

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, IN OR INTO ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION .**

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION.**

**For immediate release.**

**25 January 2021**

**RECOMMENDED CASH ACQUISITION**

**of**

**AFH FINANCIAL GROUP PLC**

**by**

**CORTINA BIDCO LIMITED**

**(a newly incorporated company indirectly controlled by funds managed by Flexpoint Ford LLC)**

**intended to be effected by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006**

**Summary**

The board of Cortina Bidco Limited ("Bidco"), a newly incorporated company indirectly controlled by funds managed by Flexpoint Ford LLC ("Flexpoint"), and the Independent Directors of AFH Financial Group Plc ("AFH") are pleased to announce that they have reached agreement on the terms of a recommended all cash acquisition of the entire issued, and to be issued, ordinary share capital of AFH (the "Acquisition").

Under the terms of the Acquisition, each Scheme Shareholder will be entitled to receive:

**for each Scheme Share: 463 pence in cash**

In AFH's preliminary results for the year ended 31 October 2020 announced on 18 January 2021, AFH announced that AFH Shareholders on the register of members at the close of business on 29 January 2021 will receive a first interim dividend of 3 pence per AFH Share on 16 February 2021 (the "Interim Dividend"). AFH Shareholders on the register of members as at the close of business on 29 January 2021 will be entitled to receive and retain the Interim Dividend without any reduction of the consideration payable under the Acquisition.

The Acquisition Price of 463 pence per Scheme Share (excluding the Interim Dividend) represents a premium of approximately:

- 40.3 per cent. to the Closing Price of 330.0 pence per AFH Share on 1 December 2020 being the date Flexpoint entered into a confidentiality agreement with AFH;
- 16.5 per cent. to the Closing Price of 397.5 pence per AFH Share on the Latest Practicable Date;
- 34.2 per cent. to the volume-weighted average price of 345.0 pence per AFH Share for the three-month period ended on the Latest Practicable Date; and
- 35.9 per cent. to the volume-weighted average price of 340.7 pence per AFH Share for the six-month period ended on the Latest Practicable Date.

The Acquisition values AFH's entire issued, and to be issued, ordinary share capital at approximately £224.5 million.

The Acquisition is conditional on, amongst other things, the FCA having notified Bidco and/or AFH of its approval of the change of control of any UK authorised persons within the AFH Group as a result of the Acquisition (or the requisite assessment period for such approval to be provided having elapsed without the FCA having objected to the Acquisition).

Whilst the Independent Directors remain confident in AFH's prospects, they believe that partnering with Flexpoint, a leading US private equity firm with significant financial resources, will assure the successful delivery of the growth strategy and unlock the full potential of the group over the long-term. Over the last few years, AFH's ability to access both equity capital and debt funding for growth on reasonable terms in a timely manner has faced challenges on the public markets, which has slowed AFH's growth meaningfully relative to those privately-owned competitors which have been able to scale their businesses, both organically and through M&A, at a faster pace.

The Independent Directors believe this transaction is the most attractive route for AFH to regain its growth trajectory, and that it will deliver a number of other strategic benefits in areas such as digital marketing and systems investment. Against this backdrop, the Independent Directors believe that the Offer Price reflects both the value created by AFH's strategy to date, as well as the value that this strategy is expected to generate in the future.

In light of this, the Independent Directors, who have been so advised by Keefe, Bruyette & Woods (acting through Stifel Nicolaus Europe Limited) ("KBW") as to its financial terms, consider the terms of the Acquisition to be fair and reasonable. In providing advice to the Independent Directors, KBW has taken into account the commercial assessments of the Independent Directors. KBW is providing independent financial advice to the Independent Directors of AFH for the purposes of Rule 3 of the Code.

Accordingly, the Independent Directors confirm that they intend unanimously to recommend that AFH Shareholders vote, or procure the vote, in favour of the Scheme at the Court Meeting and the Resolutions, as the Independent Directors who are interested in AFH Shares have irrevocably undertaken to do, or to procure to be done, in respect of their own beneficial holdings of AFH Shares which are under their control, amounting, in aggregate, to 311,254 AFH Shares representing approximately 0.7 per cent. of the issued ordinary share capital of

AFH and approximately 0.8 per cent. of the AFH Shares eligible to vote at the Court Meeting, in each case, on the Latest Practicable Date.

Bidco has, in total, received irrevocable undertakings from AFH Shareholders in respect of a total of 14,182,677 AFH Shares representing, in aggregate, approximately 33.0 per cent. of the issued ordinary share capital of AFH (representing approximately 22.1 per cent. of the AFH Shares eligible to vote at the Court Meeting) on the Latest Practicable Date. These irrevocable undertakings are described in further detail below.

The AFH Executive Directors have provided irrevocable undertakings to Bidco such that the AFH executive Directors have agreed to be bound by the terms of the Scheme and to vote, or procure the vote, in favour of the special resolution to amend the Articles at the General Meeting in respect of 6,005,700 AFH Shares representing, in aggregate, approximately 14.0 per cent. of the issued ordinary share capital of AFH on the Latest Practicable Date. These irrevocable undertakings remain binding in the event of a competing offer.

Bidco has also received irrevocable undertakings from each of BMO Asset Management Limited, Paul Connor and Philip Mobberley to vote, or procure the vote, in favour of the Scheme at the Court Meeting and the Resolutions in respect of 7,865,723 AFH Shares representing, in aggregate, approximately 18.3 per cent. of the issued ordinary share capital of AFH on the Latest Practicable Date.

Flexpoint is a US-based investment firm which has raised over \$4.3 billion in capital and made over 30 investments since 2005. Flexpoint specialises in the financial services and healthcare sectors and has expertise in both minority and control structures across private and public companies. Bidco is a newly incorporated company registered in the Cayman Islands, which was formed for the purposes of the Acquisition. Bidco is indirectly controlled by funds associated with Flexpoint.

The Bidco Directors believe that the management team of AFH has built an attractive financial planning-led business with a strong, scaled platform delivering attractive propositions for clients. Flexpoint aims to support AFH's management in building on this solid foundation to continue to grow the business both organically and by acquisition, by providing capital backing, investment, strategic support and its global expertise as needed.

In view of the extensive experience of the AFH Executive Directors in the financial advisory sector and their track record of driving growth and profitability at AFH, the Bidco Directors believe that the ongoing participation of the AFH Executive Directors in the business after the Scheme has become Effective is an important element of the Acquisition and are pleased that the AFH Executive Directors have agreed to continue in their current roles following the completion of the Acquisition. As part of the Management Arrangements: (i) Alan Hudson has agreed to sell for cash at a price equal to the Acquisition Price 4,294,065 AFH Shares beneficially owned by him (representing approximately 9.99 per cent. of AFH's issued ordinary share capital as at the Latest Practicable Date) to Bidco; (ii) Alan Hudson has agreed to reinvest £8,773,542 in Bidco (represented by 1,638,832 AFH Shares) (on a fully diluted basis) and 625 Growth Shares) which equates to a 30 per cent. reinvestment of his gross proceeds; and (iii) each of the other AFH Executive Directors have agreed to reinvest 30 per cent. of their gross proceeds, pursuant to the Acquisition (net of any exercise price payable on the exercise of options under the AFH Share Plans).

It is intended that the Acquisition will be implemented by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act.

The terms of the Acquisition will be put to Voting Scheme Shareholders at the Court Meeting and, in the case of the Rollover Resolution, to Independent Shareholders at the General Meeting. In order to become Effective, the Scheme must be approved by a majority in number of the Voting Scheme Shareholders, present and voting at the Court Meeting, either in person or by proxy, representing at least 75 per cent. or more of the voting rights held by those Voting Scheme Shareholders. In addition, at the General Meeting to implement the Scheme: (i) a special resolution to amend the Articles must be passed by AFH Shareholders representing at least 75 per cent. of the votes cast on that resolution; and (ii) an ordinary resolution to approve the Rollover Arrangements must be passed by the Independent Shareholders representing a simple majority of the votes cast on that resolution.

As a result of their respective interests in the Rollover Arrangements, the AFH Executive Directors are not considered to be independent for the purposes of the Code. Neither they, nor any of their respective connected persons nor any person holding AFH Shares on behalf of any AFH Executive Directors and/or any of their respective connected persons, will be entitled to vote on the Rollover Resolution at the General Meeting.

The Acquisition will be on the terms, and subject to the Conditions, set out in Schedule 1 to this Announcement. Full details of the Acquisition, and terms and Conditions to which it is subject, will be set out in the Scheme Document. It is expected that the Scheme Document, containing further information about the Acquisition and notices of the Court Meeting and General Meeting, together with the Forms of Proxy, will be published as soon as practicable and, in any event, within 28 days of this Announcement (unless the Panel agrees otherwise). An expected timetable of principal events will be included in the Scheme Document.

John Wheatley, the Chairman of AFH, said:

"We are pleased to announce this recommended Acquisition by Flexpoint and Bidco. Since its IPO in 2014, the AFH management team has been focused on delivering shareholder value through a focus on organic growth and value accretive acquisitions, completing over 50 acquisitions and growing to over £6 billion of funds under management.

"The Independent Directors believe that the terms of the Acquisition are compelling, acknowledge the quality and strong prospects of AFH's business and deliver attractive value to AFH Shareholders in cash, allowing them to crystallise the value of their holdings.

"Looking ahead, the Independent Directors believe that Flexpoint and Bidco will be excellent partners to AFH and support the continued growth of the business and that the Acquisition is in the best interests of all stakeholders of the Group. The Independent Directors of AFH therefore intend unanimously to recommend that shareholders vote in favour of the resolutions relating to the Acquisition."

Commenting on the Announcement, Alan Hudson, Chief Executive Officer of AFH Financial Group plc, said: "Since our IPO in 2014, AFH has grown to become a leading brand in the financial planning-led wealth management market. The Executive Directors and I have always sought to deliver on our strategy of organic and M&A-led growth, but in recent years this has been curtailed by being an AIM-quoted company. We believe the offer reflects our strong track record of increasing shareholder value, Flexpoint's endorsement of our strategy and confidence in the continued success of AFH, as well as further investment required in the business.

"Through its portfolio of leading financial services investments, Flexpoint has demonstrated its strong track record of partnering with entrepreneurial businesses, and the Executive Directors and I believe there is a great strategic and cultural fit for clients, staff and wider stakeholders. With the backing of Flexpoint's expertise and access to capital, we believe that we will be able to accelerate the delivery of our strategy.

"The Executive Directors and I believe that the demand for professional financial planning-led investment service will continue to grow and that AFH partnered with Flexpoint will be able to service growing client needs and grow market share."

Steven Begleiter, Managing Director of Flexpoint, said: "We believe that the UK wealth management market is currently undergoing an important transition, as regulatory and demographic trends are driving increasing demand for high quality financial advice that can be met by IFA firms with a long-term and client-centric view. In addition, the market is highly fragmented, which provides an opportunity to service customers better and create value through consolidation."

Daniel Edelman, Managing Director of Flexpoint, added: "Since its founding more than 20 years ago, AFH's management team has demonstrated long-term growth both organically and through acquisitions. Flexpoint shares the management team's vision for growth and believes the next phase of AFH's development would be better conducted in the private domain. We believe our partnership will strengthen the business and look forward to supporting management in the future."

**This summary should be read in conjunction with, and is subject to, the full text of the following Announcement (including its Appendices). The Acquisition will be subject to the Conditions and certain further terms set out in Schedule 1 and to the full terms and conditions to be set out in the Scheme Document. Schedule 2 contains the sources and bases of certain information contained in this summary and the following Announcement. Schedule 3 contains details of the irrevocable undertakings received by Bidco. Schedule 4 contains the definitions of certain terms used in this summary and the following Announcement .**

## **Enquiries**

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#### **Further information**

*Raymond James Financial International Limited ("Raymond James"), which is authorised and regulated in the United Kingdom by the FCA, is acting as financial adviser to Bidco and no-one else in connection with the matters described in this Announcement and will not be responsible to anyone other than Bidco for providing the protections afforded to clients of Raymond James nor for providing advice in connection with the matters referred to herein. Neither Raymond James nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Raymond James in connection with this Announcement, any statement contained herein, the Acquisition or otherwise.*

*Stifel Nicolaus Europe Limited, which also trades under the name Keefe, Bruyette & Woods ("KBW"), and which is authorised and regulated in the United Kingdom by the FCA, is acting as financial adviser to AFH and no-one else in connection with the matters described in this Announcement and will not be responsible to anyone other than AFH for providing the protections afforded to clients of KBW nor for providing advice in connection with the matters referred to herein. Neither KBW nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of KBW in connection with this Announcement, any statement contained herein, the Acquisition or otherwise.*

*Shore Capital and Corporate Limited and Shore Capital Stockbrokers Limited ("Shore Capital") are authorised and regulated in the United Kingdom by the FCA. Shore Capital is acting exclusively for AFH and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than AFH for providing the protections afforded to clients of Shore Capital or for providing advice in connection with the matters referred to in this announcement. Neither Shore Capital nor any of its subsidiaries or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any*

*person who is not a client of Shore Capital in connection with this announcement or any matter referred to herein.*

*Kirkland & Ellis International LLP is retained as legal adviser to Flexpoint and Bidco.*

*Eversheds Sutherland (International) LLP is retained as legal adviser to AFH.*

*The person responsible for arranging for the release of this Announcement on behalf of AFH is Paul Wright, Chief Financial Officer .*

*This Announcement is for information purposes only and is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval, in any jurisdiction, pursuant to the Acquisition or otherwise, nor shall there be any sale, issuance or transfer of securities of AFH in any jurisdiction in contravention of applicable law. The Acquisition will be implemented solely by means of the Scheme Document (or, if applicable, the offer document containing any Offer), which will contain the full terms and conditions of the Acquisition including details of how to vote in respect of the Scheme (or, if applicable, how to accept the Offer). Any vote in respect of the Scheme or other response in relation to the Acquisition should be made only on the basis of the information contained in the Scheme Document (or, if applicable, the offer document containing any Offer).*

