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AFH Financial Group Plc
25 January 2016

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

AUDITED FINAL RESULTS
Strong results ahead of expectations, dividend increased by 50%

The Directors of AFH (the "Directors"), a leading financial planning led investment management firm, today announces the Group's consolidated audited results for the period ending 31 October 2015 reflecting the continued growth of the Group and resulting in a 50% increased dividend.

Highlights:

- Progressive dividend policy sees 50% increase of full year dividend to 2.25p per share
- EBITDA up 115% due to controlled and profitable growth
- Revenue up 40% to £21.0m, exceeding market expectations
- EPS up 80% to 5.95 pence per share
- Successful completion of 11 acquisitions with a strong pipeline for the period ahead
- Well positioned to meet increasing demand and regulatory change

Commenting, John Wheatley, Chairman of AFH, and Alan Hudson, Chief Executive of AFH, said:

"Given the progress made in 2015 and the early months of the 2016 financial year, the Directors view the coming period as providing excellent prospects and look forward to extending AFH's brand, reach and reputation."

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Chairman's Report

Business Review

I am pleased to report a successful 2015, following a strong performance during the second half of the year to 31 October 2015. The Company has enjoyed significant increases in both revenue and profitability and continues to provide high quality services to a growing portfolio of clients nationwide.

Our success continues to be built on our belief that a financial planning led approach to the management of our clients' wealth, based on the highly personal face to face relationship between them and our advisers, is key to ensuring that client's interests remain at the centre of our operations. This strategy allows us to identify and plan for our clients' long-term requirements and ambitions before any investment decisions are made. We work with them to structure a portfolio appropriate for their attitude and tolerance to risk. This is then invested, regularly monitored and managed in line with their agreed goals and requirements. Our clients receive a proactive and transparent service all year round, where relationships are built on mutual respect.

At a time when people are living longer and being encouraged by the Government to take greater responsibility for their financial wellbeing, and with current legislation allowing for additional flexibility and choice, the Company believes that long-term demand for personal independent financial advice will continue to grow. With over 150 qualified advisers, AFH is well positioned to meet this increasing need and to benefit from these demographic and regulatory changes.

During the year under review, the Company enjoyed strong revenue growth. This was driven by a significant rise in recurring fee income, which increased our average annualised gross revenue per adviser to £143,000. Total revenue for the full year grew by 40% to £21.0m with H2 revenue, boosted by acquisitions made during the year. This exceeded expectations set out in the interim report of May 2015, where I indicated that new business revenues had been restrained during H1. This was in part due to our clients deferring pension advice and investment. I am pleased to report that, following the UK General Election in May, the level of new business has increased significantly.

During the year, AFH increased its national footprint by completing 11 acquisitions at an average capped consideration of slightly above £1m. Five of these acquisitions were asset purchases, where the client databases and ongoing revenue streams were acquired. The remaining six were acquired by purchasing 100% of the equity shares with a significant proportion of the consideration payable on a deferred basis. Our acquisitions during the period were financed from our continuing positive trading cash flow and from the equity and unsecured loan stock raised by the Company during 2014 and in January and May 2015.

In line with our strategy of controlled and profitable growth, the Company continued to invest in strengthening its management team, with a number of senior appointments. In October 2015 it was announced that Alexis James and Austin Broad, our Heads of Risk and Advice respectively, had joined the main Board. We also invested heavily in our physical and technological infrastructure to support the additional growth planned for 2016 and future years. In September 2015, we increased our office space at AFH House in Bromsgrove by 50%, and during the second half upgraded both our internal IT capacity and our ability to respond to the increasing technology risks currently affecting all businesses.

Financial Results

The Company reported strong growth in 2015, with revenues increasing by 40% to £21.0m (2014: £15.0m) and EBITDA (net cash generation from trading excluding non cash share based payments) increasing by 115% from £1.3m to £2.8m. Excluding the £240,000 non-recurring cost of operating IFS UK Limited, which was acquired on 30 April 2015, as a separate business during its integration and which was anticipated and reported at the time of the acquisition, EBITDA rose to £3.05m. Post tax earnings attributable to shareholders showed a similarly healthy increase from £0.6m to £1.2m.

