

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** When considering what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended).

If you have sold or otherwise transferred all your shares in AFH Financial Group plc (the “**Company**”), please send this document, together with the accompanying form of proxy (the “**Form of Proxy**”), immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom you made the sale or transfer for onward transmission to the purchaser or transferee.

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## **AFH FINANCIAL GROUP PLC**

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

### **Notice of General Meeting**

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A letter from the Chairman of the Company is set out on pages 4 to 5 of this document which explains the reasons for convening the General Meeting.

Notice of a General Meeting of AFH Financial Group plc, to be held at 10:00 a.m. on 31 March 2014 at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove B60 4JE to propose the Resolutions, is set out at the end of this document. All Shareholders are urged to complete and return the enclosed Form of Proxy as soon as possible, whether or not they intend to be present at the General Meeting, which to be valid must be completed and returned in accordance with the instructions printed thereon so as to arrive as soon as possible but in any event so as to be received by SLC Registrars Limited, Thames House, Portsmouth Road, Esher, Surrey KT10 9AD not later than 10:00 a.m. on 27 March 2014. **Please note that you are entitled to attend the General Meeting even if you return a Form of Proxy.**

This document does not constitute or form part of any offer or invitation to purchase, subscribe for or sell any shares or other securities in the Company nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract therefor.

In accordance with the ISDX Rules for Issuers, this document will be available free of charge on the Company’s web site at [www.afhfinancialgroup.com](http://www.afhfinancialgroup.com).

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## EXPECTED TIMETABLE

Publication of this document and posting to Shareholders	12 March 2014
Last date and time for receipt of Forms of Proxy	10:00 a.m. on 27 March 2014
General Meeting	10:00 a.m. on 31 March 2014

*References to time in this document and the Notice of General Meeting are to London Time.*

## DEFINITIONS

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

<b>“2013 AGM”</b>	the Annual General Meeting of the Company held on 30 April 2013
<b>“Act”</b>	the Companies Act 2006, as amended
<b>“Company” or “AFH”</b>	AFH Financial Group plc, a company incorporated in England and Wales under registered number 07638831
<b>“Directors”</b>	the directors of the Company, as at the date of this document, whose names are set out on page 4 of this document
<b>“Form of Proxy”</b>	the accompanying form of proxy for use by Shareholders in connection with the General Meeting
<b>“General Meeting”</b>	the General Meeting of the Company convened for 31 March 2014 or any adjournment thereof, notice of which is set out at the end of this document
<b>“Notice of General Meeting”</b>	the notice of the General Meeting set out at the end of this document
<b>“Ordinary Shares”</b>	ordinary shares of 10 pence each in the capital of the Company
<b>“Resolutions”</b>	the resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“UK”</b>	the United Kingdom of Great Britain and Northern Ireland

## LETTER FROM THE CHAIRMAN OF AFH FINANCIAL GROUP PLC

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

*Directors:*

John Wheatley, Non-Executive Chairman  
Alan Hudson, CEO  
Toby Denne, CIO  
Paul Wright, CFO  
Sue Lewis, Non-Executive Director

*Registered Office:*

AFH House  
Buntsford Drive  
Stoke Heath  
Bromsgrove  
Worcestershire  
B60 4JE

12 March 2014

*To Shareholders and, for information only, to option holders*

Dear Shareholder,

### **1 Background**

As the Directors have previously noted, the impact of the Retail Distribution Review (“**RDR**”) is continuing to drive consolidation within the IFA industry. Since the RDR was implemented in January 2013, AFH has been particularly active in exploiting the opportunities and has successfully completed 7 acquisitions.

To fund these acquisitions and the general development of AFH's business, the Company has raised approximately £3.3 million since the 2013 AGM. Of this amount, £0.75 million was raised through the issue of 8% Unsecured Bonds due 2020 and £2.55 million through the issue of a total of 2,334,134 new Ordinary Shares. These new Ordinary Shares were issued pursuant to the authority granted to the Directors at the 2013 AGM to issue new Ordinary Shares for cash on a non pre-emptive basis. As a consequence the Company does not currently have sufficient authority in place to issue new Ordinary Shares to investors.

The Company is aware of demand from investors which will provide AFH with additional capital to finance its ongoing acquisition programme. A significant proportion of this demand is dependent on the new Ordinary Shares being issued before 4 April 2014, so that such new Ordinary Shares would qualify for Enterprise Investment Scheme relief in the current tax year.

Therefore, rather than waiting until the Company's next annual general meeting (which is anticipated to be held on 28 April 2014) to renew the Company's authorities to issue shares, the Directors are convening the General Meeting, at which approval will be sought to authorise the Directors to allot Ordinary Shares for cash on the basis set out in the Resolutions.

If the authority is granted at the General Meeting, the Company will be in a position to secure the funds it believes are currently available, thereby assisting the Company to pursue its targeted acquisition opportunities effectively, in a competitive and time critical environment.

Shareholders should note that on 19 February 2014 the Company announced its intention to seek admission of the Ordinary Shares to trading on AIM, a market operated by the London Stock Exchange plc. This remains the intention of the Directors and progress is being made in this regard. Admission of the Ordinary Shares to trading on AIM is anticipated to occur later this year.

