

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take you are recommended to seek your own financial advice immediately from an independent financial adviser who is authorised under the Financial Services and Markets Act 2000, as amended, (“FSMA”) or, if outside the United Kingdom, another appropriately authorised financial adviser without delay.

If you have sold or otherwise transferred, or sell or otherwise transfer, all of your registered holding of Ordinary Shares, please forward this document and the enclosed Form of Proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is effected for onward transmission to the purchaser or transferee. If you have sold or otherwise transferred, or sell or otherwise transfer, part of your registered holding of Ordinary Shares, please contact immediately your stockbroker, bank or other agent through whom the sale or transfer was effected. However, this document should not, subject to certain exceptions, be sent in or into any of Australia, Canada, Japan, New Zealand, the Republic of South Africa, the United States (the “**Excluded Jurisdictions**”) or any other jurisdiction where to do so would or might contravene local securities laws or regulations.

The International Securities Market is a market designated for professional investors. Securities admitted to trading on International Securities Market are not admitted to the Official List of the UKLA. The London Stock Exchange has not approved or verified the contents of the Admission Particulars.

Application will be made to the London Stock Exchange for the CULS to be issued pursuant to the Placing to be admitted to trading on the International Securities Market. It is expected that Admission will become effective and that dealings in the CULS will commence on 30 July 2019.

Shareholders and prospective investors should read the entire document and, in particular, the section headed “Risk Factors” beginning on page 4 when considering an investment in the Company.

AFH FINANCIAL GROUP PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 07638831)

PLACING OF £15.0 MILLION OF 4.0 PER CENT. CONVERTIBLE UNSECURED LOAN STOCK 2024 AT £5,000 PER £5,000 NOMINAL

and

NOTICE OF GENERAL MEETING

Placing Agents

Liberum Capital Limited

LIBERUM

Shore Capital Stockbrokers Limited

 **SHORE CAPITAL**
CAPITAL MARKETS

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

Liberum Capital Limited (“**Liberum**”), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and for no-one else in relation to the Company, the CULS, the Placing, Admission or the matters referred to in these Admission Particulars. Apart from the responsibilities and liabilities, if any, which may be imposed on Liberum by the FSMA or the regulatory regime established thereunder, Liberum does not make any representation, express or implied in relation to, nor accepts any responsibility whatsoever for, the contents of these Admission Particulars or any other statement made or purported to be made by it or on its behalf in connection with the Company, the CULS, the Placing or Admission. Liberum accordingly, to the fullest extent permissible by law, disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which it might have in respect of these Admission Particulars or any other statement. Liberum will not regard any other person (whether or not a recipient of these Admission Particulars) as its client in relation to the Company, the CULS, the Placing or Admission and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Liberum nor for advising any other person in relation to the Company, the CULS, the Placing, Admission or any transaction or arrangement contemplated in or by these Admission Particulars.

Shore Capital Stockbrokers Limited (“**Shore Capital**”), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and for no-one else in relation to the Company, the CULS, the Placing, Admission or the matters referred to in these Admission Particulars. Apart from the responsibilities and liabilities, if any,

which may be imposed on Shore Capital by the FSMA or the regulatory regime established thereunder, Shore Capital does not make any representation, express or implied in relation to, nor accepts any responsibility whatsoever for, the contents of these Admission Particulars or any other statement made or purported to be made by it or on its behalf in connection with the Company, the CULS, the Placing or Admission. Shore Capital accordingly, to the fullest extent permissible by law, disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which it might have in respect of these Admission Particulars or any other statement. Shore Capital will not regard any other person (whether or not a recipient of these Admission Particulars) as its client in relation to the Company, the CULS, the Placing or Admission and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Shore Capital nor for advising any other person in relation to the Company, the CULS, the Placing, Admission or any transaction or arrangement contemplated in or by these Admission Particulars.

A notice convening a General Meeting of the Company is set out in Part 7 of this document. The General Meeting will be held at the Company's registered office at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, Worcestershire, B60 4JE on 29 July 2019 commencing at 11.00 a.m. To be valid for use at the General Meeting, the accompanying Form of Proxy should be completed and returned in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by no later than 11.00 a.m. on 25 July 2019.

Neither the CULS nor the Ordinary Shares arising on any conversion of the CULS have been, or will be, registered under the United States Securities Act of 1933, as amended (the "**US Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and they may not be offered or sold within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the US Securities Act) ("**US Persons**"), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act (including qualified institutional buyers (as defined in Rule 144a under the US Securities Act of 1933 (as amended) ("**QIBs**")), and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The CULS may be being offered or sold outside of the United States to non-US Persons in offshore transactions in reliance on the exemptions from the registration requirements of the US Securities Act provided by Regulation S thereunder.

None of the CULS, the Ordinary Shares arising on any conversion of the CULS or this document has been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the CULS or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

This document does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for CULS or any Ordinary Shares arising on any conversion of the CULS in any jurisdiction where such offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company. The offer and sale of CULS or any Ordinary Shares arising on any conversion of the CULS has not been and will not be registered under the applicable securities laws of any Excluded Jurisdiction.

Subject to certain exceptions, the CULS or any Ordinary Shares arising on any conversion of the CULS may not be offered to or sold within the Excluded Jurisdictions or to any national, resident or citizen of the Excluded Jurisdictions.

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the securities the subject of the Placing have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of eligible counterparties and professional clients only, each as defined in MiFID II and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities (a "**Distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the securities and determining appropriate distribution channels.

The target market assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing.

For the avoidance of doubt, the target market assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the securities.

The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA.

For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of article 4(1) of MiFID II; or (ii) a customer within the meaning of EU Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II. Consequently, no key information document required by EU regulation no 1286/2014, as amended (the "**PRIIPs regulation**") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs regulation.

Dated: 12 July 2019

CONTENTS

	Page
RISK FACTORS	4
IMPORTANT NOTICES	9
EXPECTED TIMETABLE OF KEY EVENTS.....	11
PLACING STATISTICS	12
DEALING CODES	12
DIRECTORS AND ADVISERS	13
PART 1 – LETTER FROM THE CHAIRMAN OF AFH FINANCIAL GROUP PLC.....	15
PART 2 – INFORMATION ON THE COMPANY	22
PART 3 – DETAILS OF THE CULS	27
PART 4 – TAXATION	45
PART 5 – ADDITIONAL INFORMATION	48
PART 6 – DEFINITIONS.....	55
PART 7 – NOTICE OF GENERAL MEETING OF AFH FINANCIAL GROUP PLC.....	58

RISK FACTORS

Prospective investors should consider carefully the risks described below, together with all the other information set out in this document and their own circumstances, before deciding to invest in the CULS or the Ordinary Shares. This is a high risk investment and investors may lose a substantial portion or even all of the money they invest in the CULS or the Ordinary Shares.

The risks described below are all of the material risks relating to the Company and an investment in CULS or Ordinary Shares known to the Directors at the date of this document. If any of the adverse events described below actually occur, the financial condition, performance or prospects of the Company, and the market price of CULS and/or the Ordinary Shares, could be materially adversely affected. Additional risks which were not known to the Directors at the date of this document, or that the Directors considered at the date of this document to be immaterial, may also have a material adverse effect on the financial condition, performance or prospects of the Company, and the market price of CULS and/or the Ordinary Shares.

If prospective investors are in any doubt as to the consequences of their acquiring, holding or disposing of CULS and/or Ordinary Shares or whether an investment in the Company is suitable for them, they should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, in the case of investors outside the United Kingdom, another appropriately authorised independent financial adviser.

General risk factors

Securities issued and to be issued by the Company (which include the Ordinary Shares and the CULS) are designed to be held over the long-term and may not be suitable as short-term investments. The value of securities issued by the Company may go down as well as up. Accordingly, investors may not get back the full value of their original investment in any such securities.

The past performance of the Company is not, and should not be relied upon as, a guide to the future performance of the Company.

There can be no guarantee that a liquid market will exist in securities issued by the Company and it may be difficult to realise an investment in such securities at their quoted market price.

An investment in the Company should constitute part of a diversified investment portfolio and is only suitable for investors capable of evaluating the risks (including the potential risk of capital loss) and merits of such investment and who have sufficient resources to bear any loss which may result from such investment.

If the Resolutions are not passed at the General Meeting the Placing will not complete but the Company will still bear the costs associated with the Placing and the preparation of these Admission Particulars.

Risks relating to the CULS

The market price of the CULS will be influenced by a number of factors, including:

- the supply of, and demand for, CULS;
- the price and dividend yield of the Ordinary Shares;
- prevailing interest rates;
- market conditions; and
- investor sentiment, either general or specific to the Company,

and there can be no guarantee that the market price of the CULS will fully reflect any value inherent in their convertibility into Ordinary Shares. Accordingly, the value of an investment in the CULS may go down as well as up and CULS Holders may not be able to realise the amount of their original investment.

At any time during the Compulsory Conversion Period the Company will be entitled to require remaining CULS Holders to convert their outstanding CULS into Ordinary Shares by serving a Compulsory Conversion Notice on CULS Holders provided that the Mid Market Price is, for at least 20 dealing days during the period of 30 consecutive dealing days immediately prior to the date of the Compulsory Conversion Notice, at least 20 per cent. above the Conversion Price prevailing at the start of such 30 day period. For the avoidance of doubt, the 30 dealing days referred to must expire during the Compulsory Conversion Period. In the event of such Compulsory Conversion Notice being given as aforesaid, the holding of CULS of each CULS Holder shall be automatically converted at such Conversion Price applicable on the date of the Compulsory Conversion Notice.

There can be no certainty of any liquidity in the CULS admitted to trading on the International Securities Market.

The Trust Deed will not contain a restriction on the level of borrowings which may be incurred by the Company or the Group. The Company could therefore enter into other unsecured or secured indebtedness which may rank in priority to the CULS which may adversely impact on the Company's ability to meet its obligations to CULS Holders.

The Trust Deed will not contain any restriction on the disposal of assets or the creation of charges by, or changes in, the nature of the business of the Company. Any material disposal of assets or creation of charges by, or material changes in, the nature of the Company's business could adversely affect the rights of the CULS Holders and the value of the CULS and/or the Ordinary Shares.

Risks relating to the Ordinary Shares

The market price of the Ordinary Shares will be influenced by a number of factors, including:

- the supply of, and demand for, Ordinary Shares;
- the dividend yield of the Ordinary Shares;
- the potential dilution of the value per Ordinary Share for existing Shareholders that will arise when any CULS converts into Ordinary Shares at a time when the price per Ordinary Share is greater than the Conversion Price;
- market conditions; and
- investor sentiment, either general or specific to the Company.

As a result, the market price of the Ordinary Shares may vary considerably from the intrinsic value of an Ordinary Share. Accordingly, the value of an investment in the Ordinary Shares may go down as well as up and Shareholders may not be able to realise the amount of their original investment.

Shareholders will suffer a reduction in their proportionate ownership and voting interest in the share capital of the Company as represented by their holding of Ordinary Shares upon any conversion of the CULS. When any CULS converts into Ordinary Shares at a time when the price per Ordinary Share is greater than the Conversion Price, there will be a dilution in the price per Ordinary Share held by existing Shareholders.

Notwithstanding the admission of the Ordinary Shares to trading on AIM, the Ordinary Shares may have limited liquidity. The ability of Shareholders to realise their investment is dependent on the existence of a liquid market in the Ordinary Shares and on the extent of such liquidity. Investors should not expect that they will necessarily be able to realise, within a period which they would otherwise regard as reasonable, their investment in the Ordinary Shares.

The Company may issue additional shares from time to time, including pursuant to the Company's share option schemes. Any additional issuances by the Company, or the possibility of such issues, may cause the market price of the existing Ordinary Shares to decline and will dilute the voting rights of the holders of Ordinary Shares. The Company is proposing a special resolution at the General Meeting for pre-emption rights to be disapplied in respect of the issue of the CULS. In addition, the statutory pre-emption rights do not apply to Ordinary Shares issued pursuant to the Company's share option schemes. Any such issue of Ordinary Shares will dilute the economic interests of existing Shareholders.

A fall in the value of the Company's assets may affect the Company's ability to pay dividends. Accordingly, the amount of dividends payable by the Company may fluctuate. In addition, pursuant

to the Trust Deed, the Company shall not declare or pay dividends to holders of Ordinary Shares if at the relevant time any interest due and payable in respect of the CULS has not been paid. Also, if the Company declares or pays dividends per Ordinary Share to holders of Ordinary Shares of an amount exceeding 50 per cent. of the amount of audited statutory fully diluted earnings per Ordinary Share for a financial year, the Conversion Price shall be adjusted downwards which would result in more Ordinary Shares being issued on conversion of the CULS and further diluting the interests of Shareholders. Further details of the other adjustments to the Conversion Price are set out at paragraph 4 of Part 3 of these Admission Particulars.

In the event of a winding-up of the Company, the Ordinary Shares will rank behind any creditors or prior ranking capital of the Company, including the CULS.

Neither the Ordinary Shares nor the CULS have been registered and will not be registered in the United States under the US Securities Act or under any other applicable securities laws.

Risks relating to the Company and its business

Investment performance

The performance of the investment markets will fluctuate and any volatility may adversely affect the trading and/or the value of the Company's funds under management. Any reduction in the Company's funds under management may lead to a reduction in the Company's recurring revenues. In addition, in an environment where market forecasters are projecting lower returns in the future the Company may fail to deliver past levels of return to its clients, possibly leading to reduced client numbers and consequently lower funds under management.

Growth through acquisition

The Company's strategy is to grow through both the recruitment of financial advisers and by acquiring IFA businesses. Whilst the Directors believe that there will continue to be a large number of IFA businesses available to acquire due to changes and consolidation within the IFA marketplace, if the Company is unable to find and complete acquisitions or recruit new financial advisers, then the Company's future growth plans may not be achieved. In addition, whilst the Company employs a full time acquisitions team responsible for undertaking commercial, legal and financial due diligence, risks remain around integrating people into the Company who do not share the Company's culture or standards.

The Company may not successfully manage its growth

Expansion of the business of the Company, organically and through acquisitions, may place additional demands on the Company's management, administrative and infrastructure, and may require additional management expertise or capital expenditure. If the Company is unable to manage any such expansion effectively, then this may adversely impact, *inter alia*, the business, development, financial condition, results of operations, prospects, profits, cashflow and reputation of the Company.

Reliance on key personnel

Loss of key management or other key personnel, particularly to competitors, could have adverse consequences for the Company. While the Company has entered into service agreements or letters of appointment with each of its Directors, the retention of their services cannot be guaranteed. Furthermore as the Company expands it may need to recruit and integrate additional personnel. The Company may not be successful in identifying and engaging suitably qualified people or integrating them into the Company and this could have an adverse effect on the Company's business, financial condition and operating results.

The Company's business is significantly and indirectly dependent on the relationships, connections, industry knowledge and other skills of Alan Hudson. If Mr Hudson's input to and/or involvement with the Company ceased for any reason then the Company would lose the benefit of his significant expertise, and unless the Company had, prior to any such cessation, been able to reduce that dependency, its results of operations and business may be adversely affected.

Adviser recruitment & retention risk

The Company's continued success depends on its ability to attract and retain skilled financial services sector employees and adviser recruitment and retention is an ongoing focus for the

Company. If the Company is unable to attract and retain skilled advisers, this could result in a decline in the service levels provided to end clients. This could cause a reduction in funds under management or revenues and negative market perception and, in turn, could lead to a failure to attract new clients or failure to retain existing clients. The loss of a material number of staff and/or the failure to recruit sufficiently skilled staff could have a material adverse effect on the Company's business, results of operations and/or financial condition.

Changes to the financial advisers' self-employed status

Whilst the Company complies with current HMRC rules relating to self-employed consultants any changes to these rules or the interpretation of these rules in the future may lead to significant employment tax liabilities for the Company at that time. The Company's use of self-employed financial advisers is in line with current market practice.

Cyber risk

The Company could be the target of cybercrime and other fraudulent activity, by cybercriminals and other actors (including state-sponsored groups) and the failure or compromise of a Company IT system, whether internal or outsourced, could lead to disruption of services to clients, reputational damage and a negative impact on profitability. Techniques used to obtain unauthorised access to, or sabotage, systems and data change frequently, are becoming ever more sophisticated and may not be known until launched against the Company or its third party service providers; therefore the Company may be unable to anticipate these incidents, or otherwise not have in place adequate preventative measures (including those which would enable it to recover from such an incident).