Earnings per share increased to 5.95p (2014: 3.31p) as the benefits of AFH's centralised administration for supporting our growing business were recognised.

During 2015, recurring revenue increased to £13.6m (2014: £8.25m) to represent 65% of total income for the year. The Directors believe this figure confirms the strength of the Company's financial model. Almost 90% of the Company's total ongoing cost base, as at 31 October 2015, was covered by our recurring fees alone, when our 52% average gross margin figure is applied.

Approximately 75% of recurring revenue was generated internally during the year, representing organic growth in excess of 20% on 2014 levels. This reflects our advisers' ability to self-generate business, the benefits of our centralised marketing and our regional and national affinity groups to attract new clients.

The gross margin increased slightly during the year from 51% to 52% and remains comfortably above our benchmark 50% level.

The Company's cost base, excluding depreciation, amortisation and non-cash share-based payments, increased by £1.9m to £8.2m (2014: £6.3m). This comprised of increased staff investment, which represents over 65% of our total expenditure and the infrastructure supporting continued business growth.

At 31 October 2015, the Group held cash and cash equivalents of £3.8m (2014: £5.7m). During the year the Company raised £1.1m from equity and £2.1m from the issue of a four year unsecured loan note paying a coupon of 7.5%. The major cash outflows were £4.23m in initial and deferred payments for acquisitions purchased in the period 2013 to 2015. The Board believes that all future deferred payments for acquisitions completed during the year will be financed from existing cash resources and revenue generated by those acquisitions during the earn-out periods.

Post year end Share Placing and Subscription

In December 2015, the Company raised £6.37m (gross) from institutional and private investors. This was to provide additional capital for acquisitions anticipated to be completed in 2016, and to provide working capital for the enlarged business. I am pleased to welcome a number of new institutional investors as a result of the placing and wish to thank existing shareholders for their continued support.

Dividend

The Directors intend to continue the progressive dividend policy set out in my previous reports, whilst recognising the requirement to maintain sufficient cash within the business to fund the Company's growth strategy. Having considered this in the light of the strong performance during the year under review, the Directors propose a dividend of 2.25p per share, an increase of 50% over the 2015 dividend (1.5p per share). Subject to shareholders' approval at AFH's forthcoming Annual General Meeting, the dividend will be paid on 4th April 2016 to shareholders on the register of members at the close of business on 18th March 2016.

Employees and Advisers

The profitable growth of AFH is due to the hard work and professional approach of our staff and advisers. I would like to formally thank all the team for the contribution they have made to a highly successful year in which we have continued to grow our business profitably. It is our aim to become the employer of choice for staff and to maintain the alignment of interests between our staff and advisers with those of our shareholders. It is in response to the support we receive from our staff that we continue to develop and promote our people from within the Company at every opportunity, so that many key positions are occupied by home grown talent. It is the enthusiasm, dedication and creativity of our staff and advisers that has allowed the Group to continue to deliver according to its strategy each year.

Outlook

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

The Company has again proven its ability to increase revenue whilst maintaining consistency in gross margins. This year has seen the early realisation of the benefits of scale and the infrastructure investment made in previous periods. The Company continues to be cash generative, and maintains a strong balance sheet given the current size of its business. The Board believes that it has developed the necessary infrastructure to support its growth plans for 2016 and beyond. The Company will actively continue to seek appropriately priced opportunities during 2016 to generate additional revenue and drive increased profitability.

Given the progress made in 2015 and the early months of the 2016 financial year, the Directors view the coming period as providing excellent prospects and look forward to extending AFH's brand, reach and reputation.

John Wheatley

Chairman

Chief Executive's report

2015 represented a year of further growth for AFH, seen in both new business levels and recurring revenues from our Funds Under Management ("FUM"), which have performed well. The Company continues to take advantage of the acquisition opportunities arising from the consolidation of the IFA sector, alongside our core organic advisory and investment management business. During the year we completed a further 11 acquisitions to extend our national coverage whilst investing heavily in support functions run from our Bromsgrove offices.

