29th January 2018

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

AUDITED FULL YEAR RESULTS FOR THE PERIOD ENDING 31st OCTOBER 2017

Strong growth driving improved margins and increased profits; dividend increased by 33%

The Board of AFH, a leading financial planning led wealth management firm, today announces the Group's consolidated audited results for the period ending 31 October 2017 reflecting continued growth, an increase in earnings per share of 57% and a 33% increase in dividend per share.

Strong organic growth delivered through captive distribution model

- Revenues up 39% to £33.6 million (2016: £24.1 million)
- Underlying* EBITDA up 57% to £5.7 million (2016: £3.6 million)
- Underlying* EBITDA margin increased to 17% from 15%
- Profit after tax up 83% to £3.1 million (2016: £1.7 million)
- Earnings per share up 57% to 11.22 pence (2016: 7.16 pence)
- Underlying* Earnings per share up 46% to 17.0 pence (2016: 11.6 pence)
- Dividend per share up 33% to 4.0 pence (2016: 3.0 pence)
- Funds under Management up 39% to £2.79 billion (2016: £2.0 billion)

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

Significant growth potential

- Increasing organic demand for financial planning led wealth management services
- Proven track record of successful acquisitions: The average deferred pay-out for those acquisitions reaching a performance milestone exceeded 90% of the target deferred consideration during 2017
- AFH well positioned to continue to take advantage of ongoing IFA market consolidation
- Strong balance sheet following successful £17.5 million placing completed in December 2017

Alan Hudson, Group Chief Executive, commented:

“The year under review produced our fourth consecutive year of growth and improved profitability since joining AIM in 2014. Increased revenues and improved margins have resulted in a 57% increase in Earnings per Share to 11.22 pence after taking into account the dilutive impact of our successful fundraising in April 2017.

New business and continued demand for financial advice from existing clients, together with a series of earnings accretive acquisitions during the year, enabled the Group to grow its funds under management to £2.8bn and increase revenues to £33.6m whilst the efficiencies and economies of scale that we have worked towards generated a further improvement to our EBITDA margin and continues our progress to our three to five year aspirational target.”

This announcement is released by AFH Financial Group plc and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of the Company by Paul Wright, Chief Financial Officer.

Chairman's statement

Business Review

I am extremely pleased to report another successful year with increased margins driven by the economies of scale predicated by our strategy of organic and acquisitive growth. New business and continued demand for financial advice from existing clients, together with a series of earnings accretive acquisitions during the year, enabled the Group to grow its funds under management by 39% to £2.79bn and increase revenues by 39% to £33.6m.

As highlighted in my previous reports, the Group has invested heavily to establish an infrastructure able to support a large national financial services business and this year we were able to build on this scale to achieve a double digit increase in our Underlying EBITDA margin to approximately 17%.

In line with our drive to increase shareholder value the Group has established a strategic aim of reducing investment costs for our clients by leveraging the increased scale of AFH for their benefit, while ensuring the long-term sustainability of the Group. We believe that this is not only in the spirit of sound commercial business but leads the way for future financial services models, as many commentators predict that we approach a period of reduced gross market returns.

Organic revenue growth of £4.6m represented an increase of 19% on revenues generated in 2016 while gross margins from the core business remained at 55%. During the year funds under management grew organically, with £250m gross inflows, representing a second consecutive year of double-digit organic growth. We continue to see demand for financial advice from our clients driven by legislative changes, including pension freedoms and lifestyle needs. This has generated record levels of financial planning revenue to supplement our strong levels of recurring income.

During the year the Group completed 14 acquisitions with a combined value of £18.7 million, including two acquisitions with a target value in excess of £5m (assuming performance criteria are satisfied). It is equally fulfilling to be able to report that once again prior-year acquisitions have traded successfully. The average deferred pay-out for those acquisitions reaching a performance milestone has again exceeded 90% of the target set at the time of the transactions.