### ***Overseas jurisdictions***

*The availability of the Acquisition to AFH Shareholders who are not resident in, and citizens of, the UK may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not resident in the UK should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdictions.*

*The release, publication or distribution of this Announcement in or into jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the law of any jurisdiction other than the UK should inform themselves of, and observe, any applicable legal or regulatory requirements. In particular, the ability of persons who are not resident in the UK to vote their AFH Shares with respect to the Scheme at the Court Meeting, or to appoint another person as proxy to vote at the Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person. This Announcement has been prepared for the purposes of complying with English Law, the AIM Rules, UK MAR, the rules of the London Stock Exchange and the Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside of England.*

*Copies of this Announcement and the formal documentation relating to the Scheme and the Acquisition will not be, and must not be, mailed or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction or any jurisdiction where to do so would violate the laws of that jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported vote in respect of the Acquisition. If the Acquisition is implemented by way of an Offer (unless otherwise permitted by applicable law or regulation), the Offer may not be made, directly or indirectly, in or into or by use of the mails or any other means or instrumentality (including, without limitation, facsimile, e-mail or other*

*electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within any Restricted Jurisdiction.*

*Further details in relation to overseas shareholders will be contained in the Scheme Document.*

### ***Additional information for US Holders***

*US Holders should note that the Acquisition relates to the securities of an English company and is proposed to be implemented under a scheme of arrangement under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules under the US Exchange Act and the proxy solicitation rules under the US Exchange Act will not apply to the Acquisition. The Scheme will be subject to UK disclosure requirements and practices which are different from the disclosure requirements of the US tender offer and proxy solicitation rules. The financial information included in this Announcement and the Scheme Document has been, or will have been, prepared in accordance with IFRS and thus may not be comparable to financial information of companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. However, if Bidco were to exercise its right to implement the Acquisition of the AFH Shares by way of an Offer, such Offer will be made in compliance with applicable US tender offer and securities laws and regulations. Such an Offer would be made by Bidco.*

*The receipt of cash pursuant to the Acquisition by a US Holder as consideration for the transfer of its Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other, tax laws. Each AFH Shareholder is urged to consult his, her or its independent professional adviser immediately regarding the tax consequences of the Acquisition applicable to him, her or it.*

*It may be difficult for US Holders to enforce their rights and claims arising out of the US federal securities laws since Bidco and AFH are located in countries other than the US and some or all of their officers and directors may be residents of countries other than the US. US Holders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.*

*In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, Bidco or its nominees, or their brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, AFH Shares outside of the US, other than pursuant to the Acquisition, until the date on which the Scheme and/or the Acquisition becomes Effective, lapses or is otherwise withdrawn. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the UK, will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at [www.londonstockexchange.com](http://www.londonstockexchange.com).*

### ***Forward-looking statements***

*This Announcement, oral statements made regarding the Acquisition, and other information published by Bidco and/or AFH contain statements which are, or may be deemed to be, "forward-looking statements". Forward-looking statements are prospective in nature and are not based on historical facts but rather on current expectations and projections of the management of Bidco and/or AFH about future events and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.*

*The forward-looking statements contained in this Announcement include statements relating to the expected effects of the Acquisition on Bidco and AFH, the expected timing and scope of the Acquisition and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words, phrases and statements such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words, phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Although Bidco and AFH believe that the expectations reflected in such forward-looking statements are reasonable, Bidco and AFH can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements.*

*These factors include, but are not limited to: the ability to complete the Acquisition; the ability to obtain requisite regulatory and shareholder approvals and the satisfaction of other Conditions on the proposed terms and schedule; the behaviour of other market participants; the anticipated benefits from the proposed transaction not being realised as a result of changes in general economic and market conditions in the countries in which Bidco and AFH operate; weak, volatile or illiquid capital and/or credit markets; changes in tax rates, interest rates and currency value fluctuations; the degree of competition in the geographic and business areas in which Bidco and AFH operate; and changes in laws or in supervisory expectations or requirements. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors. Neither Bidco nor AFH, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Announcement will actually occur. You are cautioned not to place any reliance on these forward-looking statements. Other than in accordance with their legal or regulatory obligations, neither Bidco nor AFH is under any obligation, and Bidco and AFH expressly disclaim any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

### ***No profit forecasts or profit estimates***

*No statement in this Announcement is intended as a profit forecast or profit estimate for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per share for Bidco or AFH, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Bidco or AFH, as appropriate.*

### ***Dealing disclosure requirements***

*Under Rule 8.3(a) of the Code, any person who is interested in one per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified.*

*An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if*

*appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in one per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.*

*If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3. Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).*

*Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.*

*In accordance with Rule 2.9 of the Code, AFH confirms that as at the date of this Announcement, it has in issue and admitted to trading on AIM 42,983,638 ordinary shares of £0.10 each (and holds no shares in treasury). The International Securities Identification Number (ISIN) of the ordinary shares is GB00B4W5WQ08.*

### **Publication on website**

*In accordance with Rule 26.1 of the Code, a copy of this Announcement will be made available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on AFH's website at <https://www.afhwm.co.uk/investor-relations> by no later than 12 noon (London time) on the business day following this Announcement. For the avoidance of doubt, the contents of this website is not incorporated by reference into, and does not form part of, this Announcement.*

### **Requesting hard copy documents**

*AFH Shareholders may request a hard copy of this Announcement by contacting the Company Secretary of AFH during business hours on +44 (0)152 757 7775 or by submitting a request in writing to the Company Secretary of AFH at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, Worcestershire, B60 4JE. For persons who receive a copy of this Announcement in electronic form or via a website notification, a hard copy of this Announcement will not be sent unless so requested. You may also request that all future documents, announcements and information to be sent to you in relation to the Acquisition should be in hard copy form.*

### ***Electronic communications***

*Please be aware that addresses, electronic addresses and certain other information provided by AFH Shareholders, persons with information rights and other relevant persons for the receipt of communications from AFH may be provided to Bidco during the offer period as required under Section 4 of Appendix 4 of the Code to comply with Rule 2.11(c).*

### ***Rounding***

*Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of figures that precede them.*

### ***Inside Information***

*This Announcement contains inside information. Upon the publication of this Announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.*

*If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.*

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## 1 INTRODUCTION

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The Acquisition Price of 463 pence per Scheme Share (excluding the Interim Dividend) represents a premium of approximately:

- 40.3 per cent. to the Closing Price of 330.0 pence per AFH Share on 1 December 2020 being the date Flexpoint entered into a confidentiality agreement with AFH;
- 16.5 per cent. to the Closing Price of 397.5 pence per AFH Share on the Latest Practicable Date;
- 34.2 per cent. to the volume-weighted average price of 345.0 pence per AFH Share for the three-month period ended on the Latest Practicable Date; and
- 35.9 per cent. to the volume-weighted average price of 340.7 pence per AFH Share for the six-month period ended on the Latest Practicable Date.

The Acquisition values AFH's entire issued ordinary, and to be issued, ordinary share capital at approximately £224.5 million.

Bidco reserves the right to reduce the consideration payable in respect of each AFH Share under the terms of the Acquisition to the extent that the Interim Dividend exceeds 3 pence per AFH Share (as set out in the AFH results announcement for the

12 months ended 31 October 2020 published on 18 January 2021). If, after the date of this document, any dividend and/or other return of capital is announced, declared, made or paid or becomes payable in respect of the AFH Shares (other than the Interim Dividend), Bidco reserves the right to reduce the Acquisition Price payable pursuant to the Acquisition by the amount of such dividend and/or distribution and/or return of capital so announced, declared, made, paid or payable.

### **3 BACKGROUND TO AND REASONS FOR THE ACQUISITION**

Flexpoint has previously identified the UK wealth management sector as a potentially attractive area for investment and believes AFH to be one of the UK's leading wealth management platforms having reviewed a number of investment opportunities.

Flexpoint believes that the management team of AFH has built an attractive financial planning-led business with a strong, scaled platform delivering attractive propositions for clients. Flexpoint aims to support AFH's management in building on this solid foundation to enhance the growth in the business both organically and by acquisition, by providing capital backing, investment, strategic support and its global expertise, as needed.

Flexpoint also believes that, in order to maximise its future potential, AFH would be better suited to a private company environment where initiatives to improve the performance of the business can be implemented effectively with appropriate support, capital and assistance from Flexpoint, free from the requirement to meet the public equity market's shorter-term reporting requirements and expectations and the costs, constraints and distractions associated with being a publicly quoted company.

### **4 RECOMMENDATION**

As the AFH Executive Directors will have a personal interest in the Rollover Arrangements (and consequently the Acquisition more generally), the board of AFH has constituted a committee composed of the Independent Directors for the purposes of evaluating and recommending the Acquisition to AFH Shareholders. None of the AFH Executive Directors have participated in the appraisal of the Acquisition by the Independent Directors or the decision of the Independent Directors to recommend the Acquisition to AFH Shareholders.

The Independent Directors, who have been so advised by KBW as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing its advice, KBW has taken into account the commercial assessments of the Independent Directors. KBW is providing independent financial advice to the Independent Directors of AFH for the purposes of Rule 3 of the Code.

Accordingly, the Independent Directors confirm that they intend unanimously to recommend that AFH Shareholders vote, or procure the vote, in favour of the Scheme at the Court Meeting and the Resolutions at the General Meeting, as the Independent Directors who are interested in AFH Shares have irrevocably undertaken to do, or procure to be done, in respect of their own beneficial holdings of AFH Shares which are under their control, amounting, in aggregate, to 311,254 AFH Shares representing approximately 0.7 per cent. of the issued ordinary share capital of AFH and approximately 0.8 per cent. of the AFH Shares eligible to vote at the Court Meeting, in each case, on the Latest Practicable Date. Further details of these undertakings, including the circumstances in which they cease to be binding, are set out in Schedule 3.

In view of their personal interest in the Rollover Arrangements (as described at paragraph 9 below), the AFH Executive Directors will not be permitted to vote, or procure the vote, on the Scheme at the Court Meeting or the Rollover Resolution at the General Meeting in respect of their beneficial holdings of 6,005,700 AFH Shares, in aggregate, representing approximately 14.0 per cent. of the issued ordinary share capital of AFH on the Latest Practicable Date. However, they are entitled to vote their AFH Shares, or procure that their AFH Shares are voted, on the special resolution to amend the Articles (and any further Resolutions on which they are not conflicted) to be proposed at the General Meeting.

## **5 BACKGROUND TO AND REASONS FOR THE RECOMMENDATION**

### The AFH Group's strategy

The AFH Group is a leading UK financial planning-led wealth management firm based in the Midlands. Founded in 1990 by Alan Hudson (Chief Executive Officer). The AFH Group provides wealth management and financial advisory services to over 20,000 clients in the UK. These services are delivered by over 450 professional advisers and 400 support staff.

Since its IPO in 2014, the AFH Group's strategy has focused on increasing shareholder value through a combination of organic growth through greater productivity of advisers and by value accretive acquisitions financed on an earn-out model (having made over 50 acquisitions since IPO). In September 2019, following feedback from shareholders, the AFH Group announced a focus on organic growth. This reflected the fact that access to funding on a regular basis to support M&A-led growth can be challenging for publicly quoted companies.

Accordingly, the AFH Group's revised strategy set out a focus on completing the integration of previous acquisitions, driving adviser productivity and generating cash to pay down deferred earn-outs and finance additional acquisitions without recourse to the equity market. The AFH Group's strategy would also be complemented by digital marketing to support the generation of new clients, technology to improve operational efficiencies, digital interaction with existing clients to enhance user experience and selective value-enhancing acquisitions.

The Independent Directors remain confident that the ongoing, successful execution of the AFH Group's strategy would provide long-term growth and create significant value for AFH Shareholders.

### Market environment

The Independent Directors expect the requirement for professional financial planning to accelerate in the future and for the consolidation within the sector to continue, driven by commercial factors and regulatory requirements.

Nonetheless, the Independent Directors note that the recent market backdrop has resulted in a challenging trading environment, with macro-economic uncertainties due to a combination of COVID-19 and the UK's exit from the European Union, which came into effect on 31 December 2020. Despite this market backdrop, the AFH Group has continued to trade profitably whilst focusing on cash management and the strengthening of the balance sheet by paying down both deferred earn-outs and loan notes as they matured.

### Future funding

It is the view of the Independent Directors that the public markets no longer afford AFH the financial flexibility to enable it to pursue its strategy and unlock the full

potential of the AFH Group. As a public company AFH has, at times, struggled to raise equity capital for growth in a timely manner and on reasonable terms, and has also been hampered from accessing cost-effective funding from debt capital markets, which many of its privately-backed competitors have enjoyed.

The Independent Directors believe that the UK's IFA market remains attractive, providing opportunities for both organic growth and opportunities for value enhancing consolidation, however, AFH lacks the financial resources to pursue these opportunities in a meaningful way today. The Independent Directors believe that the delivery of the AFH Group's growth strategy would be both slower and more uncertain without considerable further capital funding, which is not currently available without material changes to the capital structure and dividend policy of the group. Potential organic growth initiatives, which require capital funding, could include accelerating the recruitment of advisers, investing in additional sales and marketing resource, increasing investment in technology and continuing to develop the AFH Group's investment proposition.

The Independent Directors recognise that, in order for the AFH Group to continue making acquisitions, it will require additional funding on a regular basis. The availability of further funding on a timely basis, on reasonable financial terms, to support M&A-led growth can be challenging in the public market given the current market environment; however, as a private company and with the support of Bidco it is expected that AFH will have better and more flexible access to debt and equity capital to accelerate its strategy.

