AFH Fin Group Plc

Results for the six months ended 30 April 2017

RNS Number : 0881H
AFH Financial Group Plc
05 June 2017

5 June 2017

AFH Financial Group PLC ("AFH" or the "Company")

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AFH reports further strong growth

AFH, a leading financial planning led wealth management firm, is pleased to announce its results for the six months ended 30 April 2017.

Strong growth

· Revenues up 19% to £13.9 million (H1 2016: £11.7 million)

· Gross margin increased to 56% (H1 2016: 55%)

· Recurring revenue as a percentage of total revenue increased to 70% (H1 2016: 66%, FY2016 68%)

· Underlying EBITDA* up 35% to £2.03 million (H1 2015: £1.50 million)

· Underlying EBITDA* margin increased to 14.6% from 12.8%

· Profit before tax up 34% to £1.15 million (H1 2016: £0.86 million)

· Underlying Earnings per share* up 27% to 6.17 pence (H1 2016: 4.84 pence)

· Funds under Management above £2.2bn, up 17% (H1 2016: £1.88bn)

Confident Outlook

· Strong balance sheet to support further acquisitions

· Cash reserves of £12.6 million, following on from successful £10 million placing (30 April 2016: £7.1 million)

· Regulatory dynamics continue to support further industry consolidation

· Proven acquisition methodology

· Strong pipeline of acquisition opportunities

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

Alan Hudson, Group Chief Executive, commented:

"I am pleased to report another six month trading period of increased turnover and trading margins based on organic growth from new and existing clients leading to a 27% increase in underlying Earnings per Share. The strategy of the Company continues to be to generate long term value for shareholders by providing exceptional value and service to our clients and using our increasing size to drive down platform and third party administration costs aligned to an appropriate risk based investment model."

Enquiries:

AFH Financial Group PLC 01527 577775

Alan Hudson, Chief Executive Officer

Paul Wright, Chief Financial Officer

Liberum (Nominated Adviser and Broker) 020 3100 2000

John Fishley / Richard Bootle

Chief Executive's Review

Trading results

I am pleased to provide shareholders with an update on the Company's performance for the six months to 30 April 2017.

The business has seen further organic growth over the period with profitability increasing at both EBITDA and EPS levels. Revenue for the period increased to £13.9m (H1 2016: £11.7m), driven by ongoing recurring fees which increased by 23% and which represented 70% of total revenue during the period (H1 2016: 66%).

Revenue from acquisitions reported during the current year totaled £0.5m and represented 4% of total revenue for the period.

Adviser numbers grew to 154 during the period whilst annualised revenue per adviser increased to £180,000 (H1 2016 £156,000).

Gross margins increased to 56% (H1 2016: 55%). The Group reported underlying EBITDA of £2.03m, an increase of 35% over the same period last year (£1.50m).

The Group reported an increase of 34% in profit before tax to £1.15m whilst earnings per share increased to 3.71p per share (2016: 2.9p). Underlying earnings per share increased to 6.17p per share (2016: 4.84p)

During the period £128m (gross) of new funds were invested through AFH from existing and new clients.

April fundraising

During the period the Company raised £10m gross (£9.5m after expenses) in an institutional fundraising that I am pleased to report was oversubscribed. The creation of 5.7m new ordinary shares represented a 23% increase in the issued share capital of the Company and in addition to introducing a number of new institutions to the register was supported by existing major institutional shareholders. The fundraising has provided the financial strength to complete a number of potential acquisitions during the second half of the current financial year, the first of which was announced to the market on 1 June.

Cash position

The Group remains free of bank or secured debt, with the exception of a small property mortgage, and maintains healthy cash balances. Following the fundraising that completed in April 2017 cash and cash equivalents at period end totalled £12.6m. Unsecured non-convertible bonds of £0.75m and £2.14m mature in 2020 and 2018 respectively.

Business review

I am pleased to report another six month trading period of increased turnover and trading margins based on organic growth from new and existing clients. New Funds under Management have continued to be invested at a rate of £20m per month. During the period 97% of these funds were invested on a discretionary basis. Funds under Management exceeded £2.2bn at period end.

Our digital transformation and IT development projects, to which I referred in my last report have continued to gather pace and initial phases have been launched internally. The external roll out will commence during the second half of the year bringing both operational efficiencies and greater visibility and investment opportunity to our clients and advisers.