The acquisition of 13 IFA businesses during the year again encompassed retiring IFAs, whose client portfolios have been transitioned to existing AFH advisers, as well as larger organisations whose clients and advisers have been absorbed into the AFH model. This approach allows investments to be retained on existing platforms and products where appropriate but enables clients to move to our cost-effective discretionary service where a clear benefit to the client can be demonstrated. Integration of acquisitions made during the year has been completed successfully and I am pleased to report that a number of the larger acquisitions are trading above target.

In addition to the 13 IFA acquisitions, in June 2017 we announced the acquisition of Eunisure Limited, a financial protection broker based in Newmarket, Suffolk. As we reported at the time, this acquisition provided an entrance into the protection sector, which we believe to be underserved currently by the financial community. It also opens an additional client community to our financial advisers and provides a strong catchment of financially aware advisers who we believe can form the basis of an in-house academy to train future IFAs. The business has performed in line with expectations since June, reporting increasing margins and improved rates of client persistency.

The strong revenue growth supported by a controlled fixed cost base has delivered a £2m (57%) increase in underlying EBITDA to £5.7m and a 56% rise in reported EPS to 11.22p (2016: 7.16p).

In my last report I commented on the digital transformation project. The Board has committed over £1m for the initial phase of digitising both the Group's internal operations and its interaction with clients and advisers as the business develops its captive distribution channels to provide tailored advice and investment management solutions. Phase 1, which has already delivered improved communication (including video updates and digital information packs for advisers, staff and clients) whilst generating client-facing operational efficiencies, continues into the current financial year when it is expected to move to Phase 2. This will create personalised portals for both clients and our advisers in addition to embracing the wider mass affluent market.

The market

The economic backdrop for financial markets was favourable during the year. Global equity markets hit fresh record highs, as the recovery in the world economy broadened and gathered momentum. The improving growth picture meant that the withdrawal of emergency monetary stimulus put in place in the wake of the 2008-09 financial crisis was a dominant theme for investors. The US Federal Reserve raised interest rates during the 12-month period and started winding down its balance sheet in October 2017. Given that ultra-low interest rates and quantitative easing (QE) have been key drivers of risk assets in recent years, the withdrawal of such stimulus has always represented a concern for financial markets. However, the markets took the moves in their stride, not least as below-target inflation reinforced expectations that any withdrawal of stimulus would be gradual. Moreover, with corporate earnings improving, markets have become somewhat less dependent on support from central banks.

Although political developments had threatened to disrupt markets during the year, the influence of politicians proved generally benign. In Europe, the tide of populism was turned back, as voters in France rejected Marine Le Pen's anti-euro campaign and elected the pro-euro candidate Emmanuel Macron. In turn, diminished political risk, along with improving business and consumer confidence, helped euro-area equity markets perform strongly during the period.

In contrast, political risk in the UK increased after the government lost its majority following Prime Minister Theresa May's decision to call a snap election in June. With Brexit negotiations ongoing, the surprise election result added to the uncertainty facing UK business. However, even in the UK, the backdrop of an improving global economic outlook more than compensated for political concerns, with both the FTSE100 and FTSE250 generating double-digit returns over the period.

Shareholders

In April 2017 and December 2017, following the year end, two successful fundraisings enabled the Company to expand its institutional shareholder base while benefitting from the continued support of our existing institutional shareholders. I would like to welcome our new shareholders, who join at an exciting period of the Group's development, and to thank existing shareholders for their continuing support. The Group has a strong balance sheet on which to execute its pipeline of acquisitions and, we believe, a strong shareholder base that can support its growth ambitions.

The Directors believe that the most effective way to strengthen the relationship with all shareholders is through regular market updates but also welcome the opportunity to meet shareholders and to maintain an ongoing and constructive dialogue with them.

Dividend

The Directors intend to continue the Group's progressive dividend policy while recognising the requirement to maintain sufficient cash reserves within the business to fund its growth strategy. Having considered this in the light of the strong performance during the year under review, the Directors propose a dividend of 4.0 pence per share, an increase of 33% over the 2017 dividend. Subject to shareholder approval at AFH's forthcoming Annual General Meeting, the dividend will be paid on 4 May 2018 to shareholders on the register of members at the close of business on 20 April 2018. The ex-dividend date is 19 April 2018.

