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If you sell or have sold or otherwise transferred all of your Ordinary Shares you should send this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or other transferee. If you sell or have sold or otherwise transferred only part of your holding, you should retain these documents.

The Placing is an exempt offer to the public under sections 86(1)(a) and (b) of FSMA and no application has been or will be made for the Placing Shares to be admitted to trading on a regulated market. This document does not constitute an offer to buy, acquire or subscribe for, or the solicitation of an offer to buy, acquire or subscribe for, Placing Shares or an invitation to buy, acquire or subscribe for the Placing Shares. This document is not, and is not required to be, a prospectus for the purposes of the Prospectus Rules published by the Financial Conduct Authority. In addition, this document does not constitute an admission document drawn up in accordance with the AIM Rules.

Application will be made to the London Stock Exchange for the Ordinary Shares (including the Placing Shares) to be admitted to trading on AIM. Subject to, *inter alia*, the passing of the Resolutions at the General Meeting, it is expected that admission of the Ordinary Shares will become effective and that dealings in the Ordinary Shares will commence on AIM on or around 11 February 2015.

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 Financial Conduct 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.

CPPGROUP PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 07151159)

Proposed Placing of 666,666,667 Placing Shares at 3 pence per Placing Share

Proposed cancellation of admission to the premium segment of the Official List and to trading on the Main Market for listed securities of the London Stock Exchange

Proposed admission to trading on AIM

Proposed Capital Reorganisation

Waiver of Rule 9 Mandatory Offer

Proposed disapplication of Remuneration Policy

Notice of General Meeting

The whole of this document should be read. Your attention is drawn in particular to the letter from the Chairman of CPPGroup Plc that is set out in Part 1 of this document.

Numis Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company and no one else in connection with the Proposals and will not be offering advice and, without limiting the statutory rights of any person to whom this document is issued, will not be responsible for providing customer protections to any other person (whether or not recipients of this document) in respect of the Proposals and/or any acquisition of Ordinary Shares. The responsibilities of Numis Securities Limited as the Company's nominated adviser and broker, under the AIM Rules for Nominated

Advisers, in respect of AIM Admission will be owed solely to the London Stock Exchange. Apart from the responsibilities and liabilities, if any, which may be imposed on Numis Securities Limited by FSMA or the regulatory regime established thereunder, no responsibilities or liability (whether arising in tort, contract or otherwise) are or will be owed to the Company or to any Director, Shareholder or any other person, in respect of his decision to acquire shares in the Company in reliance on any part of this document, or otherwise. Numis Securities Limited is not making any representation or warranty, express or implied, as to the contents or completeness of this document. Numis Securities Limited has not authorised the contents of this document for any purpose.

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Notice of a General Meeting of CPPGroup Plc to be held at the offices of Eversheds LLP at One Wood Street, London, EC2V 7WS at 10:30 a.m. on 13 January 2015 is set out at the end of this document. The Form of Proxy for use at the General Meeting accompanies this document.

The action to be taken by Shareholders in respect of the General Meeting is set out on page 30 of this document. If you hold your Existing Ordinary Shares in certificated form, whether or not you plan to attend the General Meeting, you are encouraged to complete the accompanying Form of Proxy and return it in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by post or, during normal business hours only, by hand, to Capita Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 10:30 a.m. on 9 January 2015 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)). The completion and return of a Form of Proxy will not prevent you from attending and voting at the meeting in person should you wish to do so.

If you hold your Existing Ordinary Shares in uncertificated form (that is, in CREST) you may vote using the CREST Proxy Voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of the General Meeting set out at the end of this document). Proxies submitted via CREST must be received by the Company's agent (ID RA10) by no later than 10:30 a.m. on 9 January 2015 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)). The completion and return of the Form of Proxy will not prevent you from attending and voting in person at the General Meeting, or any adjournment thereof, should you wish to do so.

The Placing Shares described in this document have not been, and will not be, registered under the Securities Act or under the securities laws of any state of the United States. The Placing Shares have been offered outside of the United States pursuant to Regulation S of the Securities Act and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States or to or for the account of U.S. persons except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There has not been and there will be no public offer of the Placing Shares in the United States. The Placing Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Placing Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

In addition, offers, sales or transfers of the Placing Shares in or into the United States for a period of time following completion of the Placing by a person (whether or not participating in the Placing) may violate the registration requirement of the Securities Act.

Furthermore, the Placing Shares have not been and will not be registered under the applicable laws of any of Australia, Canada, the Republic of South Africa or Japan and, consequently, may not be offered or sold to any national, resident or citizen thereof.

The distribution of this document in or into jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, such restrictions. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. Subject to certain exceptions, this document is not for release, publication or distribution, directly or indirectly, in or into the

United States, Australia, Canada, the Republic of South Africa, Japan or any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

Forward-looking information

This document includes statements that are, or may be deemed to be, "forward-looking statements" including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends. These statements can be identified by the use of forward-looking terminology, including statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "estimates", "intends", "plans", "projects", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof. These forward-looking statements include all statements that are not matters of historical fact. They appear in a number of places throughout this document and include, but are not limited to, statements regarding the Directors' and/or the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial position, prospects, growth, strategies and the industry in which it operates.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance, achievements of or dividends paid by the Company to be materially different from the results, performance or achievements, or dividend payments expressed or implied by such forward-looking statements. Such forward-looking statements are not guarantees of future performance and are based on numerous assumptions regarding the Company's net asset value, present and future business strategies and income flows and the environment in which the Company will operate in the future. In addition, even if the results of operations, financial position and the development of the markets and industry in which the Group operates in any given period are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by forward-looking statements contained in this document, including, without limitation, general economic and business conditions, industry trends, competition, changes in regulation, regulatory activity, currency fluctuations, changes in business strategy, political and economic uncertainty and other factors. Statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue or are likely to continue.

