29 June 2016

AFH Financial Group PLC ("AFH" or the "Company")
Results for the six months ended 30 April 2016

AFH reports further strong growth

AFH, the rapidly growing wealth management and financial advisory business, is pleased to announce its results for the six months ended 30 April 2016.

Strong growth

- Revenues up 42% to £11.7 million (H1 2015: £8.22 million)
- Gross margin maintained at 55% (H1 2015: 55%)
- Recurring revenue as a percentage of total revenue maintained at 66% (H1 2015: 66%)
- EBITDA up 43% to £1.43 million (H1 2015: £1.0 million)
- Profit before tax up 42% to £0.86 million (H1 2015: £0.6 million)
- Earnings per share up 35% to 2.9 pence (H1 2015: 2.15 pence)
- Funds under Management of £1.88 billion, up 44% (30 April 2015: £1.3 billion)

Proven integration platform

- Over 90% of deferred consideration for those acquisitions reaching a deferred consideration milestone was earned and paid during the period

Confident Outlook

- Strong balance sheet to support further acquisitions
- Cash reserves of £7.1 million (30 April 2015: £4.3 million)
- Regulatory dynamics support further industry consolidation
- Disciplined acquisition methodology
- Strong pipeline of acquisition opportunities

Alan Hudson, Group Chief Executive, commented:

"Our strong first half results demonstrate AFH's continued successful momentum. Strong organic growth, complemented by contributions from our acquisitions, drove increased earnings per share by almost a third, compared with the same period last year. Within this, the rise in both recurring fees and revenue per adviser was particularly encouraging as we continue to realise and develop the benefits of a strongly integrated business model under the AFH brand.

Based on the continued client demand for our financial planning led wealth management services, the opportunities following UK pension reform and our proven track record as a successful acquirer and integrator of businesses, we are confident of the Group's future prospects for the full year and beyond."

Enquiries:

AFH Financial Group PLC	01527 577775
Alan Hudson, Chief Executive Officer	

Paul Wright, Chief Financial Officer

Liberum (Nominated Adviser and Broker) (Nominated Adviser and Broker) John Fishley / Tom Fyson	020 3100 2000
Camarco Geoffrey Pelham-Lane / Jennifer Renwick	0203 757 4985

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 2016.

The business has seen significant growth over the period, with revenue for the period increasing to £11.7m (H1 2015: £8.22m), driven by ongoing recurring fees which increased by 44% and which represented 66% of total revenue during the period (H1 2015: 66%).

Within the total revenue of £11.7m, £1.9m (representing 16%) was generated by portfolios acquired in the financial year ended 31 October 2015.

Whilst adviser numbers remained constant during the period, annualised revenue per adviser increased to £156,000 (H1 2015 £120,000).

Gross margins remained strong at 55% (H1 2015: 55%).

EBITDA increased by 43% to £1.43m representing a margin on Revenue of 12.2% (H1 2015: 12.2%).

The Group reported an increase of 42% in profit before tax to £0.86m, whilst earnings per share increased to 2.9p per share (2015: 2.15p).

In a period of stock market turbulence, our clients' portfolios demonstrated a strong resilience to market volatility and, as a consequence, the Company's management fees, which are based on the value of our Funds under Management ("FUM"), were similarly cushioned. Recurring revenue on which the Company earns these fees is estimated to rise or fall by approximately 4% for every 10% movement in the FTSE 100 index. The negative impact on current period revenues compared to H1 2015 was approximately £30,000.

Since April 2015 the Company has continued to invest in its head office to support the current and future projected growth. Whilst the increased cost was incurred in the second half of 2015 alongside the acquisitions made last year, on a like for like basis administrative expenditure increased by 40% to £5.38m whilst remaining at a similar level to H2 in 2015. This increase included a rise of £123,000 (37%) in amortization and depreciation costs of noncurrent assets acquired. Further investment is anticipated as the Group continues its growth strategy.

During the period £125m (gross) of new funds were invested through AFH from existing and new clients.

Cash position

The Group remains free of bank or, with the exception of a small property mortgage, secured debt and maintains healthy cash balances. At the period-end, cash and cash equivalents totalled £7.1m. Unsecured non-convertible bonds of £0.75m and £2.14m mature in 2020 and 2018 respectively.

Business review

In December 2015 the Company raised £6.1m (net) from institutional and existing investors to fund the acquisition of complementary IFA companies and the working capital requirements of the enlarged organisation. The Company is currently undertaking formal due diligence on certain potential acquisitions which are expected to conclude and be announced to the market during the second half of the year.

The last twelve months have seen a number of large M&A transactions in the wealth management sector completed at multiples well in excess of historic valuations, as wealth managers seek greater distribution and economies of scale. Whilst AFH has developed a strong pipeline of targets it remains the policy of the Board only to acquire businesses that: i) will be value enhancing for shareholders; ii) reflect the culture of the Company; and iii) can be integrated seamlessly into the AFH business. Whilst the number of acquisitions in the current year is unlikely to match the 11 transactions in 2015 this selective policy is believed by the board to be in the long term interest of all shareholders.