Any actual or perceived cyber incident could significantly disrupt the Company's operations; damage the Company's reputation; expose it to a risk of loss (including loss of market share), fine, sanction or litigation and possible exposure to the liability and loss suffered by financial advisers and/or clients; require the Company to incur significant expenditure and divert the attention of the Directors and senior management from the day-to-day management of the Company in order to seek to resolve problems caused by such incidents; and have a material adverse effect on the Company's business, results of operations and/or financial condition.

Regulatory, legislative or tax risk

Whilst the Company actively engages with its regulators in an open and constructive manner, the Company's business depends substantially on being authorised by the FCA to conduct investment and protection broking business. Loss of these authorisations would have a material adverse effect on the Company's business. The regulatory regime applicable to the Company is under regular review and future changes made by a regulatory body could impose a greater burden upon the Company in terms of additional compliance costs. In addition, changes in legislation or taxation could have a material impact on the Company's activities. Any change in the tax regulation (including tax rates), or in the interpretation of tax legislation by tax authorities or in courts, could affect the Company's ability to implement its strategy. Any such change could adversely affect the Company's ability to provide the same returns to investors.

Competition

The Company operates in a highly competitive market. Some of the Company's competitors have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. These competitors compete directly with the Company for clients, financial advisers and potential acquisition targets. The Company is also at risk of new competitors entering the IFA marketplace and/or existing competitors developing new strategies. Increased competition may materially adversely impact both the scale of the Company's revenue and its profitability.

Technological risks

The Company operates in an industry where competitive advantage is heavily dependent on technology. It is possible that technological developments may reduce the effectiveness of the Company's existing systems. Staying abreast of technological changes may require further investment by the Company in the future. The Company's success depends in part upon its ability to maintain and enhance its existing systems and to develop and introduce new systems. If the Company fails to keep up with technological developments its business, financial condition and results of operations may be materially and adversely affected.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as commercial transactions. It also refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk in respect of these counterparties such that if one or more of these counterparties encounter financial difficulties, this could materially and adversely affect the Company's financial condition, results or operations.

Third party service providers

Aspects of the Company's business rely upon certain third party service providers. A deterioration or interruption in the performance of these service providers could impair the quality and timing of the Company's services to its clients. In addition, any regulatory breach or service failure on the part of an outsourced service provider could expose the Company to the risk of regulatory sanctions and reputational damage.

Risk of loss of business continuity

The Company's business operations, information systems and processes are vulnerable to damage or interruption from fires, power loss, telecommunication failures, bomb threats, explosions or other forms of terrorist activity and other natural and man-made disasters. These systems may also be subject to sabotage, vandalism, theft and other similar misconduct. The same is true of third party service providers on which the Company depends.

The Company has in place disaster recovery plans covering current business requirements. However if the disaster recovery plans are found to be inadequate as a result of events outside of the Company's control, there could be an adverse impact on the Company's financial condition, results or operations.

Liquidity risk

The operations of the Company are dependent on it having sufficient cash and marketable securities, availability of funding and the ability to meet its obligations. An inadequate level of financial resource to finance the Company's liquidity requirements in the medium to long term could have an adverse impact on the short, medium and long term cash resources of the Company.

Interest rate and operating cash flow risks

Whilst the majority of the Company's sources of revenue and operating cash flows are substantially independent of changes in market interest rates, an increase in interest rates may result in higher interest payments payable by the Company on its liabilities.

Capital availability risk

It remains the Company's strategy to ensure that sufficient funding has been raised to finance both the initial consideration and any additional cash requirement that could arise through deferred consideration relating to that acquisition in advance of any acquisition being completed. The failure of the Company to raise sufficient funding may result in the inability to service initial or deferred considerations on acquisitions that are completed or anticipated for completion in the short to medium term.

Risks relating to taxation

Any change in the Company's tax position or status, or in tax legislation (including tax rates) or in the interpretation of tax legislation by tax authorities or courts, could adversely affect the value of assets held by the Group or affect the Company's ability to implement its strategy. Any such change could adversely affect the Company's ability to provide returns to its investors or alter the post-tax returns to investors. Furthermore, the Company may incur costs in taking steps to mitigate this effect. As a result, any such change may have a material adverse effect on the Company's performance, financial condition or prospects.

The Company will be required to withhold income tax (currently at the rate of 20 per cent.) from interest payable under the CULS except in the case of the payment of interest to CULS Holders who are UK resident companies, UK registered pension schemes or charities. CULS Holders who are eligible to the benefits of a tax treaty may be entitled to receive interest under deduction of tax at a reduced rate of withholding tax on making an appropriate claim under the relevant treaty.

IMPORTANT NOTICES

General

No broker, dealer or other person has been authorised by the Company to issue any advertisement or to give any information or to make any representations in connection with the offering or sale of CULS other than those contained in this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this document and the offering of CULS in certain jurisdictions may be restricted and accordingly persons into whose possession this document is received are required to inform themselves about and to observe such restrictions.

Presentation of information

Currency presentation

Unless otherwise indicated, all references in this document to “**Sterling**”, “**Pounds Sterling**”, “**£**” or “**pence**” are to the lawful currency of the UK.

Definitions

A list of defined terms used in this document is set out in Part 6 at pages 55 to 57.

Past performance

Past performance is not necessarily indicative of future results, and there can be no assurance that the Company will achieve comparable results to those presented in this document or that the returns generated by any investments by the Company will equal or exceed any past returns presented herein.

Investment considerations

The contents of this document are not to be construed as advice relating to legal, financial, taxation, investment or any other matters.

Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment in CULS.

This document should be read in its entirety before making any investment in CULS.

Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, Liberum, Shore Capital or any of their respective affiliates, officers, directors, members, employees or agents.

No legal, business, tax or other advice is provided in this document.

Statements made in this document are based on the law and practice in force in England and Wales as at the date of this document and are subject to changes therein.

Forward-looking statements

This document contains forward-looking statements including, without limitation, statements containing the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variation or similar expressions. Such forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results, to be materially different from future results, financial condition, performance or achievements expressed or implied by such forward-looking statements.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this document. Subject to its legal and regulatory obligations, the Company expressly disclaims any obligation to update or revise any forward-looking statement contained herein to reflect changes in expectations with regard thereto or any change in events, conditions, or circumstances on which any statement is based, unless required to do so by law or any appropriate regulatory authority, including FSMA, the AIM Rules, the rules of the International Securities Market and the Market Abuse Regulation.

Information for overseas investors

Prospective investors should consult their professional advisers as needed on the potential consequences of subscribing for, purchasing, holding or selling CULS or Ordinary Shares arising on a conversion of CULS under the laws of their country and/or state of citizenship, domicile or residence. This document does not constitute an offer to sell, or the solicitation of an offer to buy or subscribe for, CULS or Ordinary Shares arising on a conversion of CULS in any jurisdiction in which such offer or solicitation is unlawful and, in particular, these Admission Particulars are not for distribution in or into the United States of America (except to qualified institutional buyers (as defined in Rule 144a under the US Securities Act of 1933 (as amended) (“QIBs”)), Australia, Canada, Japan, New Zealand or the Republic of South Africa. The distribution of these Admission Particulars in other jurisdictions may be restricted by law. CULS and the Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States of America, Australia, Canada, Japan, New Zealand or the Republic of South Africa and, subject to certain exceptions, may not be offered, sold, re-sold, renounced, taken up or delivered, directly or indirectly, in, into or from the United States of America, Australia, Canada, Japan, New Zealand or the Republic of South Africa or to any national of the United States of America, Australia, Canada, Japan, New Zealand or the Republic of South Africa or to any national of those countries. These Admission Particulars should not be distributed, published, reproduced or otherwise made available in whole or in part, or disclosed by recipients to any other person, in, and in particular, should not be distributed to persons with addresses in, the United States of America (except to QIBs), Australia, Canada, Japan, New Zealand or the Republic of South Africa. No action has been taken by the Company, Liberum or Shore Capital that would permit an offer of CULS or Ordinary Shares or possession or distributions of these Admission Particulars where action for that purpose is required. Persons into whose possession these Admission Particulars comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law or other laws of any such jurisdictions.

Data Protection Legislation

Pursuant to Data Protection Legislation the Company and/or its Registrar may hold personal data (as defined in the Data Protection Legislation) relating to past and present investors. Such personal data held is used by the Registrar to maintain the Company’s registers of Shareholders and CULS Holders and mailing lists and this may include sharing such data with third parties when: (a) effecting the payment of dividends, interest and other moneys to investors; and (b) filing returns of Shareholders or CULS Holders and their respective transactions in Ordinary Shares or CULS with statutory bodies and regulatory authorities. Personal data may be retained on record for a period exceeding six years after it is no longer used. By becoming registered as a holder of Ordinary Shares or CULS a person is deemed to have consented to the controlling and/or processing by the Company or its Registrar of any personal data relating to them in the manner described above.

International Securities Market

The International Securities Market is intended for products targeted at professional and/or institutional investors, and includes securities that may have characteristics such as: (i) variable levels of secondary market liquidity; (ii) sophisticated investment propositions with concentrated risks; (iii) highly leveraged structures; and (iv) sophisticated corporate structures, which are therefore targeted at professional and/or institutional investors. Investments in securities traded on the International Securities Market may have limited liquidity and may experience greater price volatility than those listed on the Official List of the UK Listing Authority.

EXPECTED TIMETABLE OF KEY EVENTS

Admission Particulars published and Forms of Proxy despatched	12 July 2019
Latest time and date for receipt of Forms of Proxy for use at the General Meeting	11.00 a.m. on 25 July 2019
General Meeting	11.00 a.m. on 29 July 2019
Admission and commencement of dealings in CULS on the International Securities Market	8.00 a.m. on 30 July 2019
CREST stock accounts credited with CULS issued in uncertificated form	8.00 a.m. on 30 July 2019
Definitive certificates for CULS issued in certificated form	within 10 Business Days of Admission

Notes:

- 1. Reference to times in this document are to British Summer Time.*
- 2. All times and dates in the expected timetable above and elsewhere in this document are indicative only and may be adjusted by the Company (with the agreement of Liberum and Shore Capital). Any changes to the timetable will be notified by publication of a notice through an RIS announcement.*

PLACING STATISTICS

Issue Date	30 July 2019
Final Maturity Date	30 July 2024
CULS interest rate (per annum)	4.0 per cent.
Nominal amount of CULS issued	£15.0 million
CULS issue price per £5,000 nominal	£5,000
CULS conversion premium ¹	16.67 per cent.
Initial Conversion Price ²	420 pence
Expected net Placing proceeds	approximately £14.5 million
Number of Ordinary Shares in issue at the date of this document ³	42,681,425
Illustrative number of Ordinary Shares to be issued on exercise of Conversion Rights ⁴	3,571,428
Illustrative number of Ordinary Shares to be issued on exercise of Conversion Rights as a percentage of the number of Ordinary Shares in issue at the date of this document ⁵	8.4 per cent.

DEALING CODES

	<u>Ordinary Shares</u>	<u>CULS</u>
ISIN	GB00B4W5WQ08	GB00BJLFJB09
SEDOL (LSE)	B4W5WQ0	BJLFJB0
TIDM	AFHP	AFHC

¹ To the Mid Market Price per Ordinary Share as at 27 June 2019.

² Being a 16.67 per cent. premium to the Mid Market Price per Ordinary Share as at 27 June 2019. The Conversion Price is subject to adjustment in certain circumstances.

³ Including 43,931 Ordinary Shares in treasury which do not carry any voting rights.

⁴ Based on the initial Conversion Price and on the assumption that all of the CULS is converted into Ordinary Shares.

⁵ Based on the initial Conversion Price and on the assumption that all of the CULS is converted into Ordinary Shares and including 43,931 Ordinary Shares in treasury which do not carry any voting rights.

DIRECTORS AND ADVISERS

Directors	John Wheatley (<i>Non-Executive Chairman</i>) Alan Hudson (<i>Chief Executive Officer</i>) Paul Wright (<i>Chief Financial Officer</i>) Alex Larvin (<i>Executive Director</i>) Austin Broad (<i>Executive Director</i>) Sue Lewis (<i>Non-Executive Director</i>) Mark Chambers (<i>Non-Executive Director</i>) <i>All of the registered office address below</i>
Registered Office and Business Address	AFH House Buntsford Drive Stoke Heath Bromsgrove Worcestershire B60 4JE
Company Secretary	Anne-Marie Brown AFH House Buntsford Drive Stoke Heath Bromsgrove Worcestershire B60 4JE
Joint Placing Agent, AIM Nominated Adviser and Joint Broker	Liberum Capital Limited Level 12, Ropemaker Place 25 Ropemaker Street London EC2Y 9LY
Joint Placing Agent and Joint Broker	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU
Legal Adviser to the Company	Goodman Derrick LLP 10 St Bride Street London EC4A 4AD
Legal Adviser to the Placing Agents	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU
Auditors	Mazars LLP 45 Church Street Birmingham B3 2RT
Registrar and Paying Agent	SLC Registrars Limited Elder House St Georges Business Park Weybridge, Surrey KT13 0TS

Trustee to the CULS

The Law Debenture Trust Corporation PLC
Fifth Floor
100 Wood Street
London
EC2V 7EX

**Legal Adviser to the Trustee to
the CULS**

Stephenson Harwood LLP
1 Finsbury Circus
London
EC2M 7SH

PART 1 – LETTER FROM THE CHAIRMAN OF AFH FINANCIAL GROUP PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 07638831)

Directors

John Wheatley (*Non-Executive Chairman*)
Alan Hudson (*Chief Executive Officer*)
Paul Wright (*Chief Financial Officer*)
Alex Larvin (*Executive Director*)
Austin Broad (*Executive Director*)
Sue Lewis (*Non-Executive Director*)
Mark Chambers (*Non-Executive Director*)

Registered Office

AFH House
Buntsford Drive
Stoke Heath
Bromsgrove
Worcestershire
B60 4JE

12 July 2019

To Shareholders

Dear Shareholder

ISSUE OF £15.0 MILLION NOMINAL OF 4.0 PER CENT. CONVERTIBLE UNSECURED LOAN STOCK 2024 AT £5,000 PER £5,000 NOMINAL AND NOTICE OF GENERAL MEETING

1 Introduction

The Company announced on 28 June 2019 that it proposed to raise up to £20 million through a conditional placing of 4.0 per cent. convertible unsecured loan stock 2024 (“**CULS**”).

On 12 July 2019, the Board announced that the Company had conditionally raised gross proceeds of £15.0 million through a placing of CULS. The Directors intend to apply the net proceeds of the Placing to execute the Company’s acquisition pipeline and for general corporate purposes.

The CULS is made available under the Placing at a placing price of £5,000 per £5,000 nominal. The interest rate on the CULS will be 4.0 per cent. per annum, payable semi annually in equal instalments in arrear on 30 June and 31 December in each year. CULS Holders will be able to convert their CULS into Ordinary Shares on a quarterly basis throughout the life of the CULS commencing on 31 December 2019. In addition, the Company may during the Compulsory Conversion Period (as described in further detail in paragraph 5 of this Part 1 and paragraph 3.3 of Part 3 of this document) require CULS Holders to convert their CULS (together with payment of any accrued interest) into Ordinary Shares, if the Mid Market Price is, for at least 20 dealing days during the period of 30 consecutive dealing days immediately prior to the date of the Compulsory Conversion Notice, at least 20 per cent. above the Conversion Price prevailing at the start of such 30 day period.

All outstanding CULS that have not been redeemed, purchased or converted will be redeemed by the Company on 30 July 2024 at its nominal amount together with interest accrued up to but excluding the date of redemption. The initial Conversion Price is 420 pence, being a 16.67 per cent. premium to the Mid Market Price of the Ordinary Shares of 360 pence on 27 June 2019.

The Placing is subject, *inter alia*, to Shareholder approval. A General Meeting of the Company is being convened for 11.00 a.m. on 29 July 2019. The passing by Shareholders of the Resolutions at the General Meeting will give the Directors the required authority to issue the CULS.

The notice convening the General Meeting is set out in Part 7 of this document. Part 3 of this document also contains the details of the CULS.

2 Benefits of the Placing

The Board has confidence in the long-term prospects for the Company and its sector of operation and as such believes that the issue of the CULS should provide it with the ability to execute on

value adding acquisitions. The Directors believe that an issue of CULS will have the following advantages:

- (i) the CULS will give the Company:
 - long-term structural gearing at a fixed cost that is competitive with the cost of other forms of gearing that the Company might have employed and which has the potential to be converted into the permanent capital base of the Company; and
 - additional funds available for investment which, as the initial Conversion Price is at a premium to the market price of Ordinary Shares, reduces the dilution of current Shareholders than would otherwise be the case on an equity fundraising at the existing market price;
- (ii) the CULS will provide CULS Holders with:
 - an attractive yield of 4.0 per cent. per annum;
 - capital protection through repayment at par (to the extent the CULS have not been redeemed, purchased or converted into Ordinary Shares); and
 - the potential to participate in further growth of the Company through the ability to convert the CULS into new Ordinary Shares over the next five years;
- (iii) relative to other forms of gearing, CULS Holders' interests should be more closely aligned with those of Shareholders through being convertible into Ordinary Shares in the future and relatively long-term in nature; and
- (iv) following any conversion of CULS:
 - the Company would have an increased number of Ordinary Shares in issue, which should, in due course, enhance the liquidity in the market for the Ordinary Shares; and
 - the Company will have a wider Shareholder base to support its growth ambitions.