#### Bidco offer

The Independent Directors remain confident that the ongoing, successful execution of the AFH Group's strategy would provide long-term growth and create significant value for AFH Shareholders. However, the Independent Directors believe the Acquisition reflects an attractive valuation for AFH. An Acquisition Price per Scheme Share of 463 pence represents a premium of 34.2 per cent. to the volume-weighted average price of 345.0 pence per AFH Share for the three-month period ended on the Latest Practicable Date. It also represents a total return to investors since its IPO of 239.5 per cent. (as at the Latest Practicable Date) including dividend reinvestment. At this level, the Independent Directors believe that the Acquisition will provide the AFH Shareholders with the opportunity to obtain liquidity for their investment and to crystallise the value of their holdings now against an uncertain market backdrop.

Bidco has received support from major AFH Shareholders, together with the support of all Independent Directors, who hold, or are interested in, AFH Shares, with aggregate irrevocable undertakings with respect to 8,176,977 AFH Shares representing approximately 19.0 per cent. of the issued share capital (as at the Latest Practicable Date) of AFH and approximately 22.1 per cent. of the AFH Shares eligible to vote at the Court Meeting, in each case on the Latest Practicable Date.

In addition, the Independent Directors are pleased with Bidco's stated intentions concerning AFH's management and employees, locations of business and strategic plans (further details of which are set out in paragraph 12 below). In particular, the Independent Directors are pleased that Bidco (i) does not intend to initiate any material headcount reductions; (ii) does not intend to initiate any material restructurings; and (iii) does not have any current plans to change the locations where people presently work for AFH and intends to maintain AFH's existing corporate headquarters in Bromsgrove. In addition, the Independent Directors are pleased that Bidco intends to develop the business through organic initiatives and by acquisitions. The Independent Directors also welcome Bidco's confirmation that,

following completion of the Acquisition, the existing contractual and statutory employment rights of all AFH's management and employees will be fully safeguarded in accordance with applicable law.

Having taken into account all relevant factors, the Independent Directors believe that the terms of the Acquisition are compelling, acknowledge the quality and strong prospects of AFH's business and deliver attractive value to AFH Shareholders in cash allowing them to crystallise the value of their holdings. As such, the Independent Directors unanimously intend to recommend the Acquisition to AFH Shareholders.

None of the AFH Executive Directors have participated in the appraisal of the Acquisition by the Independent Directors or the decision of the Independent Directors to recommend the Acquisition to AFH Shareholders as a result of the conflicts of interest arising from their participation in the Rollover Arrangements, which are described more fully in paragraph 9 below.

The same conflicts of interest preclude the AFH Executive Directors from voting on the resolution to approve the Scheme at the Court Meeting and the resolution to approve their Rollover Arrangements at the General Meeting, although they will be entitled to vote on the special resolution to approve the adoption of the Amended AFH Articles (and any further resolutions on which they are not conflicted) to be proposed at the General Meeting.

## **6 IRREVOCABLE UNDERTAKINGS**

Bidco has, in total, received irrevocable undertakings from AFH Shareholders in respect of a total of 14,182,677 AFH Shares representing, in aggregate, approximately 33.0 per cent. of the issued ordinary share capital of AFH (representing approximately 22.1 per cent. of the AFH Shares eligible to vote at the Court Meeting) on the Latest Practicable Date. These irrevocable undertakings are described in further detail below.

Bidco has received irrevocable undertakings from the Independent Directors who hold AFH Shares to vote, or procure the vote, in favour of the Scheme at the Court Meeting and the Resolutions (or, if the Acquisition is to be implemented by way of an Offer, to accept, or procure the acceptance of, the Offer) in respect of a total of 311,254 AFH Shares, representing approximately 0.7 per cent. of the issued ordinary share capital of AFH and approximately 0.8 per cent. of the AFH Shares eligible to vote at the Court Meeting, in each case, on the Latest Practicable Date. These irrevocable undertakings remain binding in the event of a competing offer.

Alan Hudson, AFH's largest shareholder, has irrevocably undertaken in favour of Bidco to be bound by the terms of the Scheme (or, if the Acquisition is to be implemented by way of an Offer, to accept, or procure the acceptance of, the Offer) in respect of 6,105,700 AFH Shares beneficially owned by him (or in respect of which he is interested pursuant to options held over AFH Shares) (being all of the AFH Shares (on a fully diluted basis) beneficially owned by him or in respect of which he is interested), representing approximately 12.6 per cent. of AFH's issued, and to be issued, ordinary share capital as at the Latest Practicable Date. Alan Hudson has also irrevocably undertaken in respect of 5,955,700 AFH Shares (being his entire beneficial holding of AFH Shares and representing approximately 13.9 per cent. of AFH's issued ordinary share capital as at the Latest Practicable Date) to vote, or procure the vote, in favour of the special resolution proposed at the General Meeting to approve the adoption of the Amended AFH Articles. Alan Hudson is not entitled to vote in respect of the Scheme at the Court meeting or at the General Meeting in respect of the Rollover Resolution. This irrevocable undertaking remains binding in the event of a competing offer.

Paul Wright, Austin Broad and Alex Larvin have irrevocably undertaken in favour of Bidco to be bound by the terms of the Scheme (or, if the Acquisition is to be implemented by way of an Offer, to accept, or procure the acceptance of, the Offer) in respect of 487,840 AFH Shares owned by them (or in respect of which they are interested pursuant to options held over AFH Shares) (being all of the AFH Shares (on a fully diluted basis) owned by them or in respect of which they are interested), representing, in aggregate, approximately 1.0 per cent. of AFH's issued, and to be issued, ordinary share capital as at the Latest Practicable Date. Paul Wright and Austin Broad have also irrevocably undertaken in respect of an aggregate of 50,000 AFH Shares (being their entire beneficial holdings of AFH Shares and representing approximately 0.1 per cent. of AFH's issued ordinary share capital as at the Latest Practicable Date) to vote, or procure the vote, in favour of the special resolution proposed at the General Meeting to amend the Articles. Paul Wright and Austin Broad are not entitled to vote in respect of the Scheme at the Court Meeting or at the General Meeting in respect of the Rollover Resolution. Alex Larvin's interests are currently held by way of options over AFH Shares only, which will not have been exercised at the date of the General Meeting. These irrevocable undertakings remain binding in the event of a competing offer.

Bidco has also received irrevocable undertakings to vote, or procure the vote, in favour of the Scheme at the Court Meeting and the Resolutions (or, if the Acquisition is to be implemented by way of an Offer, to accept, or procure the acceptance of, the Offer) from each of BMO Asset Management Limited, Paul Connor and Philip Mobberley in respect of a total of 7,865,723 AFH Shares representing, in aggregate, approximately 18.3 per cent. of the issued ordinary share capital of AFH and approximately 21.3 per cent. of the AFH Shares eligible to vote at the Court Meeting, in each case, on the Latest Practicable Date.

Further details of the irrevocable undertakings described above, including the circumstances in which they may lapse, are set out in Schedule 3 to this Announcement.

## **7 INFORMATION RELATING TO FLEXPOINT AND BIDCO**

Flexpoint is a US-based investment firm which has raised over \$4.3 billion in capital and made over 30 investments since 2005. Flexpoint specialises in investments in the financial services and healthcare sectors and has expertise in both minority and control structures across private and public companies. Flexpoint employs over 50 people across two offices in Chicago and New York in the United States.

Bidco is a newly incorporated company registered in the Cayman Islands, which was formed for the purposes of the Acquisition. Bidco is indirectly controlled by Flexpoint Fund IV-A, L.P. and will, prior to the Effective Date be indirectly controlled jointly by Flexpoint Fund IV-A, L.P., Flexpoint Fund IV-B, L.P., Flexpoint Overage Fund IV-A, L.P. and Flexpoint Overage Fund IV-B, L.P. (the "Flexpoint Funds"), each of which is managed by Flexpoint Ultimate Management IV, LLC. These funds, together with their affiliates, do business as Flexpoint.

## **8 INFORMATION RELATING TO AFH AND CURRENT TRADING**

AFH ( AIM: AFHP) is a leading UK financial planning-led wealth management firm based in the Midlands with offices across the UK. Founded in 1990 by Alan Hudson (Chief Executive Officer), the AFH Group provides wealth management and financial advisory services to over 20,000 clients in the UK. These services are delivered by over 450 professional advisers and 400 support staff.

Since its IPO in 2014, the AFH Group's strategy has focused on increasing shareholder value through a combination of organic growth through greater productivity of advisers and by value accretive acquisitions financed on an earn-out model (having made over 50 acquisitions since IPO). In September 2019, following feedback from shareholders, the AFH Group announced a focus on organic growth.

On 18 January 2021, AFH announced its results for the twelve months ended 31 October 2020, a copy of which can be found at [www.afhwm.co.uk/investor-relations/announcements/](http://www.afhwm.co.uk/investor-relations/announcements/).

## **9 MANAGEMENT ARRANGEMENTS**

The following summarises the proposed Management Arrangements in relation to the AFH Executive Directors:

### Cash Sale SPA

Bidco and Alan Hudson have entered into an agreement, dated the same date as this Announcement, to sell for cash at a price equal to the Acquisition Price 4,294,065 AFH Shares beneficially owned by him (representing approximately 9.99 per cent. of AFH's issued ordinary share capital as at the Latest Practicable Date) to Bidco. Completion of the acquisition is not subject to any conditions but will occur: (i) immediately following the issue of the Scheme Court Order; or (ii) the Long Stop Date, whichever is the earlier. If the Scheme Court Order has not been issued on or before the Long Stop Date, Bidco will have the right, but is not obliged, to rescind the agreement.

### Share Exchange Agreement

A Share Exchange Agreement provides for the exchange by the AFH Executive Directors of 1,680,931 AFH Shares beneficially owned by them (or in respect of which they are interested pursuant to options held over AFH Shares) (on a fully diluted basis) and 984 Growth Shares, which have an aggregate value of £9,651,462 at the Acquisition Price, for loan notes to be issued by Bidco (the "Bidco Rollover Notes"). The Share Exchange Agreement also provides for the rollover of certain Growth Shares held by the AFH Executive Directors, whereby such Growth Shares will first be exchanged, following the Scheme becoming Effective, for loan notes to be issued by AFH, and then such AFH loan notes will be exchanged by the AFH Executive Directors for Bidco Rollover Notes.

### Put and Call Option Deed

A Put and Call Option Deed provides for the transfer by the AFH Executive Directors, by means of a series of put and call options, of the Bidco Rollover Notes issued to them pursuant to the Share Exchange Agreement in consideration for loan notes issued by Midco and, subsequently, shares issued by Topco.

### Investment Agreement

An Investment Agreement sets out the terms on which the AFH Executive Directors will hold their investment in shares in Topco, an indirect parent of Bidco.

The Independent Shareholders will be asked at the General Meeting to approve the Rollover Arrangements described in this paragraph 9 by voting on the Rollover Resolution. Voting on the Rollover Resolution will be by way of a poll.

The Independent Directors intend unanimously to recommend that the Independent Shareholders vote, or procure the vote, in favour of the Rollover Resolution to

approve the Rollover Arrangements described in this paragraph 9.

As a result of their respective interests in the Rollover Arrangements, the AFH Executive Directors are not considered to be independent for the purposes of the Code. Neither they, nor any of their respective connected persons nor any person holding AFH Shares on behalf of any AFH Executive Directors and/or any of their respective connected persons, will be entitled to vote on the resolution to approve the Scheme at the Court Meeting or the Rollover Resolution at the General Meeting. Each of the AFH Executive Directors has irrevocably undertaken to vote, or procure the vote, in favour of the other Resolution(s) in respect of their entire holding of AFH Shares.

For the purposes of Rule 16 of the Code, KBW has confirmed that, in its opinion, the terms of the Rollover Arrangements are fair and reasonable so far as the Independent Shareholders are concerned. In providing its opinion, KBW has taken into account the commercial assessments of the Independent Directors. The Acquisition is conditional, amongst other things, upon the passing of the Rollover Resolution by the requisite majority of the Independent Shareholders.

Other than the Management Arrangements, currently there are no arrangements or understandings between Flexpoint or Bidco and/or any person acting in concert with Flexpoint and/or Bidco and the management or directors of AFH having any connection with or dependence upon the Acquisition.

Further details of the terms of the Management Arrangements will be set out in the Scheme Document.

## **10 FINANCING**

The cash consideration payable by Bidco in respect of the Acquisition will be funded by a combination of equity financing drawn down from the Flexpoint Funds pursuant to an Equity Commitment Letter entered into by the Flexpoint Funds and debt financing drawn down under an interim facilities agreement arranged by Ares Management Limited.

Raymond James is satisfied that sufficient resources are available to Bidco to satisfy in full the cash consideration payable to the Scheme Shareholders under the terms of the Scheme.

## **11 FURTHER TERMS**

Bidco reserves the right to reduce the consideration payable in respect of each AFH Share under the terms of the Acquisition to the extent that the Interim Dividend exceeds 3 pence per AFH Share. If, after the date of this document, any dividend and/or other distribution and/or other return of capital is announced, declared, made or paid or becomes payable in respect of the AFH Shares (other than the Interim Dividend), Bidco reserves the right to reduce the Acquisition Price payable pursuant to the Acquisition by an amount up to the amount of such dividend and/or distribution and/or return of capital so announced, declared, made, paid or payable.

## **12 DIRECTORS, MANAGEMENT, EMPLOYEES, RESEARCH AND DEVELOPMENT AND LOCATIONS**

Prior to the date of this Announcement, consistent with market practice, Bidco was granted access to AFH's senior management team for the purpose of undertaking confirmatory due diligence, which has allowed Bidco to evaluate the strategic and operational plans of the AFH Group. From the diligence undertaken, Bidco is supportive of the organic and M&A-led growth strategy of the AFH Group and

believes it can support the management team and AFH Group in accelerating the delivery of its stated strategy.

It is anticipated that more detailed long-term strategic and operational planning will take place in the six months following the Effective Date (the "post-Effective Date review") and that this will include plans to support the management team and the AFH Group in accelerating the delivery of its stated strategy including through further investment in AFH's underlying technology and systems, and the re-engagement with potential target firms previously in the Company's M&A pipeline.