Any forward-looking statements speak only as of the date of this document. Subject to the requirements of the FCA, the London Stock Exchange, the Listing Rules and the Disclosure and Transparency Rules (and/or any other applicable regulatory requirements) or applicable law, each of the Company, the Directors and Numis Securities Limited expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances after the date of this document on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

CONTENTS

	Page
Expected timetable of principal events	5
Placing Statistics	6
Directors, Company Secretary and Advisers	7
Part 1 Letter from the Chairman	8
Part 2 Risk Factor	34
Part 3 Summary Illustrative Projections and Profit Targets of the Group	43
Part 4 Additional Information	47
Definitions	56
Notice of General Meeting	62

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2014

Date of this document	24 December
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2015

Latest time and date for receipt of Forms of Proxy	10:30 a.m. on 9 January
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General Meeting	10:30 a.m. on 13 January
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Capital Reorganisation Record Date	6 p.m. on 13 January
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Last day of dealings in the Ordinary Shares on the Main Market	10 February
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Cancellation of listing of the Ordinary Shares on the Official List	8.00 a.m. on 11 February
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AIM Admission and commencement of dealings in the Ordinary Shares (including the Placing Shares) on AIM	8.00 a.m. on 11 February
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CREST accounts credited with Placing Shares in uncertificated form	8.00 a.m. or as soon as possible thereafter on 11 February
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Dispatch of definitive share certificates in respect of the Placing Shares to be issued in certificated form	by 18 February
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Notes:

- (1) Each of the times and dates above are indicative only and are subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified by the Company to Shareholders by announcement through a regulatory information service.
- (2) All of the above times refer to London time, unless otherwise stated.
- (3) The Placing, De-listing and AIM Admission are conditional on, *inter alia*, the passing of the Resolutions at the General Meeting.

PLACING STATISTICS

Placing Price	3 pence
Gross proceeds of the Placing receivable by the Company	£20.0 million
Estimated net proceeds of the Placing receivable by the Company	£17.9 million
Number of Existing Ordinary Shares in issue at the date of this document	171,649,941
Number of Placing Shares to be issued pursuant to the Placing	666,666,667
Number of Ordinary Shares (including Placing Shares) in issue following AIM Admission ⁽¹⁾	838,316,608
Percentage of the Enlarged Share Capital represented by the Placing Shares ⁽¹⁾	79.5%

(1) Assumes that no other Ordinary Shares are issued between the date of this document and AIM Admission.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Duncan McIntyre (<i>Non-Executive Chairman</i>) Brent Escott (<i>Chief Executive Officer</i>) Craig Parsons (<i>Chief Financial Officer</i>) Les Owen (<i>Non-Executive Director</i>) Ruth Evans (<i>Non-Executive Director</i>) Shaun Astley-Stone (<i>Non-Executive Director</i>) Eric Anstee (<i>Non-Executive Director</i>)
Company Secretary	Lorraine Beavis
Registered Office	Holgate Park Holgate Road York YO26 4GA
Sponsor and Broker	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Financial Advisor	Kinmont Limited 5 Clifford Street London W1S 2LG
Solicitors to the Company	Eversheds LLP 1 Wood Street London EC2V 7WS
Solicitors to the Sponsor and Broker	Nabarro LLP 125 London Wall London EC2Y 5AL
Registrars	Capita Asset Services 34 Beckenham Road Beckenham Kent BR3 4TU

PART 1

LETTER FROM THE CHAIRMAN

CPPGROUP PLC

(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 07151159)

Directors:

Duncan McIntyre (*Non-Executive Chairman*)
Brent Escott (*Chief Executive Officer*)
Craig Parsons (*Chief Financial Officer*)
Les Owen (*Non-Executive Director*)
Ruth Evans (*Non-Executive Director*)
Shaun Astley-Stone (*Non-Executive Director*)
Eric Anstee (*Non-Executive Director*)

Registered Office:

Holgate Park
Holgate Road
York
YO26 4GA

24 December 2014

To Shareholders and, for information only, to optionholders

Dear Shareholder

Proposed Placing of 666,666,667 Placing Shares at 3 pence per Placing Share

**Proposed cancellation of admission to the premium segment of the Official List
and to trading on the Main Market for listed securities of the London Stock
Exchange**

Proposed admission to trading on AIM

Proposed Capital Reorganisation

Waiver of Rule 9 Mandatory Offer

Proposed disapplication of Remuneration Policy

Notice of General Meeting

1. Introduction

Further to its announcement on 14 November 2014 that the Board had received indications of interest from certain investors in subscribing for new equity capital, the Company announced yesterday that the Board is proposing to raise in aggregate £20 million (approximately £17.9 million net of expenses) by way of a non-preemptive placing of 666,666,667 Placing Shares at a price of 3 pence per Placing Share. Immediately following AIM Admission, the Existing Ordinary Shares will represent approximately 20.5 per cent. of the Enlarged Share Capital.

The Board has concluded that, having regard to the Group's financial and trading position and the need for certainty of funding within a limited timeframe, the method of issue is appropriate to secure the investment necessary in the Company (including in particular in its IT infrastructure) in order to stabilise the Group's platform and to protect existing value for Shareholders by raising the funds needed to prepay in part the Bank Facility (the remainder of which will be amended and restated as described in paragraph 2 under

"The need for additional capital – Proposed Prepayment in part of the Bank Facility") and to pay approximately £1.3 million in respect of Deferred Commission and interest thereon to certain of the Group's Business Partners in order to settle the Group's obligations under the Commission Deferral Agreement.

The Placing is conditional, *inter alia*, on the passing of the Resolutions by the Shareholders at the General Meeting, including a special resolution which will give the Directors the required authority to disapply statutory pre-emption rights in respect of the allotment of the Placing Shares, and on AIM Admission.

The Placing Price of 3 pence per Placing Share represents a discount of approximately 45.4 per cent. to the closing middle market price of 5.50 pence per Existing Ordinary Share on 22 December 2014, being the last Business Day before announcement of the Placing. As the Placing Price represents a discount of approximately 70 per cent. to the nominal value of the Existing Ordinary Shares (which is currently 10 pence per Existing Ordinary Share), the Board is proposing the Capital Reorganisation in order to permit the Placing to proceed (for further information please see section 6 "Reasons for and Details of the Capital Reorganisation" of this Part 1, below).