Our people

The profitable growth of AFH is due to the hard work and professional approach of our staff and advisers. I would like to thank them for the contribution they have made to another highly successful year in which we have continued to grow our business profitably and improve our operating margins in line with the Board's expectations. It is our ambition to become an employer of choice for staff and to maintain the alignment of interest between our staff and advisers with those of our clients and 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 Group 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 allows the Group to continue to deliver according to its strategy each year.

Outlook

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

The Board believes that it has put in place the necessary infrastructure to support its growth plans for 2018 and beyond. Continued investment in technology is expected to accelerate 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. Following completion of the fundraising in December 2017, the Group has unrestricted cash assets in excess of £20m and will continue to actively seek appropriately priced opportunities to expand its captive distribution throughout the financial sector, generate additional revenue and drive increased profitability.

Given the progress made in 2017 and the early months of the 2018 financial year, the Directors view the coming period as providing excellent prospects and look forward to continuing our success in the future.

John Wheatley
Chairman
29 January 2018

Chief Executive's report

I am encouraged by the strong progress we made in 2017 and, driven by the increase in our recurring revenue and our underlying EBITDA margin, the continued achievement of the revenue and profitability targets that we set ourselves.

Financial Performance

The year under review produced our fourth consecutive year of growth and improved profitability since joining AIM in 2014. Increased revenues and improved margins have resulted in a 46% increase in underlying earnings per share to 17.0p after taking into account the dilutive impact of our successful fundraising in April 2017.

The success of integrating our acquisitions complemented double-digit organic growth with productivity per adviser reaching record levels. Revenue for the 12 months ended 31 October 2017 of £33.6m was almost 40% above the corresponding period (2016: £24.1m) and continues our progress to our three-to-five-year aspirational target.

The growing requirement of our clients for financial advice generated £12.3m (2016: £7.8m) of new business revenues, while recurring income of £21.3m (2016: £16.3m) continues to strengthen our revenue base, driven by our growing funds under management. During the year over 90% of our organically generated inflow of funds were invested on a discretionary mandate and at the year-end more than £1.3bn of funds were managed on this basis.

In addition to the organic funds invested, an additional £530m of funds was brought under management as the result of acquisitions made during the year.

	Funds under management £bn
Reported as at 1 November 2016	2.0
Inflows through acquisitions	0.53
Inflows from existing business	0.27
Market impact	0.12
Outflows	(0.13)
Balance as at 31 October 2017	2.79

Gross margins remain strong despite a small decrease to 53% (2016: 55%) as a result of the impact of the lower margin protection business Eunisure, acquired in June 2017. The gross margin of our core business remained at 55% (2016: 55%) while we were again able to utilise our growing purchasing power for the benefit of our clients and reduce third-party costs for them for a third successive year.

2017 was a year of further investment in our technology and infrastructure, as we continued to seek operational efficiencies and offer a streamlined experience to our clients. While we believe that face-to-face advice is and will continue to be the key to solid client relationships, we are building technology solutions to support our advisers, provide greater flexibility and personalisation in our interaction with existing and potential clients and take on new competitors entering the market focussed on technology solutions. As we moved into 2018 a new cloud-based enterprise management solution was taken live and further cloud-based projects in our risk and technical advisory areas are expected to be completed within the current financial year.

Our marketing strategy has embraced the digital opportunities and challenges for the sector. In June 2017 the Group undertook a rebranding exercise, not only to create an image more aligned with the business values and approach of today's AFH but also to facilitate and promote our business in the new digital environment. During the year we charged through the Statement of Comprehensive Income more than £700,000 on developing our marketing and brand offering while investing a further £400,000 in capital expenditure to support our long-term digital aspirations.

The significant growth of the Group has made it possible to finance these marketing and IT projects, which we believe will generate significant shareholder and client value in the future.

During the period we reported a 57% increase in underlying EBITDA and a further improvement to our underlying EBITDA margin, as the efficiencies and economies of scale we have worked towards were reflected in our results. I am particularly pleased by the increased margin to 17% (2016: 15%) as this is one of our key internal metrics and aspirational measures.

