

THIS CIRCULAR AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Circular and/or as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant, or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) (“FSMA”) if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

The whole text of this Circular should be read. If you sell or have sold or otherwise transferred all of your shares in AFH, please immediately forward this Circular, together with the accompanying Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold or transferred only part of your holding of shares, you should retain these documents and contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

This document is not an offer of securities, or the solicitation of an offer to acquire securities, in any jurisdiction nor does it constitute a prospectus or equivalent document or an admission document drawn up in accordance with the AIM Rules for Companies. This document is provided solely for the information of Shareholders in connection with the General Meeting and not for any other person.

The Existing Ordinary Shares are admitted to trading on AIM, a market operated by the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Placing Shares will commence at 8:00 a.m. on 5 December 2017. The Placing Shares will, when issued, rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares by reference to record dates falling after their date of issue and otherwise rank *pari passu* in all respects with the Existing Ordinary Shares.

AFH FINANCIAL GROUP PLC

(Incorporated in England and Wales with registered number 07638831)

Proposed Placing of 7,000,000 new Ordinary Shares at 250 pence per share

and

Notice of General Meeting

Your attention is drawn to the letter from the Chairman which is set out in this Circular and, in particular, to paragraph 7 which contains the unanimous recommendation from the Directors that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

Notice of a General Meeting of AFH Financial Group plc to be held at 10:00 a.m. on 4 December 2017 at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, Worcestershire, B60 4JE is set out at the end of this Circular. A Form of Proxy for use at the General Meeting is enclosed. To be valid, the accompanying Form of Proxy must be received by **SLC Registrars, 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ**, as soon as possible but in any event so as to arrive no later than 10:00 a.m. on 30 November 2017, together with any power of attorney or other authority under which it is signed. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

Liberum Capital Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as Nominated Adviser and Broker to the Company in connection with the matters described in this Circular. Liberum Capital Limited will not be responsible to anyone other than the Company for providing the protections afforded to customers of Liberum Capital Limited or for advising any other person on the arrangements described in this Circular. Liberum Capital Limited has not authorised the contents of, or any part of, this Circular and no liability whatsoever is accepted by Liberum Capital Limited for the accuracy of any information or opinions

contained in this Circular or for the omission of any information. Liberum Capital Limited is not making any representation or warranty, express or implied, as to the contents of this Circular. Liberum Capital Limited as nominated adviser to the Company owes certain responsibilities to the London Stock Exchange plc which are not owed to the Company or the Directors, Shareholders or any other person.

This Circular does not constitute a prospectus for the purposes of section 85 of FSMA and any offer to the public is exempt by virtue of section 86 of FSMA, nor does it constitute an admission document drawn up in accordance with the AIM Rules for Companies. This Circular does not constitute or form part of any offer or invitation to buy, subscribe for, or sell Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the “**Securities Act**”) or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of South Africa, the Republic of Ireland, Japan or New Zealand and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa, the Republic of Ireland, Japan or New Zealand. The distribution or transmission of this Circular in jurisdictions other than the UK may be restricted by law and, therefore, persons into whose possession this Circular comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this Circular may not be distributed, directly or indirectly, in or into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland, Japan or New Zealand. Overseas shareholders and any person (including, without limitation, nominees and trustees), who have a contractual or other legal obligation to forward this Circular to a jurisdiction outside the UK should seek appropriate advice before taking any action.

No person has been authorised to give any information or make any representation and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors or Liberum Capital Limited.

Copies of this Circular are available free of charge on the Company’s website www.afhfinancialgroup.com

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DIRECTORS AND ADVISERS

Directors	John Wheatley (<i>Non-Executive Chairman</i>) Alan Hudson (<i>Chief Executive Officer</i>) Paul Wright (<i>Chief Financial Officer</i>) Alexis Larvin (<i>Executive Director</i>) Austin Broad (<i>Executive Director</i>) Susan Lewis (<i>Non-Executive Director</i>) Mark Chambers (<i>Non-Executive Director</i>)
Company secretary	Anne-Marie Brown
Nominated adviser and broker	Liberum Capital Limited Level 12, Ropemaker Place 25 Ropemaker Street London EC2Y 9LY
Legal advisers to the Company	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU
Legal advisers to the nominated adviser and broker	Fieldfisher LLP Riverbank House 2 Swan Lane London EC4R 3TT
Registrar	SLC Registrars 42-50 Hersham Road Walton-on-Thames Surrey KT12 1RZ

