

AFH Financial Group

Final Results

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31 March 2014

AFH Financial Group PLC

("AFH" or the "Group")

AUDITED FINAL RESULTS

Strong Revenue Performance. Profit Growth. Increased Dividend

The Directors of AFH (ISDX:AFHP), a leading Independent Financial Advisory ("IFA") and discretionary wealth management firm, are pleased to announce the Group's consolidated audited results for the year ended 31 October 2013 and the declaration of a proposed increased dividend of 1.25p per ordinary share.

In preparation for the Group's proposed move to AIM the Financial Statements have been reported under IFRS with comparative figures for 2012 restated where appropriate.

Highlights:

- Profit before Tax up 250 % to GBP1.05m (2012: GBP0.3m)
- Revenues up 50% to GBP10.8m (2012: GBP7.2m)
- EBITDA increased 140% to GBP1.2m (2012: GBP0.5m)
- Gross margin maintained at 52%
- Recurring Revenue represents 51% of Group Revenue (2012: 50%)
- Proposed dividend of 1.25p per share (2012: 1.0p)
- Strong Balance Sheet with Net Assets of GBP7.3m, an increase of 78%
- Six acquisitions made during the year for a maximum consideration of GBP3.9m
- Shape Financial Limited in July 2013 marked AFH's largest transaction to date

-- Advisor numbers increased 30% to 122 (2012: 94)

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

"I am delighted with the strength of the Group's performance during the year. As noted, AFH has invested in strengthening its management and to prepare itself for anticipated growth. The current year has started in line with the Directors' expectations as the market continues to be active and the impact of the 2013 acquisitions is recognised. The Directors are confident that the Group is well positioned to take advantage of market opportunities."

The Directors of AFH Financial Group PLC are responsible for the content of this announcement.

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Chairman's Statement

During the period under review the Group showed continued growth through its existing IFA operations together with additional growth through strategic and complementary acquisitions.

In October 2013, the Group raised additional equity capital together with the successful launch of an 8% Unsecured Bond due 2020, issued at par. Both AFH's equity and bonds are currently traded on the ISDX Growth Market. The additional equity and loan capital has enabled the Group to continue its acquisition led growth on a selective basis and allowed the Group to take advantage of attractive opportunities as they have become available. In particular the acquisition of Shape Financial Limited ("Shape"), with its fifteen advisers, in July 2013 marked a further development in the Group's strategy as the largest transaction undertaken by the

Group to date. I am pleased to report that the integration of Shape into the Group has progressed well.

In addition to Shape, the Group completed five acquisitions of IFA practices during the year. The post-acquisition results of these businesses have been consolidated into the Group's financial results for the year. The acquisitions increased advisor numbers by 19 during the year and at 31 October 2013 the total number of advisers was 122, an increase of 28 (30%) during the year.

Financial Results

As previously announced, the Group will be seeking a move to the Alternative Investment Market (AIM) during the current year. In preparation for this move, the Group is presenting its Financial Statements under IFRS and has restated, where necessary, its 2012 results. As part of this process the Directors have restated the acquisition of AFH Group Limited by AFH Financial Group PLC in 2011 under merger accounting principles. This has had the effect of reducing both the Group's Share Premium account and Fixed Asset Investments to ensure that future dividend flows are not restricted by the Group structure.

Revenue for the year was GBP10.8m, an increase of 50% compared to the previous year. Gross margins remained at 52% (2012: 52%). Recurring revenue represented 51% (2012: 50%) of total revenue.

During the second half of the year the Group invested further in its infrastructure and head office to support the current and future projected growth. As a result, administrative expenditure increased by 38% to GBP4.6m. Further investment is anticipated as the Group continues its growth strategy. The Group reported an increase of 250% in Profit Before Tax to GBP1.05m, whilst Earnings per Share increased significantly by 340% to 5.3p per share (2012: 1.2p).