Our business is focused on the UK mass affluent market, providing advice to clients in an environment where the State is increasingly passing the responsibility for financial management to individuals. This permits greater choice, but also reduces the involvement and responsibility of the Government. Through our advisers, the Company seeks to build strong long-term relationships with our clients. Our aim is to guide them to achieve their financial goals, and we believe that through face to face advice, supported by a centralised technical and investment team, we are able to provide clients with the most effective outcomes.

The Board believes the strategy of face-to-face financial planning led investment management also delivers benefits to our shareholders. The long-term interaction and trust that such an approach engenders leads to a permanence and continuity of the client relationship with AFH. During 2015, our client retention rate remained above our internal target of 95% and new business inflows reached record levels.

During the year, FUM with ongoing fee agreements in place increased to approximately £1.8bn (2014: £0.9bn). Whilst almost £700m was added as a result of acquisitions during the period, over £200m represented inflows from existing and new clients of the core business. Approximately 90% of new business has been placed on our discretionary service, which at the year-end managed over £700m.

Adviser numbers increased to 158 as at 31 October 2015 (2014: 136), including both advisers joining from acquisitions and those recruited individually (net of retiring IFAs). As outlined in my last report, the internal market facilitated by the Company continues to offer an opportunity for retiring advisers to realise the growth in the value of their client base, whilst enabling younger advisers within the Group to acquire client portfolios in a transparent and controlled environment. It is expected this will continue to develop further.

In December 2014, the Company announced the issue of a 7.5% unsecured loan note, raising £2.14m. By introducing a limited amount of gearing to the Company's balance sheet and using the funds to part-finance the initial payments of our 2015 acquisitions, the Director's have been able to accelerate our acquisition strategy. This has been done with minimal dilution to existing shareholders whilst maintaining a conservative approach to debt financing, which at the year-end remained below 25% of net assets.

Following significant acquisition activity in the first half of the year, including our two largest transactions to date, the board announced in June 2015 that it would focus on integrating the new businesses and developing our management and infrastructure during the second half in preparation for growth in 2016. Since the year-end we have entered into discussions with a number of potential acquisitions. We have identified a strong pipeline of opportunities on which we will begin due diligence during the first six months of 2016.

In December 2015 the Company announced the successful Placing and Subscription for new shares, raising £6.37m (gross) to enable the Company to fund the purchase of further IFA businesses and to provide additional working capital for the enlarged Group. This fundraising has brought the Company to the attention of a number of important institutional investors, several of whom I am delighted to welcome as new shareholders. The size and structure of the fund raise, which follows a record financial year and the six month period of integration and preparation for growth in 2016, continues our strategy of maintaining a conservative approach to gearing whilst seeking to enhance Earnings per Share for shareholders in each financial year.

Current year trading

The current year has started in line with trading levels from the second half of 2015. Recurring revenues continue in line with the Directors' expectations, and the Group's acquisition pipeline remains strong. The recently enhanced Group cash reserves, which have risen to over £8m, will allow the board to take further advantage of the active M&A market in the IFA sector and deliver on its strategic aims in 2016 and future periods.

Alan Hudson

Chief Executive Officer

AFH FINANCIAL GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER 2015

	Note	*2015*	*2014*
		£'000	*£'000*
Revenue		20,977	15,037
Cost of sales		(10,009)	(7,326)
Gross profit		10,968	7,711
Administrative expenses		(9,213)	(6,811)
Operating profit		1,755	900
Finance income		26	25
Finance costs		(187)	(64)
Profit before tax		1,594	861
Income tax expense		(421)	(260)
Profit for the year attributable to owners of the parent		1,173	601
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners of the parent		1,173	601
Earnings per share (in pence)			
Basic		5.95	3.31
Diluted		5.49	3.10