PLACING STATISTICS

Placing Price	250 pence
Number of Existing Ordinary Shares in issue	30,595,443
Number of Placing Shares	7,000,000
Placing Shares as percentage of the Enlarged Share Capital	18.62%
Estimated gross proceeds of the Placing	£17.5 million
Estimated net proceeds of the Placing	£16.75 million
Market capitalisation of the Company at the Placing Price on Admission	£94 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Circular	17 November 2017
Latest time and date for receipt of Form of Proxy	10:00 a.m. on 30 November 2017
General Meeting	10:00 a.m. on 4 December 2017
Admission effective and dealings in the Placing Shares expected to commence on AIM	8:00 a.m. on 5 December 2017
Date for crediting of Placing Shares in uncertificated form to CREST stock accounts	5 December 2017
Date of despatch of share certificates in respect of the Placing Shares in certificated form	Within 10 Business Days of Admission

If any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of an announcement through the Regulatory Information Service. All references to time and dates in this Circular are to time and dates in London.

DEFINITIONS

The following definitions apply throughout this Circular, unless the context requires otherwise:

“Admission”	the admission to trading on AIM of the Placing Shares in accordance with the AIM Rules for Companies
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules for Companies”	the AIM Rules for Companies, as published and amended from time to time by the London Stock Exchange
“Board” or “Directors”	the directors of the Company from time to time
“Business Day”	any day (other than a Saturday or Sunday) upon which commercial banks are open for business in London, UK
“Company” or “AFH”	AFH Financial Group plc
“CREST”	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear UK & Ireland which facilitates the transfer of title to shares in uncertificated form
“Enlarged Share Capital”	the issued ordinary share capital of the Company immediately following Admission (taking into account the issue of the Placing Shares)
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited, the operator of CREST
“Existing Ordinary Shares”	the 30,595,443 existing Ordinary Shares in issue as at the date of this Circular
“FCA”	the Financial Conduct Authority of the United Kingdom
“Form of Proxy”	the form of proxy accompanying this Circular
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“General Meeting”	the general meeting of Shareholders to be held at 10:00 a.m. on 4 December 2017 at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, Worcestershire, B60 4JE, and any adjournment thereof
“Group”	the Company, together with its subsidiary undertakings
“Issued Share Capital”	the entire issued share capital of the Company from time to time
“Liberum”	Liberum Capital Limited, a company incorporated in England and Wales with company number 05912554 and which is authorised and regulated by the FCA
“London Stock Exchange”	London Stock Exchange Group plc
“Notice of General Meeting”	the notice of the General Meeting comprising part of this Circular
“Official List”	the daily official list maintained by the FCA
“Ordinary Shares”	the ordinary shares of 10p each in the capital of the Company
“Options”	options over Ordinary Shares
“Placees”	the subscribers for Placing Shares pursuant to the Placing
“Placing”	the conditional placing of the Placing Shares by Liberum as broker for the Company at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 15 November 2017 between (1) the Company and (2) Liberum relating to the Placing, further details of which are set out in paragraph 3
“Placing Price”	250 pence per Ordinary Share
“Placing Shares”	the 7,000,000 new Ordinary Shares to be issued to the Placees pursuant to the Placing

“Resolutions”	the resolutions to be proposed at the General Meeting, the full text of which is set out in the Notice of General Meeting on page 12
“Shareholder”	a holder of Ordinary Shares
“stock account”	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
“UK Listing Authority”	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA

LETTER FROM THE CHAIRMAN

AFH FINANCIAL GROUP PLC

*(Incorporated and registered in England and Wales under the Companies Act 2006
with registered number 07638831)*

Directors:

John Wheatley (*Non-Executive Chairman*)
Alan Hudson (*Chief Executive Officer*)
Paul Wright (*Chief Financial Officer*)
Alexis Larvin (*Executive Director*)
Austin Broad (*Executive Director*)
Susan Lewis (*Non-Executive Director*)
Mark Chambers (*Non-Executive Director*)

Registered Office:

AFH House
Buntsford Drive
Stoke Heath
Bromsgrove
Worcestershire
B60 4JE

17 November 2017

Dear Shareholder (and, for information only, holders of Options in the Company)

Placing to raise £17.5 million and Notice of General Meeting

1. Introduction

The Board announced on 15 November 2017 a conditional placing of 7,000,000 new Ordinary Shares at the Placing Price to raise £17.5 million (before expenses) from existing and new institutional investors. The net proceeds of the Placing will be used for the purposes of future acquisitions and working capital purposes. The Placing is not being underwritten.

Liberum has been appointed as the sole broker to procure investors to subscribe for the Placing Shares.

The Board has called a General Meeting to consider the Resolutions, which would give the Board sufficient authority to issue the Placing Shares.