Cash Position

The Group remains free of bank or secured debt and maintains healthy cash balances. At the year-end, cash and cash equivalents totalled GBP4.3m, boosted by the equity and bond fund raising announced in August 2013 and completed in October 2013. As a result the Group is well placed to continue to make suitable acquisitions as opportunities arise.

Dividend

As previously announced the Group intends to maintain a progressive dividend policy whilst recognising the requirement to maintain cash within the business to fund its growth strategy. The Directors have considered these opposing requirements and in the light of the performance during the year under review propose a dividend of 1.25p per share, an increase of 25% over the 2012 dividend (1.0p). Subject to shareholders' approval at AFH's forthcoming Annual General Meeting, the dividend will be paid on 16 May 2014 to

shareholders on the register of members at the close of business on 11 April 2014.

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 our staff and advisers for the contribution they have made in a year where we have continued to grow our business successfully. It is our aim to become the employer of choice for staff and it is in response to the continued support we receive from our staff that we continue to develop and promote our people from within 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 realises the delivery of our 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. AFH has delivered excellent growth to date based on this understanding and will continue to seek further opportunities to expand its client base through both organic and acquisitive growth.

The Group is profitable and cash generative with a strong balance sheet for its current size. Our strategy remains to grow in our traditional areas of strength whilst enhancing our client portfolio 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 long term 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 2013 and into the early months of the current financial year allow the Directors to view the prospects for 2014 and beyond with confidence.

John Wheatley
Chairman

Chief Executive's Report

2013 was a year of continued growth for the Group with Revenues growing by 50% to GBP10.8m. It is particularly encouraging to note that this growth was achieved without a reduction in our gross margins and on the basis of strong recurring revenue which totalled GBP5.5m for the year.

The Group successfully completed the acquisition and integration of six IFA operations during the year,

spending GBP620,000 in initial consideration with the balance being deferred consideration up to a total maximum of GBP3.3m, to be paid subject to earn out conditions over a two year period. These acquisitions have broadened the national reach of AFH as well as adding valuable clients to our portfolio. The administration of all acquisitions has been assumed into our Bromsgrove Head Office, which has been expanded to support these and future acquisitions.

Adviser numbers grew during 2013 to 122 at 31 October 2013 an increase of 28 (approximately 30%) over the period. This reflected both advisers joining through acquisitions and those recruited individually. The Group has established an internal market for retiring advisers to realise the growth in value of their client base within AFH and for younger or other advisers seeking to build their client base, to acquire portfolios within the Group. This internal market also secures the ongoing relationship with clients and recurring revenue for AFH.

Expenditure during the period grew by GBP1.2m to GBP4.6m, reflecting the increased central overhead to support the growing IFA and client base. People costs remain the largest component of the Group overhead, accounting for GBP2.7m (59%) of total Administrative expenditure in the year (2012: GBP1.9m (57%)). The 2013 figures include a full year cost of the Group's new Head Office, AFH House, in Bromsgrove.

The Group reported increased EBITDA of GBP1.2m representing an increase of 140% over the prior year comparative figure of GBP0.5m. This is a measure used by the Directors' to assess the cash generation from the ongoing operations. The EBITDA margin of 11% on Revenue (2012: 7%), reflects the scalability of the business given the level of investment in the central overhead noted above.

The Group strengthened its Balance Sheet during 2013 and at the year-end had net cash and cash equivalents of GBP4.3m. The Group continues to trade profitably, generating additional cash for the business. As at 31 October 2013 the Group had maximum deferred earn out liabilities on existing acquisitions of GBP4.1m. Due to the structure of the agreements, these deferred liabilities are expected to be self-funding in future periods.

Fundraising and AIM

As noted by the Chairman, in August 2013 the Group raised GBP2.55m equity capital and GBP0.75m through an 8% Unsecured Bond 2020. The interest in these capital raisings was encouraging; AFH's ordinary shares are currently an EIS qualifying investment and the Directors are aware of further investment interest from existing and potential shareholders.