Profit after tax for the year of £3.1m represents a 83% increase in the year (2016: £1.7m) and after the dilution created by our successful fund raising in April 2017 has increased reported Earnings Per Share to 11.22p. Underlying Earnings per Share, EBITDA plus non-cash share-based payments as adjusted for tax, is a key measure used by the Board as it reflects the cash earnings per share generated by the business. In 2017 this has increased to 16.97p (2016: 11.64p), representing a 46% increase.

Strategy

During the year considerable investment was made in rebranding the Group to reflect our business vision and to ensure that our values and culture are reflected in all aspects of our business. At the start of the financial year the Board set itself three financial aspirations over a three-to-five-year timeframe:

- Funds under management of £5bn
- Revenues of £75m
- Underlying EBITDA margin of 20% on revenue

At the same time we formalised our vision to be the "FIRST CHOICE FOR WEALTH MANAGEMENT AND ADVICE IN THE UK" and documented our values and "brand pillars" to ensure that we were able to measure and achieve both our vision and financial aspirations.

Central to our strategy is to put clients' interests first in order to build a sustainable business that reflects our vision, including a drive to reduce the cost of ancillary services for our clients and to embrace them in the AFH community. As noted above, during the year we continued to drive down custody and administration costs and put in place a model to reduce fund-management fees while retaining our independent status, providing access for our clients to the whole of market.

The Group came to the market in June 2014 with the strategy of growing both revenue and profitability through a combination of organic and acquisitive growth. The Board remains committed to this strategy, which to date has consistently delivered financial results in line with market expectations. While there have been a number of new entrants, many private equity-backed, who have applied pricing pressure for acquisitions, the Group was able to maintain its previous pricing multiples during the year while attracting high quality businesses by providing the opportunity for vendors to join the AFH community and enjoy, along with their clients, the benefits of the Group strategy and vision.

The same strategy has enabled the Group to enjoy double-digit organic growth in both funds under management and recurring revenue while maintaining gross margins and generating operating efficiencies to drive growth in earnings per share.

Our focus continues to be to maintain our existing strategy to meet our clients' ongoing needs in order to fulfil our vision and expand our brand throughout the UK financial services sector.

Segmental review

Financial advisory and investment management

Financial advisory and the subsequent management of client portfolios represent the core business of AFH. Our structure is based on the simple philosophy that the most appropriate way to manage a client's portfolio is to fully understand their current and future financial aims, their attitude to risk and their lifestyle requirements before constructing appropriate personal models and finally managing their money to meet their objectives. Our fee income is therefore split between initial financial planning and the ongoing management of a client's financial affairs and their assets.

During the year our initial financial planning fees totalled £9.4m, an increase of £1.6m (20%) above our 2016 results, reflecting the increasing client requirements for financial planning driven by changing legislation, in particular the changes to the UK pension market, with its associated opportunities and risks, as well as developing lifestyle needs.

Ongoing management fees increased to £21.3m (2016: £16.2m), reflecting the increased funds under management which, as noted above, increased to £2.8bn as a result of net organic inflows together with assets attached to acquisitions during the year. This increase was reflected in the ratio of recurring income within this division which rose to 69% (2016: 68%).

Gross margins in our core business remained at 55%, reflecting the increased level of business generated centrally relative to that self-generated by our advisers.

The division generated EBITDA of £6.6m (2016: £4.8m), representing a 22% margin on revenue (2016: 20%) and demonstrating the benefits of scale that was targeted in my last report to shareholders.

Protection Broking

In June 2017 the Company completed the purchase of Eunisure to open a new business stream for the Group focused on life and medical insurance protection cover. This business is more transactional than our core business, with over 90% of revenues generated as new business. The initial results of Eunisure have been positive and ahead of our expectations.

