Financial statements
Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

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 to the retail market.

This financial information has been prepared for the year ended 31 October 2016.

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 historic 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').

This is the first year the Company has prepared its financial statements in accordance with FRS 101, accordingly the financial information as at 1 November 2014 and for the year ended 31 October 2015 have been restated to comply with FRS 101.

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.

No adjustments were required to the Company's opening balance sheet or comparatives for the transition to FRS 101 and therefore the Company has not provided the presentation and disclosures required by IFRS 'First-time Adoption of International Financial Reporting Standards'.

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 debts.

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.

(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.

1.1 Principal accounting policies (continued)

(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 a period of 20 years from the month of acquisition unless otherwise impaired. The useful economic life of 20 years is based on market experience and practice. The amortisation expense on intangible assets with finite lives is recognised within Administrative Expenses in the Statement of Comprehensive Income.

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

- Computer and office equipment at 20-25% per annum on 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) Trade and other receivables
A provision for impairment is made when there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Any provisions are recognised as an expense in the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements continued

For the year ended 31 October 2016

1.1 Principal accounting policies (continued)

(j) Leases

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

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

(k) 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.

(l) Share based payments

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

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

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

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

(m) Revenue recognition

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

— Fee income

Fees are recognised as earned at the point when financial advice is provided and when fees from the management of investments are earned.

— Interest income

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

(n) Taxation

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

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

Tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income.

(o) Deferred tax

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

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

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

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

1.1 Principal accounting policies (continued)

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

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

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

(r) Changes in accounting policies

Standards, interpretations and amendments effective from 1 November 2015
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
Annual Improvements to IFRS (2011 – 2013)	17 June 2014
IFRIC 21 'Levies'	1 January 2015

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
IAS 1 (amendment) 'Presentation of Financial Statements' – Disclosure initiative	1 January 2016
IAS 16 (amendment) 'Property, Plant and Equipment' and IAS 38 (amendment) 'Intangible Assets' – Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 16 (amendment) 'Property, Plant and Equipment' and IAS 41 (amendment) 'Agriculture' – Agriculture: Bearer plants	1 January 2016
IAS 19 (amendment) 'Employee Benefits' – Defined benefit plans: Employee contributions	1 February 2016
IAS 27 (amendment) 'Separate Financial Statements' – Equity method in separate financial statements	1 January 2016
IFRS 10 (amendment) 'Consolidated Financial Statements', IFRS 12 (amendment) 'Disclosure of Interests in Other Entities' and IAS 28 (amendment) 'Investments in Associates and Joint Ventures' – Investment entities: Applying the consolidation exception	Expected to be endorsed after 1 January 2016
IFRS 11 (amendment) 'Joint Arrangements' – Accounting for acquisitions of interests in joint operations	1 January 2016
Annual Improvements to IFRS (2010 – 2012)	1 February 2015
Annual Improvements to IFRS (2012 – 2014)	1 January 2016
IAS 7 (amendment) 'Statement of Cash Flows' – Disclosure initiative	Expected to be endorsed before 1 January 2017
IAS 12 (amendment) 'Income Taxes' – Recognition of deferred tax assets for unrealised losses	Expected to be endorsed before 1 January 2017
IFRS 9 'Financial Instruments'	1 January 2018
IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	Expected to be endorsed before 1 January 2018

1.1 Principal accounting policies (continued)

	EU effective date Periods beginning on or after
IFRS 2 (amendment) 'Share-based Payment' – Classification and measurement of share-based payment transactions	Expected to be endorsed before 1 January 2018
IFRS 4 (amendment) 'Insurance Contracts' – Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	Expected to be endorsed before 1 January 2018
IFRS 16 'Leases'	Expected to be endorsed before 1 January 2019
IFRS 14 'Regulatory Deferral Accounts'	Will not be endorsed by the EU
IFRS 10 (amendment) 'Consolidated Financial Statements' and IAS 28 (amendment) 'Investments in Associates and Joint Ventures' – Sale or contribution of assets between an investor and its associate or joint venture	Endorsement has been postponed indefinitely

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.

(s) 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.

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

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

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

Impairment of financial assets
Financial assets, other than those at 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.

1.1 Principal accounting policies (continued)

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

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

Market risk
The Group's main sources of revenue and operating cash flows are substantially independent of changes in market interest rates. The Group has significant interest-bearing assets on which it seeks to obtain a commercial rate of return from AA or above rated UK institutions whilst not impacting on cash flow.