3 Company overview and performance to date

Founded in 1990 by current Chief Executive Officer, Alan Hudson, the Company is one of the UK's leading independent financial advisory, discretionary wealth management and protection insurance broking firms. The Company currently retains approximately 450 financial advisers who provide financial planning-led wealth management and protection broking advice and services to the mass affluent and high net worth private client market in the UK, as well as to a number of companies. The Company's financial advisers are supported by approximately 400 staff, which the Directors believe establishes the Company as one of the leading financial planning-led wealth managers in the UK with funds under management of £5.4 billion as at 30 April 2019.

Since its formation, the Company has grown both organically and through acquisitions. Since 2014 the Company has completed over 45 value adding acquisitions and has a track record of both revenue and operating profit growth. Over the same period, the Company increased underlying EBITDA margins from 17 per cent. to 21 per cent. In the year ended 31 October 2018, the Company recorded revenues of £50.7 million, underlying EBITDA of £10.4 million and underlying earnings of 16 pence per Ordinary Share. The Company is cash generative at the operating level and since its admission to AIM has adopted a progressive dividend policy, declaring aggregate dividends of 6.0 pence per Ordinary Share for the financial year ending 31 October 2018.

The Company reported a fifth consecutive year of profitable growth in the financial year ending 31 October 2018, with increased margins complementing both organic and acquisitive growth. During a year in which equity markets had exhibited significant volatility driven by political and economic uncertainty, the Company undertook two successful fund raisings which enabled it to complete sixteen acquisitions and end the financial year with significant cash balances of £21.5 million with which to continue its expansion.

AFH's focus on allocating capital and combining value-adding acquisitions with organic growth during the 2018 financial year generated an increase in earnings per Ordinary Share of 43 per cent. Acquisitions are expected to provide the Company with the scale to deliver the aspirations that the Chief Executive set out in his 2017 report to Shareholders.

Of the three financial aspirations the Company set out at the beginning of 2017, it achieved the first of these targets during the 2018 financial year with an underlying EBITDA margin exceeding 20 per cent. Post period end, it also reached its funds under management target of £5 billion, achieving the second of its mid-term aspirational targets. Considering the Company's continued strong growth, it saw a sharp increase in revenue to £50.7 million in 2018 and the Board is confident that the final aspirational target of revenues totalling £75 million per annum will also be achieved in the current financial year, ahead of original expectations.

The Company maintains in-house acquisitions and integration teams that allows the Group to undertake multiple acquisitions and to integrate them fully into the AFH model. This has been a core part of the Company's strategy since its admission to AIM in 2014 and during the year ended 31 October 2018 the Company completed 16 acquisitions with a combined value of £34 million, including two acquisitions with a target value in excess of £5 million (assuming in both cases that performance criteria are satisfied). In addition to the experience of the advisers who have joined AFH through these acquisitions the Company added almost £1.5 billion to funds under management. The Company targets paying between 3-5x post completion EBITDA for acquisitions, and structures transactions on a 50:50 initial and deferred consideration payment model, with the deferred consideration being paid over two years subject to performance criteria being achieved. During the financial years ended October 2016 to 31 October 2018, the average deferred pay-out for those acquisitions exceeded 90 per cent. of the target set at the time of the transactions.

The Company is currently exploring options to access additional capital, including the use of bank debt, to enhance its ability to undertake value-adding acquisitions and for general corporate purposes.

The acquisition of IFA businesses typically encompass retiring IFAs, whose client portfolios are transitioned to existing AFH advisers, as well as larger organisations whose clients and advisers are 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 the Company's cost effective discretionary service where a clear benefit to the client can be demonstrated.

The Company's strategy has enabled it to achieve annual double digit organic growth in both funds under management and recurring revenue since its admission to AIM in 2014 while maintaining gross margins and generating operating efficiencies to drive growth in earnings per Ordinary Share. The Board remains committed to maintaining its existing strategy to meet clients' ongoing needs in order to fulfil the Company's vision and expand its brand throughout the UK financial services sector.

In addition to the core business, in 2017 the Company launched its Protection Broking division to take advantage of the growing protection market. For the year ended 31 October 2018, the Protection Broking division generated £9.1 million of revenue at a 45 per cent. gross margin and for the six month period ended 30 April 2019 the division generated £7.3 million of revenue at 51 per cent. gross margin.

Since March 2018, approximately 80 per cent. of new business written by the Protection Broking division has been moved from an indemnified to a non-indemnified model with selected providers. Under the non-indemnified model AFH receives revenue on a monthly basis over a 48-month period, in line with the premium received by the providers, rather than as an upfront commission on commencement of the policy. In exchange for the deferred payment (and therefore, revenue received) AFH receives an increased share of the overall commission. Whilst the move to a non-indemnified model has increased gross profit and EBITDA margins, it absorbs working capital for the first 20 months of the policy. The growth of the non-indemnified model is expected to be working capital consumptive until the end of 2019 when the non-indemnity book will move towards a balanced position, after which it will generate positive working capital.

The Company considers that the non-indemnified model represents an efficient use of free cash compared to leaving free cash earning interest at 0.7 per cent. per annum and at steady state the return on the debtor balance over the initial 24 month period is in excess of 20 per cent. The non-indemnified model can be cancelled on one month's notice, resulting in an immediate monthly working capital movement, although at the expense of margin.

4 Outlook and current trading

On 28 May 2019, the Company released its interim results for the six month period ended 30 April 2019. In those results, the Chief Executive of the Company stated:

"I am pleased to report another set of strong results for the first half of 2019 demonstrating our progress as we continue to build ourselves into the leading financial planning-led wealth manager in the UK. Despite turbulence in the equity markets and subdued investor confidence over the period, we have delivered increased revenues, reporting 61% growth from the previous period to £36.6 million and improved trading margins demonstrated by our underlying EBITDA¹ margin increasing to 21.0%.

Our growth continues to be generated organically from new and existing clients together with the benefits of the four acquisitions made in the first half of FY 2019 as well as those acquisitions made towards the end of 2018. Our protection business, which is not aligned to the stock markets, continued the strong growth reported in 2018.

Following the Company's success in meeting its strategic and financial aspirations set out in January 2017, the Board set new aspirational targets in January 2019 to be achieved within a three to five-year period.

The overarching strategy of the Company continues to be to generate long term value for shareholders by driving revenue growth and margin expansion while providing exceptional value and service to our clients, using our increasing size to drive down platform and fund management charges aligned to an appropriate risk-based investment model.

On the basis of our results and the opportunities identified, we look forward to continuing to deliver continued profitable growth in the second half of 2019 and beyond."

The Board has also set new aspirations to be achieved within a three to five-year timeframe:

1. funds under management of £10 billion;
2. revenues of £140 million per annum; and
3. underlying EBITDA margin of 25 per cent. of revenue.

There has been no material change in the outlook or trading of the Company since the release of its interim results.

5 Overview of the CULS

The interest rate on the CULS will be 4.0 per cent. per annum (less any deduction or withholding required by law), payable semi annually in equal instalments in arrear on 30 June and 31 December in each year with the first interest payment on 31 December 2019 in respect of the period from Admission (expected to be 30 July 2019) to 31 December 2019.

CULS Holders will be able to convert their CULS into Ordinary Shares on a quarterly basis throughout the life of the CULS commencing on 31 December 2019 with the final conversion date being on 30 June 2024. All outstanding CULS not previously redeemed, purchased or converted will be redeemed by the Company on the Final Maturity Date at its nominal amount together with interest accrued up to but excluding the date of redemption. The initial Conversion Price will be 420 pence, being a 16.67 per cent. premium to the Mid Market Price of the Ordinary Shares of 360 pence on 27 June 2019. Based on the initial Conversion Price, a holder of £5,000 nominal of CULS would be entitled to 1,190 Ordinary Shares on conversion of their CULS. Under the terms of the Trust Deed, the Conversion Price will be subject to subsequent adjustment on the occurrence of certain events.

At any time during the Compulsory Conversion Period the Company will be entitled to require remaining CULS Holders to convert their outstanding CULS into Ordinary Shares by giving the CULS Holders notice in writing ("**Compulsory Conversion Notice**") provided that the Mid Market Price is, for at least 20 dealing days during the period of 30 consecutive dealing days immediately prior to the date of the Compulsory Conversion Notice, at least 20 per cent. above the Conversion Price prevailing at the start of such 30 day period. For the avoidance of doubt, the 30 dealing days

¹ Underlying excludes amortisation of intangible assets arising on business combinations and the non-cash charge/credit for share based payment costs.

referred to must expire during the Compulsory Conversion Period. In the event of such Compulsory Conversion Notice being given as aforesaid, each CULS Holder shall be deemed to have exercised their Conversion Rights on the date of the Compulsory Conversion Notice at such Conversion Price prevailing at the start of such 30 dealing day period referred to above.

Any CULS not previously redeemed, purchased or converted will be repaid by the Company on the Final Maturity Date at its nominal amount plus accrued interest.

The Trust Deed does not contain a restriction on the level of borrowings which may be incurred by the Company or the Group. Therefore the Company could incur other unsecured or secured indebtedness throughout the term of the CULS. On a winding-up of the Company, the nominal amount of the CULS will rank ahead of the Ordinary Shares, but may be subordinated to the Company's other borrowings and creditors.

The Trust Deed contains a restriction on the Company issuing any other securities (including Ordinary Shares) or rights to subscribe for or convert any securities into Ordinary Shares where such shares have more favourable rights than those attached to the Ordinary Shares. The Trust Deed does not contain any restriction on the Company purchasing any of its own Ordinary Shares or disposing of assets or the creation of charges by, or changes in the nature of the business of, the Company.

The terms of the Trust Deed prevents the Company from declaring or paying dividends to holders of Ordinary Shares if at the relevant time any interest due and payable in respect of the CULS has not been paid. In addition, if the Company declares or pays dividends per Ordinary Share to holders of Ordinary Shares of an amount exceeding 50 per cent. of the amount of audited statutory fully diluted earnings per Ordinary Share for a financial year, the Conversion Price shall be adjusted downwards. Further details of the adjustments to the Conversion Price which arises in certain circumstances (such as on a rights issue, issue of shares or a change of control) are set out at paragraph 4 of Part 3 of these Admission Particulars.

The CULS will be issued in registered form, and may be held in certificated or uncertificated form. The CULS will be admitted to trading on the International Securities Market of the London Stock Exchange.

Further details of the CULS are set out in Part 3 of this document.

6 The Placing

£15.0 million nominal of CULS has been conditionally placed at a placing price of £5,000 per £5,000 nominal of CULS. In connection with the Placing, the Company and the Placing Agents entered into the Placing Agreement on 28 June 2019. Pursuant to the terms of the Placing Agreement, the Company has given certain warranties to the Placing Agents. The Company has also given an indemnity to the Placing Agents in respect of any losses or liabilities arising out of the proper performance by the Placing Agents of their duties under the Placing Agreement.

Application has been made to the London Stock Exchange for the CULS to be issued pursuant to the Placing to be admitted to trading on the London Stock Exchange's International Securities Market with effect from 8.00 a.m. on 30 July 2019. The Placing has not been underwritten.

The Placing is conditional, *inter alia*, upon:

- the passing of the Resolutions at the General Meeting;
- the Placing Agreement having become unconditional in all respects (save for any condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission; and
- Admission taking place no later than 8.00 a.m. on 30 July 2019 (or such later date as the Company and the Placing Agents may agree, not being later than 9 August 2019).

In the event that these conditions are not satisfied, the Placing will not proceed.

7 General Meeting

The issue of the CULS pursuant to the Placing requires Shareholders to approve the Resolutions to be proposed at the General Meeting. The notice of the General Meeting, to be held at the Company's registered office at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove,

Worcestershire, B60 4JE at 11:00 a.m. on 29 July 2019, is set out in Part 7 of this document. The business to be considered at the General Meeting is set out in the notice of General Meeting. The Placing is conditional upon, *inter alia*, the passing of the Resolutions.

The issue of £15.0 million nominal of CULS pursuant to the Placing, based on the initial Conversion Price of 420 pence and exercise in full of the Conversion Rights of the CULS issued pursuant to the Placing, would result in 3,571,428 Ordinary Shares being issued, which would represent approximately 8.4 per cent. in the issued Ordinary Share capital at the date of this document.

The authorities granted at the annual general meeting of the Company held on 1 March 2019 are insufficient to allow the issue of the CULS to proceed without further Shareholder approval. Accordingly, the issue of the CULS is conditional on the Resolutions being passed.

The Company is therefore proposing that Shareholders pass the Resolutions in order to:

- (i) grant authority to the Directors under section 551 of the Companies Act, to grant rights to subscribe for or to convert any security into Ordinary Shares up to a maximum aggregate nominal amount of £500,000.00 being the maximum required for the purposes of issuing the CULS; and
- (ii) empower the Directors, under section 571 of the Companies Act, to issue the CULS on a non pre-emptive basis.

Each of the authorities sought at the General Meeting will be in addition to the authorities granted at the Company's 2019 annual general meeting.

8 Overseas Shareholders

The CULS has not been made available in whole or in part to the public. The Placing has not been made, subject to certain exemptions, to Shareholders resident in Excluded Jurisdictions.

Any Shareholder who is in any doubt as to their position should consult an appropriate independent professional adviser without delay.

9 Taxation

Certain information about taxation in relation to the Company, the CULS and the Ordinary Shares is set out in Part 4 of this document. We recommend that you consult your own independent tax adviser as to your tax position.

10 Action to be taken by Shareholders

You will find enclosed with this document a Form of Proxy for use at the General Meeting. Regardless of whether you intend to attend the General Meeting in person, it is important that you complete and sign the enclosed Form of Proxy in accordance with the instructions printed on it and return it to the Company's registrars, SLC Registrars Limited, as soon as possible and, in any event, so as to be received not later than 11.00 a.m. on 25 July 2019.

The completion and return of a Form of Proxy will not preclude you from attending the General Meeting and voting in person if you wish to do so.

11 Further information and Risk Factors

Your attention is drawn to the further information set out in Part 2 to Part 6 of this document. In addition, your attention is drawn to the section entitled "Risk Factors" on pages 4 to 8 of this document. You are advised to read the whole of this document and not to rely solely on the information contained in this letter.

12 Recommendation

The Board considers the passing of the Resolutions to be proposed at the General Meeting to be in the best interests of Shareholders as a whole.

The Board recommends that you vote in favour of the Resolutions to be proposed at the General Meeting, as they intend to do in respect of their own beneficial holdings of Ordinary Shares amounting, in aggregate, to 6,872,799 Ordinary Shares (representing 16.1 per cent. of the issued Ordinary Share capital).

Yours faithfully

John Wheatley
Chairman

PART 2 – INFORMATION ON THE COMPANY

1 The Company's business strategy

The Company's strategy to increase Shareholder value through the expansion of the AFH community remains at the heart of the Company's growth. This strategy continues to be driven by a combination of organic growth through greater productivity of the Company's financial advisers and by value adding acquisitions. At the start of the 2017 financial year the Board set itself three financial aspirations over a three to five year timeframe:

- funds under management of £5 billion;
- revenues of £75 million per annum; and
- underlying EBITDA margin of 20 per cent. on revenue.

Having achieved the funds under management and EBITDA margin targets ahead of time, and remaining on target to achieve its revenue target for the year ended 31 October 2019, in January 2019 the Board set new milestones with the objective of meeting them within a three to five year timeframe:

- funds under management of £10 billion;
- revenues of £140 million per annum; and
- underlying EBITDA margin of 25 per cent. on revenue.

2 The Company's financial performance

The information below has been extracted from the Company's annual reports for the financial years ended 31 October 2016 to 31 October 2018.

