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AFH Financial Group Plc
23 March 2016

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THIS IS AN ANNOUNCEMENT FALLING UNDER RULE 2.8 of the UK CITY CODE ON TAKEOVERS AND MERGERS (THE "CODE")

23 March 2016

**AFH Financial Group PLC
("AFH", or the "Company")**

**AFH announces that it does not intend to make an offer for Lighthouse Group plc
("Lighthouse")**

Pursuant to the Company's 17 March 2016 statement to the market, regarding a possible offer for the entire issued and to be issued share capital of Lighthouse, the Board of AFH today confirms it does not intend to make an offer for the entire issued and to be issued share capital for Lighthouse Group plc ("Lighthouse"). The statement released by AFH on 17 March 2016 was made following a 35% price movement in the shares of Lighthouse since the initial approach was made on 9 March 2016.

The Company's initial approach was made to Lighthouse in order to explore the potential of a transaction that would be advantageous to both AFH and Lighthouse shareholders. At the request of the Lighthouse board AFH indicated a price and consideration structure. The price of 13 pence outlined in AFH's indicative offer was based on information available to AFH at that time and represented a premium of 26.8 per cent. to Lighthouse's share price on 8 March 2016 (the day before the initial approach to the board of Lighthouse was made). In addition AFH confirmed that at least 50% of any consideration would be in cash with a mix and match option available to accommodate the individual interests of Lighthouse shareholders.

The Company's indicative offer recognised Lighthouse's limited growth prospects under its current strategy and as reflected in market expectations, its inability to make further distributions or other non-trading payments from its regulated subsidiaries without FCA consent and the acknowledgment that approximately 50% of its cash was required to be retained for Regulatory purposes.

The Board was disappointed by the reaction of the Lighthouse directors not to engage in discussions and is surprised by subsequent statements that indicated that Lighthouse did not seek to consult its shareholders before rejecting AFH's approach.

The Board of AFH believed that a potential enlarged group would have brought efficiencies and cost synergies. In addition they believed that access to AFH's proven model would have generated additional revenue and margin for the combined businesses. Given the lack of willingness by Lighthouse to engage, together with the share price movement which has prevented further confidential discussions, the Company cannot carry out what it considers to be the appropriate level of due diligence within the time period imposed.

As previously stated, AFH retains a healthy pipeline of potential IFA acquisitions and it will continue to execute its strategy of acquisitive and organic growth to further enhance its position as a leading financial planning led investment management firm.

Commenting on today's news, CEO Alan Hudson said: "**We are naturally disappointed with the reaction of Lighthouse to our indicative proposal which included a mix and match structure for individual Lighthouse shareholders. AFH, with its extensive track record of M&A to date, continues to progress its stated organic and acquisitive growth strategy and looks forward to updating the market in due course**"

This announcement is made in accordance with Rule 2.8 of the Code. As a result of this announcement, AFH will, except with the consent of the UK Panel on Takeovers and Mergers, be bound by the restrictions contained in Rule 2.8 of the Code.

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