In May, the Company signed a long term contract with Pershing, the custody and settlement arm of Bank of New York, extending our six year relationship to provide a secure and cost effective service to our clients. Financial benefits of this relationship have already been experienced by our clients whilst our ability to leverage on the IT spend and vision of Bank of New York is expected to bring further commercial opportunities in the future.

During the period AFH completed six acquisitions with a combined capped value of £4.5m. Initial consideration of £2m was paid with the balance to be earned during the next two years. The Company also paid £1.5m in deferred consideration on acquisitions undertaken in 2014 - 2016.

The fundraising described above has provided the Company with the ability to complete a number of strategic and tactical acquisitions during the remainder of the year and into 2018. Following the period under review, the Company recently announced the acquisition of Parker Sage Independent Financial Advisers Limited, an IFA providing independent financial advice in Canary Wharf London and the northern home counties, at a capped consideration of up to £5.6m, of which £2.25m was paid on completion with the balance to be earned under the standard AFH model. In addition, the Company has also completed the acquisition of Eunisure Limited, at a capped consideration of £4.5m, of which £1.5m was paid in June 2017. The balance will be earned during a four year period based on a targeted increase in Group profitability attributable to the core Eunisure business and introduced financial planning led investment management. AFH is currently assessing several further acquisitions which are in various stages of due diligence and negotiation.

Whilst AFH has a strategy of continuing to increase the average size of our acquisitions, the Company also remains committed to providing an exit for retiring IFAs where our existing advisers can offer the full AFH service to the acquired client base. As a result the Board expects to announce both strategic and tactical acquisitions in the future.

Outlook

The strategy of the Company continues to be to generate long term value for shareholders by providing exceptional value and service to our clients and using our increasing size to drive down platform and third party administration costs aligned to an appropriate risk based investment model.

The Group remains profitable and cash generative with a strong balance sheet. Our strategy remains to expand our distribution capacity nationally in our traditional areas of strength, through both organic and acquisitive growth to drive increased profitability. The recent acquisition of Eunisure significantly increases our national footprint whilst addressing the segment of financial protection that has been widely reported as underserved by the market in recent years. The Directors' believe that the expansion of our financial planning products and scope is in the best interests of both our shareholders and clients and the Company continues to actively seek appropriately priced acquisition opportunities with a comparable culture to AFH.

The progress made during the first half of the current financial year, combined with the growth dynamics of our market, allow the Directors to view the prospects for the full year and beyond with confidence.

Alan Hudson

Chief Executive

5 June 2017

Consolidated Statement of Comprehensive Income

	Unaudited	Unaudited	Audited
	Six months ending 30 April 2017	Six months ending 30 April 2016	Twelve months ending 31 October 2016

	Note	£'000	£'000	£'000
Revenue	3	13,865	11,700	24,130
Cost of sales		(6,055)	(5,316)	(10,771)
Gross profit		7,810	6,384	13,359
Administrative expenses		(6,542)	(5,415)	(11,121)
Operating profit		1,268	969	2,238
Amortisation and Depreciation		689	459	1,206
Non cash share based payments		72	72	144
Underlying EBITDA		2,029	1,500	3,588
Finance income		6	15	40
Finance costs		(123)	(125)	(248)
Profit before tax		1,151	859	2,030
Income tax expense		(230)	(200)	(353)
Profit for the year attributable to owners of the parent		921	659	1,677
Other comprehensive income		-	-	
Total comprehensive income for the year attributable to owners of the parent		921	659	1,677
Earnings per share (in pence)	8			
Basic		3.71	2.90	7.16
Diluted		3.38	2.68	6.61
Underlying earnings per share (in pence)	8			
Basic		6.17	4.84	11.76
Diluted		5.61	4.46	10.86