In order to effect the Delisting, Admission and Placing, the Company will require, *inter alia*, Shareholder approval of the Resolutions at the General Meeting. The Resolutions, which are set out in the Notice of the General Meeting at the end of this document, will authorise the Board to: (i) effect the Capital Reorganisation (such that each Existing Ordinary Share is subdivided and redesignated into one Ordinary Share of 1 penny and 1 Deferred Share of 9 pence and the articles of association of the Company are amended to include the rights attaching to the class of Deferred Shares); (ii) allot the Placing Shares (as required by section 551 of the 2006 Act) and disapply statutory pre-emption rights in respect of that allotment (in accordance with section 570 of the 2006 Act); (iii) cancel the listing of the Ordinary Shares on the Official List (in accordance with LR 5.2.5R), remove such Ordinary Shares from trading on the Main Market and apply for admission of the Ordinary Shares to trading on AIM; and (iv) (in accordance with Listing Rule 9.5.10) issue the Placing Shares at a price of 3 pence per new Ordinary Share, being a discount of more than 10 per cent. to the closing price of 5.50 pence on 22 December 2014 (being the latest practicable date prior to the announcement of the Placing).

Conditional on the Resolutions (other than the resolution to be proposed to disapply the Company's Remuneration Policy, as described below) being approved at the General Meeting and the Placing Agreement not having been terminated in accordance with its terms, the Company will apply to cancel the listing of Ordinary Shares on the Official List and to trading on the Main Market and give 20 Business Days' notice of its intention to seek admission to trading on AIM under AIM's streamlined process for companies that have had their securities traded on an AIM Designated Market (which includes companies whose securities are admitted to the Official List and to the London Stock Exchange). Conditional on the Resolutions being approved at the General Meeting, and Phoenix having obtained the approval (which may be subject to conditions) of the FCA to the indirect acquisition by funds managed by Phoenix of "control" (for the purposes of section 178 of FSMA) of the regulated entities, CPPL and HIL, and Admission taking place, the Company will issue the Placing Shares.

In addition, due to the proposed participation in the Placing of Mr Hamish Ogston and Schroder Investment Management Limited, each of whom is a substantial shareholder in the Company and therefore a related party (in each case, as defined in the Listing Rules), the participation by each of Mr Hamish Ogston and Schroder Investment Management Limited in the Placing will constitute a related party transaction pursuant to the Listing Rules and therefore ordinary resolutions of Shareholders other than the relevant related party in each case are being proposed at the General Meeting to approve the related party transaction with each of Mr Hamish Ogston and Schroder Investment Management

Limited in accordance with Listing Rule 11. In connection with the Proposals, Mr Hamish Ogston has entered into a revised relationship agreement with the Company on materially the same terms as the existing relationship agreement (subject to certain consequential amendments appropriate to the context of an AIM company), the effectiveness of which is conditional on AIM Admission. For further information, please see paragraph 2(b) of Part 4 of this document.

In conjunction with the Placing, the Board is proposing to cancel the listing of the Ordinary Shares on the Official List and to remove the Ordinary Shares from trading on the Main Market and to apply for admission of the Ordinary Shares, including the Placing Shares, to trading on AIM. Subject to resolutions being passed in general meeting (including by a majority of independent shareholders) as required by Listing Rule 5.2.5(2)(a) and (b) and to all relevant conditions being satisfied (or, if applicable, waived), it is expected that the Ordinary Shares (including the Placing Shares) will be admitted to trading on AIM on or around 11 February 2015. The Board believes that AIM is a more appropriate market for a company of CPPGroup Plc's current size and will enable the Company to effect the Placing without the publication of a prospectus (since AIM is not a regulated market and the Placing is an exempt offer to the public under sections 86(1)(a) and (b) of FSMA), which would be a disproportionately costly and time consuming process.

Further, in order for the Placing to proceed, Independent Shareholders (being all of the Shareholders other than Mr Hamish Ogston and Schroder Investment Management Limited) will be required, by a vote on a poll, to waive a mandatory offer obligation arising on the participation of funds managed by Phoenix in the Placing under Rule 9 of the City Code.

Finally, the current Remuneration Policy adopted under section 439A of the 2006 Act does not permit the Company to introduce new incentive arrangements of the form which the Board expects to need to put in place for Eric Anstee as the new Chairman (to replace myself with effect from the end of the General Meeting – for further information please see section 13 "Board Appointments and Disapplication of the Remuneration Policy", below) and for management. The requirement to submit a remuneration policy for a binding vote by shareholders does not apply to companies whose shares are traded on AIM. Accordingly, in anticipation of the approval of the De-listing and AIM Admission, and in preparation for the introduction of a new incentive arrangement for the new Chairman and management and employees, an ordinary resolution of Shareholders is being proposed at the General Meeting to approve the disapplication of the Remuneration Policy, which is conditional on the Company's Admission to AIM.

The purpose of this document is to outline the reasons for, and provide further information on, the Proposals and to explain why the Board believes them to be in the best interests of the Company and its Shareholders as a whole and unanimously recommends that Shareholders vote in favour of the Resolutions.

At the end of this document you will find a notice of the General Meeting at which the Resolutions will be proposed to approve the Proposals. The General Meeting has been convened for 10:30 a.m. on 13 January 2015 at the offices of Eversheds LLP at One Wood Street, London, EC2V 7WS.

2. Background to and reasons for the Proposals

Scheme, other redress obligations and regulatory liabilities

In recognition of past failings at its UK business in the period from January 2005 to March 2011, CPPL agreed in November 2012 to carry out a customer redress exercise in relation to direct sales (and subsequent renewals) made by CPPL of Card Protection and

Identity Protection products from 14 January 2005 to March 2011 and to pay redress to customers where appropriate.

The Scheme, through which redress was provided, was formalised in August 2013 and approved in early 2014 as the vehicle for providing redress to customers. It has been a key priority for CPPL to ensure that the Scheme became effective in order for it to achieve the best outcome for customers affected by historical issues in the UK. Through the Scheme, CPPL and certain of its Business Partners reviewed claims and, where appropriate, redress was paid.

The Scheme closed on 30 August 2014. The value of Scheme redress claims in respect of direct sales made by CPPL at the close date of 30 August 2014 was £32.0 million.

Following discussions with the FCA in respect of historical Card Protection sales made directly by HIL in the ROI, a past business review commenced in early September 2014. A provision for redress was disclosed in the Group's 2013 Annual Report and Accounts and Half Year financial statements in 2014 in respect of this liability.

Discussions have progressed with the Central Bank of Ireland (CBI) and certain of the Group's Business Partners in the ROI in respect of historical indirect and introduced sales of Card Protection made by Irish banks to customers in the ROI. However, the full extent of any redress exercise has not yet been determined.