AFH FINANCIAL GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2015

	Note	*2015* *£'000*	*2014* *£'000*
Assets			
Non-current assets			
Intangible assets	4	20,902	9,707
Property, plant and equipment		960	279
Investments		1	1
		21,863	**9,987**
Current assets			
Trade and other receivables	6	4,406	2,474
Cash and cash equivalents		3,766	5,653
		8,172	**8,127**
Total assets		**30,035**	**18,114**
Liabilities			
Current liabilities			
Trade and other payables		8,289	4,780
Current tax liabilities		339	136
Financial liabilities - Borrowings		63	-
		8,691	**4,916**
Net current (liabilities) / assets		**(519)**	**3,211**
Non-current liabilities			
Trade and other payables	8	5,238	1,866
Financial liabilities - Borrowings	7	3,432	752
Deferred tax liability		45	42
		8,715	**2,660**
Total liabilities		**17,406**	**7,576**
Net assets		**12,629**	**10,538**
Shareholders' equity			
Share capital		2,012	1,932
Share premium account		8,112	7,097
Merger reserve		(540)	(540)
Share-based payment reserve		384	269
Retained earnings		2,661	1,780
Total Shareholders' equity		**12,629**	**10,538**

Approved by the Board of Directors 22 January 2016

AFH FINANCIAL GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 OCTOBER 2015

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2013	1,712	4,477	(540)	230	1,407	7,286
Profit for the year				39	601	640
Other comprehensive income				-	-	-
Total comprehensive income				39	601	**640**
Issue of share capital	220	2,620				2,840
Dividend					(228)	(228)
Balance at 31 October 2014	1,932	7,097	(540)	269	1,780	**10,538**
Profit for the year				115	1,173	1,288
Other comprehensive income				-	-	-
Total comprehensive income				115	1,173	**1,288**
Issue of share capital	80	1,015				1,095
Dividend					(292)	(292)
Balance at 31 October 2015	2,012	8,112	(540)	384	2,661	**12,629**

AFH FINANCIAL GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2015

	Note	*2015* *£'000*	*2014* *£'000*
Cash flows from/(used in) operating activities			
Cash generated from operations	9	(1,035)	1,895
Tax paid		(219)	(314)
Net cash inflow/(outflow) from operating activities		(1,254)	1,581
Cash flows from investing activities			
Purchase of property, plant and equipment		(789)	(112)
Purchase of other intangible assets, net of cash		(3,865)	(2,674)
Proceeds from disposals of other intangible assets		34	-
Rental Income received		8	10
Interest received		18	15
Net cash outflow from investing activities		(4,594)	(2,761)
Cash flows from financing activities			
Proceeds from issue of shares		1,072	3,082
Share issue costs		(24)	(242)
Proceeds from borrowings		3,342	-
Repayment of borrowings		-	(50)
Interest paid		(137)	(63)
Dividends		(292)	(228)
Net cash inflow from financing activities		3,961	2,499
Net increase/(decrease) in cash and cash equivalents		(1,887)	1,319
Cash and cash equivalents at the beginning of the year		5,653	4,334
Cash and cash equivalents at the end of the year		3,766	5,653

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2015

The following selected notes have been extracted from the Company's audited report and accounts.

1. General Information

AFH Financial Group is a company incorporated in England and Wales under the Companies Act 2006 and is registered at AFH House, Buntsford Drive, Stoke House, Bromsgrove, Worcestershire, B60 4JE.

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

This financial information has been prepared for the year ended 31 October 2015.

2. Revenue and segmental analysis

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

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

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

No customer is defined as a major customer by revenue, contributing more than 10% of the Group revenues (2014 - £nil).