	<i>Financial Year ended 31 October</i>		
	2018	2017	2016
	£ '000s	£ '000s	£ '000s
Revenue	50,664	33,639	24,130
Cost of sales	(23,099)	(15,672)	(10,771)
Gross profit	27,565	17,967	13,359
Administrative expenses	(17,126)	(12,320)	(9,771)
Underlying EBITDA	10,439	5,647	3,588
Amortisation and Depreciation	(2,415)	(1,778)	(1,206)
Non cash share based payments	(88)	(136)	(144)
Operating profit	7,936	3,733	2,238
Finance income	101	19	40
Finance costs	(250)	(245)	(248)
Profit before taxation	7,787	3,507	2,030
Income tax expense	(1,833)	(444)	(353)
Profit after taxation	5,954	3,063	1,677
Earnings per Ordinary Share (in pence)			
Basic	16.0	11.2	7.2
Diluted	14.6	10.3	6.6

Copies of the Company's annual report for the financial years ended 31 October 2016 to 31 October 2018 are set out on its website at www.afhwm.co.uk/investor-relations.

3 Operational infrastructure

The Board is responsible for the management of the Company by formulating, reviewing and approving the Company's strategy, budgets, and corporate actions. In order to achieve its

objectives, the Board adopts the ten principles of the Quoted Companies Alliance Corporate Governance Code (the “**QCA Code**”). Through implementing these principles, the Company is able to deliver long-term growth for Shareholders and maintain a flexible, efficient and effective management framework within an entrepreneurial environment.

The Board is comprised of seven Directors, four of whom are executive Directors and three of whom are non-executive Directors.

The Directors are as follows:

John Wheatley (*Non-Executive Chairman*)

John has been with the Company since November 2008 and was the Company’s finance director from November 2008 to February 2014 following which he assumed the role of Non-Executive Chairman. John is Chairman of the Company’s Audit Committee and a member of the Company’s Remuneration Committee. John qualified as a Chartered Accountant with Peat Marwick Mitchell. After a three-year period working as finance director of a packaging manufacturer in West Bromwich, he returned to the profession and 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 Company with a particular focus on the acquisition strategy of the Company. He has considerable financial planning and investment management experience as a chartered financial planner and in 1990 founded the business operated by the Company. Prior to founding AFH, Alan ran the Birmingham office of Target Life. Alan is a member of the Company’s Remuneration and Risk Committees.

Paul Wright (*CFO*)

Paul qualified as a chartered accountant with KPMG in London, before moving into the wholesale financial services sector with Exco International PLC. Here he spent 10 years working across the London and Asia Pacific regions – a period of significant growth for the business. Since 1995, Paul has held the position of group CFO for a number of UK listed companies, including several technology companies serving the UK financial markets. Previously, Paul was involved in securing the MBO of Workplace Systems International plc, an AIM-quoted company. Paul joined AFH in 2014 and is responsible for overall financial control and planning of the Company.

Alex Larvin (*Executive Director*)

At university, Alex studied business management, before going on to advise on mortgages and training at HSBC. She has since been with AFH for 11 years and is registered with the FCA, CF1, CF10 and CF11. As Group Head of Risk, Alexis is responsible for developing and maintaining robust systems and controls in order to ensure that key risks are mitigated, communicating with the regulator, the oversight of advice and regulatory support and the oversight of operations. As part of the senior management team, Alex is also involved in the strategic development of the business.

Austin Broad (*Executive Director*)

Austin is an experienced independent financial adviser and technical expert and has over 15 years’ experience as an IFA prior to joining AFH. Previously he served as district manager for Nationwide Building Society, briefly tying this with an adviser role. Austin has been with AFH for 10 years, being appointed to the Board in October 2015. As Group Head of Advice his responsibilities include the strategic development of the quality and direction of financial planning and investment advice within the business, as well as working closely with the Head of Risk to develop strategic planning within the Group whilst managing risks.

Sue Lewis (*Non-Executive Director*)

Sue is Chairman of the Company’s Remuneration Committee and a member of the Audit Committee. She joined the Company in 2014 prior to the admission to AIM. Sue is a former 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 Company was admitted to AIM and is a member of the Remuneration Committee and the Audit Committee. Mark has over 30 years of financial and business experience having spent 19 years at Man Company 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.

Corporate governance

The Board considers that Sue Lewis and Mark Chambers are independent within the meaning of the UK Corporate Governance Code. The Board believes that the size and composition of the Board is appropriate given the size and stage of development of the Company and that the Directors bring a desirable range of skills and experience in light of the Company's challenges and opportunities, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision making.

The Board is responsible for the overall management the Company and, save for those matters reserved for committees of the Board, all matters pertaining to the overall management of the Company and the measurement and review of its performance are reserved for the Board. The Board meet monthly and otherwise on an as required basis, to review, formulate and approve the Company's strategy, budgets, corporate actions and oversee the Company's progress towards its goals.

The key procedures which the Board has established with a view to providing effective internal financial control include the following:

- a monthly management reporting process to enable the Board to monitor the performance of the Company; and
- the Board has adopted and reviewed a comprehensive annual budget for the Company. Monthly results are examined against the budget and deviations are closely monitored by the Board.

The Company is committed to maintaining the highest standards of corporate governance throughout its operations and to ensuring that all of its practices are conducted transparently, ethically and efficiently. The Company believes that scrutinising all aspects of its business and reflecting, analysing and improving its procedures will result in the continued success of the Company and improve Shareholder value. Therefore, and in compliance with the AIM Rules for Companies, the Company has chosen to formalise its governance policies by complying with the QCA Code. Accordingly, the Company has established specific committees and implemented certain policies, to ensure that:

- it is led by an effective Board which is collectively responsible for the long-term success of the Company;
- the Board and the committees have the appropriate balance of skills, experience, independence, and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively;
- the Board establishes a formal and transparent arrangement for considering how it applies the corporate reporting, risk management, and internal control principles and for maintaining an appropriate relationship with the Company's auditors; and
- there is a dialogue with Shareholders based on the mutual understanding of objectives.

In addition, the Company has adopted policies in relation to:

- anti-corruption and anti-bribery;
- whistleblowing;
- health and safety;
- environment and community;

- IT, communications and systems; and
- social media,

so that all aspects of the Company are run in a robust and responsible way.

The Company has established an Audit Committee and a Remuneration Committee, each with formally delegated duties and responsibilities and with written terms of reference. At this stage of the Company's development the Board does not consider it appropriate to establish a Nominations Committee and the Board will take decisions regarding the appointment of new Directors as a whole, following a thorough assessment of a potential candidate's skill and suitability for the role. The merits of constituting a separate nominations committee will be kept under review.

Audit Committee

The purpose of the Audit Committee is to monitor the integrity of the financial statements of the Company.

Some of the Audit Committee's duties include:

- reviewing the Company's accounting policies and reports produced by internal and external audit functions;
- considering whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
- reporting its views to the Board if it is not satisfied with any aspect of the proposed financial reporting by the Company;
- reviewing the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- reviewing the adequacy and effectiveness of the Company's anti-money laundering systems and controls for the prevention of bribery and receive reports on non-compliance; and
- overseeing the appointment of and the relationship with the external auditor.

The Audit Committee has three members, two of whom are independent, non-executive Directors and at least one member has recent and relevant financial experience. The current members of the Audit Committee are John Wheatley as the Chairman, Sue Lewis and Mark Chambers.

Remuneration Committee

The purpose of the Remuneration Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Company's chairperson and the executive Directors as well as the composition of the Board itself.

Some of the Remuneration Committee's duties include:

- reviewing the pay and employment conditions across the Company, including the Board; and
- approving targets and performance related pay schemes operated by the Company and all share incentive plans and pension arrangements.

The Remuneration Committee has four members, two of whom are independent, non-executive Directors. The current members of the Remuneration Committee are Sue Lewis as the Chairman, Mark Chambers, John Wheatley and Alan Hudson.

Risk Committee

The Board has adopted a risk policy with regard to the Company's business activities and formally considers its policy on a regular basis. 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 Company Head of Risk. The Board considers risk within four categories: Conduct, Credit, Market and Operational. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance and its reputation arising from these risk areas.

4 Dividend policy

The Directors intend to continue the Company'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 financial year ending 31 October 2018, the Directors declared dividends of 6.0 pence per Ordinary Share, payable in two tranches, an increase of 50 per cent. over the 2017 dividend. It is the intention of the Board to continue to pay the bi-annual dividend in future years.

5 Share Option Scheme

The Company has established approved and unapproved share option schemes, in which the executive Directors may participate. Details of these schemes are set out in the Company's Annual Report.

6 Accounts and reports to Shareholders

The Company prepares annual accounts to 31 October in each year. It is expected that the audited annual accounts will be sent to Shareholders within six months of the year end to which they relate. Unaudited half-yearly reports, made up to 30 April each year, will be sent to Shareholders within three months thereof. The audited annual accounts and half-yearly reports are prepared in consolidated form and will also be available at the registered office of the Company. The Company has adopted IFRS.

7 Additional information

Your attention is drawn to the information included in Part 2 to Part 6 of this document. In particular, you are advised to carefully consider the Risk Factors contained at pages 4 to 8 of this document.

PART 3 – DETAILS OF THE CULS

The £15.0 million nominal of 4.0 per cent. convertible unsecured loan stock 2024 of the Company will be created by a resolution of the Board and will be constituted as an unsecured subordinated obligation of the Company by the Trust Deed between the Company and Law Debenture, whose registered office is at Fifth Floor, 100 Wood Street, London, EC2V 7EX, as trustee for the CULS Holders. Copies of the Trust Deed, when executed, will be available for inspection by CULS Holders at the registered office of the Company, being at the date of publication of this document, AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, Worcestershire, B60 4JE.

The Trust Deed will contain provisions, *inter alia*, to the following effect:

1 Definitions

In addition to the defined terms set out in Part 6 of this document, the following additional definitions apply for the purpose of this Part 3:

“**Expert**” means a financial adviser (which may, for the avoidance of doubt, be the auditors for the time being of the Company) appointed by the Company and approved in writing by the Trustee (such approval not to be unreasonably withheld or delayed) or, if the Company fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee), appointed by the Trustee following notification to the Company and provided that the Trustee has no obligation to make such appointment unless it has been indemnified and/or provided with security and/or pre-funded to its satisfaction in respect of all costs, fees and expenses of such adviser and of the Trustee in connection with such appointment;

“**Further CULS**” means further unsecured loan stock of the Company issued pursuant to the provisions described in paragraph 13 and constituted by a trust deed supplemental to the Trust Deed;

“**Relevant Electronic System**” means any computer-based system enabling title to units of CULS to be evidenced and transferred without a written instrument;

“**subsidiary**” means any company which is for the time being a subsidiary (within the meaning of section 1159 of the Companies Act) of the Company; and

“**Uncertificated Conversion Notice**” means a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company (or by such person as it may require for these purposes) in such form and subject to such terms and conditions as may from time to time be prescribed by the Company (subject always to the CREST Regulations and the facilities, rules and requirements of the Relevant Electronic System) and that specifies (in accordance with the form prescribed by the Company) the nominal amount of CULS in respect of which the Conversion Rights are being exercised.

References in this Part 3 to “**paragraphs**” are to paragraphs of this Part 3 of this document.

2 Interest

2.1 The CULS will bear interest (which shall accrue from day to day) on the nominal amount of the CULS at the rate of 4.0 per cent. per annum (less any deduction or withholding required by law) such interest to be payable semi annually in equal instalments in arrear on 30 June and 31 December in each year (each an “**Interest Payment Date**”), save that the first payment of interest on the CULS, which will be made on 31 December 2019 (the “**First Interest Payment Date**”), will be in respect of the period from and including the Issue Date to (but excluding) 31 December 2019 and the final payment of interest on the CULS (the “**Final Interest Payment Date**”) will be in respect of the period from (and including) the Interest Payment Date immediately preceding the Final Maturity Date to (but excluding) the Final Maturity Date.

2.2 The amount of interest payable in respect of any period which is either shorter or longer than an Interest Period (as defined below) shall be calculated at (i) the rate of 4.0 per cent. per annum divided by two multiplied by (ii) the number of calendar days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the number of calendar days in the Interest Period in which the relevant period falls.

“Interest Period” means each period from (and including) an Interest Payment Date to (but excluding) the next successive Interest Payment Date and, for the purposes of this definition, the first Interest Period shall be 30 June 2019 to 30 December 2019 and the final Interest Period shall be 30 June 2024 to 30 December 2024.

3 Conversion

- 3.1 Each CULS Holder (and for the purposes of paragraph 5 the Trustee and for the purposes of paragraph 3.3 the Company, on his behalf) shall (on and subject to the provisions herein) have the right to convert the whole or such part (being an integral multiple of £5,000 nominal) of his or her CULS as he or she may specify into fully paid Ordinary Shares. The number of Ordinary Shares to be issued by the Company on the exercise of a Conversion Right shall be determined by dividing the nominal amount of the CULS to be converted by the conversion price in effect on the relevant Conversion Date (**“Conversion Price”**). The initial Conversion Price is 420 pence per Ordinary Share (which shall be subject to adjustment in circumstances described in paragraph 4).
- 3.2 **Conversion at the option of CULS Holders.** The Conversion Rights shall be exercisable (in the manner described in paragraph 3.4 or paragraph 3.5, as applicable) at any time during the periods of 28 days ending 31 March, 30 June, 30 September and 31 December each year commencing 28 days prior to 31 December 2019 and ending 28 days prior to 30 June 2024 (each such period and any other period during which the Conversion Rights may be exercised a **“Conversion Period”**) provided that the documents or notifications required are received by 6.00 pm on the last day of the relevant Conversion Period (each such last day a **“Conversion Date”** and the final Conversion Date falling on 30 June 2024 being the **“Final Conversion Date”**).
- 3.3 **Conversion at the option of the Company.** At any time during the Compulsory Conversion Period the Company will be entitled to require all remaining CULS Holders to convert all their outstanding CULS into Ordinary Shares by giving the CULS Holders notice in writing (**“Compulsory Conversion Notice”**) provided that the Mid Market Price is, for at least 20 dealing days during the period of 30 consecutive dealing days immediately prior to the date of the Compulsory Conversion Notice, at least 20 per cent. above the Conversion Price prevailing at the start of such 30 day period. For the avoidance of doubt, the 30 dealing days referred to in this paragraph must expire during the Compulsory Conversion Period. In the event of such Compulsory Conversion Notice being given as aforesaid, each CULS Holder shall be deemed to have exercised their Conversion Rights on the date of the Compulsory Conversion Notice at such Conversion Price prevailing at the start of such 30 dealing day period referred to above (and the provisions of paragraph 3.12 shall apply accordingly). The date of the deemed exercise of the Conversion Rights pursuant to this paragraph 3.3 shall be deemed to be a Conversion Date and the provisions of paragraphs 3.4 and 3.5 shall not apply. The Company shall have the right to issue any Ordinary Shares arising on conversion pursuant to this paragraph 3.3 in certificated form.

A certificate signed by the Directors as to the Mid Market Price may be relied upon by the Trustee as sufficient evidence thereof and, if so relied upon, shall (in the absence of manifest error) be binding on all parties.

- 3.4 Subject to paragraph 3.3, in order to exercise, in whole or in part, the Conversion Rights which are conferred by any CULS that is on the relevant Conversion Date in certificated form, the CULS Holder must lodge the relevant CULS certificate(s) (or such other document(s) as the Company may, in its absolute discretion, accept) at the office of the Company’s registrars specified in the CULS certificate (or at such other place as the Company may from time to time notify the CULS Holders) during the relevant Conversion Period having completed and signed the notice of exercise of Conversion Rights thereon (a **“Conversion Notice”**) (or by giving such other notice of exercise of Conversion Rights as the Company may, in its absolute discretion, accept). The Company may (at its sole discretion) accept as valid notices of exercise of Conversion Rights which are received after the relevant Conversion Date. Once lodged, a notice of exercise of Conversion Rights shall be irrevocable, save with the consent of the Company. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.