Post-completion, Alan Hudson and Paul Wright will join the board of directors of Bidco and remain in their roles as Chief Executive Officer and Chief Financial Officer of AFH, respectively.

#### Bidco's strategic plans for AFH

The Bidco Directors believe that the UK wealth management market is currently undergoing an important transition, as regulatory and demographic trends are driving increasing demand for high quality financial advice that can be met by financial planning-led firms with a long-term view and the ability to invest in critical infrastructure and technology. In addition, the market is highly fragmented, which provides an opportunity to service customers better and to create value through consolidation.

Based on its due diligence, the Bidco Directors believe AFH's management, competitive position and track record make AFH well-positioned to capitalise on the market opportunity. Bidco looks forward to working with AFH's management team to continue building a leading financial planning-led wealth management firm of scale, with the ability to offer its clients access to the highest quality investment solutions at an attractive cost.

In addition to AFH's overall performance, Bidco has been particularly impressed by the AFH management team's ability to create value, both organically and inorganically, across both its two divisions, wealth management and protection broking. Bidco intends to support the existing management team of AFH to maximise the value of each division. Bidco intends to undertake a further detailed review and this next stage of planning may result in the development of separate, focused strategies for each division. This will be further explored as part of the post-Effective Date review, which will include for each division an in-depth review of competitive market standing, and the identification of opportunities for additional investment with the objective of driving growth and reviewing broader strategic options.

The current Bidco Directors believe that there is the potential to accelerate some areas of the AFH management team's current organic growth strategy, which can be more easily achieved when operating with a focus on the longer-term, with a unified and aligned investor base. Potential initiatives could include accelerating the recruitment of advisers, investing in additional sales and marketing resource, increasing investment in technology and continuing to develop the firm's investment proposition.

AFH has a long track record of acquiring and integrating advisory businesses, although the cadence of its acquisitions slowed during 2019 and 2020 due to the complexity of continuously raising capital in a public setting. Bidco intends to work with AFH's management team to restart, and potentially accelerate, its prior acquisition activity by deploying its resources (both capital and expertise) to support AFH.

## Employees and management

Bidco attaches great importance to the skills, experience and continued commitment of AFH's management and employees and believes that they will benefit from greater opportunities as a result of the Acquisition. The Bidco Directors intend to support the development of the business through organic initiatives and by acquisitions and, as such, does not expect any material change to the operations of the business as a result of the Acquisition. Bidco will continue to support AFH's management in the continuous review of the AFH Group's operations to ensure efficiency in the ordinary course of business, including any operational adjustments necessary as it transitions from being a public company to a private company.

Bidco has not entered into, and has not had any discussions with respect to proposals to enter into, any form of incentivisation or any other arrangements with members of AFH's management (other than in respect of the Rollover Arrangements, which are described at paragraph 9 above and will be described further in the Scheme Document). It is the intention to put in place appropriate arrangements for management and staff of AFH following completion of the Acquisition.

Each of John Wheatley (Non-Executive Chairman), Sue Lewis (Non-Executive Director) and Mark Chambers (Non-Executive Director) has confirmed that they intend to resign, following a contractual notice period, from the board of AFH conditional upon, and with effect from, the Scheme becoming Effective.

Save as described above, Bidco does not intend to make any material reduction to the headcount, or any material change to the conditions of employment or to the balance of skills and functions, of the AFH Group's employees or management.

## Existing rights and pension schemes

AFH and certain of its subsidiaries make contributions to various defined contribution pension schemes on behalf of a number of qualifying employees and Bidco intends that these arrangements would remain in place.

No member of the AFH Group participates in a defined benefit pension scheme.

Following completion of the Acquisition, the existing employment rights, including pension rights, of the management and employees of the AFH Group will be fully safeguarded.

## Locations and headquarters

Bidco has no current plans to change the locations where people presently work for AFH. Bidco also intends to maintain AFH's existing corporate headquarters in Bromsgrove and will follow current strategy with respect to the AFH Group's other locations and regional offices.

There are no plans to redeploy the fixed assets of AFH. AFH does not currently have a research and development function and Bidco has no plans in this regard.

## Trading Facilities

AFH is currently admitted to trading on AIM and, as set out in paragraph 16 below, prior to the Scheme becoming Effective, a request will be made to the London Stock Exchange to cancel trading in AFH Shares on AIM, following which it is intended that AFH would be re-registered as a private limited company.

No statements in this paragraph 12 are "post-offer undertakings" for the purposes of Rule 19.5 of the Takeover Code.

### **13 AFH SHARE PLANS AND AFH CULS**

AFH Share Plan Participants will be contacted regarding the effect of the Acquisition on their rights under the AFH Share Plans and appropriate proposals will be made to such AFH Share Plan Participants in due course. Details of these proposals will be set out in separate letters to be sent to the AFH Share Plan Participants.

All outstanding "in the money" options and/or awards under the AFH Share Plans will be treated in accordance with the rules of the applicable AFH Share Plans.

The holders of the Growth Shares will be contacted regarding the effect of the Acquisition on their Growth Shares and an appropriate proposal will be made to such holders in due course.

In addition, the holders of the AFH CULS will be contacted regarding the effect of the Acquisition on their loan notes under the AFH CULS and an appropriate proposal will be made to such holders in due course.

Further details on the terms of such proposals will be contained in the Scheme Document.

### **14 OFFER-RELATED ARRANGEMENTS**

#### **Confidentiality Agreement**

On 1 December 2020, Flexpoint and AFH entered into the Confidentiality Agreement in relation to the Acquisition, pursuant to which, amongst other things, Flexpoint has undertaken to: (i) subject to certain exceptions, keep information relating to AFH and the Acquisition confidential and not to disclose it to third parties; and (ii) use such confidential information only in connection with the Acquisition. These confidentiality obligations will remain in force until 1 December 2022, provided that if the Acquisition becomes Effective then the obligations contained in the Confidentiality Agreement will lapse to the extent the Confidential Information relates solely to AFH or a member of the AFH Group.

#### **Co-operation Agreement**

On 25 January 2021, Bidco and AFH entered into a Co-operation Agreement, pursuant to which the parties have, amongst other things, each agreed to: (i) cooperate in relation to obtaining any consents, clearances, permissions, waivers and/or approvals as may be necessary, and the making of all filings as may be necessary, in order to satisfy the Condition set out in paragraph 2 of Part A of Schedule 1 in connection with the Acquisition; and (ii) cooperate in preparing and implementing appropriate proposals in relation to the AFH Share Plans. In addition, Bidco has given certain undertakings in the event that the Scheme should switch to an Offer. The Co-operation Agreement will terminate in certain circumstances, including if the Acquisition is withdrawn or lapses, if prior to the Long Stop Date any Condition becomes incapable of satisfaction, if the Independent Directors withdraw their recommendation of the Acquisition or if the Scheme does not become Effective in accordance with its terms by the Long Stop Date or otherwise as agreed between Bidco and AFH.

#### **Cash Sale SPA**

On 25 January 2021, Bidco and Alan Hudson entered into an agreement to sell for cash at a price equal to the Acquisition Price 4,294,065 AFH Shares beneficially owned by him (representing approximately 9.99 per cent. of AFH's issued ordinary share capital as at the Latest Practicable Date) to Bidco. Completion of the acquisition is not subject to any conditions but will occur: (i) immediately following the issue of the Scheme Court Order; or (ii) the Long Stop Date, whichever is the earlier. If the Scheme Court Order has not been issued on or before the Long Stop Date, Bidco will have the right, but is not obliged, to rescind the agreement.

#### Investment Agreement

An Investment Agreement sets out the terms on which the AFH Executive Directors will hold their investment in shares in Topco, an indirect parent of Bidco.

## 15 STRUCTURE OF THE ACQUISITION

It is intended that the Acquisition will be implemented by way of a Court-sanctioned scheme of arrangement between AFH and the Scheme Shareholders under Part 26 of the Companies Act. The purpose of the Scheme is to provide for Bidco to become the owner of the entire issued, and to be issued, share capital of AFH. Under the Scheme, the Acquisition will be achieved by the transfer of the Scheme Shares by the Scheme Shareholders to Bidco in consideration for which the Scheme Shareholders will receive cash on the basis described in paragraph 2 above. The procedure involves, among other things, an application by AFH to the Court to sanction the Scheme.

The Acquisition is subject to the Conditions and certain further terms referred to in Schedule 1 to this Announcement and to the full terms and conditions to be set out in the Scheme Document and will only become Effective if, among other things, the following events occur on or before the Long Stop Date:

- the FCA having notified Bidco and/or AFH of its approval of the change of control of any UK authorised persons within the AFH Group as a result of the Acquisition (or the requisite assessment period for such approval to be provided having elapsed without the FCA having objected to the Acquisition);
- a resolution to approve the Scheme is passed by a majority in number of the Voting Scheme Shareholders present and voting (and entitled to vote), either in person or by proxy, representing 75 per cent. or more in value of each class of the Scheme Shares held by those Voting Scheme Shareholders at the Court Meeting (or at any adjournment thereof) on or before the 22<sup>nd</sup> day after the expected date of the Court Meeting to be set out in the Scheme Document in due course (or such later date as may be agreed between AFH and Bidco and the Court may allow);
- the resolution(s) necessary to implement the Scheme is/are passed at the General Meeting to be held on or before the 22<sup>nd</sup> day after the expected date of the General Meeting to be set out in the Scheme Document in due course, expected to be immediately after the Court Meeting (or such later date as may be agreed between AFH and Bidco and the Court may allow), which will require the approval of AFH Shareholders representing at least 75 per cent. of the votes cast at the General Meeting, either in person or by proxy;
- the Rollover Resolution is passed on a poll at the General Meeting to be held on or before the 22<sup>nd</sup> day after the expected date of the General Meeting to be set out in the Scheme Document in due course (or such later date as may be agreed between Bidco and AFH and the Court may allow), which will require the

approval of Independent Shareholders representing more than 50 per cent. of the votes cast by Independent Shareholders on the Rollover Resolution. The requirement for the Rollover Resolution to be passed is not capable of being waived by Bidco;

- following the Meetings, the Scheme is sanctioned by the Court (without modification, or with modification on terms agreed by Bidco and AFH) on or before the 22<sup>nd</sup> day after the expected date of the Scheme Court Hearing to be set out in the Scheme Document in due course (or such later date as may be agreed between Bidco and AFH and the Court may allow); and
- following such sanction, a copy of the Scheme Court Order is delivered to the Registrar of Companies, whereupon the Scheme will become Effective.

Upon the Scheme becoming Effective: (i) it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting (and if they attended and voted, whether or not they voted in favour); and (ii) share certificates in respect of AFH Shares will cease to be valid and entitlements to AFH Shares held within the CREST system will be cancelled.

Any AFH Shares issued before the Scheme Record Time will be subject to the terms of the Scheme. The special resolution to be proposed at the General Meeting will, amongst other matters, provide that the Articles be amended to incorporate provisions requiring any AFH Shares issued after the Scheme Record Time (other than to Bidco and/or its nominees) to be automatically transferred to Bidco on the same terms as the Acquisition (other than terms as to timings and formalities). The provisions of the Articles (as amended) will avoid any person (other than Bidco and/or its nominees) holding shares in the capital of AFH after the Effective Date. If the Scheme does not become Effective on or before the Long Stop Date, it will lapse and the Acquisition will not proceed (unless the Panel otherwise consents).

The Scheme Document will include full details of the Scheme, together with notices of the Meetings. The Scheme Document will also contain the expected timetable for the Acquisition and will specify the necessary actions to be taken by AFH Shareholders. It is expected that the Scheme Document, together with the Forms of Proxy, will be published as soon as practicable and in any event, within 28 days of this Announcement (unless the Panel agrees otherwise).

## **16 CANCELLATION OF ADMISSION TO TRADING ON AIM**

At least 20 business days prior to the Scheme becoming Effective, AFH intends to make an application to the London Stock Exchange for the cancellation of the admission to trading of the AFH Shares on AIM, requesting that such cancellation takes effect on, or shortly after, the Effective Date. The Scheme Document will set out details of the expected last day of dealings in AFH Shares on AIM and the latest time for registration of transfers prior to the Effective Date.

On the Effective Date, AFH will become a wholly-owned subsidiary of Bidco. As soon as possible after the Effective Date, it is intended that AFH will be re-registered as a private limited company under the relevant provisions of the Companies Act.

## **17 DISCLOSURE OF INTERESTS IN AFH RELEVANT SECURITIES**

Except for the irrevocable undertakings referred to at paragraph 6 above, as at the close of business on the Latest Practicable Date, neither Bidco, nor any Bidco

Directors or any member of the Bidco Group, nor, as far as Bidco is aware, any person acting in concert (within the meaning of the Code) with Bidco:

- had any interest in, or right to subscribe for, any relevant securities of AFH; nor
- had any short position in relevant securities of AFH, including any short position under a derivative, any agreement to sell, any delivery obligation or right to require another person to purchase or take delivery of relevant securities of AFH; nor
- had borrowed or lent any relevant securities of AFH or entered into any financial collateral arrangements relating to relevant securities of AFH; nor
- was party to any dealing arrangement of the kind referred to in Note 11 on the definition of acting in concert in the Code in relation to relevant securities of AFH.

In the interests of secrecy prior to this Announcement, Bidco has not made any enquiries in respect of the matters referred to in this paragraph of certain parties who may be deemed by the Panel to be acting in concert with Bidco for the purposes of the Scheme. Enquiries of such parties will be made as soon as practicable following the date of this Announcement and any disclosure in respect of such parties will be included in the Scheme Document.

'Interests in securities' for these purposes arise, in summary, when a person has long economic exposure, whether absolute or conditional, to changes in the price of securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person will be treated as having an 'interest' by virtue of the ownership, voting rights or control of securities, or by virtue of any agreement to purchase, option in respect of, or derivative referenced to, securities.