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

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

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

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

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

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

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

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

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

(t) 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.

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For the year ended 31 October 2016

1.1 Principal accounting policies (continued)

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 (2015: £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 2016 was £5.4m (2015 – £9.6m).

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

2. Revenue and segmental analysis

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

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

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

No customer is defined as a major customer by revenue, contributing more than 10% of the Group revenues (2015 – £nil).

3. Operating Profit

	2016 £'000	2015 £'000
Operating profit is stated after charging:		
Amortisation of intangible assets	**1,025**	764
Depreciation of tangible assets	**181**	108
Operating lease rentals	**318**	269

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:

	2016 £'000	2015 £'000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	**15**	10
Audit of accounts of subsidiaries	**17**	13
Other assurance services	**2**	2
Taxation services	**5**	5
	39	30

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4. Finance costs

	2016 £'000	2015 £'000
Loan interest	**248**	187
	248	187

Finance income

	2016 £'000	2015 £'000
Bank interest	**34**	18
Rent	**6**	8
	40	26

5. Employees

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

	2016 £'000	2015 £'000
Wages and salaries	**6,763**	5,187
Social security costs	**659**	509
Other pension costs	**180**	93
Share based payments	**110**	116
	7,712	5,905

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

	2016 Number	2015 Number
Directors	**7**	6
Office	**232**	178
Total	**239**	184

6. Income tax expense

	2016 £'000	2015 £'000
Current tax		
– Current year	**480**	463
– Prior year	**(84)**	–
Deferred tax		
– Relating to origination and reversal of temporary differences	**(43)**	(42)
Income tax expense reported in the Statement of Comprehensive Income	**353**	421

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

	2016 £'000	2015 £'000
Profit before tax	**2,030**	1,594
Profit before income tax multiplied by the rate of		
Corporation tax in the UK 20% (2016), 20.33% (2015)	**406**	324
Effect of:		
Non-deductible expenses	**31**	97
Prior year adjustment	**(84)**	–
Income tax expense reported in the Statement of Comprehensive Income	**353**	421

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

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7. Dividends

	2016 £'000	2015 £'000
Ordinary interim paid	**541**	292
Ordinary final paid	**–**	–
Dividend per share	**2.25 pence**	1.5 pence

The group is proposing an interim dividend based on the report results of 3p per share, which equates £702,000.

8. Intangible assets

	Goodwill £'000	Acquired client portfolios £'000	Total £'000
Cost			
At 1 November 2014	2,465	8,102	10,567
Additions	–	11,959	11,959
At 31 October 2015	2,465	20,061	22,526
Additions	–	1,482	1,482
At 31 October 2016	2,465	21,543	24,008
Amortisation and impairment			
At 1 November 2014	375	485	860
Charge for the year	–	764	764
At 31 October 2015	375	1,249	1,624
Charge for the year	–	1,025	1,025
At 31 October 2016	375	2,274	2,649
Net book value			
At 31 October 2016	2,090	19,269	21,359
At 31 October 2015	2,090	18,812	20,902

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 fair value less cost to sell. The recoverable amount of goodwill on a fair value less costs to sell 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 2016. The directors have identified Goodwill relates to a single Cash Generating Unit.

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 2016 two asset purchases were undertaken relating to acquired client portfolios. Consideration for these acquisitions amounted to £1.482m, of which £1.482m related to client portfolios. Included within the total consideration are amounts relating to contingent consideration of £908k. The contingent consideration is subject to earn outs based on future turnover over a period up to three year period.

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 2014	–	235	273	508
Additions	697	78	14	789
At 31 October 2015	697	313	287	1,297
Additions	14	234	175	423
At 31 October 2016	711	547	462	1,720
Depreciation				
At 1 November 2014	–	99	130	229
Charge for the year	–	76	32	108
At 31 October 2015	–	175	162	337
Charge for the year	31	78	72	181
At 31 October 2016	31	253	234	518
Net book value				
At 31 October 2016	680	294	228	1,202
At 31 October 2015	697	138	125	960

Included in freehold land and improvements is £460,000 of Land that has an indefinite useful life. Included in computer and office equipment is £11,317 of assets under the course of construction and no depreciation has been applied.

10. Investments

Group

	Shares in group undertakings £'000
Cost	
At 1 November 2014	1
Additions	–
Disposals	–
At 31 October 2015	1
Additions	–
Disposals	–
At 31 October 2016	1
Net book value	
At 31 October 2016	1
At 31 October 2015	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.