3. Employees

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

	2015	*2014*
	£'000	*£'000*
Wages and salaries	5,280	3,833
Social security costs	509	358
Share based payments	116	39
	5,905	4,230

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

	2015	*2014*
	Number	*Number*
Directors	6	5
Office	178	136
Total	184	141

4 Intangible Assets

	Goodwill £'000	*Acquired client portfolios £'000*	*Total £'000*
Cost			
At 1 November 2013	2,465	5,428	7,893
Additions	-	2,674	2,674
Disposals	-	-	-
Revaluations	-	-	-
At 31 October 2014	2,465	8,102	10,567
Additions	-	11,959	11,959
Disposals	-	-	-
Revaluations	-	-	-
At 31 October 2015	2,465	20,061	22,526
Amortisation			
At 1 November 2013	375	142	517
Charge for the year	-	343	343
At 31 October 2014	375	485	860
Charge for the year	-	764	764
At 31 October 2015	375	1,249	1,624
Net book value			
At 31 October 2015	2,090	18,812	20,902
At 31 October 2014	2,090	7,617	9,707

Goodwill believed to have an indefinite useful life is carried at cost. The determination of whether goodwill is impaired requires an assessment of the fair value less cost to sell. The recoverable amount of goodwill on a fair value less costs to sell calculation is based on the discounted cash flows expected from the intangible assets of each acquisition, assuming no future growth in revenue generated cash flows, discounted at an implied factor of 10%. On this basis the directors believe the value of goodwill is not impaired at 31 October 2015.

5 Business combinations

(i) 2015 Acquisitions

a. Share purchase

Acquisition of Roxborough Consultancy Ltd.

Roxborough Consultancy Ltd was acquired by AFH Group Limited on 30 January 2015 and undertakes the provision of independent financial advice to the retail market.

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

	Provisional fair value to be recognised on acquisition	Fair value adjustments	Previous carrying value
	£'000	£'000	£'000
Client portfolio	916	916	-
Cash at bank	63	-	63
Assets	979	916	63
Trade and other payables	(9)	-	(9)
Liabilities	(9)	-	(9)
Total identifiable net assets at fair value	970		
Total acquisition cost	970		
Analysed as follows:			
Initial cash consideration	481		
Deferred contingent consideration	435		
Net assets adjustment to initial consideration	54		
Total acquisition cost	970		

Cash outflow on acquisition	£'000
Cash paid	535
Cash acquired	(63)
Acquisition costs	5
Net cash outflow	477

The contingent consideration is payable in two payments on 30 March 2016 and 30 March 2017 and subject to an earn-out based on future turnover. The maximum amount payable is £916k

The post-acquisition revenue for the period ended 31 October 2015 was nil and the post-acquisition profit for the period ended 31 October 2015 was £nil as all client portfolios were novated to AFH Independent Financial Services Limited. If the acquisition had taken place on 1 November 2014, management estimate that the revenue would have been £nil and there would have been a profit of £nil.

5 Business combinations (continued)

Acquisition of K.L. Plester Financial Services Holdings Ltd.

K.L. Plester Financial Holdings Ltd was acquired by AFH Group Limited on 9 February 2015 and undertakes the provision of independent financial advice to the retail market.

The acquisition has been accounted for using the acquisition method. The provisional fair value of the identifiable assets and liabilities of K.L. Plester Financial Services Holdings Ltd as at the date of acquisition was:

	Provisional fair value to be recognised on acquisition	Fair value adjustments	Previous carrying value
	£'000	£'000	£'000
Client portfolio	1,717	1,717	-
Cash at bank	115	-	115
Assets	1,832	1,717	115
Trade and other payables	-	-	-
Liabilities	-	-	-
Total identifiable net assets at fair value	1,832		
Total acquisition cost	1,832		
Analysed as follows:			
Initial cash consideration	745		
Deferred contingent consideration	972		
Net assets adjustment to initial consideration	115		
Total acquisition cost	1,832		

Cash outflow on acquisition	£'000
Cash paid	861
Cash acquired	(115)
Net cash outflow	746

The contingent consideration is payable in two payments on 9 April 2016 and 9 April 2017 and subject to an earn-out based on future turnover. The maximum amount payable is £1,717k

The post-acquisition revenue for the period ended 31 October 2015 was nil and the post-acquisition profit for the period ended 31 October 2015 was £nil as all client portfolios were novated to AFH Independent Financial Services Limited. If the acquisition had taken place on 1 November 2014, management estimate that the revenue would have been £nil and there would have been a profit of £nil.