When acquiring Eunisure the Board recognised a commercial opportunity to provide a service to a market sector that has been underserved in recent years, creating a protection gap in the UK estimated by Swiss Re to be in excess of £2.5trn, while forming a potential source of young aspiring advisers for our core business. To date we have identified over 40 Eunisure advisers with the potential and desire to train within AFH in mortgage and other financial products and we will continue to develop this talent within our fledgling in-house academy.

During the five months since its acquisition Eunisure generated almost £3m of revenue at a 35% gross margin. The low cost base of the business and the synergies of the group enabled Eunisure to report an EBITDA margin of 22% for the period and further synergies will be sought in the future.

Acquisitions

The Group maintains an in-house acquisitions and integration team that allows us to undertake multiple acquisitions and to integrate them fully into the AFH model.

During the year the Group completed 14 acquisitions for a combined maximum cost of £18.7 million. Of this capped value, £8.7m was paid in initial consideration with the balance to be paid through our earn-out model over the next four financial years. The Company also paid over £3.2m in deferred consideration for acquisitions made in previous years, representing over 90% of the maximum earn-out agreed at the time of the transactions.

With the exception of the Eunisure protection broking business, all acquisitions were IFA businesses that have been integrated into the AFH model and trade under the AFH brand and regulatory permissions.

Capital structure

The Group remains free of secured debt, with the exception of a mortgage held on the freehold property acquired in 2015, and maintains a capital structure that the Board believes provides a conservative level of gearing through Unsecured Corporate Bonds. The Group continues to maintain a net cash position and all regulated subsidiary companies reported significant margins above their regulatory and stress-tested capital requirements as at 31 October 2017.

In assessing its appetite for financial gearing the Board considers the deferred consideration outstanding on acquisitions to provide an element of financing structuring and allows an unsecured leveraging for the benefit of our shareholders.

In April we concluded an equity fund-raising of £10m and welcomed a number of new institutional investors to our share register. The funds were raised to finance the initial cost of our acquisitions and since that time over 85% of the money raised has been used for the purchase of eight businesses during the second half of the year and a further three since the year end.

In December 2017, the Company raised of a further £17.5m in an exercise that was well supported by both existing and new institutions. As a result the Company has cash resources in excess £20m with which to continue its acquisitive activities while remaining free from secured debt.

Current year trading

The current year has started in line with expectations as the buoyant activity levels of 2017 have continued into the new year. The Group has seen further organic growth in new business which in turn has added to our funds under management on which we earn recurring fees. Since the year end we have announced three acquisitions which are expected to be fully integrated during the first half of the year. The successful fund-raising in December has provided a strong cash position that will allow AFH to take advantage of the continuing rate of consolidation within the IFA market during the current year and finance larger acquisition opportunities as they arise. Our increasing adoption of technology to support our advisers and clients is generating new opportunities for organic growth and supports our strategic model of incremental acquisitive growth on the base of a strong existing client base.

Alan Hudson
Chief Executive Officer
29 January 2018

The Company notes that the Annual Report & Accounts for the year ended 31 October 2017 will be posted to AFH shareholders on 31 January 2018. The document will also be available on the Company's website at www.afhfinancialgroup.com and in hard copy at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, Worcestershire, B60 4JE.

AFH FINANCIAL GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER 2017

	Note	*2017* *£'000*	*2016* *£'000*
Revenue	2	33,639	24,130
Cost of sales		(15,672)	(10,771)
Gross profit		17,967	13,359
Administrative expenses before amortisation and depreciation and share based payments expenses		(12,320)	(9,771)
Underlying EBITDA		**5,647**	**3,588**
Amortisation and Depreciation		(1,778)	(1,206)
Non cash share based payments		(136)	(144)
Operating profit		3,733	2,238
Finance income		19	40
Finance costs		(245)	(248)
Profit before tax		3,507	2,030
Income tax expense		(444)	(353)
Profit for the year attributable to owners of the parent		3,063	1,677
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners of the parent		3,063	1,677
Earnings per share (in pence)			
Basic		11.22	7.16
Diluted		10.31	6.61
Underlying EBITDA adjusted for tax per share (in pence)			
Basic		16.97	11.64
Diluted		15.58	10.75

