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AFH Financial Group Plc
29 July 2015

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 APRIL 2015
Strong revenue, PBT and EBITDA performance

The Board of AFH, a leading financial planning led investment management firm, is pleased to announce the Group's consolidated interim results for the 6 months ended 30 April 2015.

Highlights:

- Revenues up 13% to £8.22m (2014: £7.29m)
- EBITDA increased 36% to £1.10m (2014: £0.81m)
- Profit before tax up 13% to £0.61m (2014: £0.54m)
- Gross margin increased to 55% (2014: 51%)
- Recurring revenue of £5.4m represented 66% of Group revenue (2014: £3.9m, 54%)
- 55% of revenue growth during the period generated organically
- Strong balance sheet with net assets of £11.3m, an increase of 20%
- Cash reserves at 30 April 2014 of £4.3m (2014: £4.9m)
- Seven acquisitions made during the period for a maximum consideration of £9.4m
- Issue of £2.14m Corporate Bonds in January 2015
- Largest acquisition to date in Independent Financial Services (UK) Limited

Commenting Alan Hudson, Chief Executive Officer of AFH Financial Group PLC, said:

"The Group remains profitable and cash generative with a strong balance sheet for its current size. 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 incremental opportunities for the Group."

"Our aim is to grow our client base through increased adviser numbers and greater productivity afforded by the AFH structure and centralised support functions. The progress made during the first half of the current financial year and in particular the step change afforded by our most recent acquisitions allows the Directors to view the prospects for the full year and beyond with confidence."

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Interim Report

Business review

I am pleased to provide shareholders with an update on the Group's performance for the six months to 30 April 2015, a period that, in spite of previously reported delays in the FCA authorisation of new advisors due to changes in the regulatory authorization processes, has seen continued financial and corporate progress.

During the period under review, the Group significantly increased its recurring revenue from £3.9m to £5.4m, with £5.0m (93%) of this recurring revenue generated organically by advisors with AFH on 1 November 2014. As a result recurring revenue for the period increased to 66% of total revenue which gives the directors additional confidence in the quality and sustainability of future revenue and earnings. New business levels fell during the period, in part due to our clients deferring pension advice and investment before the 5 April 2015 changes to pension rules. The Directors believe that these changes will have a limited impact in 2015, as further guidance is provided by the government and the opportunities and risks for investors are clarified. However, the Group believes that the long term need for independent financial advice will be greater as a result of the new regulations and AFH is well positioned to benefit from these changes.

In December 2014, the Group announced the issue of 7.5% unsecured corporate bonds and in January 2015 confirmed that £2.14m had been raised from this issue. This has provided the Group with additional operational gearing, equating to 12% of gross assets at that date, and generated funds for the Group's acquisition opportunities without diluting equity shareholders. The Directors' view unsecured debt as a useful addition to equity fundraising as a means to finance acquisitive growth whilst maintaining a cautious approach to the level of debt relative to equity.

During the period, the Group completed seven acquisitions, six of which were finalised during the second quarter and the benefits of these transactions will be recognised from the second half of the current financial year. These acquisitions included the entire share capital of IFS (UK) Limited, our largest acquisition to date, at a maximum cost of £4.25m subject to the usual earn out conditions. Details of the individual acquisitions are set out in note 4 to the Interim accounts.

Funds under Management, on which the Group earns fees ("FUM") increased during the period and in my AGM statement I was able to report to shareholders that FUM had exceeded £1.25bn. As reported on 1 May 2015, following our acquisition of Independent Financial Services (UK) Limited, FUM increased to approximately £1.7bn.

Trading Results

Revenue for the period increased to £8.22m (2014: £7.29m). Gross margins remained strong at 55% (2014: 51%) whilst recurring revenue represented 66% (2014: 54%) of total revenue.

During the period, the Group continued to invest in its head office to support the current and future projected growth. As a result, administrative expenditure increased by 22% to £ 3.8m. This included an increase of £98,000 (41%) in amortization and depreciation costs of non current assets acquired in this and previous periods. Further investment is anticipated as the Group continues its growth strategy. The Group reported an increase of 13% in profit before tax to £607,000, whilst earnings per share decreased slightly to 2.20p per share (2014: 2.47p) as a result of share issues.

The Group reported EBITDA of £1.1m, representing an increase of 36% over the prior year comparative figure of £0.81m. This is a measure used by the Directors to assess the cash generation from the on-going operations. The EBITDA margin of 13.4% on revenue (2014: 11.1%) reflects the increasing scalability of the business given the level of investment in the central overhead noted above.

Cash position

The Group remains free of bank or secured debt and maintains healthy cash balances. At the period-end, cash and cash equivalents totalled £4.3m. Unsecured non-convertible bonds of £0.75m and £2.14m mature in 2020 and 2018 respectively.