## **18 DIVIDENDS**

Bidco reserves the right to reduce the consideration payable in respect of each AFH Share under the terms of the Acquisition to the extent that the Interim Dividend exceeds 3 pence per AFH Share. If, after the date of this document, any dividend and/or other distribution and/or other return of capital is announced, declared, made or paid or becomes payable in respect of the AFH Shares (other than the Interim Dividend), Bidco reserves the right to reduce the Acquisition Price payable pursuant to the Acquisition by an amount up to the amount of such dividend and/or distribution and/or return of capital so announced, declared, made, paid or payable.

## **19 OVERSEAS SHAREHOLDERS**

The availability of the Acquisition or the distribution of this Announcement to AFH Shareholders who are not resident in the United Kingdom may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction. AFH Shareholders who are in any doubt regarding such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

This Announcement does not constitute an offer for sale of any securities or an offer or an invitation to purchase any securities. AFH Shareholders are advised to read carefully the Scheme Document and related Forms of Proxy once these have been published.

## 20 DOCUMENTS PUBLISHED ON A WEBSITE

Copies of the following documents will, by no later than 12 noon (London time) on the business day following this Announcement, be published on AFH's website at [www.afhwm.co.uk/investor-relations](http://www.afhwm.co.uk/investor-relations) until the Effective Date:

- this Announcement;
- the irrevocable undertakings referred to in paragraph 6;
- the Confidentiality Agreement referred to in paragraph 14;
- the Cooperation Agreement referred to in paragraph 14;
- the Cash Sale SPA referred to in paragraph 14;
- the Investment Agreement referred to in paragraph 14; and
- documents relating to the financing of the Scheme referred to in paragraph 10 above.

The contents of AFH's website are not incorporated into and do not form part of this Announcement.

## 21 GENERAL

Bidco reserves the right to elect (with the consent of the Panel) to implement the acquisition of the AFH Shares by way of a Takeover Offer as an alternative to the Scheme. In such event, the Offer will be implemented on substantially the same terms, so far as applicable, as those which would apply to the Scheme and, among other things, the change in structure by which the Acquisition is to be implemented and compliance with all applicable laws, including US securities laws.

The Acquisition will be made on the terms and subject to the Conditions and further terms set out in Schedule 1 to this Announcement and to the full terms and conditions to be set out in the Scheme Document. The sources of information and bases of calculations contained in this Announcement are set out in Schedule 2 to this Announcement. A summary of the irrevocable undertakings is contained in Schedule 3 to this Announcement. Certain terms used in this Announcement are defined in Schedule 4 to this Announcement.

Raymond James (as financial adviser to Bidco) and KBW (as financial adviser to AFH) have each given and not withdrawn their consent to the publication of this Announcement with the inclusion herein of the references to their names in the form and context in which they appear.

### Enquiries

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**Further information**

*Raymond James Financial International Limited ("Raymond James"), which is authorised and regulated in the United Kingdom by the FCA, is acting as financial adviser to Bidco and no-one else in connection with the matters described in this Announcement and will not be responsible to anyone other than Bidco for providing the protections afforded to clients of Raymond James nor for providing advice in connection with the matters referred to herein. Neither Raymond James nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Raymond James in connection with this Announcement, any statement contained herein, the Acquisition or otherwise.*

*Stifel Nicolaus Europe Limited, which also trades under the name Keefe, Bruyette & Woods ("KBW"), and which is authorised and regulated in the United Kingdom by the FCA, is*

*acting as financial adviser to AFH and no-one else in connection with the matters described in this Announcement and will not be responsible to anyone other than AFH for providing the protections afforded to clients of KBW nor for providing advice in connection with the matters referred to herein. Neither KBW nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of KBW in connection with this Announcement, any statement contained herein, the Acquisition or otherwise.*

*Shore Capital and Corporate Limited and Shore Capital Stockbrokers Limited ("Shore Capital") are authorised and regulated in the United Kingdom by the FCA. Shore Capital is acting exclusively for AFH and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than AFH for providing the protections afforded to clients of Shore Capital or for providing advice in connection with the matters referred to in this announcement. Neither Shore Capital nor any of its subsidiaries or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Shore Capital in connection with this announcement or any matter referred to herein.*

*Kirkland & Ellis International LLP is retained as legal adviser to Flexpoint and Bidco.*

*Eversheds Sutherland (International) LLP is retained as legal adviser to AFH.*

*The person responsible for arranging for the release of this Announcement on behalf of AFH is Paul Wright, Chief Financial Officer .*

*This Announcement is for information purposes only and is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval, in any jurisdiction, pursuant to the Acquisition or otherwise, nor shall there be any sale, issuance or transfer of securities of AFH in any jurisdiction in contravention of applicable law. The Acquisition will be implemented solely by means of the Scheme Document (or, if applicable, the offer document containing any Offer), which will contain the full terms and conditions of the Acquisition including details of how to vote in respect of the Scheme (or, if applicable, how to accept the Offer). Any vote in respect of the Scheme or other response in relation to the Acquisition should be made only on the basis of the information contained in the Scheme Document (or, if applicable, the offer document containing any Offer).*

### **Overseas jurisdictions**

*The availability of the Acquisition to AFH Shareholders who are not resident in, and citizens of, the UK may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not resident in the UK should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdictions.*

*The release, publication or distribution of this Announcement in or into jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the law of any jurisdiction other than the UK should inform themselves of, and observe, any applicable legal or regulatory requirements. In particular, the ability of persons who are not resident in the UK to vote their AFH Shares with respect to the Scheme at the Court Meeting, or to appoint another person as proxy to vote at the Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability*

*for the violation of such restrictions by any person. This Announcement has been prepared for the purposes of complying with English Law, the AIM Rules, UK MAR, the rules of the London Stock Exchange and the Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside of England.*

*Copies of this Announcement and the formal documentation relating to the Scheme and the Acquisition will not be, and must not be, mailed or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction or any jurisdiction where to do so would violate the laws of that jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported vote in respect of the Acquisition. If the Acquisition is implemented by way of an Offer (unless otherwise permitted by applicable law or regulation), the Offer may not be made, directly or indirectly, in or into or by use of the mails or any other means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within any Restricted Jurisdiction.*

*Further details in relation to overseas shareholders will be contained in the Scheme Document.*

#### ***Additional information for US Holders***

*US Holders should note that the Acquisition relates to the securities of an English company and is proposed to be implemented under a scheme of arrangement under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules under the US Exchange Act and the proxy solicitation rules under the US Exchange Act will not apply to the Acquisition. The Scheme will be subject to UK disclosure requirements and practices which are different from the disclosure requirements of the US tender offer and proxy solicitation rules. The financial information included in this Announcement and the Scheme Document has been, or will have been, prepared in accordance with IFRS and thus may not be comparable to financial information of companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. However, if Bidco were to exercise its right to implement the Acquisition of the AFH Shares by way of an Offer, such Offer will be made in compliance with applicable US tender offer and securities laws and regulations. Such an Offer would be made by Bidco.*

*The receipt of cash pursuant to the Acquisition by a US Holder as consideration for the transfer of its Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other, tax laws. Each AFH Shareholder is urged to consult his, her or its independent professional adviser immediately regarding the tax consequences of the Acquisition applicable to him, her or it.*

*It may be difficult for US Holders to enforce their rights and claims arising out of the US federal securities laws since Bidco and AFH are located in countries other than the US and some or all of their officers and directors may be residents of countries other than the US. US Holders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.*

*In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, Bidco or its nominees, or their brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, AFH Shares outside of the US, other*

than pursuant to the Acquisition, until the date on which the Scheme and/or the Acquisition becomes Effective, lapses or is otherwise withdrawn. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the UK, will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at [www.londonstockexchange.com](http://www.londonstockexchange.com).

### **Forward-looking statements**

This Announcement, oral statements made regarding the Acquisition, and other information published by Bidco and/or AFH contain statements which are, or may be deemed to be, "forward-looking statements". Forward-looking statements are prospective in nature and are not based on historical facts but rather on current expectations and projections of the management of Bidco and/or AFH about future events and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.

The forward-looking statements contained in this Announcement include statements relating to the expected effects of the Acquisition on Bidco and AFH, the expected timing and scope of the Acquisition and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words, phrases and statements such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words, phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Although Bidco and AFH believe that the expectations reflected in such forward-looking statements are reasonable, Bidco and AFH can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements.

These factors include, but are not limited to: the ability to complete the Acquisition; the ability to obtain requisite regulatory and shareholder approvals and the satisfaction of other Conditions on the proposed terms and schedule; the behaviour of other market participants; the anticipated benefits from the proposed transaction not being realised as a result of changes in general economic and market conditions in the countries in which Bidco and AFH operate; weak, volatile or illiquid capital and/or credit markets; changes in tax rates, interest rates and currency value fluctuations; the degree of competition in the geographic and business areas in which Bidco and AFH operate; and changes in laws or in supervisory expectations or requirements. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors. Neither Bidco nor AFH, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Announcement will actually occur. You are cautioned not to place any reliance on these forward-looking statements. Other than in accordance with their legal or regulatory obligations, neither Bidco nor AFH is under any obligation, and Bidco and AFH expressly disclaim any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **No profit forecasts or profit estimates**

No statement in this Announcement is intended as a profit forecast or profit estimate for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per share for Bidco or AFH, as appropriate, for the current or future financial

years would necessarily match or exceed the historical published earnings or earnings per share for Bidco or AFH, as appropriate.

### **Dealing disclosure requirements**

*Under Rule 8.3(a) of the Code, any person who is interested in one per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified.*

*An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in one per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.*

*If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3. Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).*

*Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.*

*In accordance with Rule 2.9 of the Code, AFH confirms that as at the date of this Announcement, it has in issue and admitted to trading on AIM 42,983,638 ordinary shares of £0.10 each (and holds no shares in treasury). The International Securities Identification Number (ISIN) of the ordinary shares is GB00B4W5WQ08.*

### **Publication on website**

*In accordance with Rule 26.1 of the Code, a copy of this Announcement will be made available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on AFH's website at <https://www.afhwm.co.uk/investor-relations> by no later than 12 noon (London time) on the business day following this Announcement. For the avoidance of doubt, the contents of this website is not incorporated by reference into, and does not form part of, this Announcement.*

### ***Requesting hard copy documents***

*AFH Shareholders may request a hard copy of this Announcement by contacting the Company Secretary of AFH during business hours on +44 (0)152 757 7775 or by submitting a request in writing to the Company Secretary of AFH at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, Worcestershire, B60 4JE. For persons who receive a copy of this Announcement in electronic form or via a website notification, a hard copy of this Announcement will not be sent unless so requested. You may also request that all future documents, announcements and information to be sent to you in relation to the Acquisition should be in hard copy form.*

### ***Electronic communications***

*Please be aware that addresses, electronic addresses and certain other information provided by AFH Shareholders, persons with information rights and other relevant persons for the receipt of communications from AFH may be provided to Bidco during the offer period as required under Section 4 of Appendix 4 of the Code to comply with Rule 2.11(c).*

### ***Rounding***

*Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of figures that precede them.*

### ***Inside Information***

*This Announcement contains inside information. Upon the publication of this Announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.*

***If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.***

**Schedule 1**  
**Conditions and Certain Further Terms of the Scheme and the Acquisition**

**Part A**  
***Conditions to the Scheme and Acquisition***

The Acquisition will be conditional upon the Scheme becoming unconditional and becoming Effective, subject to the provisions of the Code, on or before the Long Stop Date.

Scheme approval

1. The Scheme will be conditional upon:
  - 1.1 approval of the Scheme by a majority in number of the Voting Scheme Shareholders representing not less than 75 per cent. of the voting rights held by the Voting Scheme Shareholders (or the relevant class or classes thereof, if applicable) in each case present and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court (or at any adjournment of any such meetings), provided that the Court Meeting may not be adjourned beyond the 22nd day after the expected date of the Court Meeting to be set out in the Scheme Document in due course (or such later date (if any) as Bidco and AFH may agree and the Court may allow);
  - 1.2 all resolutions necessary to approve and implement the Scheme as set out in the notice of the General Meeting being duly passed by the requisite majorities at the General Meeting or at any adjournment thereof, provided that the General Meeting may not be adjourned beyond the 22nd day after the expected date of the General Meeting to be set out in the Scheme Document in due course (or such later date (if any) as Bidco and AFH may agree and the Court may allow);
  - 1.3 the Rollover Resolution (as set out in the notice of the General Meeting) being duly passed by the requisite majority of Independent Shareholders at the General Meeting or at any adjournment thereof, provided that the General Meeting may not be adjourned beyond the 22nd day after the expected date of the General Meeting to be set out in the Scheme Document in due course (or such later date (if any) as Bidco and AFH may agree and the Court may allow); and
  - 1.4 the sanction of the Scheme by the Court (without modification, or with modification on terms acceptable to Bidco and AFH), provided that the Scheme Court Hearing may not be adjourned beyond the 22nd day after the expected date of the Scheme Court Hearing to be set out in the Scheme Document in due course (or such later date (if any) as Bidco and AFH may agree and the Court may allow) and the delivery of a copy of the Scheme Court Order to the Registrar of Companies.

In addition, Bidco and AFH have agreed that, subject as stated in Part B below and to the requirements of the Panel, the Acquisition will be conditional upon the following matters and, accordingly, the necessary actions to make the Scheme Effective will not be taken unless such conditions (as amended, if appropriate) have been satisfied or, where relevant, waived:

Regulatory clearance

2. In respect of each notice under section 178 of FSMA which Bidco or any other person who has decided to acquire or increase control over any member of the Wider AFH Group which is a UK authorised person (as such term is defined in section 191G of FSMA) is under a duty to give in connection with the proposed implementation of the Acquisition:

- 2.1 the FCA having given notice in writing pursuant to section 189(4)(a) of FSMA that it has determined unconditionally (save only as to the timing of such acquisition or increase) to approve each such acquisition or increase in control pursuant to section 185 of FSMA;
- 2.2 in relation to such acquisition or increase in control, the FCA having given notice in writing pursuant to section 189(7) of FSMA subject to condition(s) specified in the decision notice and such condition(s) not being unreasonably onerous in the reasonable opinion of Bidco and any other proposed controllers; or
- 2.3 the FCA being treated, under section 189(6) of FSMA, as having approved each such acquisition or increase in control.