Consolidated Statement of Financial Position

Unaudited	Unaudited	Audited

	Note	30 April 2017 £'000	30 April 2016 £'000	31 October 2016 £'000
Assets				
Non-current assets				
Intangible assets	4	25,157	20,530	21,359
Property, plant and equipment		1,533	1,098	1,202
Investments		1	1	1
Deferred tax asset		43	-	43
		26,734	21,629	22,605
Current assets				
Trade and other receivables		5,108	4,546	4,465
Current tax assets		-	-	-
Cash and cash equivalents		12,576	7,106	6,717
		17,684	11,652	11,182
Total assets		44,418	33,281	33,787
Liabilities				
Current liabilities				
Trade and other payables	6	7,052	7,911	7,837
Current tax liabilities		445	299	322
Financial liabilities - Borrowings	5	77	63	76
		7,574	8,273	8,235
Net current assets / (liabilities)		10,110	3,379	2,947
Non-current liabilities				
Trade and other payables	6	2,476	2,530	2,047
Financial liabilities - Borrowings	5	3,317	3,398	3,352
		5,793	5,928	5,399
Total liabilities		13,367	14,201	13,634
Net assets		31,051	19,080	20,153
Shareholders' equity				
Share capital	7	3,008	2,409	2,413
Share premium account	7	23,299	13,976	13,989
Merger reserve		(540)	(540)	(540)
Share-based payment reserve		566	456	494
Retained earnings		4,718	2,779	3,797

Total Shareholders' equity	31,051	19,080	20,153

	Share capital	Share premium	Merger reserve	Share-based payment reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Audited balance at 31 October 2015	2,012	8,112	(540)	384	2,661	12,629
Profit for the period	-	-	-	72	659	731
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	72	659	731
Issue of share capital	397	5,864	-	-	-	6,261
Dividend	-	-	-	-	(541)	(541)
Unaudited balance at 30 April 2016	2,409	13,976	(540)	456	2,779	19,080
Profit for the period	-	-	-	38	1,018	1.056
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	38	1,018	1,056
Issue of share capital	4	13	-	-	-	17
Dividend						
Audited balance at 31 October 2016	2,413	13,989	(540)	494	3,797	20,153
Profit for the period	-	-	-	72	921	993
Other comprehensive income	-	-	-	-	-	-

Total comprehensive income	-	-	-	72	921	993
Issue of share capital	595	9,310	-	-	-	9,905
Dividend						
Unaudited balance at 30 April 2017	3,008	23,299	(540)	566	4,718	31,051

Consolidated Statement of Cash Flows

	Note	Unaudited Six months ending 30 April 2017 £'000	Unaudited Six months ending 30 April 2016 £'000	Audited Twelve months ending 31 October 2016 £'000
Cash flows from operating activities				
Cash generated from operations	8	1,455	915	3,278
Tax paid		(103)	(240)	(365)
Net cash inflow from operating activities		1,352	675	2,913
Cash flows from investing activities				
Purchase of property, plant and equipment		(450)	(225)	(423)
Purchase of other intangible assets, net of cash		(4,495)	(2,611)	(4,996)
Interest received		6	15	34
Net cash (outflow) from investing activities		(4,939)	(2,821)	(5,385)
Cash flows from financing activities				
Proceeds from issue of shares		10,021	6,405	6,501
Share issue costs		(412)	(223)	(223)
Repayment of borrowings		(35)	(34)	(67)
Interest paid		(128)	(122)	(248)

Dividends	-	(541)	(541)
Net cash inflow/(outflow) from financing activities	9,446	5,485	5,422
Net increase / (decrease) in cash and cash equivalents	5,859	3,339	2,950
Cash and cash equivalents at the beginning of the period	6,717	3,767	3,767
Cash and cash equivalents at the end of the period	12,576	7,106	6,717

Notes to the Consolidated Financial Statements

1 General Information

AFH Financial Group Plc is a company incorporated in England and Wales. The Group is principally engaged in the provision of independent financial advice to the retail market.

2 Basis of preparation and accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's financial statements for the year ended 31 October 2016, which were prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB (together "IFRS") as adopted by the European Union, and in accordance with the requirements of the Companies Act applicable to companies reporting under IFRS.

The information relating to the six months ended 30 April 2017 and the six months ended 30 April 2016 is unaudited and does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 October 2016 have been reported on by its auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified and did not draw attention to any matters by way of emphasis, or contain a statement under section 498(2) or (3) of the Companies Act 2006.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 October 2016.

2.3 Basis of consolidation

The interim condensed consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings as at 30 April and 31 October each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

2.4 Key sources of judgements and estimation uncertainty

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The areas where a higher degree of judgement or complexity arises, or where assumptions and estimates are significant to the consolidated financial statements, are discussed below.