Post Balance Sheet Events

On 28 May 2015, the Group announced that it had raised £750,000, before expenses, through the placing of 535,716 new ordinary shares representing a dilution of approximately 2.5% to existing shareholders. The net proceeds will be used to continue the Group's acquisition led growth strategy and for general working capital purposes.

Outlook

The Group remains profitable and cash generative with a strong balance sheet for its current size. 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 incremental opportunities for the Group.

Our aim is to grow our client base through increased 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 and in particular the step change afforded by our most recent acquisitions allows the Directors to view the prospects for the full year and beyond with confidence.

John Wheatley
Chairman

Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ending 30 April 2015 £'000	Unaudited Six months ending 30 April 2014 £'000	Audited Twelve months ending 31 October 2014 £'000
Revenue	3	8,222	7,293	15,037
Cost of sales		(3,730)	(3,587)	(7,326)
Gross profit		**4,492**	**3,706**	**7,711**
Administrative expenses		(3,827)	(3,137)	(6,811)
Operating profit		**665**	**569**	**900**
Finance income		15	-	25
Finance costs		(73)	(32)	(64)
Profit before tax		**607**	**537**	**861**
Income tax expense		(189)	(110)	(260)
Profit for the year attributable to owners of the parent		**418**	**427**	**601**
Other comprehensive income		-	-	-
Total comprehensive income for the year attributable to owners of the parent		**418**	**427**	**601**
Earnings per share (in pence)				
Basic		2.20	2.47	3.31
Diluted		2.00	2.29	3.10

Consolidated Statement of Financial Position

	Note	Unaudited 30 April 2015 £'000	Unaudited 30 April 2014 £'000	Audited 31 October 2014 £'000
Assets				
Non-current assets				
Intangible assets	5	18,967	8,803	9,707
Property, plant and equipment		250	282	279
Investments		1	1	1
		19,218	**9,086**	**9,987**
Current assets				
Trade and other receivables		2,411	2,635	2,474
Current tax assets		-	-	-
Cash and cash equivalents		4,326	4,879	5,653
		6,737	**7,514**	**8,127**
Total assets		**25,955**	**16,600**	**18,114**
Liabilities				
Current liabilities				
Trade and other payables		7,841	3,166	4,780
Current tax liabilities		39	190	136
Financial liabilities - Borrowings		-	50	-
		7,880	**3,406**	**4,916**
Net current assets / (liabilities)		**(1,143)**	**4,108**	**3,210**
Non-current liabilities				
Trade and other payables		3,865	3,073	1,866
Financial liabilities - Borrowings		2,894	752	752
Deferred tax liability		42	-	42
		6,801	**3,825**	**2,660**
Total liabilities		**14,681**	**7,231**	**7,576**
Net assets		**11,274**	**9,369**	**10,538**
Shareholders' equity				
Share capital		1,950	1,827	1,932
Share premium account		7,337	5,970	7,097
Merger reserve		(540)	(540)	(540)
Share-based payment reserve		329	277	269
Retained earnings		2,198	1,835	1,780
Total Shareholders' equity		**11,274**	**9,369**	**10,538**

	Share capital	Share premium	Merger reserve	Share-based payment reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Audited balance at 31 October 2013	**1,712**	**4,477**	**(540)**	**230**	**1,407**	**7,286**
Profit for the period	-	-	-	-	381	381
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**381**	**381**
Unaudited balance at 30 April 2014	**1,712**	**4,477**	**(540)**	**230**	**1,788**	**7,667**
Profit for the period	-	-	-	-	220	220
Other comprehensive income	-	-	-	39	-	39
Total comprehensive income	**-**	**-**	**-**	**-**	**220**	**490**
	1,712	**4,477**	**(540)**	**269**	**2,008**	**7,926**
Issue of share capital	220	2,620	**-**	-	-	2,840
Dividend	-	-	-	-	(228)	(228)
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**

Consolidated Statement of Cash Flows

	Note	Unaudited Six months ending 30 April 2015 £'000	Unaudited Six months ending 30 April 2014 £'000	Audited Twelve months ending 31 October 2014 £'000
Cash flows from operating activities				
Cash generated from operations	6	993	930	1,895
Tax paid		(286)	(266)	(314)
Net cash inflow from operating activities		**707**	**664**	**1,581**
Cash flows from investing activities				
Purchase of property, plant and equipment		(18)	(71)	(112)
Purchase of other intangible assets, net of cash		(4,388)	(1,625)	(2,674)
Proceeds from disposals of other intangible assets		34	-	-
Rental Income received		4	-	10
Interest received		11	-	15
Net cash (outflow) from investing activities		**(4,357)**	**(1,696)**	**(2,761)**
Cash flows from financing activities				
Proceeds from issue of shares		211	1,621	3,082
Share issue costs		-	(12)	(242)
Issue of unsecured bond		2,142	-	-
Proceeds from borrowings		-	-	-
Repayment of borrowings		-	-	(50)
Interest paid		(30)	(32)	(63)
Dividends		-	-	(228)
Net cash inflow from financing activities		**2,323**	**1,577**	**2,499**
Net increase / (decrease) in cash and cash equivalents		(1,327)	545	1,319
Cash and cash equivalents at the beginning of the period		5,653	4,334	4,334
Cash and cash equivalents at the end of the period		**4,326**	**4,879**	**5,653**

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 2014, 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 2015 and the six months ended 30 April 2014 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 2014 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 2014.