The successful integration and subsequent performance of our acquisitions remains a key driver for the Company and we continue to invest in our integration processes. I am pleased to report that our continued focus on post-acquisition integration and the development of those financial advisers joining the Company through acquisitions has resulted in over 90% of deferred consideration for those acquisitions reaching a deferred consideration milestone being earned and paid during the period. This is a result of the targets set out in purchase agreements being substantially met and demonstrates that clients are not only being retained, but the businesses acquired are continuing to grow as part of AFH.

As previously noted, the Company has built a strong pipeline of acquisition targets throughout the UK. The Board recognises the strength of AFH in its traditional West Midlands heartland and is seeking to continue to build on this position whilst expanding into areas where both advisers and clients can be effectively supported. Acquisitions made in Scotland and the South of England in 2015 have been successfully integrated into the business and the pipeline reflects our desire to develop these areas in the future. 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 Group remains profitable and cash generative with a strong balance sheet. Our strategy remains to expand nationally in our traditional areas of strength, through both organic and acquisitive growth to drive increased profitability. The Directors continue to actively seek appropriately priced acquisition opportunities with a comparable culture to AFH to generate value for shareholders.

Our aim is to grow our client base through increasing our adviser numbers and greater productivity afforded by the enlarged AFH structure and centralised support functions. 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
29 June 2016

Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ending 30 April 2016	Unaudited Six months ending 30 April 2015	Audited Twelve months ending 31 October 2015
		£'000	£'000	£'000
Revenue	3	11,700	8,222	20,977
Cost of sales		(5,316)	(3,730)	(10,009)
Gross profit		**6,384**	**4,492**	**10,968**
Administrative expenses		(5,415)	(3,827)	(9,213)
Operating profit		**969**	**665**	**1,755**
Amortisation and Depreciation		459	336	872
EBITDA		1,428	1,001	2,627
Finance income		15	15	26
Finance costs		(125)	(73)	(187)
Profit before tax		**859**	**607**	**1,594**
Income tax expense		(200)	(189)	(421)
Profit for the year attributable to owners of the parent		**659**	**418**	**1,173**
Other comprehensive income		-	-	-
Total comprehensive income for the year attributable to owners of the parent		**659**	**418**	**1,173**
Earnings per share (in pence)	7			
Basic		2.90	2.15	5.95
Diluted		2.68	2.00	5.49
Adjusted earnings per share (in pence)	7			
Basic		4.84	3.85	10.26
Diluted		4.46	3.59	9.48

Consolidated Statement of Financial Position

	Note	Unaudited 30 April 2016 £'000	Unaudited 30 April 2015 £'000	Audited 31 October 2015 £'000
Assets				
Non-current assets				
Intangible assets	4	20,530	18,967	20,902
Property, plant and equipment		1,098	250	960
Investments		1	1	1
		21,629	**19,218**	**21,863**
Current assets				
Trade and other receivables		4,546	2,411	4,406
Current tax assets		-	-	-
Cash and cash equivalents		7,106	4,326	3,766
		11,652	**6,737**	**8,172**
Total assets		**33,281**	**25,955**	**30,035**
Liabilities				
Current liabilities				
Trade and other payables	6	7,911	7,841	8,289
Current tax liabilities		299	39	339
Financial liabilities - Borrowings	5	63	-	63
		8,273	**7,880**	**8,691**
Net current assets / (liabilities)		**3,379**	**(1,143)**	**(519)**
Non-current liabilities				
Trade and other payables	6	2,530	3,865	5,238
Financial liabilities - Borrowings	5	3,398	2,894	3,432
Deferred tax liability		-	42	45
		5,928	**6,801**	**8,715**
Total liabilities		**14,201**	**14,681**	**17,406**
Net assets		**19,080**	**11,274**	**12,629**
Shareholders' equity				
Share capital		2,409	1,950	2,012
Share premium account		13,976	7,337	8,112
Merger reserve		(540)	(540)	(540)
Share-based payment reserve		456	329	384
Retained earnings		2,779	2,198	2,661
Total Shareholders' equity		**19,080**	**11,274**	**12,629**

	Share capital	Share premium	Merger reserve	Share-based payment reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Audited balance at 31 October 2014	**1,932**	**7,097**	**(540)**	**269**	**1,780**	**10,538**
Profit for the period	-	-	-	60	418	478
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**60**	**418**	**478**
Issue of share capital	18	240	**-**	**-**	-	258
Dividend	-	-	**-**	**-**	-	-
Unaudited balance at 30 April 2015	**1,950**	**7,337**	**(540)**	**329**	**2,198**	**11,274**
Profit for the period				55	755	810
Other comprehensive income						
Total comprehensive income				55	755	810
Issue of share capital	62	775				837
Dividend					(292)	(292)
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