The Group is also engaging with the FCA in relation to a customer contact exercise in respect of historic Card Protection sales in the UK between March 2011 and July 2012. The full extent of any redress exercise relating to these discussions has not yet been determined, albeit that it represents a small customer population. Under the Business Partner Agreement, CPPL has agreed with certain of its Business Partners that, without any admission of liability whatsoever by the Business Partners, CPPL may appropriate and apply a portion of the future commission that would be due to each such Business Partner to the extent required to discharge redress due to a customer of CPPL that purchased a relevant product between March 2011 and July 2012 in respect of any actual or potential claims, provided that CPPL shall be responsible for the operational costs of any such redress exercise. Consequently, particularly given the relatively small customer population involved, it is not expected that any material liability will be faced by CPPL in connection with this exercise.

There can be no guarantee that other claims or matters may not arise against the Group from these discussions or from the on-going discussions with the CBI and the Group's Business Partners in the ROI. However, at this time, it is unclear that present obligations exist in respect of these claims or matters.

Additionally, there can be no guarantee that other claims will not arise against the Group from Business Partners or customers. The Board is also aware that regulators in some overseas territories have historically reviewed and, in some cases, are still reviewing certain aspects of the business, and this is being discussed with local management.

The total cost provided by the Group, to date, for customer redress and associated costs at 22 December 2014 (being the latest practicable date prior to publication of this document) is £72.8 million, of which the amount remaining available to meet further redress payments and other redress and associated costs is £14.9 million. CPPL remains liable to pay the outstanding element of the regulatory fine imposed by the FCA in November 2012, which stands at £8.5 million; it is expected that all remaining instalments of the fine will fall due to be paid in 2016 and these instalments are included in the remaining amount of £14.9 million above.

Financial information on CPP

Certain financial information on the Group and the Company is referred to in paragraphs (g) and (h) of section 10 of Part 4 of this document. This information is incorporated by reference into this document for the purposes of Rule 24.15 of the City Code.

For financial information in relation to the Group and the Company, please refer to the information set out on pages 54 to 110 (inclusive) of the annual report and accounts of the Company for the year ended 31 December 2013, pages 36 to 85 (inclusive) of the annual report and accounts of the Company for the year ended 31 December 2012 and pages 14 to 34 (inclusive) of the half-yearly report of the Company for the six months ended 30 June 2014. A hard copy of this information may also be obtained by Shareholders, persons with information rights or other persons to whom this document is being sent, only by writing with such a request to the Company Secretary at the above-mentioned address or by telephoning the Company Secretary on +44 (0)1904 544 500. Requested information will be sent to the relevant person in hard copy form as soon as possible and in any event within two business days of the request being received.

Financial and operating performance in the first half of 2014

The on-going challenges of the Group's operating environment continued to affect trading performance in the first half of this year. In the six months ended 30 June 2014, the Group generated revenue of £58.7 million from continuing operations (30 June 2013: £99.7 million) and broke even on underlying operating performance (compared to a £3.3 million loss for the six months ended 30 June 2013). This resulted in a loss for the six months ended 30 June 2014 of £2.7 million (compared to a £2.6 million loss for the six months ended 30 June 2013).

As at 30 June 2014, the renewal rate for the Group's products stood at 69.5 per cent. on a rolling twelve months basis (69.4 per cent at 31 December 2013) and the Group's live policy base stood at 6.1 million (7.1 million at 31 December 2013).

The Group's net funds position at 30 June 2014 was £21.6 million (down from £38.8 million at 30 June 2013), primarily as a result of funding the Scheme.

Current trading and prospects

The Group's performance during the period since 30 June 2014 to the date of publication of this document continues to reflect the trends outlined in the Group's Half Year Report published on 29 August 2014. As expected, Group revenue from continuing operations has declined approximately 36 per cent. on a constant currency basis compared to the same period in 2013, reflecting the on-going challenges of the operating environment, primarily affecting trading performance in the UK business. Outside of the UK, performance is broadly consistent with the trends reported in the Half Year Report.

The Annual Renewal Rate as at 30 November 2014 had increased from the half year to 70.8 per cent. As noted in the Group's announcements during 2014, cancellations through the Scheme are not included in the reported renewal rate. If Scheme cancellations were included, the annual renewal rate would be 4.9 percentage points lower at approximately 65.9 per cent. This impact is higher than the half year position and will continue to increase as further Scheme cancellations that were live policies before the Scheme commenced reach their scheduled renewal date. Live policies as at 30 November 2014 totalled 5.2 million, 0.9 million lower than reported at 30 June 2014, mainly reflecting the expected reduction in Packaged and Wholesale policies in the UK. Outside of the UK, the live policy base has increased marginally.

As at the date of publication of this document, the retail assistance live policy base totalled approximately 2.8 million. It is this in-force retail assistance book that the Group believes represents the core embedded value of the Group and will support the performance of the business. The Group estimates that the historical average revenue per policy for this portfolio is approximately £31 per policy per annum. Furthermore, the Group estimates that it has historically paid out 35 per cent. of this revenue in commission rebates to Business Partners, while in addition it has incurred costs amounting to 12 per cent. of revenue servicing each policy.

As announced on 5 December 2014, the provision for customer redress and associated costs in the Group's consolidated financial statements has been increased by £3.0 million, reflecting the latest estimate with respect to residual customer redress activity. This is expected to be funded from existing VVOP-restricted capital held within the Group's regulated entities in the UK and relates to certain redress obligations specific to the relevant regulated entities (which the relevant entities may meet out of their own capital without seeking the consent of either the PRA or the FCA). The total cost provided for customer redress and associated costs at the date of this document is £72.8 million, of which £14.9 million remains available, representing £6.4 million in remaining customer redress and associated costs and £8.5 million in respect of the outstanding regulatory fine levied by the FCA in November 2012 (the remaining instalments are expected to fall due to be paid in 2016).

The Group's net funds position at the date of this document is £7.7 million. This position represents a decrease of £13.9 million from the half year position, principally as a result of the continued settlement of the customer redress provision. There is currently limited free cash at Group level. As a result, liquidity in the short term relies on working capital solutions which may include the release of restricted cash from one of the UK regulated entities. Such solutions generally require third party agreement and the Group is engaged in on-going dialogue with its stakeholders.

The Group is focused on its immediate priorities to reshape the business and strengthen its capital position and restructure the balance sheet. Significant uncertainty remains around issues relating to liquidity, the execution and delivery of the Group's longer term plans and trading performance. As a result, the outlook continues to reflect the significant challenges and risks ahead and performance for 2014 will remain constrained.