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 2015 was £ 16.9m (2014: £ 7.6m). No impairments have been made during the period (2014: £ nil).

Impairment of goodwill

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

The carrying amount of goodwill at 30 April 2015 was £ 2.1m (2014: £ 2.1m). No impairments have been made during the period (2014: £ 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 Business combinations

(i) Share Purchase Acquisitions

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 (unaudited)	Fair value adjustments (unaudited)	Previous carrying value (unaudited)
	£'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 £970,000.

The post-acquisition revenue for the period ended 30 April 2015 was nil and the post-acquisition profit for the period ended 30 April 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.

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 (unaudited)	Fair value adjustments (unaudited)	Previous carrying value (unaudited)
	£'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)
Acquisition costs	-
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 £1,832,000.

The post-acquisition revenue for the period ended 30 April 2015 was nil and the post-acquisition profit for the period ended 30 April 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.

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 (unaudited)	Fair value adjustments (unaudited)	Previous carrying value (unaudited)
	£'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)
Acquisition costs	-
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 £483,000.

The post-acquisition revenue for the period ended 30 April 2015 was nil and the post-acquisition profit for the period ended 30 April 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.

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 (unaudited)	Fair value adjustments (unaudited)	Previous carrying value (unaudited)
	£'000	£'000	£'000
Client portfolio	4,100	4,100	-
Cash at bank	85	-	85
Trade and other receivables	495		495
Assets	4,680	4,100	580
Trade and other payables	298		298
Provisions and other payables	127		127
Liabilities	425	-	425
Total identifiable net assets at fair value	4,255		
Total acquisition cost	4,255		
Analysed as follows:			
Initial cash consideration	450		
Deferred contingent consideration	3,650		
Net assets adjustment to initial consideration	155		
Total acquisition cost	4,255		

Cash outflow on acquisition	£'000
Cash paid	605
Cash acquired	(85)
Acquisition costs	-
Net cash outflow	520

The contingent consideration is payable in three payments on 16 November2015, 31 December 2016 and 31 December 2017 and subject to an earn-out based on future turnover. The maximum amount payable is £4,255,000

The post-acquisition revenue for the period ended 30 April 2015 was nil and the post-acquisition profit for the period ended 30 April 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.

All four acquisitions enabled the Group to expand its financial advisory services.

(ii) Asset Purchase Acquisitions

During the period ended 30 April 2015 four asset purchases were undertaken relating to acquired client portfolios. The maximum consideration for these acquisitions amounted to £2.3m and the carrying amount and fair value of the net assets acquired were £2.3m. Included within the total consideration are amounts relating to contingent consideration of £1.1m. The contingent consideration is subject to earn outs based on future turnover over a period up to three year period.

5 Intangible Assets

	Goodwill £'000	*Acquired client portfolios £'000*	*Total £'000*
Cost			
At 31 October 2013	2,465	5,428	7,893
Additions	-	1,552	1,552
Disposals	-	-	-
Revaluations	-	-	-
At 30 April 2014	2,465	6,980	9,445
Additions	-	1,122	1,122
Disposals	-	-	-
Revaluations	-	-	-
At 31 October 2014	2,465	8,102	10,567
Additions	-	9,583	9,583
Disposals	-	(34)	(34)
Revaluations	-	-	-
At 30 April 2015	2,465	17,651	20,116
Amortisation			
At 31 October 2013	375	142	517
Charge for the period	-	161	161
At 30 April 2014	375	303	678
Charge for the period	-	182	182
At 31 October 2014	375	485	860
Charge for the period	-	288	288
At 30 April 2015	375	773	1,148
Net book value			
At 30 April 2015	2,090	16,878	18,968
At 31 October 2014	2,090	7,617	9,707
At 30 April 2014	2,090	6,677	8,767
At 31 October 2013	2,090	5,286	7,376

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

	Unaudited Six months ending 30 April 2015 £'000	Unaudited Six months ending 30 April 2014 £'000	Audited Twelve months ending 31 October 2014 £'000
Profit before tax for the period	607	537	861
Adjustments for			
Interest and other investment income	(15)	-	(25)
Interest expense	73	32	63
Depreciation, amortisation and impairment	336	238	427
Equity settled share based expense	60	48	39
Movements in working capital			
Decrease / (Increase) in trade and other receivables	63	(10)	151
(Decrease) / Increase in trade and other payables	(131)	85	379
Cash generated from operations	**993**	**930**	**1,895**