In February 2014 AFH announced its intention to move to AIM as part of its long term strategy to access the institutional capital markets in order to provide finance for its acquisitive programme and to generate greater liquidity for its equity shares. The Group has set a timetable for an IPO by the end of Q2 and

remains on target to achieve this timeline.

Property Fund

As we announced in November 2012 the Group launched the St. John's High Yield Property Fund during the year. The Fund is believed to be the first Property Authorised Investment Fund ("PAIF") to be available to retail investors in the UK. The FCA authorised Fund is offered to AFH clients seeking to diversify their investment portfolios and gain exposure to a low volatility asset class with yields of between 6% and 9%.

Legal

In June 2013 the Group announced that it had established AFH Legal Ltd., a wholly owned subsidiary which had been licenced by the Solicitors Regulatory Authority as an Alternative Business Structure, authorised to provide a range of legal services. The Directors believe that Wills, Trusts and Estate planning forms the corner stone of professional financial planning for its clients, and that the ability to provide these services in a regulated environment will significantly enhance the client service.

Post year end

Following the year end the Group has strengthened its management and operational teams, in particular through the recruitment to the board of Paul Wright as Chief Financial Officer and Sue Lewis as a Non-Executive Director. These appointments have been announced to the market along with profiles of the experience that they bring to the Group. We have also appointed experienced managers in our operating subsidiary companies to develop our back office and operating systems in line with our future requirements.

Current year trading

The current year has started in line with the Directors' expectations as the market continues to be active and the impact of the 2013 acquisitions is recognised. As noted, the Group has invested in strengthening its management and to prepare itself for anticipated growth in the current year and the Directors are confident that the Group is well positioned to take advantage of market opportunities.

Alan Hudson
Chief Executive Officer

AFH FINANCIAL GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER 2013

	2013 GBP	2012 GBP
Revenue	10,797,092	7,200,950
Cost of sales	(5,165,160)	(3,471,201)
Gross profit	5,631,932	3,729,749
Administrative expenses	(4,561,124)	(3,435,547)
Operating profit	1,070,808	294,202
Finance income	987	13,494
Finance costs	(22,512)	(12,631)
Profit on ordinary activities before taxation	1,049,283	295,065
Income tax expense	(245,277)	(127,137)
Profit on ordinary activities after taxation	804,006	167,998
Other comprehensive income	-	-
Total comprehensive income for the year	804,006	167,998

Earnings per share (pence)		
Basic	5. 332	1. 177
Diluted	5. 191	1. 137

AFH FINANCIAL GROUP PLC

STATEMENTS OF FINANCIAL POSITION

AS AT 31 OCTOBER 2013

	Group			Company		
	2013 GBP	2012 GBP	1 November 2011 GBP	2013 GBP	2012 GBP	1 November 2011 GBP
Non-current assets						
Intangible assets	7,376,148	4,351,423	2,111,638	-	-	-
Property, plant and equipment	251,212	144,312	60,402	-	-	-
Investments	598	598	514	1,529,547	1,290,566	1,290,464
	7,627,958	4,496,333	2,172,554	1,529,547	1,290,566	1,290,464
Current assets						
Trade and other receivables	2,624,769	2,000,336	938,143	2,814,152	2,116,153	3,000
Cash and cash equivalents	4,333,949	922,957	1,722,273	3,313,367	651,925	1,502,162
	6,958,718	2,923,293	2,660,416	6,127,519	2,768,078	1,505,162
Total assets	14,586,676	7,419,626	4,832,970	7,657,066	4,058,644	2,795,626

Current liabilities						
Trade and other payables	3,933,829	2,039,288	1,330,193	149,473	10,608	17,108
Current tax liabilities	311,565	214,902	214,410	27,605	12,322	7,858
Financial liabilities	50,000	225,000	-	50,000	225,000	-
	4,295,394	2,479,190	1,544,603	227,078	247,930	24,966
Net current assets	2,663,324	434,026	1,115,813	5,900,441	2,520,148	1,480,196