*General third party clearances*

3. Excluding filings, applications, obligations, notifications, waiting and other time periods and clearances relating to the Regulatory Clearance (in respect of which only paragraph 2 above shall apply), all necessary filings or applications having been made, all necessary waiting and other time periods (including any extensions of such waiting and other time periods) under any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory or regulatory obligations in any relevant jurisdiction having been complied with, in each case in connection with the Acquisition or the acquisition by any member of the Wider Bidco Group of any shares or other securities in, or control of, any member of the Wider AFH Group, where the direct consequence of a failure to make such a notification or filing or to wait for the expiry, lapse, or termination of any such waiting or time period would be unlawful in any relevant jurisdiction.
4. No Third Party having intervened (other than any Third Party having intervened in respect of the Regulatory Clearance (in respect of which only paragraph 2 above shall apply)) and there not continuing to be outstanding any statute, regulation or order of any Third Party (other than any statute, regulation or order of any Third Party relating to the Regulatory Clearance (in respect of which only paragraph 2 above shall apply)), in each case which would reasonably be expected to:
  - 4.1 make the Scheme or the Acquisition or, in each case, its implementation or the acquisition or proposed acquisition by Bidco or any member of the Wider Bidco Group of any shares or other securities in, or control or management of, AFH or any member of the Wider AFH Group void, illegal or unenforceable in any jurisdiction, or otherwise directly or indirectly materially restrain, prevent, prohibit, restrict or materially delay, the same or impose material additional conditions or obligations with respect to the Scheme or the Acquisition or such acquisition, or otherwise materially impede, challenge or interfere with the Scheme or Acquisition or such acquisition, or require material amendment to the terms of the Scheme or Acquisition or the acquisition or proposed acquisition of any AFH Shares or the acquisition of control or management of AFH or the Wider AFH Group by Bidco or any member of the Wider Bidco Group;
  - 4.2 materially limit or delay, or impose any material limitations on, the ability of any member of the Wider Bidco Group or any member of the Wider AFH Group to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or other securities in, or to exercise voting or management control over, any member of the Wider AFH Group or any member of the Wider Bidco Group;

- 4.3 require, prevent or materially delay the divestiture or materially alter the terms envisaged for any proposed divestiture by any member of the Wider Bidco Group of any shares or other securities in AFH or of all or any material portion of their respective businesses, assets or properties or materially limit the ability of any of them to conduct any of their respective businesses or to own or control any of their respective assets or properties or any part thereof;
- 4.4 except pursuant to sections 974 to 991 of the Companies Act, require any member of the Wider Bidco Group or of the Wider AFH Group to acquire, or to offer to acquire, any shares or other securities (or the equivalent) in any member of either group owned by any third party;
- 4.5 materially limit the ability of any member of the Wider Bidco Group or of the Wider AFH Group to conduct or integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Wider Bidco Group or of the Wider AFH Group; or
- 4.6 otherwise materially adversely affect, any or all of the business, assets, profits, financial or trading position of any member of the Wider AFH Group or of the Wider Bidco Group.

Certain matters arising as a result of any arrangement, agreement, etc.

5. Except as Disclosed, there being no provision of any arrangement, agreement, licence, permit, franchise or other instrument to which any member of the Wider AFH Group is a party, or by or to which any such member or any of its assets is or are or may be bound, entitled or subject, which, in each case as a consequence of the Scheme or Acquisition or the acquisition or proposed acquisition of any shares or other securities in, or control of, AFH or any other member of the Wider AFH Group by any member of the Wider Bidco Group or otherwise, would be expected to result in (in any case, to an extent which would reasonably be expected to be material and adverse in the context of the AFH Group taken as a whole):
  - 5.1 save in respect of the AFH CULS and the HSBC Facility, any monies borrowed by or any other indebtedness or liabilities (actual or contingent) of, or any grant available to, any member of the Wider AFH Group being or becoming repayable or capable of being declared repayable immediately or prior to its stated maturity date or repayment date or the ability of any member of the Wider AFH Group to borrow monies or incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn or inhibited;
  - 5.2 the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property, assets or interests of any member of the Wider AFH Group;
  - 5.3 any such arrangement, agreement, licence, permit, franchise or instrument, or the rights, liabilities, obligations or interests of any member of the Wider AFH Group thereunder, being, or becoming capable of being, terminated or modified or affected or any action being taken or any obligation or liability arising thereunder;
  - 5.4 any asset or interest of any member of the Wider AFH Group being or falling to be disposed of or charged or ceasing to be available to any member of the Wider AFH Group or any right arising under which any such asset or interest could be required to be disposed of or could cease to be available to any member of the Wider AFH Group otherwise than in the ordinary course of business;
  - 5.5 the creation of any liabilities (actual or contingent) by any member of the Wider AFH Group other than trade creditors or other liabilities incurred in the ordinary course

of business;

5.6 the rights, liabilities, obligations or interests of any member of the Wider AFH Group under any such arrangement, agreement, licence, permit, franchise or other instrument or the interests or business of any such member in or with any other person, firm, company or body (or any arrangement or arrangements relating to any such interests or business) being terminated or adversely modified or affected; or

5.7 the financial or trading position or the value of any member of the Wider AFH Group being prejudiced or adversely affected,

and no event having occurred which, under any provision of any such arrangement, agreement, licence, permit or other instrument, would or would reasonably be expected to result in any of the events or circumstances which are referred to in paragraphs 5.1 to 5.7 of this paragraph 5 in any case to an extent which would reasonably be expected to be material and adverse in the context of the AFH Group taken as a whole.

Certain events occurring since 31 October 2020

6. Except as Disclosed, no member of the Wider AFH Group having, since 31 October 2020:

6.1 issued or agreed to issue, or authorised the issue of, additional shares of any class, or securities convertible into or exercisable or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities or transferred or sold any shares out of treasury, in each case other than as between AFH and wholly-owned subsidiaries of AFH and other than any shares issued or shares transferred from treasury upon the exercise of options granted under any of the AFH Share Plans or in consideration for the disposal of any Growth Shares;

6.2 purchased or redeemed or repaid any of its own shares or other securities or reduced or made any other change to any part of its share capital in each case to an extent which is material and adverse in the context of the Wider AFH Group taken as a whole;

6.3 recommended, declared, paid or made any dividend or other distribution whether payable in cash or otherwise or made any bonus issue (other than to AFH or a wholly-owned subsidiary of AFH and other than the Interim Dividend);

6.4 other than pursuant to the Acquisition (and except for transactions between AFH and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of AFH and transactions in the ordinary course of business) implemented, effected, authorised or announced its intention to implement, effect, authorise or propose any merger, demerger, reconstruction, amalgamation, scheme, or acquisition or disposal of assets or shares or loan capital (or the equivalent thereof) in any undertaking or undertakings in any such case to an extent which is material and adverse in the context of the Wider AFH Group taken as a whole or in the context of the Acquisition;

6.5 save for intra-AFH Group transactions, made or authorised any change in its loan capital other than in connection with ordinary course financing arrangements in any case to an extent which is material and adverse in the context of the AFH Group taken as a whole;

6.6 save for intra-AFH Group transactions, entered into, implemented or authorised the entry into of, any joint venture, asset or profit sharing arrangement, partnership or

merged with, demerged or acquired any body corporate, partnership or business or acquired or disposed of or transferred, mortgaged, charged or created any security interest over any assets or any right, title or interest in any assets (including shares in any undertaking and trade investments) or authorised the same (in each case, to an extent which is material and adverse in the context of the Wider AFH Group taken as a whole);

6.7 save in the ordinary course of business, issued or authorised the issue of, or made any change in or to, any debentures or (save for intra-AFH Group transactions) incurred or increased any indebtedness or liability (actual or contingent) which in any case is material and adverse in the context of the Wider AFH Group taken as a whole;

6.8 entered into, varied or authorised any material agreement, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which:

6.8.1 is of a long term, onerous or unusual nature or magnitude or which is reasonably likely to involve an obligation of such nature or magnitude (save in the ordinary course of business); or

6.8.2 is likely to materially restrict the business of any member of the Wider AFH Group other than to a nature and extent which is normal in the context of the business concerned,

and, in either case, which is or would reasonably be expected to be material and adverse in the context of the Wider AFH Group taken as a whole;

6.9 (other than in respect of a member which is dormant or which is solvent at the relevant time) taken any corporate action or had any legal proceedings instituted or threatened against it or petition presented or order made for its winding-up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any material part of its assets and revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction which in any case is material in the context of the Wider AFH Group taken as a whole;

6.10 been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business to an extent which is material in the context of the Wider AFH Group taken as a whole;

6.11 other than in respect of claims between AFH and wholly owned subsidiaries of AFH, waived or compromised any claim otherwise than in the ordinary course of business which is material in the context of the Wider AFH Group taken as a whole;

6.12 made any alteration to its memorandum or articles of association (in each case, other than in connection with the Scheme) which is material in the context of the Acquisition;

6.13 (except in relation to changes made or agreed as a result of, or arising from, legislation or changes to legislation) made or agreed or consented to:

6.13.1 any material change to:

(a) the terms of the trust deeds constituting the pension scheme(s) established for its directors, employees or their dependents; or

- (b) the contributions payable to any such scheme(s) or to the benefits which accrue or to the pensions which are payable thereunder; or
- (c) the basis on which qualification for, or accrual or entitlement to such benefits or pensions are calculated or determined; or
- (d) the basis upon which the liabilities (including pensions) or such pension schemes are funded, valued or made,

in each case, which is material in the context of the Wider AFH Group taken as a whole; or

6.13.2 any change to the trustees including the appointment of a trust corporation;

6.14 entered into or materially varied the terms of or made any offer (which remains open for acceptance) to enter into or vary the terms of, any contract, agreement, commitment, transaction or arrangement with any director or senior executive which is material and adverse in the context of the Acquisition or which would reasonably be expected to have a material adverse effect on the financial position of the Wider AFH Group;

6.15 proposed, agreed to provide or materially modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by the Wider AFH Group in each case which is material and adverse in the context of the Wider AFH Group taken as a whole; and

6.16 on or after the date of this Announcement, and other than with the consent of Bidco, no action having been taken or proposed by any member of the Wider AFH Group which requires or would require the approval of AFH Shareholders in general meeting in accordance with, or as contemplated by, Rule 21.1 of the Code.

No adverse change, litigation or regulatory enquiry

7. Except as Disclosed, since 31 October 2020:

7.1 there having been no adverse change or deterioration in the business, assets, financial or trading positions or profit or prospects of any member of the Wider AFH Group which in any case is material and adverse in the context of the Wider AFH Group taken as a whole;

7.2 no contingent or other liability of any member of the Wider AFH Group having arisen or become apparent or increased which in any case is or would reasonably be expected to be material and adverse in the context of the Wider AFH Group taken as a whole;

7.3 (other than as a result of or in connection with the Acquisition), no litigation, arbitration proceedings, prosecution or other legal or regulatory proceedings to which any member of the Wider AFH Group is or may become a party (whether as plaintiff, defendant or otherwise) and no investigation by any Third Party against or in respect of any member of the Wider AFH Group having been threatened in writing, announced, implemented or instituted by or against or remaining outstanding against or in respect of any member of the Wider AFH Group which in any such case is or would reasonably be expected to be material and adverse in the context of the Wider AFH Group taken as a whole;

7.4 no steps having been taken which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider AFH

Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which would reasonably be expected to have a material adverse effect on the Wider AFH Group taken as a whole; and

- 7.5 no member of the Wider AFH Group having conducted its business in breach of any applicable laws and regulations which in any case is material in the context of the Wider AFH Group taken as a whole.

No discovery of certain matters

8. Except as Disclosed, Bidco not having discovered:

8.1 that any financial or business or other information concerning the Wider AFH Group disclosed at any time by or on behalf of any member of the Wider AFH Group, whether publicly, to any member of the Wider Bidco Group or to any of their advisers or otherwise, is misleading or contains any misrepresentation of material fact or omits to state a material fact necessary to make any information contained therein not misleading, in each case to an extent which is material in the context of the Wider AFH Group taken as a whole; or

8.2 that any member of the Wider AFH Group is subject to any liability (actual or contingent) which is material in the context of the Wider AFH Group taken as a whole.

Anti-corruption, sanctions and criminal property

9. Except as Disclosed, Bidco not having discovered that:

9.1 any:

9.1.1 past or present member, director, officer or employee of the Wider AFH Group; or

9.1.2 person that performs or has performed services on behalf of the Wider AFH Group,

has at any time engaged in an activity, practice or conduct which would constitute an offence under the UK Bribery Act 2010, the US Foreign Practices Act of 1977 or any other applicable anti- corruption legislation;

9.2 any material asset of any member of the Wider AFH Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition);

9.3 any past or present member, director, officer or employee of the Wider AFH Group, or any other person for whom any such person may be liable or responsible, has engaged in any business with, made any investments in, or made any payments or assets available to or received any funds or assets from:

9.3.1 any government, entity, or individual with which US or European Union persons (or persons operating in those territories) are prohibited from engaging in activities, doing business or from receiving or making available funds or economic resources, by US or European Union laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets Control or HM Treasury & Customs; or

- 9.3.2 any government, entity or individual targeted by any of the economic sanctions of the United Nations, United States or the European Union or any of its member states; or
- 9.4 a member of the AFH Group has engaged in a transaction which would cause the Bidco Group to be in breach of any law or regulation on completion of the Acquisition, including the economic sanctions administered by the United States Office of Foreign Assets Control or HM Treasury & Customs or any government, entity or individual targeted by any of the economic sanctions of the United Nations, United States or the European Union or any of its member states.
10. For the purpose of these Conditions:
- 10.1 "Third Party" means any central bank, government, government department or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, authority, court, trade agency, association, institution or professional or environmental body in any relevant jurisdiction, including, for the avoidance of doubt, the Panel; and
- 10.2 a Third Party shall be regarded as having "intervened" if it has given written notice to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or made, proposed or enacted any statute, regulation, decision or order or taken any measures or other steps or required any action to be taken or information to be provided or otherwise having done anything and "intervene" shall be construed accordingly.