The Directors believe that the adoption of the Proposals will mark an important milestone in the return of the business to more stable trading conditions. Although ultimately, exceptional items and taxation will continue to play a highly significant part in the translation of the Group's performance into pre-tax and post-tax profitability for the foreseeable future.

The Group has no plans to alter any Group pension arrangements.

Current initiatives

During 2014, the Group has continued its journey to stabilise the business and has progressed its Business Transformation programme, which includes implementing the following measures:

- management action to reduce the Group's cost base has generated annualised cost savings of approximately £15.0 million in 2014, due, in part, to a 48 per cent. reduction in headcount since 2012 ;
- operations in France and Singapore were closed earlier this year and plans are well advanced to implement the exit of Hong Kong and Brazil and to close two of

the Group's three office sites in the UK in keeping with the reduced scale of the business;

- the Board has evaluated and is progressing essential plans to restructure the balance sheet and strengthen the Group's capital position and liquidity to support the future development of the business, as described in this document;
- plans to implement a new cost-effective IT system have progressed (including through engagement with a new service provider) and the new system is expected to increase operational efficiency and meet the needs of customers more effectively, supporting the Group's operational environment and governance and, in turn, assisting in the Group's efforts to secure the FCA's agreement to remove the restrictions under the VVOPs in early 2016;
- management and the Board continue to focus on identifying opportunities and reviewing the Group's existing geographic presence to determine the regions in which the Group can produce sustainable, attractive returns; and
- management is continuing the process of further strengthening the Group's governance risk and compliance framework alongside improving business processes across the Group.

Formal sale process

Being mindful of its obligations to all stakeholders, including Shareholders and creditors, and in view of the Group's current financial circumstances, on 14 November 2014 the Board announced the potential sale of the Group under a formal sale process when it provided a general update on its consideration of strategic options, including an equity raise as envisaged by the Proposals.

At that time, the Board reserved the right to alter any aspect of the formal sale process, to terminate it at any time, or to reject any approach or terminate discussions with any interested party or participant at any time.

Following this formal sale process, which has involved a number of parties, the Board of the Company has concluded that at this time, the combination of new equity funding and restructuring of the Group's liabilities comprising the Proposals represents both the best value for all stakeholders and the option that is the most capable of being executed in the time reasonably available. Accordingly, the Board determined on 22 December 2014 that the formal sale process should terminate and the Company has ceased to engage with any parties in relation to an offer or potential offer for the Company.

The need for additional capital

Although the Group has historically been a cash-generative business, redress payments under the Scheme have principally been settled from the Group's cash resources, supported by the Deferred Commission and also the sale of the North American business in 2013.

As a result, in spite of the significant progress made to reduce the Group's cost base and rationalise its operations during 2014, the Group's cash resources are currently limited and these constraints are exacerbated by the fact that a significant proportion of the cash and cash equivalents held on the Group's balance sheet are currently restricted by regulatory requirements (including the VVOPs) and charges held by creditors, such that the Group requires consents from the FCA, the PRA and from the Lenders to release capital from CPPL and HIL.

Taking into account the secured debt of £13.0 million (excluding prepayment fees) owed to the Lenders under the Bank Facility which is due to fall due in July 2016, the Deferred Commission and accrued interest thereon (representing approximately £22.8 million in total) owed to certain Business Partners which is due to fall due in July 2017, the outstanding instalments to be paid under the FCA fine totalling £8.5 million and amounts owing to certain trade and other creditors, the Board considers that the total liabilities (including non-current liabilities as at the date of this document) falling due between the date of this document and July 2017 amount to approximately £93.2 million (compared with existing cash and cash equivalents of approximately £40.3 million).

Further, the Group has recently identified a service provider to assist in the implementation of its new IT system as plans progress to implement a modern, cost-effective IT infrastructure for the Group. This proposed improvement to the Group's IT infrastructure is a key milestone in the Group's Business Transformation programme as the Group continues to work towards obtaining agreement to the removal of the restrictions under the VVOPs in early 2016. The anticipated external capital cost of implementation of the new IT infrastructure is approximately £4.9 million.

The Board believes that the Group will require additional capital to fund certain necessary projects to continue the Group's transformation including the on-going investment in IT infrastructure described above, country restructuring, re-branding across the Group, investment in senior and central talent and investment in the Group's future product proposition.

The Board has taken the following steps to mitigate against the current limited availability of cash at Group level and against expected capital requirements arising in the short to medium term:

- *Proposed Prepayment in part of the Bank Facility*

The Group has, conditional on AIM Admission and completion of the Placing, agreed to prepay in part the Bank Facility and entered into the Amended and Restated Facility to refinance that part of the Bank Facility that will not be prepaid. As a result of these arrangements, subject to such conditions being met, £8.5 million will be prepaid under the Bank Facility (including certain prepayment fees) out of the proceeds of the Placing and the remaining balance of the Bank Facility will be refinanced via the Amended and Restated Facility in the amount of £5.0 million. The term of the Amended and Restated Facility has been extended to 28 February 2018 and the Continuing Lender will continue to benefit from the existing security package granted in connection with the Bank Facility.

Under the Amended and Restated Facility, any events of default or potential events of default arising on entry into the Business Partner Agreement or otherwise as a result of the Proposals have been waived.

- *Proposed Settlement of Deferred Commission*

CPPL has entered into the Business Partner Agreement with nine of the Group's Business Partners pursuant to which it has agreed to settle all liabilities under the Commission Deferral Agreement entered into with those Business Partners on 31 July 2013 and to further defer up to approximately £1.3 million of commission earned from 1 December 2014 to 31 March 2015. In consideration of the payment by CPPL of approximately £1.3 million (representing approximately 11p in the pound in respect of Deferred Commission and settlement in full of accrued interest), certain of the Group's Business Partners have agreed to a settlement of all their entitlements under the Commission Deferral Agreement. This is on the basis that these Business Partners will defer approximately £1.3 million of the commissions earned from 1 December 2014 to 31 March 2015. The remainder of the Business Partners party to the Commission Deferral Agreement have elected to settle the Deferred Commission in

return for commission arising between 1 December 2014 and 31 March 2015 being paid as and when it falls due.