Impairment of client portfolios

The Group reviews whether acquired client portfolios are impaired at least on an annual basis. This comprises an estimation of the fair value less cost to sell and the value in use of the acquired client portfolios. In assessing value in use, the estimated future cash flows expected to arise from the individual client portfolios are discounted to their present value over a finite period to calculate the fair value.

The key assumptions used in arriving at a fair value less cost of sale are those around valuations based on multiples of future earnings streams and values based on assets under management. These have been determined by looking at valuations of similar businesses and the consideration paid in comparable transactions.

The carrying amount of client portfolios at 30 April 2017 was £23.1m (2016: £18.4m). No impairments have been made during the period (2016: nil).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. In assessing value in use, the estimated future cash flows expected to arise from the cash-generating unit are discounted to their present value using the Group's weighted average cost of capital adjusted for tax.

The carrying amount of goodwill at 30 April 2017 was £2.1m (2016: £2.1m). No impairments have been made during the period (2016: £ nil).

3 Segmental Analysis

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

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

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

4 Intangible Assets

	Goodwill	Acquired client portfolios	Total
	£'000	£'000	£'000
Cost			
At 31 October 2015	2,465	20,061	22,526
Additions	-	-	-
Disposals	-	-	-
Revaluations	-	-	-
At 30 April 2016	2,465	20,061	22,526
Additions	-	1,482	1,482
Disposals	-	-	-
Revaluations	-	-	-
At 31 October 2016	2,465	21,543	24,008
Additions		4,368	4,368
Disposals	-	-	-
Revaluations	-	-	-
At 30 April 2017	2,465	25,911	28,376
Amortisation			
At 31 October 2015	375	1,249	1,624
Charge for the period	-	372	372
At 30 April 2016	375	1,621	1,996
Charge for the period	-	653	653
At 31 October 2016	375	2,274	2,649
Charge for the period	-	570	570
At 30 April 2017	375	2,844	3,219

Net book value			
At 30 April 2017	2,090	23,067	25,157
At 31 October 2016	2,090	19,269	21,359
At 30 April 2016	2,090	18,440	20,530
At 31 October 2015	2,090	18,812	20,902

5 Analysis of borrowings

	Unaudited	Unaudited	Audited
	Six months ending 30 April 2017 £'000	Six months ending 30 April 2016 £'000	Twelve months ending 31 October 2016 £'000
Current borrowings			
Mortgage on freehold property	77	63	76
	77	63	76
Non-current borrowings			
8% Unsecured bonds	752	752	752
7.5% Unsecured bonds	2,142	2,142	2,142
Mortgage on freehold property	423	504	458

3,317	3,398	3,352

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

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

The mortgage is repayable by instalments over an 8 year period, ending October 2023, with an interest rate of 2.9% over LIBOR.

6. Trade and other payables

	Unaudited	Unaudited	Audited
	Six months ending 30 April 2017 £'000	Six months ending 30 April 2016 £'000	Twelve months ending 31 October 2016 £'000
Current			
Trade payables	948	509	1,090
Contingent consideration	3,039	3,891	3,396
Commissions payable	2,584	3,018	2,593
Other payables	355	317	269
Accruals	126	176	489
	7,052	7,911	7,837
Non-current			
Contingent consideration	2,476	2,530	2,047

7 Share Capital

	Unaudited	Unaudited	Audited
	Six months ending 30 April 2016	Six months ending 30 April 2016	Twelve months ending 31 October 2016

30,082,794 authorised, issued and fully paid 10p ordinary shares	3,008	2,409	2,413

On 3 February 2017, 57,057 Ordinary Shares were issued at £1.00 each with £0.90 per share transferred to the share premium account to provide additional working capital.

On 3 February 2017, 5,500 Ordinary Shares were issued at £0.37 each with £0.27 per share transferred to the share premium account to provide additional working capital.

On 9 March 2017, 180,639 Ordinary Shares were issued at £1.64 each with £1.54 per share transferred to the share premium account to provide additional working capital.

On 20 March 2017, 5,714,285 Ordinary Shares were issued at £1.75 each with £1.65 per share transferred to the share premium account to provide additional working capital.

On 26 April 2017, 2,500 Ordinary Shares were issued at £1.00 each with £0.90 per share transferred to the share premium account to provide additional working capital.