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10. Investments (continued)

Company

Fixed assets investments

	Shares in group undertakings £'000
Cost	
At 1 November 2014	1,530
Additions	492
Disposals	–
At 31 October 2015	2,022
Additions	–
Disposals	–
At 31 October 2016	2,022
Net book value	
At 31 October 2016	2,022
At 31 October 2015	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. Trade and other receivables

Group

	2016 £'000	2015 £'000
Trade receivables	**3,139**	2,906
Other receivables	**662**	920
Prepayments	**664**	530
	4,465	4,360

Company

	2016 £'000	2015 £'000
Amounts owed by Group Companies	**14,785**	9,866
Prepayments	**27**	50
	14,812	9,916

There are no bad or doubtful receivables.

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12. Borrowings

Group

	2016 £'000	2015 £'000
8% Unsecured bonds	**752**	752
7.5% Unsecured bonds	**2,142**	2,142
Mortgage on freehold property	**534**	601
	3,428	3,495

Analysis of borrowings

	2016 £'000	2015 £'000
Current borrowings		
8% Unsecured bonds	**–**	–
7.5% Unsecured bonds	**–**	–
Mortgage on freehold property	**76**	63
	76	63
Non-current borrowings		
8% Unsecured bonds	**752**	752
7.5% Unsecured bonds	**2,142**	2,142
Mortgage on freehold property	**458**	538
	3,352	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 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.

Company

	2016 £'000	2015 £'000
8% Unsecured bonds	**752**	752
7.5% Unsecured bonds	**2,142**	2,142
	2,894	2,894

Analysis of borrowings

	2016 £'000	2015 £'000
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

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13. Trade and other payables

Group

	2016 £'000	2015 £'000
Current		
Trade payables	**1,090**	850
Contingent consideration	**3,396**	4,321
Commissions payable	**2,593**	2,488
Other payables	**269**	46
Accruals	**489**	584
	7,837	8,289
Non-current		
Contingent consideration	**2,047**	5,238

Company

	2016 £'000	2015 £'000
Current		
Trade payables	**74**	10
Amounts owing to group undertakings	**474**	–
Accruals	**229**	219
	777	229

14. Deferred tax

Deferred tax liability

	2016 £'000	2015 £'000
Balance at 1 November	45	42
Charge to profit or loss	–	3
Fair value adjustments on business combinations	–	–
Balance at 31 October	45	45

The deferred tax asset is made up as follows:

	2016 £'000	2015 £'000
Accelerated capital allowances	**45**	45
Fair value adjustments on business combinations	**–**	–
	45	45

14. Deferred tax (continued)

Deferred tax asset

	2016 £'000	2015 £'000
Balance at 1 November	45	–
Charge to profit or loss	(2)	45
Fair value adjustments on business combinations	–	–
Balance at 31 October	43	45

The deferred tax asset is made up as follows:

	2016 £'000	2015 £'000
Accelerated capital allowances	–	–
Prior year losses carried forward to offset future profits	43	45
	43	45

15. Share capital

	2016 £'000	2015 £'000
24,125,310 (2015: 20,120,470) authorised, issued and fully paid 10p ordinary shares	2,413	2,012

On 3 November 2015, 51,906 Ordinary Shares were issued at £1.64 each to satisfy the exercise of share options with £1.54 per share transferred to the share premium account to provide additional working capital.

On 1 December 2015, 2,500 Ordinary Shares were issued at £1.00 each with £0.90 per share transferred to the share premium account to provide additional working capital.

On 31 December 2015, 3,861,502 Ordinary Shares were issued at £1.65 each with £1.55 per share transferred to the share premium account to provide additional working capital.

On 2 February 2016, 3,000 Ordinary Shares were issued at £1.00 each with £0.90 per share transferred to the share premium account to provide additional working capital

On 8 April 2016, 23,736 Ordinary Shares were issued at £1.37 each with £1.27 per share transferred to the share premium account to provide additional working capital.

On 22 April 2016, 28,170 Ordinary Shares were issued at £1.37 each with £1.27 per share transferred to the share premium account to provide additional working capital.

On 22 July 2016, 13,868 Ordinary Shares were issued at £1.37 each with £1.27 per share transferred to the share premium account to provide additional working capital.

On 31 October 2016, 20,161 were issued at £1.37 each with £1.27 per share transferred to the share premium account to provide additional working capital.