After taking into account the Group's anticipated revenue streams in the short to medium term, the Board considers that the Group requires additional capital to prepay in part the Bank Facility and to settle the Deferred Commission and interest thereon as proposed above, as well as to finance the required investment in the Group's IT infrastructure and to invest in other projects necessary to drive the Group's continuing transformation.

Under the VVOPs, the consent of the FCA is required, inter alia, for material changes to the capital structure of CPPL and for grants of security over CPPL. CPPL applied for this consent in connection with the entry into the Amended and Restated Facility and proposed prepayment in part of the Bank Facility and the entry into the Business Partner Agreement and proposed settlement of the Deferred Commission on 15 December 2014 and this consent was granted on 18 December 2014.

The Proposals

It is against this background that the Board is presenting the Proposals, including the Placing, the De-listing and AIM Admission, to Shareholders.

The approval and implementation of the Proposals, in addition to reducing the Group's liabilities and restructuring the balance sheet, will result in improved liquidity. As a result, the Directors believe that CPPGroup Plc will have a strengthened and more appropriate capital structure to support the future development of the Company.

Admission to AIM will provide Shareholders with a market on which to trade their Ordinary Shares whilst providing the Company with continued access to equity capital, including the potential ability to raise further funds, if required. The Board believes that a transfer to AIM will provide the Company with a market more suited to its current size and market capitalisation. The simplification of administrative and regulatory requirements, with a consequent reduction in on-going costs associated with a premium listing on the Main Market and the Company's associated one-off professional costs when issuing new equity, is expected to enable the Company to implement its cost savings objectives more effectively. Please refer to section 9 of this letter for further details on the regulatory and other consequences of moving to AIM.

The De-listing and AIM Admission in themselves are not expected to have any impact on the Company's strategy or business.

3. Illustrative Projections and Profit Targets

Illustrative Projections

Given the nature of the operating environment experienced by the Group over the last three years, including the matters arising from the FCA Investigation and the Scheme and their impact on the business, and the relative absence of public comment and analysis resulting (in part) from the material uncertainty faced by the Group as a result of its redress obligations and the Scheme during the period, the Board are conscious that Shareholders and market participants may be experiencing difficulties in forming a clear view as to reasonable expectations for the Group's future financial performance. Accordingly, in order to give Shareholders an indication as to how the Group's business may perform assuming that the Resolutions are approved and the Proposals implemented, the Directors have prepared the Illustrative Projections, comprising their expectations of the Group's revenue for the years to 31 December 2014, 2015 and 2016 (the "Illustrative Projections"). The Illustrative Projections are based on the Directors' projections for a reasonably achievable performance of the Group, taking into account

the Group's existing structure, historical trading and likely future developments and assuming that the Group is able to deliver on the Directors' expectations without any over or under-performance.

These Illustrative Projections cover the 12 month periods ending 31 December 2014, 31 December 2015 and 31 December 2016. The Illustrative Projections in relation to the period ending 31 December 2014 are based on the 6 months' actual performance of the Group to 30 June 2014, as reported in the interim financial statements for that period announced on 29 August 2014, the four months' actual performance of the Group to 31 October 2014, as reported in the Group's management accounts and an estimated outturn for the two month period from 1 November 2014 to 31 December 2014.

The Illustrative Projections, together with further detail in relation to the assumptions underlying the projections, are set out in Part 3 of this document.

The Illustrative Projections have been prepared on a basis consistent with the Group's current accounting policies and have been prepared after due and careful enquiry by the Directors. The estimates and assumptions underlying the Illustrative Projections are inherently uncertain, being based upon events that have not taken place, and are subject to significant economic, competitive and other uncertainties and contingencies beyond the Company's control. Consequently, the Illustrative Projections may not be achieved and the Group's actual revenue may be materially higher or lower than that in the Illustrative Projections. Accordingly, Shareholders are cautioned not to place undue reliance on the Illustrative Projections and your attention is drawn to the Risk Factors in Part 2 of this document.

The estimates and assumptions underlying the Illustrative Projections are based on matters as they exist at the date of this document and not as at any future date. Accordingly, the Company and the Directors accept no obligation and give no undertaking to disseminate any updates or revisions to the Illustrative Projections to reflect any change in the Company's or the Directors' expectations with regard thereto, any new information or any change in events, conditions or circumstances after the date of this document on which any such statements are based, unless required to do so by the Listing Rules, the Disclosure and Transparency Rules or the AIM Rules or otherwise by law or any appropriate regulatory authority.

Profit Targets

The Board has set out target operating profit before exceptional items and target cash generated by operations before exceptional items which it believes to be achievable for the year ending 31 December 2016 (the "Profit Targets") and these Profit Targets are also set out in Part 3 of this document.

The Profit Targets do not show the effect of exceptional items on the Group's consolidated income statement. Shareholders should note that significant exceptional items have arisen in relation to each of the last three financial years and, because the extent to which the Group may recognise exceptional items in its consolidated financial statements depends, among other things, on what steps are taken in connection with the Group's on-going change programmes, which are not yet fully developed, it is very difficult to foresee with reasonable certainty what exceptional items will arise throughout the period covered by the Profit Targets.

The Profit Targets do not show the impact of taxation on the income that may be generated by the Group during the period covered by the Profit Targets (including, without limitation, on any gains or losses arising from the settlement of the Deferred Commission and steps taken in connection with the Group's on-going change programmes), since without being able to reliably forecast exceptional items which may

arise, it is impossible to identify with reasonable certainty the effect of taxation on any gains (or losses) arising after the impact of exceptional items is taken into account.

For these reasons, the Board is not able to set a forecast of profit or loss after taxation and cautions that it is not possible for Shareholders to ascertain any figure, or any minimum or maximum figure, for the level of operating profit or loss after exceptional items or profit or loss after taxation that the Group may generate.

Nothing in the Profit Targets constitutes a "profit forecast", whether for the purposes of Rule 28 of the City Code or otherwise, nor has the information been reported on under Rule 28 of the City Code. It is emphasized that the Profit Targets represent a financial target and not a profit forecast.

4. Details of the Placing

The Company is proposing to raise £20 million (before commission and expenses) by way of a placing of 666,666,667 Placing Shares at the Placing Price. The Placing Shares will represent approximately 79.5 per cent. of the Enlarged Share Capital of the Company.

The Placing Price of 3 pence per Placing Share represents a discount of approximately 45.4 per cent. to the closing middle market price of 5.50 pence per Existing Ordinary Share on 22 December 2014, being the last Business Day before announcement of the Placing.