On 26 April 2017, 6,521 Ordinary Shares were issued at £0.37 each with £0.27 per share transferred to the share premium account to provide additional working capital.

8 Earnings per share

The calculation of earnings per share is based on the profit attributable to the equity holders for the period of £921,000 (2016 - £659,000) and weighted average number of shares in issue during the period of 24,806,775 (2016 - 22,726,615).

The diluted earnings per share has been adjusted for the potential share issue relating to the share-based payments. The number of shares has been increased by the difference between the amount of shares that will be issued if all options are exercised and the number of shares that could be purchased for the same consideration at average market price.

	Unaudited	Unaudited	Audited
	Six months ending 30 April 2016 £'000	Six months ending 30 April 2016 £'000	Twelve months ending 31 October 2016 £'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	24,806,775	22,726,615	23,424,352
Effect of dilutive potential ordinary shares	2,487,559	1,854,061	1,936,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	27,295,334	24,580,676	25,360,352

There are no adjustments between the Earnings for the purpose of basic earnings per share being net profit attributable to shareholders and the Earnings for the purpose of diluted earnings per share.

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

Underlying earnings per share of £1,529,000 (2016 - £1,101,000) have been calculated on the profit attributable to the equity holders for the period after adding back Amortisation, Depreciation and non-cash share based payments after adjusting the tax provision accordingly.

9 Reconciliation of Operating profit to Net Cash inflow from Operating Activities

	Unaudited	Unaudited	Audited
	Six months ending 30 April 2016 £'000	Six months ending 30 April 2016 £'000	Twelve months ending 31 October 2016 £'000
Profit before tax for the period	1,151	859	2,030
Adjustments for			
Interest and other investment income	(6)	(15)	(34)
Interest expense	123	125	248
Depreciation, amortisation and impairment	689	459	1,206
Equity settled share based expense	72	72	110
Movements in working capital			
Decrease / (Increase) in trade and other receivables	(23)	(140)	(114)
(Decrease) / Increase in trade and other payables	(551)	(445)	(168)
Cash generated from operations	1,455	915	3,278

This information is provided by RNS
The company news service from the London Stock Exchange

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· Underlying EBITDA* margin increased to 14.6% from 12.8%

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Gross margins increased to 56% (H1 2016: 55%). The Group reported underlying EBITDA of £2.03m, an increase of 35% over the same period last year (£1.50m).

The Group reported an increase of 34% in profit before tax to £1.15m whilst earnings per share increased to 3.71p per share (2016: 2.9p). Underlying earnings per share increased to 6.17p per share (2016: 4.84p)

During the period £128m (gross) of new funds were invested through AFH from existing and new clients.

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During the period AFH completed six acquisitions with a combined capped value of £4.5m. Initial consideration of £2m was paid with the balance to be earned during the next two years. The Company also paid £1.5m in deferred consideration on acquisitions undertaken in 2014 - 2016.

The fundraising described above has provided the Company with the ability to complete a number of strategic and tactical acquisitions during the remainder of the year and into 2018. Following the period under review, the Company recently announced the acquisition of Parker Sage Independent Financial Advisers Limited, an IFA providing independent financial advice in Canary Wharf London and the northern home counties, at a capped consideration of up to £5.6m, of which £2.25m was paid on completion with the balance to be earned under the standard AFH model. In addition, the Company has also completed the acquisition of Eunisure Limited, at a capped consideration of £4.5m, of which £1.5m was paid in June 2017. The balance will be earned during a four year period based on a targeted increase in Group profitability attributable to the core Eunisure business and introduced financial planning led investment management. AFH is currently assessing several further acquisitions which are in various stages of due diligence and negotiation.

Whilst AFH has a strategy of continuing to increase the average size of our acquisitions, the Company also remains committed to providing an exit for retiring IFAs where our existing advisers can offer the full AFH service to the acquired client base. As a result the Board expects to announce both strategic and tactical acquisitions in the future.

Outlook

The strategy of the Company continues to be to generate long term value for shareholders by providing exceptional value and service to our clients and using our increasing size to drive down platform and third party administration costs aligned to an appropriate risk based investment model.