All results derive from continuing operations

AFH FINANCIAL GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2017

	Note	*2017* *£'000*	*2016* *£'000*
Assets			
Non-current assets			
Intangible assets	4	38,930	21,359
Property, plant and equipment		1,195	1,202
Investments		1	1
Deferred tax asset		28	43
		40,154	**22,605**
Current assets			
Trade and other receivables	5	6,015	4,465
Cash and cash equivalents		9,275	6,717
		15,290	**11,182**
Total assets		**55,444**	**33,787**
Liabilities			
Current liabilities			
Trade and other payables	7	11,502	7,837
Current tax liabilities		468	322
Financial liabilities – Borrowings	6	77	76
		12,047	**8,235**
Net current assets/(liabilities)		**3,243**	**2,947**
Non-current liabilities			
Trade and other payables	7	6,736	2,047
Financial liabilities – Borrowings	6	3,281	3,352
Provision		49	-
		10,066	**5,399**
Total liabilities		**22,113**	**13,634**
Net assets		**33,331**	**20,153**
Shareholders' equity			
Share capital		3,058	2,413
Share premium account		24,224	13,989
Merger reserve		(540)	(540)
Share-based payment reserve		630	494
Retained earnings		5,959	3,797
Total Shareholders' equity		**33,331**	**20,153**

Approved by the Board of Directors 29 January 2017

Mr P K Wright
Director

AFH FINANCIAL GROUP PLC

STATEMENT OF CHANGES IN EQUITY

AS AT 31 OCTOBER 2017

Consolidated Statement of Changes in Equity

	Share capital £'000	*Share premium £'000*	*Merger reserve £'000*	*Share-based payment reserve £'000*	*Retained earnings £'000*	*Total £'000*
Balance at 1 November 2015	**2,012**	**8,112**	**(540)**	**384**	**2,661**	**12,629**
Profit for the year	-	-	-	-	1,677	1,677
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**1,677**	**1,677**
Issue of share capital	401	5,877	-	-	-	6,278
Share based payment cost – note 17	-	-	-	110	-	110
Dividend	-	-	-	-	(541)	(541)
Balance at 31 October 2016	2,413	13,989	(540)	494	3,797	**20,153**
Profit for the year	-	-	-	-	3,063	3,063
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**3,063**	**3,063**
Issue of share capital	645	10,235	-	-	-	10,880
Share based payment cost – note 17	-	-	-	136	-	136
Dividend	-	-	-	-	(901)	(901)
Balance at 31 October 2017	**3,058**	**24,224**	**(540)**	**630**	**5,959**	**33,331**

AFH FINANCIAL GROUP PLC

STATEMENT OF CHANGES IN EQUITY

AS AT 31 OCTOBER 2017

Company only Statement of changes in equity

	Share capital £'000	*Share premium £'000*	*Share-based payment reserve £'000*	*Retained earnings £'000*	*Total £'000*
Balance at 1 November 2015	**2,012**	**8,112**	**384**	**673**	**11,181**
Profit for the year	-	-	-	1,412	1,412
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	**1,412**	**1,412**
Issue of share capital	401	5,877	-	-	6,278
Share based payment cost	-	-	110	-	110
Dividend	-	-	-	(541)	(541)
Balance at 31 October 2016	**2,413**	**13,989**	**494**	**1,544**	**18,440**
Profit for the year	-	-	-	1,030	1,030
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**1,030**	**1,030**
Issue of share capital	645	10,235	-	-	10,880
Share based payment cost	-	-	137	-	137
Dividend	-	-	-	(901)	(901)
Balance at 31 October 2017	**3,058**	**24,224**	**631**	**1,673**	**29,586**