The Placing Price has been set by the Directors following their assessment of market conditions. The Directors believe that the discount to the closing middle market price of 5.50 pence per Ordinary Share on 22 December 2014 is necessary to enable the Company to successfully complete the Placing at a level which will enable it to continue to pursue its strategy as described in this document and, accordingly, believe that such discount is in the best interests of Shareholders.

The table below sets out details of the new and existing investors committing to subscribe (subject to the conditions described below) for the Placing Shares:

Investor	No. of Existing Ordinary Shares held	Percentage of issued share capital	No. of Placing Shares to be subscribed for	Percentage of Enlarged Share Capital held on AIM Admission
<i>New Shareholders</i>				
Phoenix Asset Management Partners Limited	-	-	335,326,643	40.00%
<i>Existing Shareholders</i>				
Mr Hamish Ogston	96,331,789	56.1%	264,144,352	43.00%
Schroder Investment Management Limited	22,310,554	13.0%	61,437,285	9.99%

On completion of the Placing, funds managed by Phoenix Asset Management Partners Limited are expected to own approximately 40.0 per cent. of the Enlarged Share Capital. Accordingly, on 19 December 2014, Phoenix notified the FCA of its intention to acquire indirectly "control" of the Company's UK regulated subsidiaries, CPPL and HIL for the purposes of section 178 of FSMA through its participation in the Placing. The FCA has up

to 60 working days to grant its approval for such acquisition of control for the purposes of section 185 of FSMA (which may be subject to conditions).

The Placing is conditional, *inter alia*, on:

- the passing of the Resolutions;
- the Business Partner Agreement, the prepayment in part of the Group's Bank Facility and the Amended and Restated Facility each becoming unconditional save for any conditions relating to AIM Admission;
- Phoenix having obtained the approval (which may be subject to conditions) of the FCA to the indirect acquisition by funds managed by Phoenix of "control" of the regulated entities, CPPL and HIL;
- the conditions in the Placing Agreement being satisfied or (if applicable) waived and the Placing Agreement not having been terminated in accordance with its terms prior to AIM Admission; and
- AIM Admission becoming effective by no later than 8.30 a.m. on 11 February 2015 (or such later time and/or date, being no later than 8.30 a.m. on 27 February 2015, as the Company and Numis Securities may agree).

In connection with the Placing, the Company has entered into the Placing Agreement pursuant to which Numis Securities has agreed, in accordance with its terms, to use reasonable endeavours to place the Placing Shares. Each of Phoenix and Schroder Investment Management Limited have entered into a placing letter with Numis Securities Limited in respect of their respective commitments to subscribe for Placing Shares. Mr Hamish Ogston has entered into a subscription letter directly with the Company in substantially identical terms and subject to substantially identical conditions as the placing letters entered into by Phoenix and Schroder Investment Management Limited pursuant to which he will subscribe, or procure the subscription by his family investment vehicle, Milton Magna Limited, for the Placing Shares set out opposite his name above.

The Placing Agreement contains customary warranties given by the Company to Numis Securities as to matters relating to the Group and its business and a customary indemnity given by the Company to Numis Securities in respect of liabilities arising out of or in connection with the Placing. Numis Securities is entitled to terminate the Placing Agreement in certain circumstances prior to AIM Admission including circumstances where any of the warranties are found not to be true or accurate or are misleading in any material respect.

The Placing Shares will be issued credited as fully paid and will rank in full for all dividends and other distributions declared, made or paid after the admission of the Placing Shares in respect of the Ordinary Shares and will otherwise rank on AIM Admission *pari passu* in all respects with the Ordinary Shares. The Placing Shares have not been made available to the public and are not being offered or sold in any jurisdiction where it would be unlawful to do so.

Application will be made to the London Stock Exchange for the Ordinary Shares (including the Placing Shares) to be admitted to trading on AIM. On the assumption that, *inter alia*, the Resolutions are passed, it is expected that AIM Admission will become effective on or around 11 February 2015.

The Placing Shares have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Placing Shares may not be offered or sold within the United States.

The Placing will result in a significant dilution of the proportionate holdings of existing Shareholders who do not participate in the Placing; approximately 79.5 per cent. of the Enlarged Share Capital will be represented by the Placing Shares upon completion of the Placing.

5. Reasons for and details of the Capital Reorganisation

The Company's existing issued share capital consists of 171,649,941 Existing Ordinary Shares which are currently in issue.

The Placing Shares are proposed to be issued at the Placing Price, which represents a discount of approximately 70 per cent. to the nominal value of the Existing Ordinary Shares.

Under section 580 of the 2006 Act, the Company may not allot shares at a price which is less than the nominal value of those shares. To enable the Company to proceed with the Placing, the Existing Ordinary Shares will therefore need to be sub-divided and re-designated as described below and in the Notice of General Meeting at the end of this document.

The Capital Reorganisation is conditional on the approval of the Shareholders at the General Meeting but is not conditional on the passing of any of the other Resolutions.

Details of the Capital Reorganisation

Pursuant to the Capital Reorganisation, it is proposed that each Existing Ordinary Share with a nominal value of 10 pence will be sub-divided and re-designated into one Ordinary Share of 1 penny and one Deferred Share of 9 pence. Immediately following the Capital Reorganisation, every Shareholder will hold one Ordinary Share and one Deferred Share for every Existing Ordinary Share held by them. The Capital Reorganisation should not affect the market value of a Shareholder's aggregate holding of the Existing Ordinary Shares in the Company.

It is proposed that, following completion of the Capital Reorganisation, each Ordinary Share will carry the same rights in all respects as each Existing Ordinary Share does at present, including the rights in respect of voting and the entitlement to receive dividends.

The Company does not propose to issue new share certificates to the existing Shareholders as a result of the Capital Reorganisation. The existing share certificates which have been issued to the Shareholders in respect of their holdings of Existing Ordinary Shares will remain valid in respect of the Ordinary Shares following completion of the Capital Reorganisation. The Company will make arrangements for the ISIN of the Existing Ordinary Shares to apply to the Ordinary Shares.

CREST accounts of Shareholders will not be credited in respect of any entitlement to Deferred Shares.