The purpose of this Circular is, amongst other things, to:

- (i) set out the reasons for, and details of, the Placing;
- (ii) explain why the Board considers that the Placing will promote the success of the Company for the benefit of Shareholders as a whole; and
- (iii) seek Shareholder approval of the Resolutions.

This Circular also contains the Directors' recommendation that Shareholders vote in favour of the Resolutions. Notice of the General Meeting at which the Resolutions will be proposed is set out at the end of this Circular. A Form of Proxy is enclosed with this Circular.

The Placing is conditional upon, amongst other things, Shareholders passing the Resolutions at the General Meeting. The Directors intend to vote in favour of the Resolutions in respect of their own beneficial holdings in the Company which amount, in aggregate, to 6,863,725 Ordinary Shares and represent approximately 22.44 per cent. of the Company's Existing Ordinary Shares.

The Directors believe that the Placing is the most appropriate way to raise additional funds for the Company. The Directors consider that the Placing provides greater certainty than other available means of raising additional funds in a timely fashion and minimises transactional costs.

2. Background to and reasons for the Placing

During the last 12 months, the Company has completed the acquisition of 13 IFA businesses together with the protection business carried on by Eunisure. The Company continues to integrate these acquisitions and as at 31 October 2017, the Company had cash balances of £8.0 million which provides it with sufficient funding to satisfy the deferred consideration liabilities of such acquisitions as they fall due.

The Board intends to continue to execute its strategy of making selective acquisitions and increasing AFH's national footprint, whilst providing a professional and cost effective service to its clients. The Board believes that the Company remains well positioned to take advantage of

consolidation opportunities in the IFA market and currently has a strong pipeline of potential acquisitions that are under negotiation. The Company is undertaking the Placing to provide it with a strong platform to finance such acquisition opportunities as well as providing funds for general corporate purposes.

3. Details of the Placing and use of proceeds

The Placing is expected to raise a total of £17.5 million before expenses. The net proceeds of the Placing (being approximately £16.75 million) will be used by the Company to execute on acquisition opportunities as they arise and to fund the working capital requirements of the Group.

Under the Placing, the Company has conditionally raised £17.5 million (before expenses) through a placing of 7,000,000 Placing Shares at the Placing Price with existing and new institutional investors. The Company has entered into a Placing Agreement under which Liberum has agreed to use its reasonable endeavours, as agent for the Company, to procure Placees for the Placing Shares at the Placing Price. The Placing has not been underwritten.

The Placing Shares will represent approximately 18.62 per cent. of the Enlarged Share Capital (assuming that no Options are exercised prior to Admission). The Company has granted 210,000 options to certain directors and a further 220,000 options in total between 13 employees of the Company each at the Placing Price. These are exercisable as to 50% after three years subject to the satisfaction of performance criteria and the remaining 50% after the fifth anniversary of grant. The total number of options issued is now 2,857,000.

The Placing Agreement contains, *inter alia*, customary undertakings, indemnities and warranties given by the Company in favour of Liberum as to the accuracy of information contained in this Circular and other matters relating to the Company.

Liberum may terminate the Placing Agreement in specified circumstances prior to Admission, including, *inter alia*, for material breach of the Placing Agreement or any other warranties contained in it and in the event of force majeure.

The Placing Agreement is conditional, *inter alia*, upon:

- a) the passing of Resolutions 1 and 2; and
- b) Admission occurring by not later than 8:00 a.m. on 5 December 2017 (or such later time and/or date as the Company and Liberum may agree, not being later than 8.00 a.m. on 19 December 2017).

If any of the above conditions are not satisfied or, if applicable, waived, the Placing will not proceed.

The Placing Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared on or after the date on which they are issued.

It is expected that CREST accounts will be credited on the day of Admission and that share certificates (where applicable) will be despatched within 10 working days of Admission.

4. Application for Admission to AIM

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Placing Shares will commence at 8:00 a.m. on 5 December 2017.

5. General Meeting

A notice convening the General Meeting to be held at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, Worcestershire, B60 4JE at 10.00 a.m. on 4 December 2017 is set out at the end of this Circular. At the General Meeting Shareholders will consider the Resolutions which, among other things, grant the Directors authority to allot the Placing Shares and disapply statutory pre-emption rights in relation to such allotment.