5 Business combinations (continued)

Acquisition of Clarendon Financial Solutions Ltd.

Clarendon Financial Solutions Ltd was acquired by AFH Group Limited on 1 April 2015 and undertakes the provision of independent financial advice to the retail market.

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

	Provisional fair value to be recognised on acquisition	Fair value adjustments	Previous carrying value
	£'000	£'000	£'000
Client portfolio	461	461	-
Tangible assets		-	-
Cash at bank	50	-	50
Assets	511	461	50
Trade and other payables	(28)	-	(28)
Liabilities	(28)	-	(28)
Total identifiable net assets at fair value	483		
Total acquisition cost	483		
Analysed as follows:			
Initial cash consideration	231		
Deferred contingent consideration	230		
Net assets adjustment to initial consideration	22		
Total acquisition cost	483		

Cash outflow on acquisition	£'000
Cash paid	258
Cash acquired	(50)
Net cash outflow	208

The contingent consideration is payable in two payments on 17 May 2016 and 17 May 2017 and subject to an earn-out based on future turnover. The maximum amount payable is £461k

The post-acquisition revenue for the period ended 31 October 2015 was £nil and the post-acquisition profit for the period ended 31 October 2015 was £nil as all client portfolios were novated to AFH Independent Financial Services Limited. If the acquisition had taken place on 1 November 2014, management estimate that the revenue would have been £nil and there would have been a profit of £nil.

5 Business combinations (continued)

Acquisition of IFS (UK) Ltd

IFS (UK) Ltd was acquired by AFH Group Limited on 30 April 2015 and undertakes the provision of independent financial advice to the retail market.

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

	Provisional fair value to be recognised on acquisition	Fair value adjustments	Previous carrying value
	£'000	£'000	£'000
Client portfolio	2,750	2,750	-
Trade and other receivables	511	-	511
Cash at bank	71	-	71
Assets	3,332	2,750	582
Trade and other payables	147	-	147
Provisions and other payables	259	-	259
Liabilities	406	-	406
Total identifiable net assets at fair value	2,926		
Total acquisition cost	2,926		
Analysed as follows:			
Initial cash consideration	450		
Deferred contingent consideration	2,300		
Net assets adjustment to initial consideration	176		
Total acquisition cost	2,926		

Cash outflow on acquisition	£'000
Cash paid	450
Cash acquired	(71)
Net cash outflow	379

The contingent consideration is payable in three payments on 16 November 2015, 31 December 2016 and 31 December 2017 and subject to an earn-out based on future turnover. The maximum amount payable is £4,100k

The post-acquisition revenue for the period ended 31 October 2015 was £1.7m and the post-acquisition profit for the period ended 31 October 2015 was £180k. If the acquisition had taken place on 1 November 2014, management estimate that the revenue would have been £3.4m and there would have been a profit of £250k.

5 Business combinations (continued)

Davisons Financial Management Limited

Davisons Financial Management Limited was acquired by AFH Group Limited on 31 July 2015 and undertakes the provision of independent financial advice to the retail market.

The acquisition has been accounted for using the acquisition method. The provisional fair value of the identifiable assets and liabilities of Davisons Financial Management Limited as at the date of acquisition was:

	Provisional fair value to be recognised on acquisition	Fair value adjustments	Previous carrying value
	£'000	£'000	£'000
Client portfolio	2,856	2,856	-
Trade and other receivables	48	-	48
Cash at bank	32	-	32
Assets	2,936	2,856	80
Trade and other payables	20	-	-
Liabilities	20	-	-
Total identifiable net assets at fair value	2,916		
Total acquisition cost	2,916		
Analysed as follows:			
Initial cash consideration	1,071		
Initial consideration share issue	105		
Deferred contingent consideration	1,680		
Net assets adjustment to initial consideration	60		
Total acquisition cost	2,916		