AFH FINANCIAL GROUP PLC

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS AT 31 OCTOBER 2013

	Group			Company		
	2013	2012	1 November 2011	2013	2012	1 November 2011
	GBP	GBP	GBP	GBP	GBP	GBP
Non-current liabilities						
Trade and other payables	2,219,920	852,877	242,372	-	-	-
Financial liabilities	752,000	-	-	752,000	-	-
Deferred tax liabilities	33,998	15,681	13,045	-	-	-
Total liabilities	7,301,312	3,347,748	1,800,020	979,078	247,930	24,966

Net assets	7,285,364	4,071,878	3,032,950	6,677,988	3,810,714	2,770,660
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 Equity

Share capital	1,711,450	1,478,037	1,409,687	1,711,450	1,478,037	1,409,687
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Share premium account	4,476,833	2,152,962	1,537,812	4,476,833	2,152,962	1,537,812
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Other capital reserves	229,565	229,565	42,135	229,565	229,565	42,135
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Retained earnings	867,516	211,314	43,316	260,140	(49,850)	(218,974)
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Total equity	7,285,364	4,071,878	3,032,950	6,677,988	3,810,714	2,770,660
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AFH FINANCIAL GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 OCTOBER 2013

	Share capital GBP	Share premium account GBP	Other capital reserves GBP	Retained earnings GBP	Total GBP
Balance at 1 November 2011	1,409,687	9,867,812	42,135	43,316	11,362,950
Prior period adjustment	-	(8,330,000)	-	-	(8,330,000)
As restated	1,409,687	1,537,812	42,135	43,316	3,032,950
Profit for the year	-	-	-	167,998	167,998
Other comprehensive income	-	-	-	-	-

Total comprehensive income	-	-	-	167,998	167,998
Issue of share capital	1,409,687 68,350	1,537,812 615,150	42,135 -	211,314 -	3,200,948 683,500
Share-based payment transaction	-	-	187,430	-	187,430
Balance at 31 October 2012	1,478,037	2,152,962	229,565	211,314	4,071,878
Profit for the year	-	-	-	804,006	804,006
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	804,006	804,006
Issue of share capital	1,478,037 233,413	2,152,962 2,323,871	229,565 -	1,015,320 -	4,875,884 2,557,284
Dividends	-	-	-	(147,804)	(147,804)
Balance at 31 October 2013	1,711,450	4,476,833	229,565	867,516	7,285,364

 AFH FINANCIAL GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2013

	2013		2012
GBP	GBP	GBP	GBP

Cash generated from operations	997,471	(16,907)
Tax paid	(186,711)	(179,964)
Net cash inflow/(outflow) from operating activities	810,760	(196,871)
Investing activities		
Purchase of property, plant & equipment	(161,389)	(113,391)
Purchase of other intangible assets, net of cash	(4,058,832)	(2,316,746)
Proceeds from disposals of other intangible assets	1,079,999	33,854
Purchase of subsidiaries	-	(62)
Proceeds from sale of subsidiaries	-	100
Proceeds from sale of property, plant & equipment	284	-
Interest received	987	13,494
Net cash used in from investing activities	(3,138,951)	(2,382,751)
Financing activities		
Proceeds from issue of shares	2,588,139	683,500
Share issue costs	(30,855)	-
Issue of convertible loans	-	225,000
Proceeds from borrowings	4,309,667	2,434,836
Repayment of borrowings	(957,452)	(1,550,399)
Interest paid	(22,512)	(12,631)
Dividends paid to owners of the company	(147,804)	-
Net cash generated from financing activities	5,739,183	1,780,306

Net increase/(decrease) in cash and cash equivalents	3,410,992	(799,316)
Cash and cash equivalents at beginning of year	922,957	1,722,273
Cash and cash equivalents at end of year	4,333,949	922,957

AFH Financial Group Plc