- 3.5 Subject to paragraph 3.3, in order to exercise, in whole or in part, the Conversion Rights which are conferred by any CULS that is on the relevant Conversion Date in uncertificated form shall be exercisable, in whole or in part, (and treated by the Company as exercised) on that Conversion Date if an Uncertificated Conversion Notice is received as referred to below during the Conversion Period (but not later than the latest time for input of the instruction permitted by the Relevant Electronic System on that date) by the Company's Regulators (or by such person as it may require for such purposes) in such form and subject to such terms and conditions as may from time to time be prescribed by the Company (subject always to the CREST Regulations and the facilities, rules and requirements of the Relevant Electronic System concerned). The Company may, in addition but subject to the CREST Regulations and the facilities, rules and requirements of the Relevant Electronic System, determine when any such properly authenticated dematerialised instruction and/or other instruction or notification is to be treated as received by the Company (or by such other person as it may require for these purposes). Without prejudice to the generality of the foregoing, the effect of an Uncertificated Conversion Notice may be such as to divest the holder of the CULS concerned of the power to transfer such CULS to another person. Once lodged, an Uncertificated Conversion Notice shall be irrevocable, save with the consent of the Company. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.
- 3.6 Fractions of Ordinary Shares will not be issued on exercise of Conversion Rights, and no payment of cash or other adjustment will be made in lieu thereof. Fractional entitlements will be rounded down.
- 3.7 The Company shall notify all CULS Holders via a Regulatory Information Service not less than four nor more than eight weeks prior to each Conversion Date (other than deemed Conversion Dates under paragraphs 3.3, 3.14 and 5) reminding them of their Conversion Rights then arising or current and stating the relevant basis of conversion (including the Conversion Price) (after taking into account any appropriate adjustments pursuant to Condition 4). Such notice shall give the address of the Registrars.
- 3.8 Ordinary Shares allotted pursuant to the exercise (or deemed exercise) of Conversion Rights which are conferred by any CULS that is in certificated form will be allotted not later than 14 days after, and with effect from, the relevant Conversion Date to the CULS Holder credited as fully paid and such allotment and issue shall (subject to any amount of accrued interest to which he or she may be entitled under the provisions of paragraph 3.12) be in full satisfaction and discharge of the principal moneys in respect of the CULS so converted.
- 3.9 The Company shall not later than the expiry of 28 days next following the relevant Conversion Date send, or procure to be sent, free of charge (at the risk of the person(s) entitled thereto) certificates in respect of Ordinary Shares allotted pursuant to the exercise (or deemed exercise) of Conversion Rights which are conferred by any CULS held in certificated form to the person(s) in whose name(s) the CULS is registered at the date of exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all). In the event of partial exercise of the Conversion Rights evidenced by a Certificate, the Company shall, at the same time, issue a new Certificate in the name of the holder for the balance of that holder's CULS not converted.
- 3.10 Ordinary Shares allotted pursuant to the exercise of Conversion Rights which are conferred by any CULS that is in uncertificated form will be allotted not later than 14 days after, and with effect from, the relevant Conversion Date to the CULS Holder credited as fully paid and such allotment and issue shall (subject to any amount of accrued interest to which he or she may be entitled under the provisions of paragraph 3.12) be in full satisfaction and discharge of the principal moneys in respect of the CULS so converted. The Company shall procure that the appropriate instructions are given to enable such Ordinary Shares to be evidenced by means of the Relevant Electronic System as a holding of the person(s) in whose name(s) the CULS in respect of which Conversion Rights have been exercised were registered at the date of such exercise.
- 3.11 For the avoidance of doubt, unless the Company otherwise determines or unless the CREST Regulations or the facilities, rules or requirements of the Relevant Electronic System otherwise require, the Ordinary Shares issued on the exercise of Conversion Rights shall be issued in

certificated form where such Conversion Rights were conferred by CULS which was held in certificated form and in uncertificated form where such Conversion Rights were conferred by CULS which was held in uncertificated form.

- 3.12 Interest on CULS converted under this paragraph 3 shall be payable up to but excluding, but shall cease to accrue immediately after, the relevant Conversion Date (whether or not this is an Interest Payment Date in respect of the CULS). Ordinary Shares allotted on conversion shall be credited as fully paid. Such Ordinary Shares will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date before the relevant Conversion Date, but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares by reference to a record date on or after the relevant Conversion Date and otherwise will rank *pari passu* in all other respects, and form one class, with the Ordinary Shares in issue on the relevant Conversion Date.
- 3.13 Without prejudice to the generality of the final sentence of paragraph 3.4 and 3.5, the exercise of Conversion Rights by any CULS Holder (save in respect of a QIB) whose registered address is in an Excluded Jurisdiction or who is a citizen or national of, or resident in, an Excluded Jurisdiction or a custodian, nominee or trustee for a citizen or national of, or resident in, an Excluded Jurisdiction (including without limitation any US Person), and the right of such a CULS Holder to receive the Ordinary Shares falling to be issued to him following the exercise of his or her Conversion Rights, will be subject to such requirements, conditions, restrictions, limitations or prohibitions as the Company may at any time impose, in its absolute discretion, for the purpose of complying with any applicable securities laws of the relevant jurisdiction, which, in the case of the United States, shall include the US Securities Act and any rules or regulations promulgated under such acts. As used in this document, "US Person" means any person or entity defined as such in Rule 902(k) under the US Securities Act, and without limiting the generality of the foregoing, US Person includes a natural person resident in the United States, a corporation or partnership organised or incorporated under the laws of the United States (including any State thereof) and an estate or trust, if any executor, administrator or trustee is a US Person, but shall not include a branch or agency of a US Person located outside the United States if such agency or branch operates for valid business reasons and is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located.

3.14 **Conversion by Trustee**

The Trustee may, at its absolute discretion and without any responsibility for any loss occasioned thereby, at any time during the period of ten days before the Final Maturity Date (or such earlier date as all the CULS then outstanding shall be due to be redeemed by the Company) (the "**Trustee Conversion Period**"), exercise all Conversion Rights not exercised by CULS Holders (or deemed to be exercised pursuant to these Conditions) on or before the Trustee Conversion Period at the Conversion Price applicable on the date of commencement of the Trustee Conversion Period and sell for the benefit of the CULS Holders entitled thereto the Ordinary Shares allotted on such conversion, provided that the Trustee shall not exercise such Conversion Rights unless an Expert (acting as an expert and not an arbitrator) shall have stated in writing that in its opinion the exercise of such Conversion Rights and prompt sale by the Trustee would be in the interests of the CULS Holders concerned as a body and provided further that the Trustee shall not exercise such Conversion Rights in respect of any CULS whose holder has requested redemption thereof. The period of ten days referred to in this paragraph 3.14 shall be deemed to be a Conversion Period and the date of exercise of such Conversion Rights by the Trustee shall be deemed to be a Conversion Date and the provisions of paragraph 3.12 shall apply accordingly.

4 Adjustments of the Conversion Price

4.1 The Conversion Price shall from time to time be adjusted in accordance with the provisions of this paragraph 4.

4.2 Definitions

The following expressions shall, save as otherwise provided, have the following meanings in this paragraph 4:

“**Average Mid Market Price**” means the average of the Mid Market Price on each of the five consecutive dealing days up to and including the Effective Date;

“**Fair Market Value**” means the fair market value as determined by an Expert on the basis of a commonly accepted market valuation method and taking into account such factors as the Expert considers appropriate;

“**Securities**” means any securities, including without limitation the Ordinary Shares and any other shares in the capital of the Company and options, warrants or other rights to subscribe for or purchase or acquire Ordinary Shares or any other shares in the capital of the Company;

“**Relevant Stock Exchange**” means AIM or, if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on AIM, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or dealt in.

4.3 Consolidation, sub-division or reclassification of Ordinary Shares

If and whenever there shall be a consolidation, sub-division or reclassification of the Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the number of Ordinary Shares in issue immediately before such alteration; and

B is the number of Ordinary Shares in issue immediately after such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

4.4 Capitalisation issue

If and whenever the Company shall allot to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (including any share premium account or capital redemption reserve) other than Ordinary Shares (in an amount equal to the amount of the cash dividend foregone) issued in lieu of a cash dividend on a date (or by reference to a record date) on or before the Final Maturity Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the number of Ordinary Shares in issue immediately before such issue; and

B is the number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

4.5 **Relevant Dividend**

If the Company declares or pays dividends per Ordinary Share (“**Relevant Dividend**”) to holders of Ordinary Shares of an amount exceeding 50 per cent. of the amount of audited statutory fully diluted earnings per Ordinary Share for a financial year (“**Dividend Threshold**”), the Conversion Price shall be adjusted downwards by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A - C}$$

Where:

- A is the Average Mid Market Price of the Ordinary Shares on the Effective Date;
- B is the portion of the Fair Market Value of the Relevant Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the Relevant Dividend by the number of Ordinary Shares entitled to receive the Relevant Dividend;
- C is the amount (if any) by which the Dividend Threshold is exceeded in respect of the relevant financial year.

For the purposes of the above Fair Market Value shall be determined as at the Effective Date.

In making any calculations for the purposes of this paragraph 4.5, such adjustments (if any) shall be made as an Expert may determine in good faith to be appropriate to reflect any consideration or subdivision of Ordinary Shares or the issue of Ordinary Shares by way of capitalisation of profits or reserves (or any like or similar event) or any change in the number of Ordinary Shares in issue in the relevant financial year.

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this paragraph 4.5, the first date on which the Ordinary Shares are traded ex-the Relevant Dividend on the Relevant Stock Exchange.

4.6 **Rights Issues – Ordinary Shares**

If and whenever the Company shall issue Ordinary Shares to Shareholders as a class by way of rights, or shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares, or any Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for any Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a price per Ordinary Share which is less than 90 per cent. of the Mid Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue on the Effective Date;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Securities issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Average Mid Market Price on the Effective Date; and
- C is the number of Ordinary Shares to be issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription, purchase or acquisition price or rate;

Such adjustment shall become effective on the Effective Date (or, if later, the dealing day following the record date or other due date for establishment of the entitlement of Shareholders to participate in the relevant issue or grant).

“**Effective Date**” means, in respect of this paragraph 4.6, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

4.7 **Rights Issues – Securities**

If and whenever the Company shall issue any Securities (except where the Conversion Price falls to be adjusted under paragraphs 4.4 or 4.6 above) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase or otherwise acquire any securities (except where the Conversion Price falls to be adjusted under paragraphs 4.4 or 4.6 above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Average Mid Market Price on the Effective Date; and

B is the Fair Market Value on the Effective Date of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this paragraph 4.7, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

4.8 **Issue of Ordinary Shares**

If and whenever the Company shall issue (otherwise than as mentioned in paragraph 4.6 above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on the conversion of the CULS or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, Ordinary Shares) or issue or grant (otherwise than as mentioned in paragraph 4.6 above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase or otherwise acquire Ordinary Shares (other than the CULS, which term shall for this purpose include any Further CULS), in each case at a consideration receivable per Ordinary Share (based, where appropriate, on such number of Ordinary Shares as determined by reference to the proviso below) which is less than 90 per cent. of the Average Mid Market Price on the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue on the date of first public announcement of the terms of such issue or grant;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Average Mid Market Price on the Effective Date; and

C is the number of Ordinary Shares to be issued pursuant to such issue of such Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights,

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this paragraph 4.8, the date of issue of such Ordinary Shares or, as the case may be, the issue or grant of such options, warrants or rights.

4.9 **Issue of Securities**

If and whenever the Company shall issue wholly for cash or for no consideration any Securities (other than the CULS, which term shall for this purpose exclude any Further CULS) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, purchase of, or rights to otherwise acquire, Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be reclassified or redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription, purchase, acquisition, reclassification or redesignation is less than 90 per cent. of the Average Mid Market Price on the date of the first public announcement of the terms of issue of such Securities (or the terms of such grant), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue on the date of first public announcement of the terms of such Securities (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for, purchase of, or rights to otherwise acquire Ordinary Shares which have been issued, purchased or acquired by the Company for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued, purchased or acquired);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to such Securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such reclassification or redesignation would purchase at such Average Mid Market Price; and
- C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription, purchase or acquisition attached thereto at the initial conversion, exchange or subscription, purchase or acquisition price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such reclassification or redesignation;

provided that if at the Effective Date such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such securities are converted or exchanged or rights of subscription, purchase or acquisition are exercised or, as the case may be, such Securities are reclassified or redesignated or at such other time as may be provided), then for the purposes of this paragraph 4.9, “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Effective Date and as if such conversion, exchange, subscription, purchase, acquisition, reclassification or, as the case may be, redesignation had taken place on the Effective Date.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this paragraph 4.9, the date of issue of such Securities or, as the case may be, the grant of such rights.

4.10 **Modification of Rights**

If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any Securities (other than the CULS, which term shall for this purpose include any Further CULS) as are mentioned in paragraph 4.9 (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Ordinary Share

receivable has been reduced and is less than 90 per cent. of the Average Mid Market Price on the date of the first public announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue on the date of the first public announcement of the proposals for such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for, or purchase or acquisition of, Ordinary Shares which have been issued, purchased or acquired by the Company for the purposes of or in connection with such securities, less the number of such Ordinary Shares so issued, purchased or acquired);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to the Securities so modified would purchase at such Average Mid Market Price on the date of such first public announcement or, if lower, the existing conversion, exchange, subscription, purchase or acquisition price or rate of such Securities; and
- C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such securities or upon the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as an Expert shall consider in good faith appropriate for any previous adjustment under this paragraph 4.10 or paragraph 4.9 above,

provided that if at the Effective Date such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription, purchase or acquisition are exercised or at such other time as may be provided), then for the purposes of this paragraph 4.10, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Effective Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Effective Date.

Such adjustment shall become effective on the Effective Date.

"Effective Date" means, in respect of this paragraph 4.10, the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such Securities.

4.11 **Change of Control**

If a Change of Control (as defined in paragraph 5) shall occur, then upon any exercise of Conversion Rights during the Change of Control Period (as defined below) the Conversion Price (the “**Change of Control Conversion Price**”) shall be determined as set out below:

$$\text{COCCP} = \text{OCP} / (1 + (\text{CP} \times c/t))$$

where:

Change of Control Period means the period commencing on the Change of Control and ending 60 days following the Change of Control or, if later, 60 days following the date on which a Change of Control Notice is served on the CULS Holders pursuant to paragraph 5.

COCCP = means the Change of Control Conversion Price;

OCP = means the Conversion Price in effect on the relevant Conversion Date;

CP = means 16.67 per cent. (expressed as a fraction);

c = means the number of calendar days from and including the date the Change of Control occurs to but excluding the Final Maturity Date; and

t = means the number of calendar days from and including the Issue Date of the CULS to but excluding the Final Maturity Date.

4.12 **General**

4.13 If the Company determines in good faith that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to above in this paragraph 4 (even if the relevant circumstance is specifically excluded from the operation of paragraphs 4.3 to 4.11 above), the Company shall, at its own expense and acting reasonably, request an Expert to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment (if any) should take effect and upon such determination such adjustment (if any) shall be made and shall in good faith take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this paragraph 4.13 if such Expert is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises and if the adjustment would result in a reduction to the Conversion Price.

4.14 Notwithstanding the foregoing provisions:

4.14.1 where the events or circumstances giving rise to any adjustment pursuant to this paragraph 4 have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the reasonable opinion of the Company, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be advised in good faith by an Expert to be in its opinion appropriate to give the intended result;

4.14.2 such modification shall be made to the operation of the conditions of the Trust Deed as may be advised in good faith by an Expert to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once and (ii) to ensure that the economic effect of a dividend is not taken into account more than once; and

4.14.3 other than pursuant to paragraph 4.3, no adjustment shall be made that would result in an increase to the Conversion Price.

4.15 All adjustments to the Conversion Price shall be rounded upwards if necessary to four decimal places. The Company will forthwith notify the CULS Holders in writing (in a form previously

approved in writing by the Trustee) of any adjustment to the Conversion Price pursuant to paragraph 4.

- 4.16 The Trustee shall not be under any duty or obligation to monitor whether any event or circumstance has happened or exists pursuant to paragraph 4 and it may assume until it has actual knowledge by way of express notice in writing from the Company to the contrary that no such event has occurred and will not be responsible to any party for any loss arising from any failure by it to do so. The Trustee shall not at any time be under any duty or responsibility to any CULS Holder with respect to the nature or the extent of any adjustment to the Conversion Price when made, or with respect to the method employed in making the same.