At the General Meeting, the following resolutions will be proposed:

1. an ordinary resolution to grant authority to the Directors to allot, pursuant to the Placing, shares in the capital of the Company up to an aggregate nominal amount of £700,000. This authority is in addition to the authorities granted to the Directors at the Annual General Meeting of the Company held on 3 March 2017, and will expire on the date falling 3 calendar months after the date of the General Meeting; and
2. conditional on the passing of resolution 1 above, a special resolution to disapply statutory pre-emption rights in respect of the allotment of the Placing Shares for cash up to an aggregate nominal amount of £700,000. This authority is in addition to the authorities granted to the Directors at the Annual General Meeting of the Company held on 3 March 2017, and will expire on the date falling 3 calendar months after the date of the General Meeting.

6. Action to be taken by Shareholders

Shareholders will find accompanying this Circular a Form of Proxy for use at the General Meeting. Whether or not Shareholders intend to be present at the General Meeting, they are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it to **SLC Registrars, 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ** as soon as possible and, in any event, so as to arrive no later than 10:00 a.m. on 30 November 2017. Completion and return of the Form of Proxy will not affect Shareholders' rights to attend and vote in person at the General Meeting if they so wish. Further information regarding the appointment of proxies can be found on page 13 of this Circular.

In the case of Shareholders who hold their Ordinary Shares in uncertificated form and receive these materials through their broker or other intermediary, the Shareholder should complete and send a letter of direction in accordance with the instructions provided by their broker or other intermediary. Many brokers provide a form and opportunity to submit voting instructions online.

7. Recommendation

The Board considers the Placing to be in the best interests of the Company and Shareholders as a whole and therefore the Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as they intend to do in respect of their, in aggregate, 6,863,725 Existing Ordinary Shares (representing approximately 22.44 per cent. of the Existing Share Capital).

Yours faithfully

John Wheatley
Non-Executive Chairman

AFH FINANCIAL GROUP PLC

*(Incorporated and registered in England and Wales under the Companies Act 2006
with registered number 07638831)*

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of AFH Financial Group plc (“**AFH**” or the “**Company**”) will be held at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, Worcestershire, B60 4JE at 10:00 a.m. on 4 December 2017 for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution:-

Resolution 1 – Authority to allot

That, in addition to the authorities granted to the Directors at the Annual General Meeting of the Company held on 3 March 2017, the Directors be and are hereby generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for, or to convert any security into, shares in the Company, as is contemplated in sub-sections 551(1)(a) and 551(1)(b) respectively of the Companies Act 2006 (“**Act**”) up to a maximum nominal amount of £700,000, provided that this authority shall expire on the date falling 3 calendar months after the date of this resolution (save that the Company may at any time before such expiry make an offer or agreement which might require such shares or rights to be allotted after such expiry and the Directors may issue and allot shares in pursuance of such offer or agreement notwithstanding that the authority hereby conferred has expired).

Resolution 2 – Disapplication of statutory pre-emption rights

That, in addition to the authorities granted to the Directors at the Annual General Meeting of the Company held on 3 March 2017 and conditional on the passing of Resolution 1 above, the Directors be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by Resolution 1 up to a maximum nominal value of £700,000 as if sub-section (1) of section 561 of the Act did not apply to any such allotment, provided that this power shall expire on the date falling 3 calendar months after the date of this resolution (save that the Company may at any time before such expiry make an offer or agreement which might require such shares to be allotted after such expiry and the Directors may issue and allot shares in pursuance of such offer or agreement notwithstanding that the authority hereby conferred has expired).

By order of the Board of Directors

Anne-Marie Brown

Secretary

17 November 2017

Registered Office:

AFH House

Buntsford Drive

Stoke Heath

Bromsgrove,

Worcestershire B60 4JE

Notes

- (i) A Shareholder entitled to attend and vote at the General Meeting convened by the above Notice of General Meeting is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his behalf. A proxy need not be a member of the Company. A Shareholder may appoint more than one proxy in relation to the General Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
- (ii) To appoint a proxy you may use the Form of Proxy enclosed with this Notice of General Meeting. To be valid, the Form of Proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be received by post or (during normal business hours only) by hand at **SLC Registrars, 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ**, so as to arrive no later than 10:00 a.m. on 30 November 2017.

Completion of the Form of Proxy or appointment of a proxy through CREST will not prevent a Shareholder from attending and voting in person.

- (iii) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only Shareholders registered in the register of members of the Company as at 6:30 p.m. on 30 November 2017 shall be entitled to attend and vote at the General Meeting in respect of the number of shares registered in their name at such time. If the General Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 6:30 p.m. on the day being two days prior to the date fixed for the adjourned meeting (excluding any part of a day that is not a business day). Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.
- (iv) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (v) You may not use any electronic address provided either in the above Notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
- (vi) As at 16 November (being the last business day prior to the publication of this Notice of General Meeting) the Company's issued share capital consists of 30,595,443 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 16 November 2017 were 30,595,443.