The Group remains profitable and cash generative with a strong balance sheet. Our strategy remains to expand our distribution capacity nationally in our traditional areas of strength, through both organic and acquisitive growth to drive increased profitability. The recent acquisition of Eunisure significantly increases our national footprint whilst addressing the segment of financial protection that has been widely reported as underserved by the market in recent years. The Directors' believe that the expansion of our financial planning products and scope is in the best interests of both our shareholders and clients and the Company continues to actively seek appropriately priced acquisition opportunities with a comparable culture to AFH.

The progress made during the first half of the current financial year, combined with the growth dynamics of our market, allow the Directors to view the prospects for the full year and beyond with confidence.

Alan Hudson

Chief Executive

5 June 2017

Consolidated Statement of Comprehensive Income

	Note	Unaudited	Unaudited	Audited
		Six months ending 30 April 2017	Six months ending 30 April 2016	Twelve months ending 31 October 2016
		£'000	£'000	£'000
Revenue	3	13,865	11,700	24,130
Cost of sales		(6,055)	(5,316)	(10,771)
Gross profit		7,810	6,384	13,359
Administrative expenses		(6,542)	(5,415)	(11,121)
Operating profit		1,268	969	2,238
Amortisation and Depreciation		689	459	1,206
Non cash share based payments		72	72	144
Underlying EBITDA		2,029	1,500	3,588
Finance income		6	15	40
Finance costs		(123)	(125)	(248)
Profit before tax		1,151	859	2,030
Income tax expense		(230)	(200)	(353)
Profit for the year attributable to owners of the parent		921	659	1,677
Other comprehensive income		-	-	
Total comprehensive income for the year attributable to owners of the parent		921	659	1,677
Earnings per share (in pence)	8			

Basic		3.71	2.90	7.16
Diluted		3.38	2.68	6.61
Underlying earnings per share (in pence)	8			
Basic		6.17	4.84	11.76
Diluted		5.61	4.46	10.86

Consolidated Statement of Financial Position

	Note	Unaudited 30 April 2017 £'000	Unaudited 30 April 2016 £'000	Audited 31 October 2016 £'000
Assets				
Non-current assets				
Intangible assets	4	25,157	20,530	21,359
Property, plant and equipment		1,533	1,098	1,202
Investments		1	1	1
Deferred tax asset		43	-	43
		26,734	21,629	22,605
Current assets				
Trade and other receivables		5,108	4,546	4,465
Current tax assets		-	-	-
Cash and cash equivalents		12,576	7,106	6,717
		17,684	11,652	11,182
Total assets		44,418	33,281	33,787
Liabilities				
Current liabilities				
Trade and other payables	6	7,052	7,911	7,837
Current tax liabilities		445	299	322
Financial liabilities - Borrowings	5	77	63	76
		7,574	8,273	8,235
Net current assets / (liabilities)		10,110	3,379	2,947

Non-current liabilities				
Trade and other payables	6	2,476	2,530	2,047
Financial liabilities - Borrowings	5	3,317	3,398	3,352
		5,793	5,928	5,399
Total liabilities		13,367	14,201	13,634
Net assets		31,051	19,080	20,153
Shareholders' equity				
Share capital	7	3,008	2,409	2,413
Share premium account	7	23,299	13,976	13,989
Merger reserve		(540)	(540)	(540)
Share-based payment reserve		566	456	494
Retained earnings		4,718	2,779	3,797
Total Shareholders' equity		31,051	19,080	20,153

	Share capital	Share premium	Merger reserve	Share-based payment reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Audited balance at 31 October 2015	2,012	8,112	(540)	384	2,661	12,629
Profit for the period	-	-	-	72	659	731
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	72	659	731
Issue of share capital	397	5,864	-	-	-	6,261
Dividend	-	-	-	-	(541)	(541)
Unaudited balance at 30 April 2016	2,409	13,976	(540)	456	2,779	19,080
Profit for the period	-	-	-	38	1,018	1.056
Other comprehensive income	-	-	-	-	-	-

Total comprehensive income	-	-	-	38	1,018	1,056
Issue of share capital	4	13	-	-	-	17
Dividend						
Audited balance at 31 October 2016	2,413	13,989	(540)	494	3,797	20,153
Profit for the period	-	-	-	72	921	993
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	72	921	993
Issue of share capital	595	9,310	-	-	-	9,905
Dividend						
Unaudited balance at 30 April 2017	3,008	23,299	(540)	566	4,718	31,051