5 Change of Control

- 5.1 If, whilst any of the CULS remains capable of being converted, any offer is made to all (or as nearly as may be practicable all) the Shareholders (or to all (or as nearly as may be practicable all) other than the offeror and/or any company controlled by the offeror and/or persons associated, connected or acting in concert with the offeror) to acquire the whole or any part of the Ordinary Shares (an “**Offer**”) and the Company becomes aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company or to appoint and/or remove all or a majority of the members of the Board has or will become vested in the offeror and/or any company controlled by the offeror and/or persons associated, connected or acting in concert with the offeror (“**Change of Control**”), the Company shall give notice of that fact in writing (in a form previously approved in writing by the Trustee) (a “**Change of Control Notice**”) to all CULS Holders within 14 days of its becoming so aware. The publication of a scheme of arrangement pursuant to Part 26 of the Companies Act providing for the acquisition by any person of the whole or any part of the Ordinary Shares shall be deemed to be the making of an Offer.
- 5.2 If an offer, proposal, scheme or other arrangement which is on terms as to consideration which are, in the opinion of an Expert, fair and reasonable (having regard to the terms of the Conversion Rights and the period during which they may be exercised and to the terms of such offer and to any other circumstances which may appear to such Expert) (a “**Comparable CULS Offer**”) has already been, or not later than 30 days after the date of such Change of Control Notice is, made or put to all CULS Holders then the Company shall forthwith thereafter give further notice in writing of that fact (in a form previously approved in writing by the Trustee) to all CULS Holders (a “**Comparable CULS Offer Notice**”) and each CULS Holder may, by giving written notice to the Company (in a form previously approved in writing by the Trustee) within the 30 days after the service of a Comparable CULS Offer Notice, require the Company to repay the whole or any part (being an integral multiple of £5,000 nominal) of his or her CULS at its nominal amount together with accrued interest up to (but excluding) the date specified in the Comparable CULS Offer Notice (which date shall be a date falling not less than eight weeks and not more than ten weeks following the date of the Comparable CULS Offer Notice), in which event the Company shall be bound to repay such CULS together with interest accrued accordingly.
- 5.3 If no Comparable CULS Offer is made within the 30 days after the date of a Change of Control Notice, the Company shall forthwith give notice in writing of that fact (in a form previously approved in writing by the Trustee) (a “**Default Notice**”) to all CULS Holders and each CULS Holder shall have the right by giving written notice (in a form previously approved in writing by the Trustee) to the Company within 30 days after service of such Default Notice, (a) to require the Company to repay the whole or any part (being an integral multiple of £5,000 nominal) of his or her CULS at its nominal amount together with accrued interest up to (but excluding) the date specified in the Default Notice (which date shall be a date falling not less than eight weeks and not more than 10 weeks following the date of such Default Notice), in which event the Company shall be bound to repay such CULS together with accrued interest accordingly, and/or (b) to exercise his or her Conversion Rights in respect of the whole or any part (being an integral multiple of £5,000 nominal) of his or her CULS as he or she may specify (and so that for this purpose such 30-day period shall be deemed to be a Conversion Period, the last day thereof shall be deemed to be a Conversion Date and the provisions of paragraph 3.12 shall apply accordingly) at the Conversion Price applicable on such deemed Conversion Date (after making any appropriate adjustments pursuant to paragraph 4).

- 5.4 The Change of Control Notice shall also specify:
- 5.4.1 all information material to CULS Holders concerning the Change of Control;
 - 5.4.2 the Conversion Price immediately prior to the occurrence of the Change of Control and the indicative Change of Control Conversion Price (as defined in paragraph 4.11) applicable on the basis of such Conversion Price;
 - 5.4.3 the closing price of the Ordinary Shares as at the latest practicable date prior to the publication of the Change of Control Notice; and
 - 5.4.4 such other information relating to the Change of Control as the Trustee may require.
- 5.5 The Trustee shall not be required to monitor or take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred or may occur and will not be responsible or liable to CULS Holders or any person for any loss arising from any failure by it to do so.

6 Undertakings

- 6.1 If, whilst any CULS remains capable of being converted, the Company commences liquidation (whether voluntary or compulsory) it shall forthwith give notice in writing thereof (in a form previously approved in writing by the Trustee) ("**Liquidation Notice**") to all CULS Holders and thereupon each CULS Holder shall in respect of the whole or any part (being an integral multiple of £5,000 nominal) of his or her CULS be entitled within four weeks after the service of the Liquidation Notice to elect by notice in writing to the Company to be treated as if a Conversion Date had occurred on the day immediately preceding the date of such commencement of liquidation ("**Liquidation Conversion Day**") and his or her Conversion Rights had been exercisable and had been exercised in full with effect on the Liquidation Conversion Day at the Conversion Price then applicable (after making any appropriate adjustments pursuant to paragraph 4). In that event, subject as hereafter provided in this paragraph 6.1, each CULS Holder making such an election shall, in lieu of the payments which would otherwise be due in respect of his or her CULS be deemed to have had his CULS converted as a result of such election and be entitled to participate in the assets available in the liquidation *pari passu* with the Ordinary Shareholders (after giving effect to the rights of any other securities carrying rights to participate in the assets of the Company available on a liquidation) as if he or she were the holder of the Ordinary Shares to which he or she would have become entitled had the CULS in respect of which he or she shall have made such election been converted as aforesaid. Notwithstanding the foregoing, a CULS Holder making such an election shall be entitled to receive and retain any payment in respect of the CULS in relation to which he or she shall have made such election which shall have become due on or prior to the Liquidation Conversion Day as though he or she had not made such election. For the purpose of determining the assets in which any CULS Holder making an election as aforesaid shall be entitled to participate, the provisions of paragraph 3.12 shall be deemed to apply as if the Liquidation Conversion Day were a Conversion Date, provided that if such CULS Holder shall receive any payment on the CULS in relation to which he or she shall have made such an election in respect of interest falling due on the CULS on such Liquidation Conversion Day or any day thereafter up to and including the date of service of the Liquidation Notice by the Company, he or she shall be entitled to retain such payment.

If, at any time, the Company posts a notice to its Ordinary Shareholders convening a meeting at which a resolution will be proposed to wind up the Company ("**Winding Up Resolution**"), it may at the same time give notice in writing to all CULS Holder (in a form previously approved in writing by the Trustee) ("**Winding Up Notice**") in which event the period of four weeks referred to above shall commence on the date of the Winding Up Notice and a CULS Holder shall, in respect of the whole or any part (being an integral multiple of £5,000 nominal) of his or her CULS, be entitled to elect within that period by notice in writing to the Company that, if such resolution is passed, he or she should be treated as if a Conversion Date had occurred on the day immediately preceding the date on which the Winding Up Resolution is passed and his or her Conversion Rights had been exercisable and had been exercised in full with effect on that date on the same basis, *mutatis mutandis*, as is referred to above (and, for the avoidance of doubt, if the Company shall give a Winding Up Notice to CULS Holders as referred to in this paragraph, no further notice shall be given to CULS Holders under this

paragraph 6.1 on commencement of the liquidation). Subject to this paragraph 6.1, the Conversion Rights shall lapse in the event of the liquidation of the Company.

- 6.2 If, whilst any CULS remains capable of being converted, the CULS shall become immediately due and repayable in accordance with the provisions of the Trust Deed (for any reason other than the liquidation of the Company), the Company shall forthwith give notice in writing thereof to all CULS Holders (in a form previously approved in writing by the Trustee), and thereupon each CULS Holder shall in respect of the whole or any part (being an integral multiple of £5,000 nominal) of his or her CULS be entitled within six weeks after the service of such notice to exercise his or her Conversion Rights (such exercise to be with effect as on the day immediately preceding the date on which the CULS shall have become so due and repayable, which day shall be deemed to be a Conversion Date) at the Conversion Price then applicable (after making any appropriate adjustments pursuant to paragraph 4) by completing and signing the Conversion Notice(s) on the Certificate(s) representing the CULS in respect of which he or she wishes to exercise his or her Conversion Rights and depositing the same at the office of the Company's Registrars or lodging an Uncertificated Conversion Notice (as the case may be), in each case before the expiry of such period of six weeks.
- 6.3 While any Conversion Rights remain capable of exercise by any CULS Holder or the Trustee, save with the previous sanction of a Special Resolution or with the prior approval of the Trustee where, in the Trustee's opinion, it is not materially prejudicial to the interests of the CULS Holders to give such approval, the Company shall procure that no compromise or arrangement (to which Part 26 of the Companies Act applies) affecting the Ordinary Shares shall be proposed unless the CULS Holders shall be parties to the compromise or arrangement and unless the compromise or arrangement shall be subject to approval by the CULS Holders in the manner prescribed by section 899 of the Companies Act provided that these provisions shall not apply (i) if an offer, proposal, scheme or other arrangement which is, in the opinion of an Expert, fair and reasonable (having regard to the terms of the Conversion Rights and the periods during which they may be exercised and to the terms of such compromise or arrangement and to any other circumstances which may appear to such Expert to be relevant) has already been, or not later than the date on which the document containing particulars of the compromise or arrangement shall first be issued to the parties thereto is, made or put to all CULS Holders, (ii) if the Trustee shall be of the opinion that implementation of such compromise or arrangement will not be prejudicial to the interests of the CULS Holders or (iii) to a scheme of arrangement to which paragraph 5 applies.

7 Covenants relating to Conversion Rights

- 7.1 While any Conversion Rights remain capable of exercise by any CULS Holder or the Trustee, save with the previous sanction of Special Resolution or with the prior approval of the Trustee where, in the Trustee's opinion, it is not materially prejudicial to the interests of the CULS Holders to give such approval, the Company shall:
- 7.1.1 use all reasonable endeavours to procure that (a) the CULS shall at all times remain admitted to trading on the International Securities Market of the London Stock Exchange and (b) the Ordinary Shares which are fully paid shall at all times remain admitted to trading either on AIM or one of the stock markets of the London Stock Exchange;
- 7.1.2 use all reasonable endeavours to ensure that during such time as the Ordinary Shares are admitted to trading on AIM or one of the stock markets of the London Stock Exchange, all the Ordinary Shares allotted on exercise of Conversion Rights will, on allotment, be admitted to trading on AIM or the relevant market of the London Stock Exchange;
- 7.1.3 not issue any securities or rights to subscribe for or to convert or exchange any securities into shares or securities or reclassify issued share capital into shares or securities of a particular class where such shares or securities would on issue, conversion, exchange or reclassification have as regards voting, dividends, other distributions or capital more favourable rights than those attached to the Ordinary Shares;

- 7.1.4 send to all CULS Holders a copy of any document sent by the Company to Shareholders at the time the same is sent to Shareholders;
 - 7.1.5 ensure that sufficient authorities to issue Ordinary Shares are obtained from holders of existing Ordinary Shares to satisfy in full all rights for the time being outstanding of conversion into, subscription for, and other acquisition of, Ordinary Shares, including, without limitation, the rights conferred by the CULS; and
 - 7.1.6 as soon as practicable after the announcement of any event giving rise to an adjustment to the Conversion Price pursuant to the Conditions, give notice to the CULS Holders in accordance with paragraph 3.7 advising them of the date on which the relevant adjustment to the Conversion Price is likely to become effective.
- 7.2 While any Conversion Rights remain capable of exercise by any CULS Holder or the Trustee and save with the sanction of Special Resolution or (save in respect of paragraph 7.2.2) with the prior approval of the Trustee where, in the Trustee's opinion, it is not materially prejudicial to the interests of the CULS Holders to give such approval:
- 7.2.1 the Company shall, subject only to their being admitted to trading on a market of the London Stock Exchange or any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or dealt in, issue, allot and deliver Ordinary Shares on exercise of Conversion Rights;
 - 7.2.2 the Company shall not declare or pay dividends to holders of Ordinary Shares if at the relevant time any interest due and payable in respect of the CULS has not been paid; and
 - 7.2.3 the Company shall not take any action if the effect thereof would be that, on conversion of the CULS, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid.

8 Purchase and redemption

- 8.1 The Company or any subsidiary of the Company may at any time purchase CULS on any market of the London Stock Exchange (if the CULS is then admitted to trading on any market of the London Stock Exchange) or on any other stock exchange on which the CULS is for the time being listed or quoted or by tender (available to all CULS Holders alike) or by private treaty.
- 8.2 All CULS not previously redeemed, purchased or converted in accordance with the Trust Deed will be redeemed by the Company on 30 July 2024 at its nominal amount, together with interest accrued up to (but excluding) the date of final repayment of the CULS.
- 8.3 All CULS repaid, redeemed, purchased or converted in accordance with the provisions of the Trust Deed shall be cancelled and the Company shall not be at liberty to keep the same alive for the purposes of re-sale or re-issue or to resell or re-issue the same.
- 8.4 The Company may exercise its rights and powers of conversion, redemption and purchase as regards the CULS and any Further CULS at its sole discretion and without obligation to maintain the ratio between the nominal amounts for the time being outstanding of CULS of any series.

9 Events of default

- 9.1 Upon the occurrence of any of the following events the Trustee may at its discretion and, if requested in writing by CULS Holders holding at least one-quarter in nominal amount of the CULS then outstanding or directed by a Special Resolution, shall (subject in each case to being indemnified and/or secured and/or pre-funded by CULS Holders to its satisfaction) give written notice to the Company that the CULS is (and it shall thereupon forthwith become) immediately due and payable at its nominal amount together with accrued interest as provided in the Trust Deed:
 - 9.1.1 if the Company is in default for a period of 30 days or more in the payment on the due date of any principal or interest or principal due in respect of the CULS; or

- 9.1.2 if an order is made or an effective resolution passed for the winding-up or dissolution of the Company (except for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee (such consent not to be unreasonably withheld or delayed) or by a Special Resolution); or
- 9.1.3 if:
- (a) the Company is unable or admits inability to pay its debts as they fall due;
 - (b) the value of the assets of the Company is less than its liabilities (taking into account contingent and prospective liabilities);
 - (c) a moratorium is declared in respect of any indebtedness of the Company;
 - (d) the Company ceases or threatens to cease to carry on all or substantially all of its business, which shall not include a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee (such consent not to be unreasonably withheld or delayed) or by a Special Resolution; or
- 9.1.4 if an encumbrancer takes possession or a receiver or administrator or administrative receiver or other similar official is appointed of the Company or of the whole or a substantial part of the assets or undertaking of the Company or a distress or execution is levied or enforced on or sued out against the whole or a substantial part of the assets or property of the Company and, in each case, is not discharged within 30 days of being levied, enforced or sued out; or
- 9.1.5 if the Company breaches any of the provisions binding on it under or pursuant to the Trust Deed (other than any covenant for the payment of principal and interest in respect of the CULS) or if any event occurs or any action is taken or fails to be taken which is (or but for the provisions of any applicable law would be) a breach of any of the covenants contained in the Trust Deed and (except where in the opinion of the Trustee the same is not capable of remedy, when no such continuation or notice as is herein provided will be required) the same continues for more than 14 days after receipt by the Company of written notice from the Trustee requiring the same to be remedied; or
- 9.1.6 if the Company, without the prior written consent of the Trustee or without the approval of a Special Resolution, alters the rights attached to all or any of its Ordinary Shares in issue from time to time or attaches any special rights, privileges or restrictions thereto, and in each case (except where, in the opinion of the Trustee, such alteration or attachment is not capable of cancellation when no such continuation or notice as is herein provided shall be required) such alteration or attachment shall continue for more than 14 days after written notice requiring such alteration or attachment to be cancelled shall have been given to the Company by the Trustee, provided that nothing in this paragraph shall restrict the right of the Company to consolidate or sub-divide Ordinary Shares or convert Ordinary Shares into stock or vice versa and no such consolidation, subdivision or conversion shall give rise to any rights under this paragraph 9.
- 9.2 Provided that no such event set out in any of paragraphs 9.1.3 to 9.1.6 above (both inclusive) shall constitute an event of default on the occurrence of which the CULS may become immediately due and repayable unless the Trustee shall have certified in writing that, in its opinion, such event is materially prejudicial to the interests of the CULS Holders.

10 Enforcement

- 10.1 The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other action as it may think fit against or in relation to the Company to enforce its obligations under the Trust Deed. Notwithstanding the Trustee having received payment in respect of all or any of the CULS after the same shall have become immediately due and payable under the provisions of paragraph 9, the CULS shall be deemed to remain outstanding for the purposes of and for the relevant period of four weeks or six weeks as mentioned in paragraph 6.1 and 6.2 respectively.
- 10.2 Proof that as regards any specified CULS Holder the Company has made default in paying any amount due in respect of his or her CULS shall (unless the contrary be proved) be

sufficient evidence that the same default has been made as regards all other CULS Holders in respect of which the relevant amount is due and payable.

11 Subordination

11.1 The rights and claims of the CULS Holders may, in the event of the winding-up or dissolution of the Company, be subordinated to the claims of creditors in respect of the Company's secured and unsecured borrowings such that, on such winding-up or dissolution, no payments (whether of principal or outstanding or accrued interest) will be made to the CULS Holders until payment in full has been made to all such creditors.

11.2 Any amounts paid to the Trustee in the winding-up of the Company in respect of the claims of the holders of the CULS shall be held by the Trustee upon trust to be applied:

11.2.1 first, for distribution in or towards payment or satisfaction of all liabilities incurred and payments made by the Trustee and/or any attorney, manager or agent of the Trustee in carrying out its functions under the provisions of these presents and all remuneration payable to the Trustee;

11.2.2 second, to the extent of any shortfall, for distribution in or towards payment or satisfaction of the claims of all creditors in respect of the Company's secured and unsecured borrowings which are admitted to proof in the winding up of the Company excluding any indebtedness subordinated to the CULS or which is expressed to rank *pari passu* with the CULS; and

11.2.3 third, in or towards payment *pari passu* and rateably of all principal moneys, interest and other amounts (if any) due in respect of the CULS (to the extent that the claims in the name of the Trustee in respect thereof shall be admitted in such winding-up).