Consolidated Statement of Cash Flows

	Note	Unaudited Six months ending 30 April 2016 £'000	Unaudited Six months ending 30 April 2015 £'000	Audited Twelve months ending 31 October 2015 £'000
Cash flows from operating activities				
Cash generated from operations	8	916	993	2,231
Tax paid		(240)	(286)	(219)
Net cash inflow from operating activities		**676**	**707**	**2,012**
Cash flows from investing activities				
Purchase of property, plant and equipment		(225)	(18)	(789)
Purchase of other intangible assets, net of cash		(2,611)	(4,388)	(6,532)
Proceeds from disposals of other intangible assets		-	34	34
Rental Income received		-	4	8
Interest received		15	11	18
Net cash (outflow) from investing activities		**(2,821)**	**(4,357)**	**(7,261)**
Cash flows from financing activities				
Proceeds from issue of shares		6,405	211	1,072
Share issue costs		(223)	-	(24)
Issue of unsecured bond		-	2,142	2,142
Proceeds from borrowings		-	-	601
Repayment of borrowings		(34)	-	-
Interest paid		(122)	(30)	(137)
Dividends		(541)	-	(292)
Net cash inflow/(outflow) from financing activities		**5,485**	**2,323**	**3,362**
Net increase / (decrease) in cash and cash equivalents		3,340	(1,327)	(1,887)
Cash and cash equivalents at the beginning of the period		3,766	5,653	5,653
Cash and cash equivalents at the end of the period		**7,106**	**4,326**	**3,766**

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 2015, 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 2016 and the six months ended 30 April 2015 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 2015 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 2015.

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 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 2016 was £18.3m (2015: £16.9m). No impairments have been made during the period (2015: £2.5m).

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 2016 was £2.1m (2015: £2.1m). No impairments have been made during the period (2015: £ 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 *£'000*	*Acquired client portfolios* *£'000*	*Total* *£'000*
Cost			
At 31 October 2014	2,465	8,102	10,567
Additions	—	9,583	9,583
Disposals	—	—	—
Revaluations	—	—	—
At 30 April 2015	2,465	17,685	20,150
Additions	—	2,376	2,376
Disposals	—	—	—
Revaluations	—	—	—
At 31 October 2015	2,465	20,061	22,526
Additions	—	—	—
Disposals	—	—	—
Revaluations	—	—	—
At 30 April 2015	2,465	20,061	22,526
Amortisation			
At 31 October 2014	375	485	860
Charge for the period	—	288	288
At 30 April 2015	375	773	1,148
Charge for the period	—	476	476
At 31 October 2015	375	1,249	1,624
Charge for the period	—	372	372
At 30 April 2016	375	1,621	1,996
Net book value			
At 30 April 2016	2,090	18,440	20,530
At 31 October 2015	2,090	18,812	20,902
At 30 April 2015	2,090	16,878	18,968
At 31 October 2014	2,090	7,617	9,707

5 Analysis of borrowings

	Unaudited Six months ending 30 April 2016 £'000	Unaudited Six months ending 30 April 2015 £'000	Audited Twelve months ending 31 October 2015 £'000
Current borrowings			
Mortgage on freehold property	63	-	63
	63	-	63
Non-current borrowings			
8% Unsecured bonds	752	752	752
7.5% Unsecured bonds	2,142	2,142	2,142
Mortgage on freehold property	504	-	538
	3,398	3,432	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 taken out in the year is repayable by instalments over an 8 year period with an interest rate of 2.9% over LIBOR.

6. Trade and other payables

	Unaudited Six months ending 30 April 2016 £'000	Unaudited Six months ending 30 April 2015 £'000	Audited Twelve months ending 31 October 2015 £'000
Current			
Trade payables	509	451	850
Contingent consideration	3,891	5,283	4,321
Commissions payable	3,018	1,727	2,488
Other payables	317	224	584
Accruals	176	156	46
	7,911	7,841	8,289
Non-current			
Contingent consideration	2,530	3,865	5,238

7 Earnings per share

The calculation of earnings per share is based on the profit attributable to the equity holders for the period of £659,000 (2015 – £418,000) and weighted average number of shares in issue during the period of 22,726,615 (2015 – 19,397,462).

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.

Adjusted earnings per share of £1,101,000 (2015 - £746,000) have been calculated on the profit attributable to the equity holders for the period after adding back Amortisation and Depreciation and adjusting the tax provision accordingly.

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

	Unaudited Six months ending 30 April 2016	Unaudited Six months ending 30 April 2015	Audited Twelve months ending 31 October 2015
	£'000	**£'000**	**£'000**
Profit before tax for the period	859	607	1,594
Adjustments for			
Interest and other investment income	(15)	(15)	(26)
Interest expense	125	73	187
Depreciation, amortisation and impairment	459	336	872
Equity settled share based expense	72	60	116
Movements in working capital			
Decrease / (Increase) in trade and other receivables	(140)	63	(1,932)
(Decrease) / Increase in trade and other payables	(444)	(131)	1,420
Cash generated from operations	**916**	**993**	**2,231**