Consolidated Statement of Cash Flows

	Note	Unaudited Six months ending 30 April 2017 £'000	Unaudited Six months ending 30 April 2016 £'000	Audited Twelve months ending 31 October 2016 £'000
Cash flows from operating activities				
Cash generated from operations	8	1,455	915	3,278
Tax paid		(103)	(240)	(365)
Net cash inflow from operating activities		1,352	675	2,913
Cash flows from investing activities				

Purchase of property, plant and equipment	(450)	(225)	(423)
Purchase of other intangible assets, net of cash	(4,495)	(2,611)	(4,996)
Interest received	6	15	34
Net cash (outflow) from investing activities	(4,939)	(2,821)	(5,385)
Cash flows from financing activities			
Proceeds from issue of shares	10,021	6,405	6,501
Share issue costs	(412)	(223)	(223)
Repayment of borrowings	(35)	(34)	(67)
Interest paid	(128)	(122)	(248)
Dividends	-	(541)	(541)
Net cash inflow/(outflow) from financing activities	9,446	5,485	5,422
Net increase / (decrease) in cash and cash equivalents	5,859	3,339	2,950
Cash and cash equivalents at the beginning of the period	6,717	3,767	3,767
Cash and cash equivalents at the end of the period	12,576	7,106	6,717

Notes to the Consolidated Financial Statements

1 General Information

AFH Financial Group Plc is a company incorporated in England and Wales. The Group is principally engaged in the provision of independent financial advice to the retail market.

2 Basis of preparation and accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's financial statements for the year ended 31 October 2016, which were prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB (together "IFRS") as adopted by the European Union, and in accordance with the requirements of the Companies Act applicable to companies reporting under IFRS.

The information relating to the six months ended 30 April 2017 and the six months ended 30 April 2016 is unaudited and does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 October 2016 have been reported on by its auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified and did not draw attention to any matters by way of emphasis, or contain a statement under section 498(2) or (3) of the Companies Act 2006.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 October 2016.

2.3 Basis of consolidation

The interim condensed consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings as at 30 April and 31 October each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

2.4 Key sources of judgements and estimation uncertainty

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The areas where a higher degree of judgement or complexity arises, or where assumptions and estimates are significant to the consolidated financial statements, are discussed below.

Impairment of client portfolios

The Group reviews whether acquired client portfolios are impaired at least on an annual basis. This comprises an estimation of the fair value less cost to sell and the value in use of the acquired client portfolios. In assessing value in use, the estimated future cash flows expected to arise from the individual client portfolios are discounted to their present value over a finite period to calculate the fair value.

The key assumptions used in arriving at a fair value less cost of sale are those around valuations based on multiples of future earnings streams and values based on assets under management. These have been determined by looking at valuations of similar businesses and the consideration paid in comparable transactions.

The carrying amount of client portfolios at 30 April 2017 was £23.1m (2016: £18.4m). No impairments have been made during the period (2016: nil).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. In assessing value in use, the estimated future cash flows expected to arise from the cash-generating unit are discounted to their present value using the Group's weighted average cost of capital adjusted for tax.

The carrying amount of goodwill at 30 April 2017 was £2.1m (2016: £2.1m). No impairments have been made during the period (2016: £ nil).

3 Segmental Analysis

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

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

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

4 Intangible Assets

	Goodwill	Acquired client portfolios	Total
	£'000	£'000	£'000
Cost			
At 31 October 2015	2,465	20,061	22,526
Additions	-	-	-
Disposals	-	-	-
Revaluations	-	-	-
At 30 April 2016	2,465	20,061	22,526
Additions	-	1,482	1,482
Disposals	-	-	-
Revaluations	-	-	-
At 31 October 2016	2,465	21,543	24,008
Additions		4,368	4,368

Disposals	-	-	-
Revaluations	-	-	-
At 30 April 2017	2,465	25,911	28,376
Amortisation			
At 31 October 2015	375	1,249	1,624
Charge for the period	-	372	372
At 30 April 2016	375	1,621	1,996
Charge for the period	-	653	653
At 31 October 2016	375	2,274	2,649
Charge for the period	-	570	570
At 30 April 2017	375	2,844	3,219
Net book value			
At 30 April 2017	2,090	23,067	25,157
At 31 October 2016	2,090	19,269	21,359
At 30 April 2016	2,090	18,440	20,530
At 31 October 2015	2,090	18,812	20,902