AFH FINANCIAL GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2017

	Note	*2017* *£'000*	*2016* *£'000*
Cash flows from operating activities			
Cash generated from operations	8	5,704	3,260
Tax paid		(351)	(365)
Net cash inflow from operating activities		5,353	2,887
Cash flows from investing activities			
Purchase of property, plant and equipment		(265)	(423)
Purchase of other intangible assets, net of cash		(11,141)	(4,970)
Interest received		19	34
Net cash outflow from investing activities		(11,387)	(5,359)
Cash flows from financing activities			
Proceeds from issue of shares		10,022	6,501
Share issue costs		(412)	(223)
Proceeds from finance leasing		255	-
Repayment of borrowings		(121)	(67)
Interest paid		(251)	(248)
Dividends		(901)	(541)
Net cash inflow from financing activities		8,592	5,422
Net increase/(decrease) in cash and cash equivalents		2,558	2,950
Cash and cash equivalents at the beginning of the year		6,717	3,767
Cash and cash equivalents at the end of the year		9,275	6,717

AFH FINANCIAL GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2017

1. General Information

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

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

This financial information has been prepared for the year ended 31 October 2017.

2. Revenue and segmental analysis

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

Segmental statement of comprehensive income

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Head Office 2017 £'000	Financial Advice and Investment Management 2017 £'000	Protection 2017 £'000	Total 2017 £'000
Revenue	-	30,671	2,968	33,639
Cost of sales	-	(13,750)	(1,922)	(15,672)
Gross profit	-	16,921	1,046	17,967
Administrative expenses before amortisation and depreciation and share based payments expenses	(1,620)	(10,314)	(386)	(12,320)
Underlying EBITDA	(1,620)	6,607	660	5,647
Amortisation and Depreciation	-	(1,766)	(12)	(1,778)
Non cash share based payments	(136)	-	-	(136)
Operating profit	(1,756)	4,841	648	3,733
Finance income	17	2	-	19
Finance costs	(228)	(17)	-	(245)
Profit before tax	(1,967)	4,826	648	3,507

	Head office 2016 £'000	Financial Advice and Investment Management 2016 £'000	Protection 2016 £'000	Total 2016 £'000
Revenue	-	24,130	-	24,130
Cost of sales	-	(10,771)	-	(10,771)
Gross profit	-	13,359	-	13,359
Administrative expenses before amortisation and depreciation and share based payments expenses	(1,237)	(8,568)	-	(9,805)

Underlying EBITDA	(1,237)	4,791	-	3,554
Amortisation and Depreciation	-	(1,206)	-	(1,206)
Non cash share based payments	(110)	-	-	(110)
Operating profit	(1,347)	3,585		2,238
Finance income	31	9	-	40
Finance costs	(228)	(20)	-	(248)
Profit before tax	(1,544)	3,574	-	2,030

Segment revenue reported above represents revenue generated from external customers. There were no Inter-segment sales in the current year.

The Accounting policies of the reportable segments are the same as the Group's accounting policies.

Segmental Assets
The following is an analysis of the Group's Assets from continuing operations by reportable segment.

	2017 £'000	2016 £'000
Head Office	4,073	5,304
Financial Advice and Investment Management	8,622	5,878
Protection	2,595	-
	15,290	11,182

Segmental Liabilities
The following is an analysis of the Group's Assets from continuing operations by reportable segment.

	2017 £'000	2016 £'000
Head Office	772	301
Financial Advice and Investment Management	8,224	7,536
Protection	2,506	-
	11,884	7,837

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

No customer is defined as a major customer by revenue, contributing more than 10% of the Group revenues (2016 – £nil)

3. Employees

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

	2017 *£'000*	*2016* *£'000*
Wages and salaries	8,265	6,763
Social security costs	834	659
Other pension costs	279	180
Share based payments	137	110
	9,515	7,712

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

	2017 Number	*2016 Number*
Directors	7	7
Office	265	232
Total	272	239

4. Intangible assets

	Other intangibles £'000	*Goodwill £'000*	*Acquired client portfolios £'000*	*Total £'000*
Cost				
At 1 November 2015	-	2,465	20,061	22,526
Additions	-	-	1,482	1,482
At 31 October 2016	-	2,465	21,543	24,008
Additions	*401*	4,500	14,203	18,943
At 31 October 2017	*401*	6,965	35,746	42,951
Amortisation and impairment				
At 1 November 2015	-	375	1,249	1,624
Charge for the year	-	-	1,025	1,025
At 31 October 2016	-	375	2,274	2,649
Charge for the year	*16*	-	1,517	1,533
At 31 October 2017	*16*	375	3,791	4,182
Net book value				
At 31 October 2017	*385*	6,590	31,955	38,930
At 31 October 2016	-	2,090	19,269	21,359