## **Part B**

### ***Certain further terms of the Scheme and the Acquisition***

1. Conditions 2 to 9 (inclusive) must be fulfilled, be determined by Bidco to be or remain satisfied or (if capable of waiver) be waived prior to the commencement of the Scheme Court Hearing, failing which the Scheme will lapse.
2. Notwithstanding the paragraph above, subject to paragraph 4 below and subject to the requirements of the Panel, Bidco reserves the right in its sole discretion to waive all or any of paragraphs 3 to 9 (inclusive), in whole or in part and to proceed with the Scheme Court Hearing prior to the fulfilment, satisfaction or waiver of any of the paragraphs 2 to 9 (inclusive).
3. Bidco shall be under no obligation under the terms and Conditions of the Acquisition to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of paragraphs 2 to 9 (inclusive) by a date earlier than the latest date specified in paragraph 1 of Part A above, notwithstanding that the other Conditions may at such earlier date have been waived or fulfilled and that there are, at such earlier date, no circumstances indicating that any Condition may not be capable of fulfilment.

4. Bidco reserves the right to elect to implement the Acquisition by way of a takeover offer (as defined in Part 28 of the Companies Act), subject to the Panel's consent and (while the Co-operation Agreement is continuing) to the terms of the Co-operation Agreement. In such event, such Offer will be implemented on the same terms and conditions (subject to appropriate amendments, including (without limitation and for so long as the Co-operation Agreement is continuing) an acceptance condition set at 75 per cent. of the shares to which the Acquisition relates (or such lesser percentage, as Bidco may decide with the consent of the Panel) so far as applicable, as those which would apply to the Scheme.
5. Under Rule 13.5(a) of the Code, Bidco may not invoke a Condition so as to cause the Acquisition not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to Bidco in the context of the Acquisition. The Conditions contained in paragraph 1 of Part A above and, if applicable, any acceptance condition if the Acquisition is implemented by means of an Offer, are not subject to this provision of the Code.
6. If the Panel requires Bidco to make an offer for AFH Shares under the provisions of Rule 9 of the Code, Bidco may make such alterations to the Conditions as are necessary to comply with the provisions of that Rule.
7. The Acquisition will be subject, *inter alia*, to the Conditions and certain further terms which are set out in this Schedule 1 and those terms which will be set out in the Scheme Document and such further terms as may be required to comply with the provisions of the AIM Rules and the provisions of the Code.
8. The Scheme Shares will be acquired by Bidco fully paid and free from all liens, equitable interests, charges, encumbrances and other third party rights of any nature whatsoever and together with all rights attaching to them, including the right to receive and retain all dividends and distributions (if any) declared, made or paid after the date of this Announcement (other than the Interim Dividend).
9. If, on or after the date of this Announcement, any dividend (save for the Interim Dividend) and/or other distribution and/or other return of capital is declared, made or paid or becomes payable in respect of the AFH Shares, Bidco reserves the right (without prejudice to any right of Bidco to invoke Condition 6.3 of Part A of this Schedule 1 ), to reduce the Acquisition Price payable under the terms of the Acquisition for the AFH Shares by an amount up to the amount of such dividend and/or distribution and/or return of capital, in which case any reference in this Announcement or in the Scheme Document to the Acquisition Price payable under the terms of the Acquisition will be deemed to be a reference to the Acquisition Price as so reduced. If Bidco exercises its right to reduce the Acquisition Price payable under the terms of the Acquisition for the AFH Shares by an amount up to the amount of a dividend and/or distribution and/or return of capital that has not been paid, AFH Shareholders will be entitled to receive and retain any such dividend and/or other distribution and/or other return of capital. To the extent that any such dividend and/or distribution and/or other return of capital is declared, made or paid or is payable and it is: (i) transferred pursuant to the Acquisition on a basis which entitles Bidco to receive the dividend or distribution and to retain it; or (ii) cancelled, the consideration payable under the terms of the Acquisition will not be subject to change in accordance with this paragraph. Any exercise by Bidco of its rights referred to in this paragraph shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the Acquisition.
10. This Announcement and any rights or liabilities arising hereunder, the Acquisition, the Scheme, and any proxies will be governed by English law and be subject to

the jurisdiction of the Courts. The Scheme will be subject to the applicable requirements of the Code, the Panel, the London Stock Exchange, the AIM Rules, the FCA and the Registrar of Companies.

Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.

## **Schedule 2 Bases and Sources**

Unless otherwise stated in this Announcement:

1. all references to AFH Shares are to ordinary shares of 10 pence each in the capital of AFH;
2. the value attributed to the fully diluted issued ordinary share capital of AFH is based on:
  - a) 42,983,638 AFH Shares in issue as at the Latest Practicable Date; and
  - b) 1,914,024 AFH Shares which may be issued on or after the date of this Announcement to satisfy the exercise of options and vesting of awards outstanding under the AFH Share Plans as at the Latest Practicable Date (assuming an Effective Date of 31 March 2021 and that optionholders have saved the maximum amount possible under the AFH SAYE Option Plan); and
  - c) 3,597,588 AFH Shares which may be issued on or after the date of this Announcement to satisfy the conversion of AFH CULS into AFH Shares (assuming 31 March 2021 as the "change of control" date under the trust deed relating to the AFH CULs);
3. historical AFH Share prices are sourced from the AIM Appendix to the Daily Official List and represent Closing Prices on the relevant dates; and
4. the volume-weighted average prices of AFH Shares and trading volume data have been derived from Capital IQ and, in the case of volume-weighted average prices, have been rounded to the nearest single decimal place.

### **Schedule 3**

#### **Details of Irrevocable Undertakings**

##### **AFH Executive Director undertakings**

###### Alan Hudson Undertaking

Alan Hudson has given an irrevocable undertaking in respect of 6,105,700 AFH Shares beneficially owned by him (or in respect of which he is interested pursuant to options held over AFH Shares) (being all of the AFH Shares (on a fully diluted basis) beneficially owned by him or in respect of which he is interested), and representing approximately 12.6 per cent of AFH's issued, and to be issued, share capital as at the Latest Practicable Date) to be bound by the terms of the Scheme (or, if the Acquisition is to be implemented by way of an Offer, to accept, or procure the acceptance of, the Offer) and, in respect of 5,955,700 AFH Shares beneficially owned by him (being all of the AFH Shares beneficially owned by him) and representing approximately 13.9 per cent. of AFH's issued share capital as at the Latest Practicable Date), to vote, or procure the vote, in favour of the special resolution to be proposed at the General Meeting to approve the adoption of the amended Articles. Alan Hudson is not entitled to vote at the Court Meeting, and is not entitled to vote at the General Meeting in respect of the Rollover Resolution.

The terms of Alan Hudson 's irrevocable undertaking do not permit him to accept a higher competing offer made prior to the Scheme becoming Effective, if any person other than Bidco, or a person acting in concert with Bidco, announces a firm intention to make an offer to acquire the entire issued, and to be issued, ordinary share capital of AFH.

Alan Hudson's irrevocable undertaking will cease to be binding only if: (i) the Panel consents to Bidco not proceeding with the Acquisition; (ii) the Scheme Document is not dispatched to AFH Shareholders within 28 days (or such longer period as may be agreed between AFH and the Panel) of this Announcement; or (iii) the Scheme lapses or is withdrawn in accordance with its terms or the Scheme does not become Effective by the Long Stop Date. As stated above, the irrevocable undertaking will remain binding in the event that a higher competing offer for AFH is made.

###### Other AFH Executive Directors' Undertakings

Paul Wright has given an irrevocable undertaking in respect of 285,000 AFH Shares owned by him (or in respect of which he is interested pursuant to options held over AFH Shares) (being all of the AFH Shares (on a fully diluted basis) owned by him or in respect of which he is interested ), and representing approximately 0.6 per cent. of AFH's issued, and to be issued, share capital as at the Latest Practicable Date) to be bound by the terms of the Scheme (or, if the Acquisition is to be implemented by way of an Offer, to accept, or procure the acceptance of, the Offer) and, in respect of 35,000 AFH Shares owned by him (being all of the AFH Shares owned by him) and representing approximately 0.1 per cent. of AFH's issued share capital as at the Latest Practicable Date), to vote, or procure the vote, in favour of the special resolution to be proposed at the General Meeting to approve the adoption of the amended Articles. Paul Wright is not entitled to vote at the Court Meeting, and is not entitled to vote at the General Meeting in respect of the Rollover Resolution.

Austin Broad has given an irrevocable undertaking in respect of 101,420 AFH Shares owned by him (or in respect of which he is interested pursuant to options held over AFH Shares) (being all of the AFH Shares (on a fully diluted basis) owned by him or in respect of which he is interested ), and representing approximately 0.2 per cent. of AFH's issued, and to be issued, share capital as at the Latest Practicable Date) to be bound by the terms of the Scheme (or, if the Acquisition is to be implemented by way of an Offer, to accept, or procure the acceptance of, the Offer) and, in respect of 15,000 AFH Shares owned by

him (being all of the AFH Shares owned by him) and representing approximately 0.03 per cent. of AFH's issued share capital as at the Latest Practicable Date), to vote, or procure the vote, in favour of the special resolution to be proposed at the General Meeting to approve the adoption of the amended Articles. Austin Broad is not entitled to vote at the Court Meeting, and is not entitled to vote at the General Meeting in respect of the Rollover Resolution.

Alex Larvin has given an irrevocable undertaking in respect of 101,420 AFH Shares in which she is interested pursuant to options held over such AFH Shares (being all of the AFH Shares in which she is interested and representing approximately 0.2 per cent. of AFH's issued, and to be issued, share capital as at the Latest Practicable Date), to be bound by the terms of the Scheme (or, if the Acquisition is to be implemented by way of an Offer, to accept, or procure the acceptance of, the Offer). As Alex Larvin's interests are currently held by way of options over AFH Shares only, which will not have been exercised at the date of the General Meeting, she will not have the right to vote on the special resolution to be proposed at the General Meeting to approve the adoption of the amended Articles, nor at the Court Meeting nor General Meeting in respect of the Rollover Resolution.

The terms of these irrevocable undertakings are otherwise the same as those of the Alan Hudson's irrevocable undertaking referred to above.

#### **AFH Independent Director undertakings**

The following Independent Directors who are interested in AFH Shares have given irrevocable undertakings to vote, or procure the vote, in favour of the Scheme at the Court Meeting and the Resolutions (or, if the Acquisition is to be implemented by way of an Offer, to accept, or procure the acceptance of, the Offer) in relation to the following AFH Shares:

<b>Name</b>	<b>Number of AFH Shares</b>	<b>Percentage of AFH Shares as at the Latest Practicable Date</b>
John Wheatley	233,121	0.5
Mark Chambers	78,133	0.2

These irrevocable undertakings do not permit acceptance of a higher competing offer made prior to the Scheme becoming Effective, if any person other than Bidco, or a person acting in concert with Bidco, announces a firm intention to make an offer to acquire the entire issued, and to be issued, ordinary share capital of AFH. These irrevocable undertakings lapse in the same circumstances described in relation to Alan Hudson's irrevocable undertaking above.

Sue Lewis does not currently hold any AFH Shares.

#### **AFH Shareholder undertakings**

In addition to the AFH Executive Directors and the AFH Independent Directors, the following AFH Shareholders have given irrevocable undertakings to vote, or procure the vote, in favour of the Scheme at the Court Meeting and the Resolutions (or, if the Acquisition is to be implemented by way of an Offer, to accept, or procure the acceptance of, the Offer) in relation to the following AFH Shares:

<b>Name</b>	<b>Number of AFH Shares</b>	<b>Percentage of AFH Shares as at the Latest Practicable Date</b>
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Paul Connor	3,500,000	8.1
Philip Mobberley	2,548,776	5.9
BMO Asset Management Limited	1,816,947	4.2

The undertakings from the AFH Shareholders named above will cease to be binding only if:

- 1.1 a press announcement substantially in the form of this Announcement has not been released by 11.59 p.m. (London time) on 25 January 2021 (or such later date as AFH and Bidco may agree);
- 1.2 the Scheme Document is not sent to AFH Shareholders within 28 days (or such longer period as the Panel may agree) after the date of this Announcement;
- 1.3 if the Acquisition is to be implemented by way of an Offer, the Offer lapses or is withdrawn in accordance with its terms and Bidco publicly confirms that it does not intend to proceed with the Offer or to implement the Offer by way of a Takeover Offer or otherwise;
- 1.4 the Scheme has not become effective by 6.00 p.m. on the Long Stop Date (or such later time or date as agreed between Bidco and AFH, with the approval of the Court and/or the Panel if required); or
- 1.5 in respect of BMO Asset Management Limited only, (i) a competing offer third party announces a firm intention pursuant to Rule 2.7 of the Code to acquire the entire issued and to be issued ordinary share capital of the Company and the consideration payable to each AFH Share under such proposal is 513 pence or greater; and (ii) Bidco does not confirm an increase in the consideration to be paid for the AFH Shares pursuant to the Offer to at least an equivalent amount per share within seven days of such competing offer.