5 Analysis of borrowings

	Unaudited	Unaudited	Audited
	Six months ending 30 April 2017	Six months ending 30 April 2016	Twelve months ending 31 October 2016

	£'000	£'000	£'000
Current borrowings			
Mortgage on freehold property	77	63	76
	77	63	76
Non-current borrowings			
8% Unsecured bonds	752	752	752
7.5% Unsecured bonds	2,142	2,142	2,142
Mortgage on freehold property	423	504	458
	3,317	3,398	3,352

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

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

The mortgage is repayable by instalments over an 8 year period, ending October 2023, with an interest rate of 2.9% over LIBOR.

6. Trade and other payables

	Unaudited	Unaudited	Audited
	Six months ending 30 April 2017 £'000	Six months ending 30 April 2016 £'000	Twelve months ending 31 October 2016 £'000
Current			
Trade payables	948	509	1,090
Contingent consideration	3,039	3,891	3,396
Commissions payable	2,584	3,018	2,593
Other payables	355	317	269
Accruals	126	176	489
	7,052	7,911	7,837

Non-current Contingent consideration	2,476	2,530	2,047

7 Share Capital

	Unaudited	Unaudited	Audited
	Six months ending 30 April 2016	Six months ending 30 April 2016	Twelve months ending 31 October 2016
30,082,794 authorised, issued and fully paid 10p ordinary shares	3,008	2,409	2,413

On 3 February 2017, 57,057 Ordinary Shares were issued at £1.00 each with £0.90 per share transferred to the share premium account to provide additional working capital.

On 3 February 2017, 5,500 Ordinary Shares were issued at £0.37 each with £0.27 per share transferred to the share premium account to provide additional working capital.

On 9 March 2017, 180,639 Ordinary Shares were issued at £1.64 each with £1.54 per share transferred to the share premium account to provide additional working capital.

On 20 March 2017, 5,714,285 Ordinary Shares were issued at £1.75 each with £1.65 per share transferred to the share premium account to provide additional working capital.

On 26 April 2017, 2,500 Ordinary Shares were issued at £1.00 each with £0.90 per share transferred to the share premium account to provide additional working capital.

On 26 April 2017, 6,521 Ordinary Shares were issued at £0.37 each with £0.27 per share transferred to the share premium account to provide additional working capital.

8 Earnings per share

The calculation of earnings per share is based on the profit attributable to the equity holders for the period of £921,000 (2016 - £659,000) and weighted average number of shares in issue during the period of 24,806,775 (2016 - 22,726,615).

The diluted earnings per share has been adjusted for the potential share issue relating to the share-based payments. The number of shares has been increased by the difference between the amount of shares that will be issued if all options are exercised and the number of shares that could be purchased for the same consideration at average market price.

	Unaudited	Unaudited	Audited
	Six months ending 30 April 2016 £'000	Six months ending 30 April 2016 £'000	Twelve months ending 31 October 2016 £'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	24,806,775	22,726,615	23,424,352
Effect of dilutive potential ordinary shares	2,487,559	1,854,061	1,936,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	27,295,334	24,580,676	25,360,352

There are no adjustments between the Earnings for the purpose of basic earnings per share being net profit attributable to shareholders and the Earnings for the purpose of diluted earnings per share.

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

Underlying earnings per share of £1,529,000 (2016 - £1,101,000) have been calculated on the profit attributable to the equity holders for the period after adding back Amortisation, Depreciation and non-cash share based payments after adjusting the tax provision accordingly.

9 Reconciliation of Operating profit to Net Cash inflow from Operating Activities

	Unaudited	Unaudited	Audited
	Six months ending 30 April 2016 £'000	Six months ending 30 April 2016 £'000	Twelve months ending 31 October 2016 £'000
Profit before tax for the period	1,151	859	2,030
Adjustments for			
Interest and other investment income	(6)	(15)	(34)
Interest expense	123	125	248
Depreciation, amortisation and impairment	689	459	1,206

Equity settled share based expense	72	72	110
Movements in working capital			
Decrease / (Increase) in trade and other receivables	(23)	(140)	(114)
(Decrease) / Increase in trade and other payables	(551)	(445)	(168)
Cash generated from operations	1,455	915	3,278