The calculation of earnings per share is based on the profit attributable to the equity holders for the year of £1,676,773 (2015 – £1,173,000) and weighted average number of shares in issue during the period of 23,424,352 (2015 – 19,143,240).

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.

15. Share capital (continued)

Earnings per share

	31 October 2016 £'000	31 October 2015 £'000
Earnings for the purpose of basic earnings per share being net profit attributable to shareholders	**1,677**	1,173
Effect of dilutive potential ordinary shares	**–**	–
Earnings for the purpose of diluted earnings per share	**1,677**	1,173

	31 October 2016	31 October 2015
Weighted average number of ordinary shares for the purpose of basic earnings per share	**23,424,352**	19,694,485
Effect of dilutive potential ordinary shares	**1,936,000**	1,633,578
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**25,360,352**	21,328,063

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.

Share-based payment transactions
During the year ended 31 October 2016, 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

15. Share capital (continued)

All share-option schemes will vest after three years from the date of the grant. 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 2016 have been selected as follows:

Dividend rate 1% based on the dividend payments anticipated by the board and effected in 2016.

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 each share granted in the executive share plan is £nil (2015 – nil).

Further details of the share option schemes are as follows:

	Number of options 2016	Weighted average exercise price 2016 £	Number of options 2015	Weighted average exercise price 2015 £
At 1 November	**1,633,576**	**1.00**	1,705,257	0.95
Granted	**190,943**	**1.65**	95,330	1.50
Lapsed	**25,799**	**1.26**	167,011	1.21
Outstanding at 31 October	**1,798,720**	**1.13**	1,633,576	1.00

377,390 of the options outstanding at 31 October 2016 have an exercise price of £0.37, and a weighted average remaining contractual life of 4.65 years.

214,594 of the options outstanding at 31 October 2016 have an exercise price of £1.00, and a weighted average remaining contractual life of 5.75 years.

425,000 of the options outstanding at 31 October 2016 have an exercise price of £1.20, and a weighted average remaining contractual life of 7.25 years.

360,666 of the options outstanding at 31 October 2016 have an exercise price of £1.47, and a weighted average remaining contractual life of 7.75 years.

67,158 of the options outstanding at 31 October 2016 have an exercise price of £1.51, and a weighted average remaining contractual life of 7.9 years.

5,985 of the options outstanding at 31 October 2016 have an exercise price of £1.51, and a weighted average remaining contractual life of 8.25 years.

3,322 of the options outstanding at 31 October 2016 have an exercise price of £1.51, and a weighted average remaining contractual life of 8.5 years.

6,896 of the options outstanding at 31 October 2016 have an exercise price of £1.45, and a weighted average remaining contractual life of 8.75 years.

127,806 of the options outstanding at 31 October 2016 have an exercise price of £1.69, and a weighted average remaining contractual life of 9.75 years.

167,110 of the options outstanding at 31 October 2016 have an exercise price of £1.65, and a weighted average remaining contractual life of 9.75 years.

35,000 of the options outstanding at 31 October 2016 have an exercise price of £1.72, and a weighted average remaining contractual life of 9.5 years.

5,830 of the options outstanding at 31 October 2016 have an exercise price of £1.72, and a weighted average remaining contractual life of 9.5 years.

280,000 of the options outstanding at 31 October 2016 have an exercise price of £1.80, and a weighted average remaining contractual life of 9.5 years.

42,000 of the options outstanding at 31 October 2016 have an exercise price of £1.67, and a weighted average remaining contractual life of 9.5 years.

18,867 of the options outstanding at 31 October 2016 have an exercise price of £1.59, and a weighted average remaining contractual life of 9.5 years.

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15. Share capital (continued)

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

	2016 £'000	2015 £'000
Share-based payments expense	**110**	116

16. 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.

17. Directors' remuneration

Details of Directors' remuneration including share based payments made to directors during the years ended 31 October 2016 and 31 October 2015 are disclosed in the Report of the Remuneration Committee on page 8.

18. Cash generated from operations

	2016 £'000	2015 £'000
Profit before tax	**2,030**	1,594
Adjustments for:		
Interest and dividend income	**(34)**	(18)
Interest expenses	**248**	187
Depreciation, amortisation and impairment	**1,206**	872
Equity settled share based payment expense	**110**	116
Movements in working capital:		
– Trade and other receivables	**(114)**	(1,932)
– Trade and other payables	**(168)**	1,420
Cash generated from operations	**3,278**	2.239

19. 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 2016 £'000	Other 2016 £'000	Land & buildings 2015 £'000	Other 2015 £'000
Due within one year	**386**	**60**	242	25
Between one and two years	**417**	**55**	363	7
Between two and five years	**1,253**	**16**	605	–
In over five years	**831**	**–**	484	–
Total	**2,887**	**131**	1,694	32

The group lease their head office and photocopiers. The head office lease has no break clause and expires in 8 years' time.