#### **Schedule 1**

#### **Schedule 4 Definitions**

The following definitions apply throughout this Announcement unless the context requires otherwise:

"Acquisition" means the direct or indirect acquisition of the entire issued and to be issued ordinary share capital of AFH by Bidco to be implemented by way of the Scheme or (should Bidco so elect, subject to the consent of the Panel) by way of an Offer;

"Acquisition Price" means 463 pence for each Scheme Share;

"AFH" means AFH Financial Group Plc, a company registered in England and Wales with registered number 07638831;

"AFH CULS" means outstanding loan stock issued under the trust deed dated 29 July 2019 constituting £15,000,000 4 per cent. Convertible Unsecured Loan Stock 2024 issued by AFH;

"AFH Directors" means the directors of AFH;

"AFH Executive Directors" means Alan Hudson, Paul Wright, Austin Broad and Alex Larvin;

"AFH Group" means AFH and its subsidiary undertakings;

"AFH Shareholders" means the registered holders of AFH Shares from time to time;

"AFH Shares" means the ordinary shares of 10 pence each in the capital of AFH;

"AFH Share Plan Participants" means participants in the AFH Share Plans;

"AFH Share Plans" means, each of:

- (a) the AFH Company Share Option Plan;
- (a) the AFH SAYE Option Plan;
- (b) the AFH 2012 EMI Share Option Plan;
- (c) the Unapproved Share Option Contract; and
- (d) the Growth Share Scheme;

"AIM Rules" means the AIM Rules for Companies published by the London Stock Exchange, as amended from time to time;

"Announcement" means this announcement made pursuant to Rule 2.7 of the Code;

"Articles" means the articles of association of AFH from time to time;

"Bidco Directors" means the directors of Bidco;

"Bidco Group" means Bidco, its subsidiaries and its subsidiary undertakings from time to time;

"business day" means any day (excluding any Saturday or Sunday or any public holiday) on which banks in the City of London are generally open for business;

"Cash Sale SPA" means the sale and purchase agreement entered into between Bidco and Alan Hudson dated 25 January 2021, a summary of which is set out in paragraph 14 of this Announcement;

"Closing Price" means the closing middle market quotation of a share on a particular trading day as derived from the Daily Official List published for that day;

"Code" means the City Code on Takeovers and Mergers;

"Companies Act" means the Companies Act 2006, as amended from time to time;

"Conditions" means the conditions to the implementation of the Acquisition (including the Scheme) as set out in Schedule 1 to this Announcement and to be set out in the Scheme Document;

"Confidentiality Agreement" means the confidentiality agreement entered into between Flexpoint and AFH dated 1 December 2020, a summary of which is set out in paragraph 14 of this Announcement;

"Co-operation Agreement" means the co-operation agreement entered into between Bidco and AFH dated 25 January 2021, a summary of which is set out in paragraph 14 of this Announcement;

"Court" means the High Court of Justice of England and Wales;

"Court Meeting" means the meeting or meetings of Voting Scheme Shareholders or of any class or classes thereof to be convened by order of the Court pursuant to section 896 of the Companies Act, notice(s) of which will be set out in the Scheme Document, to consider and, if thought fit, approve the Scheme (with or without amendment) and any adjournment(s) thereof;

"CREST" means the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755) (including as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018), in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in such Regulations) in accordance with which securities may be held and transferred in uncertificated form;

"Daily Official List" means the AIM Appendix to the Daily Official List published by the London Stock Exchange;

"Dealing Disclosure" means an announcement pursuant to Rule 8 of the Code containing details of dealings in interests in relevant securities of a party to an offer;

"Disclosed" means:

- (e) information disclosed by, or on behalf of, AFH in this Announcement;
- (f) fairly disclosed prior to the date of this Announcement by or on behalf of AFH to Bidco (or its respective officers, employees, agents or advisers in their capacity as such); or
- (g) as otherwise publicly announced by AFH prior to the date of this Announcement (by the delivery of an announcement to a Regulatory Information Service);

"Effective" means, in the context of the Acquisition:

- (h) if the Acquisition is implemented by way of the Scheme, the Scheme having become effective pursuant to its terms, upon the delivery of a copy of the Scheme Court Order to the Registrar of Companies; or
- (i) if the Acquisition is implemented by way of an Offer, the Offer having been declared or become unconditional in all respects in accordance with the requirements of the Code;

"Effective Date" means the date upon which the Acquisition (including the Scheme) becomes Effective in accordance with its terms;

"Excluded Shares" means (i) any AFH Shares legally or beneficially held by Bidco and/or any other member of the Wider Bidco Group; or (ii) any AFH Shares held in treasury ;

"FCA" or "Financial Conduct Authority" means the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the UK Financial Services and Markets Act 2000;

"Flexpoint" means Flexpoint Ford LLC;

"Forms of Proxy" means the forms of proxy for use by AFH Shareholders in connection with each of the Court Meeting and the General Meeting, which shall accompany the Scheme Document;

"General Meeting" means the general meeting of AFH to be convened to consider and, if thought fit, to approve the Resolutions (with or without amendment) and any adjournment thereof;

"Growth Shares" means A Shares of £0.001 each in the share capital of AFH Group Limited (registered in England & Wales with company number 02557859);

"HSBC Facility" means the facility agreement dated 7 November 2019 between AFH and certain of its subsidiaries and HSBC Bank plc;

"IFRS" means International Financial Reporting Standards;

"Independent Directors" means John Wheatley, Sue Lewis and Mark Chambers, being the independent directors of AFH who do not have an interest in the Management Arrangements;

"Independent Shareholders" means the AFH Shareholders other than the AFH Executive Directors, any of their respective connected persons, any person holding AFH Shares on behalf of any AFH Executive Directors and/or any of their respective connected persons;

"Interim Dividend" means the interim dividend for the year ended 31 October 2020 of 3 pence per AFH Share (as set out in the announcement of AFH's preliminary results for the year ended 31 October 2020 published on 18 January 2021);

"Investment Agreement" means the agreement entered into between Bidco and the AFH Executive Directors dated 25 January 2021, a summary of which is set out in paragraph 14 of this Announcement;

"KBW" means Stifel Nicolaus Europe Limited, which also trades under the name Keefe, Bruyette & Woods, which is a firm authorised in the United Kingdom by the Financial Conduct Authority under number 190412, with principal place of business at 150 Cheapside, London EC2V 6ET;

"Latest Practicable Date" means 22 January 2021 (being the last business day before the date of this Announcement);

"London Stock Exchange" means London Stock Exchange plc, together with any successor thereto;

"Long Stop Date" means 30 June 2021 or such later date (if any) as Bidco and AFH may, with the consent of the Panel, agree and (if required) the Court may approve;

"Management Arrangements" means the Cash Sale SPA and the Rollover Arrangements;

"Management Arrangements Shares" means the Manager Sale Shares and the Rollover Shares;

"Manager Sale Shares" means 4,294,065 of the AFH Shares registered in the name of or beneficially owned by Alan Hudson which are subject to the Cash Sale SPA;

"MAR" means the Market Abuse Regulation (2014/596/EU);

"Meetings" means the Court Meeting and the General Meeting;

"Midco" means Cortina Midco Limited, a newly incorporated company registered in the Cayman Islands which was formed for the purposes of the Acquisition;

"Offer" means if (subject to the consent of the Panel) Bidco elects to effect the Acquisition by way of a takeover offer (as defined in Chapter 3 of Part 28 of the Companies Act), the offer to be made by or on behalf of Bidco to acquire the issued, and to be issued, ordinary share capital of AFH on the terms and subject to the conditions set out in the related offer document;

"offer period" means the offer period (as defined by the Code) relating to AFH, which commenced on the date of this Announcement and ending on the date on which the Acquisition becomes Effective, lapses or is withdrawn (or such other date as the Panel may decide);

"Opening Position Disclosure" has the same meaning as in Rule 8 of the Code;

"Panel" means the Panel on Takeovers and Mergers;

"Put and Call Option Deed" means the put and call option deed in the agreed form, to be entered into between Topco, Midco, Bidco and each of the AFH Executive Directors;

"Registrar of Companies" means the Registrar of Companies in England and Wales;

"Regulatory Authority" means any central bank, ministry, governmental, quasigovernmental, supranational, statutory, regulatory or investigative body or authority, national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof), any entity owned or controlled by them, any private body exercising any regulatory, taxing, importing or other authority, trade agency, association, institution or professional or environmental body in any jurisdiction;

"Regulatory Condition" means the Condition set out in paragraph 2 of Part A of Schedule 1 ;

"Regulatory Information Service" means any information service authorised from time to time by the FCA for the purpose of disseminating regulatory announcements;

"Resolutions" means the Rollover Resolution and the resolution(s) to be proposed at the General Meeting necessary to implement the Scheme, including, amongst other things, a resolution to amend the Articles by the adoption and inclusion of a new article under which any AFH Shares issued or transferred after the General Meeting shall either be subject to the Scheme or (after the Effective Date) shall be immediately transferred to Bidco (or as it may direct) in exchange for the same consideration as is due under the Scheme;

"Restricted Jurisdictions" means any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information

concerning the Acquisition is sent or made available to AFH Shareholders in that jurisdiction;

"Rollover Arrangements" means the arrangements described in paragraph 9 (other than the Cash Sale SPA);

"Rollover Documents" means the Investment Agreement and the Share Exchange Agreement and Put and Call Option Deed to be entered into in accordance with the terms of the Investment Agreement;

"Rollover Resolution" means the ordinary resolution to be proposed at the General Meeting in connection with the approval of the Rollover Arrangements pursuant to Rule 16 of the Code;

"Rollover Shares" means such number of AFH Shares registered in the name of, or beneficially owned by, each of the AFH Executive Directors (including following the exercise of options under the AFH Share Plans in connection with the Acquisition) as equates, together with any Growth Shares registered in the name of, or beneficially owned by, each of the AFH Executive Directors to be exchanged for Bidco Rollover Notes pursuant to the Share Exchange Agreement, to 30 per cent. of the aggregate gross proceeds to be received by the AFH Executive Directors pursuant to the Acquisition (net of any exercise price payable on the exercise of options under the AFH Share Plans) at the Acquisition Price and ultimately to be exchanged for shares in Topco pursuant to the terms of the Rollover Documents;

"Scheme" means the scheme of arrangement proposed to be made under Part 26 of the Companies Act between AFH and the Scheme Shareholders, the terms of which are to be set out in the Scheme Document, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by AFH and Bidco;

"Scheme Court Hearing" means the hearing of the Court to sanction the Scheme under Part 26 of the Companies Act;

"Scheme Court Order" means the order of the Court sanctioning the Scheme under Part 26 of the Companies Act;

"Scheme Document" means the document to be sent to (among others) AFH Shareholders containing and setting out, among other things, the full terms and conditions of the Scheme, the explanatory statement required by Section 897 of the Companies Act and containing the notices convening the Meetings;

"Scheme Record Time" means the time and date specified in the Scheme Document, expected to be 6.00 p.m. on the business day immediately prior to the Effective Date;

"Scheme Shareholders" means holder(s) of Scheme Shares;

"Scheme Shares" means the AFH Shares:

- (a) in issue as at the date of the Scheme Document;
- (b) (if any) issued after the date of the Scheme Document and prior to the Scheme Voting Record Time; and
- (c) any AFH Shares issued on or after the Scheme Voting Record Time but before the Scheme Record Time, either on terms that the original or any subsequent holders thereof shall be bound by the Scheme or in respect of which the holders thereof shall have agreed in writing to be bound by the Scheme,

but, in each case, excluding any Excluded Shares and any AFH Shares which are Management Arrangements Shares;

"Scheme Voting Record Time" means the time and date specified as such in the Scheme Document by reference to which entitlement to vote on the Scheme at the Court Meeting will be determined, which is expected to be 6.00 pm on the day which is two days before the date of the Court Meeting (or any adjournment thereof);

"Share Exchange Agreement" means the share exchange agreement in the agreed form, to be entered into between Bidco and each of the AFH Executive Directors;

"Substantial Interest" means a direct or indirect interest in 20 per cent. or more of the voting equity share capital of an undertaking;

"Topco" means Cortina Topco Limited, a newly incorporated company registered in the Cayman Islands which was formed for the purposes of the Acquisition;

"UK MAR" means MAR, as adopted in the United Kingdom and amended by the European Union (Withdrawal) Act 2018 and Market Abuse (Amendment) (EU Exit) Regulations 2019;

"United States of America", "United States" or "US" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

"US Exchange Act" means the United States Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (as amended);

"US Holders" means holders of AFH Shares ordinarily resident in the US or with a registered address in the US, and any custodian, nominee or trustee holding AFH Shares for persons in the US or with a registered address in the US;

"Voting Scheme Shareholders" means holder(s) of Voting Scheme Shares;

"Voting Scheme Shares" means all Scheme Shares, other than any AFH Shares registered in the name of or beneficially owned by any AFH Executive Directors;

"Wider AFH Group" means AFH and its subsidiaries, subsidiary undertakings and associated undertakings and any other undertaking (including any joint venture, partnership, firm or company) in which AFH and/or such undertakings (aggregating their interests) have a Substantial Interest; and

"Wider Bidco Group" means Bidco, funds advised by Flexpoint and their respective associated undertakings and any other body corporate, partnership, joint venture or person in which Bidco and all such undertakings (aggregating their interests) have a Substantial Interest and member of the Wider Bidco Group shall be construed accordingly.

For the purposes of this Announcement, "subsidiary", "subsidiary undertaking", "undertaking", "associated undertaking" and "equity share capital" have the meanings given by the UK Companies Act 2006.

References to an enactment include references to that enactment as amended, replaced, consolidated or re-enacted by or under any other enactment before or after the date of this Announcement. All references to time in this Announcement are to London time unless otherwise stated.

A reference to "includes" shall mean "includes without limitation", and references to "including" and any other similar term shall be construed accordingly.

References to "pounds", "pounds sterling", "Sterling", "GBP", "£", "pence", "penny" and "p" are references to the lawful currency of the United Kingdom.