Goodwill and Acquired client portfolios

Goodwill believed to have an indefinite useful life is carried at cost. The determination of whether goodwill is impaired requires an assessment of the value in use. The recoverable amount of goodwill on a value in use calculation is based on the discounted cash flows expected from the intangible assets of each acquisition, assuming no future growth in revenue generated cash flows, discounted at an implied factor of 10%, for a period of 10 years with no annuity. On this basis the directors believe the value of goodwill is not impaired at 31 October 2017. The directors have concluded that Goodwill relates to a single Cash Generating Unit.

The Directors have assessed the sensitivity of the assumptions detailed above and consider that, due to the level of prudence already factored into these assumptions, it would require a significant adverse variance in any of these to reduce the fair value to a level where it matched the carrying value.

During the year ended 31 October 2017 14 asset purchases were undertaken relating to acquired client portfolios. Consideration for these acquisitions amounted to £14.2m, of which £14.2m related to client portfolios, Included within the total consideration are amounts relating to contingent consideration of £7.2m. The contingent consideration is subject to earn outs based on future turnover over a period up to three year period.

In addition, one purchase was undertaken, resulting in £4.5m of goodwill being recognised.

5. Trade and other receivables

Group

	2017	*2016*
	£'000	*£'000*
Trade receivables	4,426	3,139
Other receivables	725	662
Prepayments	864	664
	6,015	4,465

Company

	2017	*2016*
	£'000	*£'000*
Amounts owed by Group Companies	24,101	14,785
Other receivables	14	-
Prepayments	38	27
	24,153	14,812

There are no bad or doubtful receivables.

6. Borrowings

Group

	2017	*2016*
	£'000	*£'000*
8% Unsecured bonds	752	752
7.5% Unsecured bonds	2,142	2,142
Mortgage on freehold property	464	534
	3,358	3,428

Analysis of borrowings

Current borrowings		
8% Unsecured bonds	-	-
7.5% Unsecured bonds	-	-
Mortgage on freehold property	77	76
	77	76
Non-current borrowings		
8% Unsecured bonds	752	752
7.5% Unsecured bonds	2,142	2,142
Mortgage on freehold property	387	538
	3,281	3,432

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

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

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

Company

	2017	*2016*
	£'000	*£'000*
8% Unsecured bonds	752	752
7.5% Unsecured bonds	2,142	2,142
	2,894	2,894

Analysis of borrowings

Current borrowings		
8% Unsecured bonds	-	-
7.5% Unsecured bonds	-	-
	-	-
Non-current borrowings		
8% Unsecured bonds	752	752
7.5% Unsecured bonds	2,142	2,142
	2,894	2,894

7. Trade and other payables

Group

	2017	*2016*
	£'000	*£'000*
Current		
Trade payables	1,373	1,090
Contingent consideration	4,637	3,396
Commissions payable	4,076	2,593
Other payables	599	269
Accruals	817	489
	11,502	7,837
Non-current		
Contingent consideration	6,736	2,047

Included in other payables is £205k of Finance Leases payable within 1 year.

Company

	2017	*2016*
	£'000	*£'000*
Current		
Trade payables	82	74
Amounts owing to group undertakings	388	474
Accruals	303	229
	773	777

8. Cash generated from operations

	2017	*2016*
	£'000	*£'000*
Profit before tax	3,507	2,030
Adjustments for:		
Interest and dividend income	(19)	(34)
Interest expenses	245	248
Depreciation, amortisation and impairment	1,778	1,180
Equity settled share based payment expense	136	110
Movements in working capital:		
– Trade and other receivables	(1,195)	(114)
– Trade and other payables	1,252	(160)
Cash generated from operations	5,704	3,260