000	Cash flows £'000	Within a year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000
Loans							
8% unsecured bond	8%	752	752	–	–	752	–
7.5% Unsecured bonds	7.5%	2,142	2,142	–	–	2,142	–
Mortgage on freehold land	2.9% over LIBOR	534	534	76	126	189	143
Trade payables		1,090	1,090	1,090	–	–	–
Other payables		758	758	758	–	–	–
Contingent consideration		5,443	5,443	3,396	2,047	–	–
Commissions payable		2,593	2,593	2,593	–	–	–
Total		13,312	13,312	7,913	2,173	3,083	143

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 35 working days.

Aged trade receivables

	Current £'000	>30 days £'000	>60 days £'000	>90 days £'000	Total receivables £'000
2017	2,809	988	474	–	4,271
2016	1,892	996	251	–	3,139

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. Given the credit terms across the different parts of the business, the balances outside of the current category are not deemed to be past due.

23. Related party transactions

During the year fees of £1,129 (2016 – £7,969) were paid to the partnership "A & F Hudson". The director, Mr A Hudson, has a material interest in this partnership. Details of these fees are included in the Report of the Remuneration Committee on pages 18-21.

24. Events subsequent to the Statement of Financial Position

On 13 November 2017 the Company announced the acquisition of Britton Financial Limited, a Colchester based IFA. Following the acquisition Ken Kerr, the vendor, joined AFH.

On 4 December 2017 the Company announced the issue of 7,000,000 Ordinary Shares raising £17.5m (before expenses).

On 5 December 2017 the Company announced the acquisition of the assets of J W Wealthcare Limited, South East based IFA firm. Following the acquisition John Walpole, the vendor, joined AFH.

On 8 January 2017 the Company announced the acquisition of the assets of Monopoly Financial Consultancy Limited, a Hertfordshire based IFA Firm. Following the acquisition Nigel Parbrook, the vendor, joined AFH.

Additional information for all subsequent events listed above is included on our announcement pages via our website. http://www.afhfinancialgroup.com/html/announcements.html.

25. Group Companies

Listed below are the companies which are owned by the Group and all have a registered office of AFH House, Buntsford Drive, Bromsgrove, B60 4JE, England:

Company	Principal Activity	Percentage owned
AFH Group Ltd	Holding Company	100%
AFH Independent Financial Services Ltd	Other financial services	100% (1)
Origin Financial Limited	Other financial services	100% (1)
GetInvested Limited	Dormant	100% (1)
AFH JV (Holdings) Ltd	Other financial services	100% (1)
Eunisure Ltd	Other financial services	100% (2)
Eunisure Financial Ltd	Other financial services	100% (2)
Eunisure Finance and Leasing Ltd	Other financial services	100% (2)
Parker Sage Ltd	Other financial services	100% (1)
Martin Cooper Ltd	Other financial services	100% (1)
Bay Associates Ltd	Other financial services	100% (1)
Bay Financial Management Ltd	Other financial services	100% (1)
Duchy Wealth Management Ltd	Other financial services	100% (1)
Shape Financial Ltd.	Other financial services	100% (1)
Independent Financial Services (U.K.) Ltd	Other financial services	100% (1)
Davisons Financial Management Limited	Other financial services	100% (1)
St Johns Asset Management Limited	Other financial services	100%
AFH Investment Management Limited (formerly St Johns Capital Limited)	Other financial services	100% (1)
AFH Acquisitions Limited	Holding Company	100%
AFH SPV1 Limited	Holding Company	100%
IMechE Limited	Holding Company	100%
FSB Independent Financial Services Limited	Holding Company	100%

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

(2) 100% subsidiaries owned by AFH SPV1 Ltd, a wholly owned subsidiary of AFH Financial Group plc.

(3) 100% subsidiary owned by St Johns Asset Management, a wholly owned subsidiary of AFH Financial Group plc.

Directors and Advisers

Directors	Mr A Hudson Mr J Wheatley Mr P Wright Mrs S Lewis Mr M Chambers Mr A Broad Mrs A Larvin
Secretary	Mrs A-M Brown
Company number	07638831
Registered office	AFH House Stoke Heath Bromsgrove Worcestershire B60 4JE
Registered auditor	Mazars LLP 45 Church Street Birmingham B3 2RT
Registrars	SLC Registrars Ashley Park House Thames House 42-50 Hersham Road Walton-on-Thames Surrey KT12 1RZ
Nominated Adviser	Liberum Capital Limited Ropermaker Place 25 Ropermaker Street London EC2Y 9LY