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20. 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:

2016	Effective interest rate	Carrying amount £'000	Contractual 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**

2015	Effective interest rate	Carrying amount £'000	Contractual 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	601	601	63	126	189	223
Trade payables		850	850	850	–	–	–
Other payables		3,018	3,018	3,018	–	–	–
Contingent consideration		9,515	9,515	4,321	5,194	–	–
Commissions payable		1,000	1,000	1,000	–	–	–
Total		17,878	17,878	9,252	5,320	3,083	223

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.

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20. Financial instruments (continued)

Aged trade receivables

	Current £'000	›30 days £'000	›60 days £'000	›90 days £'000	Total receivables £'000
2016	**1,892**	**996**	**251**	**–**	**3,139**
2015	1,584	942	380	–	2,906

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.

21. Related party transactions
During the year fees of £7,969 (2015 – £14,984) 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 page 8.

During the year accountancy services amounting to £Nil (2015 – £7,368) were paid to AFH Price Pearson Wheatley Limited. The director, Mr J Wheatley, owns 90% of the issued share capital in AFH Price Pearson Wheatley Limited.

22. Events subsequent to the Statement of Financial Position
On 7 December 2016 the Company announced the acquisition of the assets of David Rushton Associates Limited ("David Rushton"), a Lancashire based IFA. Following the acquisition David Rushton, the vendor, will join AFH.

On 19 January 2017 the Company announced the acquisition of the assets of Shield Direct Limited, a Devon based IFA firm.

On 19 January 2017 the Company announced the acquisition of the assets of Aberdeen Wealth Management Limit, a Scottish based IFA firm. Following the acquisition Mike Murray will be joining AFH.

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23. Group Companies

Listed below are the companies which are owned by the Group:

Company	Principal Activity	Percentage owned	Registered country
AFH Group Ltd	Holding Company	100%	England & Wales
AFH Legal Limited	Other legal activities	100%	England & Wales
AFH Independent Financial Services Ltd	Other financial services	100%(1)	England & Wales
Origin Financial Limited	Other financial services	100%(1)	England & Wales
GetInvested Limited	Dormant	100%(1)	England & Wales
AFH JV (Holdings) Ltd	Other financial services	100%(1)	England & Wales
K.L. Plester Financial Services Holdings Ltd	Other financial services	100%(1)	England & Wales
Shape Financial Ltd.	Other financial services	100%(1)	England & Wales
Roxborough Consultancy Ltd.	Other financial services	100%(1)	England & Wales
Clarendon Financial Solutions Limited	Other financial services	100%(1)	England & Wales
Independent Financial Services (U.K.) Limited	Other financial services	100%(1)	England & Wales
Quest Financial Management Limited	Other financial services	100%(1)	England & Wales
Davisons Financial Management Limited	Other financial services	100%(1)	England & Wales
AG Financial Planning Limited	Other financial services	100%	England & Wales
St Johns Asset Management Limited	Other financial services	100%	England & Wales
St John's Capital Limited	Other financial services	100%(3)	England & Wales
AFH Acquisitions Limited	Holding Company	100%	England & Wales
AFH SPV1 Limited	Other financial services	100%(2)	England & Wales
IMechE Limited	Holding Company	100%	England & Wales
FSB Independent Financial Services Limited	Holding Company	100%	England & Wales
Holland House Financial Services Limited	Holding Company	50%	England & Wales
Mercury House Financial Services Limited	Holding Company	50%	England & Wales
Price Deacon Witham Financial Services Limited	Holding Company	50%	England & Wales
Broomfield & Alexander Wealth Management Ltd	Holding Company	50%	England & Wales
Lindasi Limited	Holding Company	50%	England & Wales
Swinford Independent Financial Advisers Limited	Holding Company	50%	England & Wales
Palmer Clark Limited	Holding Company	50%	England & Wales
PPW Financial Services Ltd	Holding Company	50%	England & Wales
DKM Financial Advisers Ltd	Holding Company	50%	England & Wales

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

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

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