12 Denomination and transfer

The CULS will be denominated, and will be registered and transferable without payment of any fee (excepting all transfer taxes), in integral multiples of £5,000 nominal. The Trust Deed will contain provisions enabling the CULS to be held and transferred in uncertificated form. The Trustee may, without any sanction of CULS Holders, concur with the Company in making modifications to the provisions of the Trust Deed in order to reflect changes in the CREST Regulations or in the applicable law and practice relating to the holding or transfer of CULS in uncertificated form and the issue of Ordinary Shares in uncertificated form on conversion of CULS.

13 Issues of further unsecured loan stock

Provision will be made in the Trust Deed to enable further convertible unsecured loan stock of the Company to be issued either so as to be identical in all respects with and to form a single series with the CULS or on such terms, including rights as to interest, ranking (but not ranking ahead of the CULS), conversion, repayment and otherwise as the Directors may determine. Such further convertible unsecured loan stock shall, if identical and forming a single series with the CULS, and may in any other case with the consent of the Trustee, be constituted by a trust deed supplemental to the Trust Deed and shall accordingly, if so constituted, be Further CULS.

14 Modification of rights, etc.

14.1 The Trustee may from time to time without the consent or sanction of the CULS Holders (but only if and insofar as in the opinion of the Trustee the interests of the CULS Holders will not be materially prejudiced thereby), on such terms and subject to such conditions as it shall deem expedient, waive or authorise any breach or proposed breach by the Company of any of the covenants or provisions of the Trust Deed, determine that any act or omission which would or could constitute an event of default under the Trust Deed shall not do so, or agree to any modification of the provisions of the Trust Deed. The Trustee may also agree, without such consent or sanction, to any modification of the Trust Deed which is of a formal, technical or minor nature or to correct a manifest error or an error which is in the opinion of the Trustee proven. Provision will be made for convening separate meetings of the holders of the CULS and each series of any Further CULS when the Trustee considers this appropriate.

14.2 In connection with the exercise by it of any of its trusts, powers, authorities and discretions under the Trust Deed (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the CULS Holders as a class but shall not have regard to any interests arising from circumstances particular to individual CULS Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual CULS Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any CULS Holder be entitled to claim, from the Company, the Trustee or any other person, any indemnification or payment in respect of any tax consequences of any such exercise on individual CULS Holders.

15 Trustee's indemnification and consents

15.1 The Company shall pay or discharge all reasonably and properly incurred liabilities incurred by the Trustee in relation to the preparation and execution of, the exercise of its powers and the performance of its duties under, and in any other manner in relation to, the Trust Deed, including, but not limited to, travelling expenses and any stamp, issue, registration, documentary and other taxes or duties paid or payable by the Trustee in connection with any action taken or contemplated by or on behalf of the Trustee for enforcing, or resolving any doubt concerning, or for any other purpose in relation to, these presents, except for those liabilities which result from the fraud, gross negligence or wilful misconduct of the Trustee

15.2 Any consent given by the Trustee may be given on such terms and subject to such conditions (if any) as the Trustee may in its absolute discretion think fit and, notwithstanding anything to the contrary in this Part 3, may be given retrospectively.

16 Payments

16.1 Method of payment

16.1.1 CULS in certificated form

Payment of interest will be made by transfer to a Sterling account (or other account to which Sterling may be credited) maintained by the CULS Holder with a bank in the City of London as previously notified to the Registrar, or in the absence of a bank account by cheque posted to the registered address of the first-named holder on the CULS Register. Payment of the nominal amount will be made by cheque posted to the registered address of the first-named holder on the CULS Register.

16.1.2 CULS in uncertificated form

The Company shall pay or cause to be paid payments of nominal amount in respect of CULS held in uncertificated form by way of a CREST assured payment in accordance with the CREST Regulations.

Payments of interest in respect of CULS held in uncertificated form will be made by transfer to a Sterling account (or other account to which Sterling may be credited) maintained by the CULS Holder with a bank in the City of London where previously notified to the Registrar, or by cheque posted to the address of the first-named holder on the CULS Register relating to CULS held in uncertificated form, or by way of a CREST assured payment in accordance with the CREST Regulations.

16.2 Payments subject to fiscal laws

All payments in respect of the CULS are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment. No commissions or expenses shall be charged to CULS Holders in respect of such payments.

16.3 Non-Business Days

Every cheque sent through the post shall be sent by first class post on or before the Business Day next preceding the due date of the relevant nominal and/or interest payment unless such due date is not a Business Day, in which event it shall be sent on or before the second Business Day next preceding the due date of the relevant payment. Where payment is to be made by transfer to a Sterling bank account, payment instructions (for value the due date or, if

the due date is not a Business Day, for value the next succeeding Business Day) will be initiated on the due date for payment. A holder of CULS shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for payment not being a Business Day.

16.4 Record date

Each payment in respect of CULS will be made to the person shown as the CULS Holder in the CULS Register or in the case of joint holders to the person whose name stands first in the CULS Register at the close of business on the fifteenth day before the due date for such payment.

16.5 Fractions

When making payments of nominal amount and/or interest to CULS Holders, the relevant payment will be rounded down to the nearest whole penny.

17 Removal, retirement and replacement of Trustee

The Trust Deed will contain provisions for the removal of the Trustee by a Special Resolution and will permit the Trustee to retire at any time on not less than three months' prior written notice without assigning any reason. The Company will have the power to appoint a new Trustee but such new Trustee shall be subject to the approval of a Special Resolution.

18 Auditors

The Trust Deed will provide that the Trustee may rely on certificates or reports provided by the Auditors or other experts in accordance with the provisions of the Trust Deed whether or not any such certificate or report shall be addressed to the Trustee and whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and/or the Auditors or such other experts in connection therewith contains any limit (whether monetary or otherwise) on the liability of the Auditors or such other expert.

19 Governing Law

The Trust Deed will be governed by, and construed in accordance with, the law of England and Wales.

PART 4 – TAXATION

The following is a summary of the expected tax treatment in the UK for UK resident CULS Holders and Shareholders. It does not constitute legal or tax advice. It is intended as a general and non-exhaustive guide only. The following summary outlines certain aspects of current UK tax law and the published practice as at the date of this document; no assurances can be given that courts or other authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur. The statements below apply only to CULS Holders or Shareholders who are the absolute beneficial owners of their CULS or Ordinary Shares and who hold their CULS or Ordinary Shares as investments and not in connection with any trade. The statements may not apply to certain categories of investor such as financial traders, pension funds, trustees of trusts, or persons who benefit from tax exemptions or persons who acquired their investment in the Company in connection with any office or employment. Special tax rules may apply to such investors. An update of this summary for subsequent changes or modifications of the law and regulations, or the judicial and administrative interpretations thereof, will not be made.

Any changes to the taxation environment or a change to the tax treatment of the Company or of any company in the Group may affect investment returns to CULS Holders or Shareholders and each CULS Holder or Shareholder will have to consider his own tax position and must take his own advice on the matter.

If you are in any doubt about your tax position, or if you may be subject to tax in a jurisdiction other than the UK, we recommend that you consult your professional adviser immediately.

1 UK Taxation

1.1 The Company

The Company and its subsidiaries are resident in the United Kingdom for tax purposes and are subject to United Kingdom corporation tax on their worldwide income and gains.

1.2 UK-resident investors

1.2.1 CULS

(a) *Taxation of interest*

Interest payable under the CULS will be treated as having a UK source for UK tax purposes and all payments of interest by or on behalf of the Company in respect of the CULS shall be subject to the deduction of UK Income Tax at the basic rate (currently 20 per cent. for the 2019-2020 tax year) except where the interest is paid to a CULS Holder who is entitled to receive interest without deduction of tax, such as a UK resident company or UK registered pension scheme or charity.

Depending on a CULS Holder's individual circumstances it may be possible to obtain credit for or repayment of some or all of any such tax withheld. It is recommended that CULS Holders should seek independent professional advice as to the tax implications for them of the tax withheld on a payment of interest on the CULS.

The provisions of the accrued income scheme may apply to individuals transferring CULS and to individuals to whom CULS are transferred. In circumstances where the CULS are transferred cum interest, the charge to tax on income that may arise to the transferor, and the relief which may be allowed to the transferee, will be in respect of an amount representing interest on the CULS which has accrued since the preceding interest date. In circumstances where the CULS are transferred ex interest, the charge to tax on income that may arise to the transferee, and the relief which may be allowed to the transferor, will be in respect of an amount representing interest on the CULS which has accrued from the date of transfer to the following interest date. These amounts will be taken into account in calculating any chargeable gain or allowable loss arising on a disposal of the CULS. It is

recommended that CULS Holders should seek independent professional advice as to the tax implications for them of the application of the accrued income scheme on the transfer of any CULS

Individual CULS Holders who are resident in the UK will be subject to UK income tax on the interest at the rate of 20 per cent. for basic rate taxpayers, 40 per cent. for higher rate taxpayers, and 45 per cent. for additional rate taxpayers.

The UK tax treatment of a CULS Holder who is within the charge to UK corporation tax will depend on, among other things, the accounting treatment of CULS in the CULS Holder's hands. CULS Holders within the charge to UK corporation tax should therefore consult their own accounting and tax advisers concerning the tax liabilities that may arise as a result of holding CULS.

(b) Disposal or conversion

UK resident individuals who convert their CULS into Ordinary Shares should generally be deemed not to have made a disposal of their CULS for the purposes of capital gains tax. Instead, they should be treated as having acquired their Ordinary Shares at the same time and for the same base cost as their CULS. A conversion of CULS may however be treated as a transfer for the purposes of the accrued income scheme mentioned above and UK resident individuals should therefore consult their own professional advisers as to the income tax consequences of a conversion.

UK resident individual CULS Holders may be subject to capital gains tax in the normal way on a disposal of their CULS other than by way of conversion into Ordinary Shares.

The UK tax treatment of a CULS Holder within the charge to UK corporation tax in respect of a disposal or conversion of CULS will depend on, among other things, the accounting treatment of the CULS in the individual entity accounts for the CULS Holder. CULS Holders within the charge to UK corporation tax should therefore consult their own accounting and tax advisers concerning the tax liabilities that may arise as a result of the disposal or conversion of CULS.

(c) Stamp duty and stamp duty reserve tax

The issue of CULS should not be subject to stamp duty or stamp duty reserve tax ("SDRT").

Subject to an exemption for certain low value transactions where the consideration is £1,000 or less, an instrument transferring CULS will generally be subject to UK stamp duty.

Other agreements to transfer the CULS will generally be subject to UK SDRT, whether or not the transactions are effected in certificated form or uncertificated through CREST.

(d) Provision of information

CULS Holders should note that HMRC has the power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the UK who either pays interest to, or receives interest for, the benefit of an individual. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the CULS Holders are resident for tax purposes.

1.2.2 Ordinary Shares

(a) Dividends

In outline, UK resident individual Shareholders will pay tax on any dividends received over the annual dividend allowance at the following rates:

- 7.5 per cent. on dividend income within the basic rate band;
- 32.5 per cent. on dividend income within the higher rate band; and

- 38.1 per cent. on dividend income within the additional rate band.

Shareholders within the charge to UK corporation tax will not be subject to corporation tax on dividends paid by the Company on the Ordinary Shares so long as the dividends fall within an exempt class and certain conditions are met. It should be noted that the dividend exemption is not comprehensive and is subject to anti-avoidance rules. Shareholders must therefore consult their own professional advisers where necessary.

(b) *Gains arising on sale or other disposal*

Subject to any available exemption or relief and subject to their circumstances, UK resident individual Shareholders will be subject to capital gains tax in respect of any gain arising on a disposal, or deemed disposal, of Ordinary Shares (including Ordinary Shares arising on conversion of CULS).

Shareholders within the charge to UK corporation tax will generally be subject to corporation tax on capital gains in respect of any gain arising on the disposal, or deemed disposal of Ordinary Shares.

(c) *Stamp duty and stamp duty reserve tax*

Stamp Duty and SDRT is not chargeable on transactions in eligible securities which are admitted to trading on AIM but not listed on that or any other market and so transactions in the Ordinary Shares should not be subject to Stamp Duty or SDRT.

PART 5 – ADDITIONAL INFORMATION

1 Responsibility

The Company is responsible for the information contained in this document, having taken all reasonable care to ensure that such is the case, the information contained in these Admission Particulars is, to the best of the Company's knowledge, in accordance with the facts and contains no omission likely to affect its import.

2 The Company

- 2.1 The Company was incorporated on 18 May 2011 in England and Wales under the Companies Act as a public limited company with registration number 07638831 under the name AFH Financial Group PLC.
- 2.2 The registered office of the Company (and its principal place of business) is at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, Worcestershire B60 4JE.
- 2.3 The principal legislation under which the Company operates is the Companies Act. The liability of the Company's members is limited.
- 2.4 At the date of this document, the Company has the following wholly owned subsidiaries each of which are registered in England and Wales:

Company	Principal Activity	Registered number
AFH Group Ltd	Holding Company	02557859
AFH Independent Financial Services Ltd ⁽¹⁾	Other financial services	04049180
Origin Financial Limited ⁽¹⁾	Other financial services	06974777
GetInvested Limited ⁽¹⁾	Dormant	07284319
AFH JV (Holdings) Ltd ⁽¹⁾	Other financial services	06827013
Eunisure Ltd ⁽²⁾	Other financial services	06043401
AFH Home and Protect Limited ⁽²⁾	Other financial services	04286779
AFH Commercial & General Limited ⁽²⁾	Other financial services	06908534
AFH Insure Limited ⁽²⁾	Other financial services	08432351
Parker Sage Independent Financial Advisers Ltd ⁽¹⁾	Other financial services	05446638
Core Financial Holdings Limited ⁽¹⁾	Other financial services	06775421
Core Financial Services Limited ⁽¹⁾	Other financial services	05428054
Bay Associates Ltd ⁽¹⁾	Other financial services	03990370
Bay Financial Management Ltd ⁽¹⁾	Other financial services	05810028
Ashton House IFA Limited ⁽¹⁾	Other financial services	07649557
Corville Financial Services Limited ⁽¹⁾	Other financial services	04337342
LFS & Partners Limited ⁽¹⁾	Other financial services	04388748
Duchy Wealth Management Ltd ⁽¹⁾	Other financial services	06117191
HTH (Group) Limited ⁽¹⁾	Other financial services	07307343
Thomas Heald Limited ⁽¹⁾	Other financial services	06622318
Thomas Heald Solutions Limited ⁽¹⁾	Other financial services	07291791
Harrison White FS Ltd ⁽¹⁾	Other financial services	08205509
Mark Hughes & Associates Ltd ⁽¹⁾	Other financial services	04033072
Shape Financial Ltd ⁽¹⁾	Other financial services	06024734
Independent Financial Services (U.K.) Ltd ⁽¹⁾	Other financial services	02937166
Davisons Financial Management Limited ⁽¹⁾	Other financial services	08077060
St Johns Asset Management Limited ⁽¹⁾	Other financial services	04949726
AFH Investment Management Limited ⁽³⁾	Other financial services	07898056
AFH Legal Limited	Legal services	07826312
AFH Acquisitions Limited	Holding Company	07006818
AFH Group Services Limited	Holding Company	11361568
AFH Protection Group Limited	Holding Company	07006895
Hayburn Rock Group Limited	Other financial services	08240745
Hayburn Rock Financial Planning Limited	Other financial services	03483888
CTL Three Limited	Other financial services	05489000
The Insurance Partnership Financial Services Limited	Other financial services	04690090

Company	Principal Activity	Registered number
PCWM Limited	Other financial services	08959908
IFA Professional Planning Limited	Other financial services	04604628
Kirk Ella Investments Ltd	Other financial services	03830111
CWP Financial Services Limited	Other financial services	06071909
Premier Wealth Management Harrogate Limited	Other financial services	10184397

- (1) 100 per cent. subsidiaries owned by AFH Group Ltd, a wholly owned subsidiary of AFH Financial Group plc.
(2) 100 per cent. subsidiaries owned by AFH Protection Group Ltd, a wholly owned subsidiary of AFH Financial Group plc.
(3) 100 per cent. subsidiary owned by St Johns Asset Management Ltd, a wholly owned subsidiary of AFH Financial Group plc.

2.5 The existing Ordinary Shares are admitted to trading on AIM. The Company is subject to the AIM Rules, DTR 5 and the Market Abuse Regulation. Following Admission, the Company will be subject to the continuing obligations set out in the International Securities Market Rulebook.