## **2 General Meeting**

A Notice of a General Meeting, to be held at 10:00 a.m. on 31 March 2014 at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove B60 4JE is set out at the end of this document.

The Resolutions to be proposed are as follows:

- a) an ordinary resolution to authorise the Directors to allot up to 1,250,000 new ordinary shares of 10 pence each in the capital of the Company; and
- b) a special resolution to empower the Directors to disapply shareholders' statutory pre-emption rights in relation to the issue of ordinary shares of 10 pence each in the capital of the Company with an aggregate nominal value of £125,000.

Unless renewed, varied or revoked, such authorities shall expire on the date which is 18 months after the date on which the Resolutions are passed, or, if earlier, on the conclusion of the next annual general meeting of the Company. If the Resolutions are passed, the Directors will be able to allot and issue Ordinary Shares as if Shareholders' pre-emption rights under section 561 of the Act did not apply to such allotment.

## **3 Action to be taken by Shareholders**

A Form of Proxy is enclosed with this document for use by Shareholders in connection with the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions printed thereon so as to arrive as soon as possible and in any event so as to be received by SLC Registrars Limited, Thames House, Portsmouth Road, Esher, Surrey KT10 9AD no later than 10:00 a.m. on 27 March 2014. The completion and return of the Form of Proxy will not preclude you from attending the General Meeting and voting in person should you wish to do so. Shareholders who hold their shares through a nominee should instruct the nominee to submit the Form of Proxy on their behalf.

## **4 Recommendation**

The Directors consider that the Resolutions are in the best interests of the Company and will promote the success of the Company for the benefit of its Shareholders as a whole.

**Accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions as set out in the Notice of General Meeting, as they intend to do in respect of their own beneficial shareholdings amounting to, in aggregate, 9,625,510 Ordinary Shares representing 56.24 per cent. of the issued share capital of the Company as at the date of this document.**

Yours faithfully

**John Wheatley**

**Chairman**

## **AFH FINANCIAL GROUP PLC**

*(Incorporated and registered in England and Wales with registered number 07638831)*

### **NOTICE OF GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a **GENERAL MEETING** of the Company will be held at 10:00 a.m. on 31 March 2014 at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove B60 4JE for the purposes set out below. Unless the context otherwise requires, words and expressions used in this Notice of General Meeting have the meanings given to them in the circular to Shareholders dated 12 March 2014 (the "**Circular**"), of which this Notice of General Meeting forms part. The purpose of the General Meeting is to consider and, if thought fit, pass the following resolutions, which will be proposed respectively as an ordinary resolution (as to resolution 1) and as a special resolution (as to resolutions 2):

#### **ORDINARY RESOLUTION**

1. That the directors of the Company be generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006, to exercise all the powers of the Company to allot up to 1,250,000 new ordinary shares of 10 pence each in the capital of the Company provided that this authority shall (unless renewed, varied or extended by the Company in general meeting) expire on the date which is 18 months after the date on which this resolution is passed or, if earlier, on the conclusion of the next annual general meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry, and the directors may allot such Relevant Securities in pursuance of such offer or agreement as if this authority had not expired, and provided further that this authority shall revoke and replace all unexercised authorities previously granted to the directors of the Company to allot shares but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if or section 551 of the Companies Act 2006 did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

#### **SPECIAL RESOLUTION**

2. That, subject to and conditional on the passing of resolution 1 above, the directors of the Company be and are hereby generally and unconditionally empowered, pursuant to section 570 of the Companies Act 2006 Act, to allot equity securities for cash (as defined by section 560 of the Companies Act 2006) with an aggregate nominal value of £125,000 as referred to in resolution 1 above pursuant to that authority as if section 561(1) of the Companies Act 2006 Act did not apply to such allotment provided that such power shall expire (if it has not previously expired by non-fulfilment of conditions) on the date which is 18 months after the date on which this resolution is passed or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Dated 12 March 2014

By Order of the Board

*Registered office:*

AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, Worcester B60 4JE

**Notes:**

- 1 Relevant Securities means:
  - (a) shares in the Company other than shares allotted pursuant to:
    - (i) an employee share scheme (as defined by section 1166 of the Act);
    - (ii) a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
    - (iii) a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security;
  - (b) any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in the resolution include the grant of such rights.
- 2 Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the General Meeting. 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 shareholder. A proxy need not be a shareholder of the Company. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact SLC Registrars Limited, Thames House, Portsmouth Road, Esher, Surrey KT10 9AD.
- 3 To be valid any Form of Proxy or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at SLC Registrars Limited, Thames House, Portsmouth Road, Esher, Surrey KT10 9AD no later than 10:00 a.m. on 27 March 2014.
- 4 The return of a completed Form of Proxy will not prevent a Shareholder attending the General Meeting and voting in person if he/she wishes to do so.
- 5 To be entitled to attend and vote at the General Meeting (and for the purpose of determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 6:00 p.m. on 27 March 2014 (or, in the event of any adjournment, on the time and date which is 48 hours before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 6 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- 7 As of 6.00 p.m. on the day immediately prior to the date of posting of this Notice of General Meeting, the Company's issued share capital comprised 17,114,508 ordinary shares of 10 pence each. Each ordinary share carries the right to vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on the day immediately prior to the date of posting of this Notice of General Meeting is 17,114,508.