Cash outflow on acquisition	£'000
Cash paid	1,071
Cash acquired	(32)
Net cash outflow	1,039

The contingent consideration is payable in two payments on 1 October 2016, and 1 October 2017 and subject to an earn-out based on future turnover. The maximum amount payable is £2,856k

The post-acquisition revenue for the period ended 31 October 2015 was £nil and the post-acquisition profit for the period ended 31 October 2015 was £nil as all client portfolios were novated to AFH Independent Financial Services Limited. If the acquisition had taken place on 1 November 2014, management estimate that the revenue would have been £nil and there would have been a profit of £nil.

5 Business combinations (continued)

Quest Financial Management Limited

Quest Financial Management Ltd was acquired by AFH Group Limited on 14 July 2015 and undertakes the provision of independent financial advice to the retail market.

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

	Provisional fair value to be recognised on acquisition	Fair value adjustments	Previous carrying value
	£'000	£'000	£'000
Client portfolio	585	585	-
Cash at bank	33	-	33
Assets	618	585	33
Trade and other payables	8	-	8
Liabilities	8	-	8
Total identifiable net assets at fair value	610		
Total acquisition cost	610		

Analysed as follows:	
Initial cash consideration	292
Deferred contingent consideration	293
Net assets adjustment to initial consideration	25
Total acquisition cost	610

Cash outflow on acquisition	£'000
Cash paid	292
Cash acquired	(33)
Net cash outflow	259

The contingent consideration is payable in two payments on 16 September, and 16 September 2017 and subject to an earn-out based on future turnover. The maximum amount payable is £585k.

The post-acquisition revenue for the period ended 31 October 2015 was nil and the post-acquisition profit for the period ended 31 October 2015 was nil as all client portfolios were novated to AFH Independent Financial Services Limited. If the acquisition had taken place on 1 November 2014, management estimate that the revenue would have been £nil and there would have been a profit of £nil.

5 Business combinations (continued)

b. Asset purchase

During the year ended 31 October 2015 five asset purchases were undertaken relating to acquired client portfolios. Consideration for these acquisitions amounted to £2.8m and the carrying amount and fair value of the net assets acquired were 2.8m. Included within the total consideration are amounts relating to contingent consideration of 1.5m. The contingent consideration is subject to earn outs based on future turnover over a period up to three year period.

6 Trade and other receivables

	2015	2014
	£'000	*£'000*
Trade receivables	2,906	2,009
Other receivables	921	184
Prepayments	530	274
Deferred tax asset	49	7
	4,406	2,474

7 Borrowings

	2015	*2014*
	£'000	*£'000*
8% Unsecured bonds	752	752
7.5% Unsecured bonds	2,142	-
Mortgage on freehold property	601	-
	3,495	752

Analysis of borrowings

Current borrowings		
8% Unsecured bonds	-	-
7.5% Unsecured bonds	-	-
Mortgage on freehold property	63	-
	63	-
Non-current borrowings		
8% Unsecured bonds	752	752
7.5% Unsecured bonds	2,142	-
Mortgage on freehold property	538	-
	3,432	752

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 taken out in the year is repayable by instalments over an 8 year period with an interest rate of 2.9% over LIBOR.

8 Trade and other payables

	2015	*2014*
	£'000	*£'000*
Current		
Trade payables	850	359
Contingent consideration	4,321	2,266
Commissions payable	2,488	1,683
Other payables	46	154
Accruals	584	318
	8,289	4,780
Non-current		
Contingent consideration	5,238	1,866

9 Cash generated from operations

	2015	*2014*
	£'000	*£'000*
Profit before tax	1,594	861

Adjustments for:		
Interest and dividend income	(26)	(25)
Interest expenses	187	63
Depreciation, amortisation and impairment	872	427
Equity settled share based payment expense	116	39
Movements in working capital:		
- Trade and other receivables	(1,932)	151
- Trade and other payables	(1,846)	379
Cash generated from operations	(1,035)	1,895