3 Articles of Association

3.1 General

The Articles were adopted on 18 May 2011. The Articles and the Memorandum of Association contain, *inter alia*, provisions as summarised below. This summary is qualified in its entirety by the Articles. Defined terms where used in this section shall, unless otherwise defined, bear the meaning ascribed to them in the Articles.

3.2 Voting Rights

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

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

3.3 Transfer of Shares

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

- (a) is duly stamped and lodged at the registered office, accompanied by the relevant share certificate and such other evidence of the right of the transferor to make the transfer as the Board may reasonably require;
- (b) is in respect of only one class of share; and
- (c) is in favour of not more than four transferees,

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

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

3.4 Dividends

- 3.4.1 Subject to the Act and every other statute for the time being in force concerning companies and affecting the Company ("Statutes"), the Company may by ordinary resolution declare dividends to be paid to members of the Company according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the Directors. Subject to the Statutes, the Directors may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company.
- 3.4.2 Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company.
- 3.4.3 The Directors may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

3.5 Directors

- 3.5.1 The Board may, subject to quorum and voting requirements, authorise a matter which would otherwise involve a Director breaching his statutory duty to avoid conflicts of interest. The Director seeking authorisation must provide all relevant information to the Board and is excluded from voting and counting towards the quorum. Any authorisation is revocable and may be conditional.
- 3.5.2 Provided a Director has declared his interest in accordance with the Articles and statute, that Director may:
- (a) be a party to or otherwise directly or indirectly interested in any contract with the Company or in which the Company has a direct or indirect interest;
 - (b) be or become a director or other officer of, or employed by, or otherwise interested in, any subsidiary company of the Company or in which the Company is otherwise interested;
 - (c) hold any other office or place of profit within the Company (except that of Auditor) in conjunction with his office of director for such period and upon such terms, including as to remuneration, as the Board may decide;
 - (d) act by himself or through a firm with which he is associated in a professional capacity for the Company or any other company in which the Company is interested; and/or
 - (e) be or become a director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

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

- (a) the giving to him or any other person of a guarantee, security, or indemnity in respect of money lent to, or an obligation undertaken by him or by any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;
- (b) the giving to a third party of a guarantee, security, or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (c) the giving to him of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;
- (d) the funding by the Company of his expenditure on defending proceedings or the doing by the Company of anything to enable him to avoid incurring such expenditure where all other Directors are being offered substantially the same arrangements;
- (e) where the Company or any of its subsidiary undertakings is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;
- (f) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (g) any contract concerning any other company (not being a company in which the Director has a Relevant Interest) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;
- (h) any contract concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which relates both to Directors and employees of the Company or of any of its subsidiary undertakings and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;
- (i) any contract for the benefit of employees of the Company or of any of its subsidiary undertakings under which the benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the contract relates; and
- (j) any contract for the purchase or maintenance of insurance against any liability for, or for the benefit of, any Director or Directors or for, or for the benefit of, persons who include Directors.

A "**Relevant Interest**" means an interest in one per cent. or more of any class of the equity share capital of a company (calculated exclusive of any shares of that class in that company held as treasury shares) or of the voting rights available to members of that company is and so long as the Director is to his knowledge (ether directly or indirectly) the holder of or beneficially interested in such interest.

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

resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, commission, percentage of profits or otherwise as the Board may determine.

- 3.5.5 The Board may exercise all the powers of the Company to provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to or for the benefit of past directors who held executive office or employment with the Company or any of its subsidiaries or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependants of any such Directors.
- 3.5.6 Directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office and they shall not be liable for any loss, damage or misfortune which may be incurred by the Company in or from the execution of those duties.
- 3.5.7 The Company may by ordinary resolution elect a person who is willing to act to be a Director either to fill a vacancy or as an additional Director. A Director may resign his office by notice in writing submitted to the Board. The Company may by ordinary resolution remove a Director before his appointment expires despite provisions in these Articles or any letter of appointment or service contract. Such removal is without prejudice to any claims a Director may then have against the Company for breach of contract.
- 3.5.8 Other than a Director appointed to the office of chief executive, managing director or joint managing director, a Director shall retire at least once every three years. A retiring director shall be eligible for re-election at the annual general meeting at which he retires. Any Director appointed by the Board holds office only until the next annual general meeting, when he is eligible for re-election.
- 3.5.9 Unless and until otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than two and there shall be no maximum number of Directors.

3.6 Variation of rights

- 3.6.1 Subject to the Statutes, all or any of the rights attached to any class of shares may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of such holders.
- 3.6.2 The quorum at any such general meeting is two persons holding or representing by proxy at least one third in nominal value of the issued shares of that class and at an adjourned meeting the quorum is one holder present in person or by proxy, whatever the amount of his shareholding.
- 3.6.3 Any holder of shares of the class in question present in person or by proxy may demand a poll. Every holder of shares of the class shall be entitled on a poll to one vote for every share of the class held by him. Except as mentioned above, such rights may not be varied. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking *pari passu* therewith or subsequent thereto.

3.7 Share capital

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

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

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

3.8 Share warrants

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

3.9 Borrowing powers

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

3.10 General meetings

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

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

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

4 Information concerning Admission to trading of Ordinary Shares

4.1 The Ordinary Shares are admitted to trading on AIM and were first admitted to trading on AIM on 30 June 2014.

4.2 Price information in relation to the Ordinary Shares, together with recent trading volumes, past performance and volatility is available on the London Stock Exchange website at <https://www.londonstockexchange.com>.

5 General

5.1 Liberum has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

5.2 Shore Capital has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

6 No Significant Change

6.1 There has been no significant change in the financial or trading position of the Group since 30 April 2019, being the end of the last financial period for which unaudited interim financial information has been published.

6.2 There are no interests that are material to the Placing and no conflicting interests.

7 Litigation and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Company is aware, which may have or have had during the 12 months immediately preceding the date of this document a significant effect on the Company's ability to meet its obligations to CULS Holders.

8 Directors' Recommendation

8.1 In relation to the Resolutions and for the purposes of section 571(6) of the Companies Act:

8.1.1 the reasons for the Directors making the recommendation are set out in Part 1 of this document;

8.1.2 the amount to be paid to the Company in respect of the equity securities to be allotted is the principal amount of the CULS outstanding at the relevant Conversion Date plus accrued interest to that date convertible into Ordinary Shares at the then applicable Conversion Price; and

8.1.3 the Directors' justification of that amount is set out in Part 1 of this document.

9 Documents on display

The following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Company until Admission and are available on the Company's website <https://www.afhwm.co.uk/investor-relations/>:

9.1 this document;

9.2 the Articles; and

9.3 the annual report and audited financial statements of the Company for the financial years ended 31 October 2018 and 31 October 2017.

Dated: 12 July 2019

PART 6 – DEFINITIONS

“Admission”	admission of the CULS to be issued pursuant to the Placing to trading on the London Stock Exchange’s International Securities Market becoming effective in accordance with the LSE Admission Standards
“Admission Particulars” or “this document”	these admission particulars
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the rules of AIM comprising together the AIM Rules for Companies and the AIM Rules for Nominated Advisers
“Articles”	the articles of association of the Company
“Auditors”	the auditors of the Company from time to time
“Business Day”	a day on which banks generally are open for business in London, excluding Saturdays and Sundays and public holidays
“certificated form”	not in uncertificated form
“Companies Act” or “Act”	the Companies Act 2006 as amended from time to time
“Company” or “AFH”	AFH Financial Group plc
“Compulsory Conversion Notice”	has the meaning given in paragraph 3.3 of Part 3 of this document
“Compulsory Conversion Period”	means the 30 day period commencing 40 days prior to the Final Maturity Date and expiring 10 days prior to the Final Maturity Date
“Conversion Date”	has the meaning given in paragraph 3.2 of Part 3 of this document
“Conversion Period”	has the meaning given in paragraph 3.2 of Part 3 of this document
“Conversion Price”	the conversion price in effect on the relevant Conversion Date in accordance with the provisions of the Trust Deed
“Conversion Rights”	the right of each CULS Holder (and where applicable the Company or the Trustee on behalf of holders of the CULS) to convert the whole or such part (being an integral multiple of £5,000 nominal) of their CULS as they may specify into fully paid Ordinary Shares in accordance with the provisions of the Trust Deed
“CREST”	the relevant system (as defined in the CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
“CULS”	4.0 per cent. convertible unsecured loan stock 2024 of the Company, with the rights described in Part 3 of this document
“CULS Holder(s)”	(a) holder(s) of CULS
“CULS Register”	the register of CULS Holders maintained on behalf of the Company
“Data Protection Legislation”	all applicable data protection and privacy legislation in force from time to time in the UK including the General Data Protection Regulation ((EU) 2016/679); the Data Protection Act 2018; the Privacy and Electronic Communications Directive 2002/58/EC (as updated by Directive 2009/136/EC) and the Privacy and Electronic Communications Regulations 2003 (SI 2003 No. 2426) as amended; any other European Union legislation relating to

	personal data and all other legislation and regulatory requirements in force from time to time which apply to a party relating to the use of personal data (including, without limitation, the privacy of electronic communications)
“Directors” or “Board”	the board of directors of the Company
“DTR 5”	Chapter 5 of the disclosure guidance and transparency rules contained in the FCA Handbook of rules and guidance, as amended from time to time
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Euroclear”	Euroclear UK & Ireland Limited
“Excluded Jurisdiction”	each of Australia, Canada, Japan, New Zealand, the Republic of South Africa and the United States
“FCA”	the UK Financial Conduct Authority
“Final Maturity Date”	30 July 2024
“Final Conversion Date”	has the meaning given in paragraph 3.2 of Part 3 of this document
“Form of Proxy”	the form of proxy which accompanies this document for use by Shareholders in respect of the General Meeting
“FSMA”	the UK Financial Services and Markets Act 2000, as amended
“General Meeting”	the general meeting of the Company convened for 11.00 a.m. on 29 July 2019 for the purpose of approving the Resolutions, or any adjournment of that meeting, and notice of which is set out in Part 7 of this document
“Group”	the Company and its subsidiaries from time to time or, where the context requires, any one or more of them
“HMRC”	Her Majesty’s Revenue & Customs
“IFA”	independent financial adviser
“IFRS”	International Financial Reporting Standards, as adopted by the EU
“International Securities Market” or “ISM”	the international securities market operated by the London Stock Exchange
“Issue Date”	30 July 2019
“Law Debenture”	The Law Debenture Trust Corporation PLC, the trustee to the CULS
“Liberum”	Liberum Capital Limited, the Company’s AIM nominated adviser, joint broker and joint placing agent
“London Stock Exchange” or “LSE”	London Stock Exchange plc
“LSE Admission Standards”	the admission and disclosure standards published by the London Stock Exchange
“Market Abuse Regulation”	Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse
“Mid Market Price”	means the closing middle market price of an Ordinary Share (as derived from the London Stock Exchange Daily Official List or any other record of daily prices approved in writing by the Trustee)
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company
“Placing”	the conditional placing of £15.0 million nominal of CULS by the Placing Agents on behalf of the Company pursuant to the Placing Agreement

“Placing Agents”	Liberum and Shore Capital
“Placing Agreement”	the placing agreement between the Company, Liberum and Shore Capital dated 28 June 2019
“Prospectus Rules”	the Prospectus Rules made by the FCA pursuant to sections 73(A)(1) and (4) of FSMA
“QIBs” or “qualified institutional buyers”	qualified institutional buyers (as defined in Rule 144a under the US Securities Act)
“Register”	the register of members of the Company
“Registrar”	SLC Registrars Limited, or such other entity appointed as the Company’s registrar from time to time
“Regulation S”	Regulation S under the US Securities Act
“Regulatory Information Service” or “RIS”	a service authorised by the UK Listing Authority to release regulatory announcements to the London Stock Exchange
“Resolutions”	the resolutions to be proposed at the General Meeting
“SDRT”	stamp duty reserve tax
“Shareholder” or “Member”	a holder of Ordinary Shares
“Shore Capital”	Shore Capital Stockbrokers Limited, the Company’s joint broker and joint placing agent
“Special Resolution”	a resolution passed at a meeting of CULS Holders and carried by a majority of not less than three-fourths of the persons voting thereat
“Trust Deed”	the trust deed proposed to be entered into between the Company and the Trustee constituting the CULS, the principal terms of which are summarised in Part 3 of this document
“Trustee”	the trustee from time to time of the CULS, which on the issue of the CULS will be Law Debenture
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“uncertificated form”	an Ordinary Share recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US Person”	a US Person as defined for the purposes of Regulation S
“US Securities Act”	the United States Securities Act of 1933, as amended

**PART 7 – NOTICE OF GENERAL MEETING
OF
AFH FINANCIAL GROUP PLC**

(Incorporated in England and Wales under the Companies Act 2006 with registered number 07638831)

NOTICE IS HEREBY GIVEN that a general meeting (the “**General Meeting**”) of AFH Financial Group plc (the “**Company**”) will be held at the Company’s registered office, AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, Worcestershire, B60 4JE at 11:00 a.m. on 29 July 2019 for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution:

Ordinary Resolution

1. THAT in addition to all existing authorities which shall continue in full force and effect to the extent unutilised, the directors of the Company be generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the “**Companies Act**”) to exercise all the powers of the Company to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £500,000.00 in relation to the issue(s) of the 4.0 per cent. convertible unsecured loan stock 2024 of the Company, with the rights described in the Admission Particulars dated 12 July 2019 (the “**CULS**”). Unless previously renewed, revoked or varied, the authority conferred by this resolution shall apply in addition to all other authorities under section 551 of the Companies Act until the date which is six months after the date of the end of the Company’s next annual general meeting after the date on which this resolution is passed, provided that the Company may make offers and enter into agreements before the authority expires which would, or might, require shares to be allotted or rights to subscribe for or convert any security into shares to be granted after the authority expires and the directors of the Company may allot shares or grant such rights under such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolution

2. THAT subject to, and conditional on, the passing of Resolution 1 and in addition to all existing powers which shall continue in full force and effect to the extent unutilised, the directors of the Company be generally empowered, pursuant to Section 571 of the Companies Act, to allot equity securities (as defined in Section 560(1) of the Companies Act and interpreted in accordance with Section 560(2) of the Companies Act) for cash pursuant to the authorities conferred by Resolution 1 up to an aggregate nominal amount of £500,000.00 in relation to any issue of CULS, free of the restriction in Section 561 of the Companies Act. Unless previously renewed, revoked or varied, the power conferred by this resolution shall expire on the date which is six months after the date of the end of the Company’s next annual general meeting after the date on which this resolution is passed, provided that the directors of the Company may enter into agreements before this authority expires which would, or might, require equity securities to be allotted after the power expires and the directors of the Company may allot equity securities under such an offer or agreement as if the power conferred by this authority had not expired.

By order of the Board

12 July 2019

Registered Office
AFH House
Buntsford Drive
Stoke Heath
Bromsgrove
Worcestershire
B60 4JE

NOTES:

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the General Meeting. A Shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder – you may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a shareholder of the Company. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact SLC Registrars Limited, Elder House, St. Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS or by e-mail at office@slcregistrars.com.
2. To appoint as your proxy a person other than the Chairman of the General Meeting, insert their full name in the relevant box on the Form of Proxy. If you sign and return the Form of Proxy with no name inserted in the box, the Chairman of the General Meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the General Meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
3. To direct your proxy how to vote on the Resolutions mark the appropriate box with an 'X'. To abstain from voting on a Resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolution. If you give no voting indication, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
4. Appointment of a proxy does not preclude you from attending the General Meeting and voting in person. If you have appointed a proxy and attend the General Meeting in person, your proxy appointment will automatically be terminated.
5. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
6. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
7. To be valid any Form of Proxy or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at SLC Registrars Limited, Elder House, St. Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS no later than 11.00 a.m. on 25 July 2019.
8. The return of a completed Form of Proxy will not prevent a Shareholder attending the General Meeting and voting in person if he/she wishes to do so.
9. To be entitled to attend and vote at the General Meeting (and for the purpose of determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 6:30 p.m. on 25 July 2019 (or, in the event of any adjournment, on the time and date which is 48 hours before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.
10. As of 6.00 p.m. on the day immediately prior to the date of posting of this Notice of General Meeting, the Company's issued share capital comprised 42,681,425 ordinary shares of 10 pence each (including 43,931 Ordinary Shares in treasury which do not carry any voting rights). Each Ordinary Share carries the right to vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on the day immediately prior to the date of posting of this Notice of General Meeting is 42,681,425 (including 43,931 Ordinary Shares in treasury which do not carry any voting rights).