Amendments to the Existing Articles

As part of the Capital Reorganisation, the Company proposes to make consequential amendments to its Existing Articles to include provisions in respect of the rights attaching the Deferred Shares. Each Deferred Share will have very limited rights and will effectively be valueless. Such shares will have no voting rights, no rights to receive dividends and will have only very limited rights on a return of capital. The Deferred Shares will not be admitted to trading on AIM or listed on any other stock exchange and will not be freely transferable.

Please refer to Resolution 2 set out in the Notice of the General Meeting at the end of this document for further details of the rights which are proposed to be attached to the Deferred Shares.

6. Use of proceeds

The estimated net proceeds of the Placing of approximately £17.9 million will be used for the prepayment in part of the Bank Facility (including certain prepayment fees), refinancing of the Bank Facility via the Amended and Restated Facility, satisfaction of the Group's obligations in relation to the settlement of the Deferred Commission and interest thereon, to make an investment in the Group's IT systems to implement a modern, cost-effective IT infrastructure and to provide additional capital to fund in part elements of the Group's Business Transformation programme and related costs of change, as set out below:

<i>Use of proceeds</i>	<i>£ million</i>
Prepayment in part of the Bank Facility and related costs	8.5
Refinance the Bank Facility via the Amended and Restated Facility	0.5
Settlement of Deferred Commission and interest thereon	1.3
Investment in new IT infrastructure and IT systems	4.5
Group transformation and costs of change	3.1
Total	17.9

7. Details of the De-listing and AIM Admission

Listing Rule 5.2.5R(2) requires that a company wishing to cancel its listing on the Official List may only do so if at least 75 per cent. of the votes cast at a general meeting on a resolution to delist are in favour. Additionally, where a premium-listed company has a controlling shareholder (that is, a shareholder who exercises or controls on their own or together with any person with whom they are acting in concert, 30 per cent. or more of the votes able to be cast on all or substantially all matters at general meetings of the company), it must also obtain the prior approval of a majority of independent shareholders who vote in person or by proxy at the general meeting. For these purposes Mr Hamish Ogston is a controlling shareholder of the Company.

The continued listing of the Company on the Official List would prevent the implementation of the Proposals (including the receipt of the proceeds of Placing), as these are conditional *inter alia* on AIM Admission and completion of the Placing, which can only occur once the De-listing has taken place.

In order to effect the AIM Admission and Placing as well as the other Proposals, the Company will require, *inter alia*, Shareholder approval of the Resolutions at the General Meeting.

Conditional on the Resolutions being approved at the General Meeting and the Placing Agreement not having been terminated in accordance with its terms, the Company will apply to cancel the listing of the Ordinary Shares on the Official List and to trading on the Main Market and will give 20 Business Days' notice of its intention to seek their admission to trading on AIM under AIM's streamlined process for companies that have had their securities traded on an AIM Designated Market (which includes the Official List).

It is anticipated that the last day of dealings in the Ordinary Shares on the Main Market will be 10 February 2015. Cancellation of the listing of the Ordinary Shares on the Official

List will take effect at 8.00 a.m. on 11 February 2015. AIM Admission is expected to take place, and dealings in the Ordinary Shares (including the Placing Shares) are expected to commence on AIM, at 8.00 a.m. on 11 February 2015.

As the Existing Ordinary Shares are currently listed on the premium segment of the Official List, the AIM Rules do not require an admission document to be published by the Company in connection with the Company's admission to trading on AIM. However, in order to achieve AIM Admission, the Company will be required to publish an announcement which complies with the requirements of Schedule One to the AIM Rules comprising information required to be disclosed by companies transferring their securities from the Official List, as an AIM Designated Market, to AIM following the General Meeting if the Resolutions are passed.

Although it is their intention, there is no guarantee that the Directors will be successful in achieving admission of the Ordinary Shares to trading on AIM or that the conditions in the Placing Agreement will be satisfied (or, if applicable, waived).

8. Risk Factors

For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Resolutions, please refer to Part 2 of this document.

9. Consequences of the move to AIM

Following AIM Admission, the Company will be subject to the AIM Rules. Shareholders should note that AIM is self-regulated and that the protections afforded to investors in AIM companies are less rigorous than those afforded to investors in companies listed on the premium segment of the Official List.

While, for the most part, the obligations of a company whose shares are traded on AIM are similar to those of companies whose shares are listed on the premium segment of the Official List, there are certain exceptions, including those referred to below:

- Under the AIM Rules, prior shareholder approval is required only for: (i) reverse takeovers (being an acquisition or acquisitions in a twelve month period which would: (a) exceed 100 per cent. in various class tests; or (b) result in a fundamental change in the company's business (being disposals that exceed 75 per cent. in various class tests), board or voting control; or (ii) disposals which, when aggregated with any other disposals over the previous twelve months, would result in a fundamental change of business. Under the Listing Rules, a more extensive range of transactions, including certain related party transactions, are conditional on shareholder approval and require the publication of a detailed circular.
- Although a prospectus is required under the Prospectus Rules where there is a non-exempt offer to the public and an admission document is required when seeking admission for a new class of securities to AIM, there is no requirement for AIM companies to publish a prospectus or an admission document in relation to a further issue of AIM-listed securities provided that the issue is an exempt offer to the public (for example, under section 86(1)(a) and/or (b) of FSMA) and those securities will not otherwise be admitted to trading on a regulated market in the European Economic Area (such that section 85(2) of FSMA does not apply).
- Unlike the Listing Rules, the AIM Rules do not specify any required structures or discount limits in relation to further issues of securities.
- Compliance with the Corporate Governance Code is not mandatory for companies whose shares are admitted to trading on AIM.

- Institutional investor guidelines (such as those issued by the Association of British Insurers and the National Association of Pension Funds), which give guidance on issues such as executive compensation and share-based remuneration, corporate governance, share capital management and the issue and allotment of shares on a pre-emptive or non pre-emptive basis, do not apply directly to companies whose shares are admitted to trading on AIM.
- The requirement under section 439A of the 2006 Act to submit a remuneration policy for a binding vote by shareholders is only applicable to quoted companies listed on the Main Market; a company whose shares are traded on AIM is not subject to the same obligation to submit its remuneration policy to a binding vote of shareholders.
- The AIM Rules require that AIM companies retain a nominated adviser and broker at all times. On AIM Admission, the Company has agreed to appoint Numis Securities as its nominated adviser and broker.
- Unlike the Listing Rules, the AIM Rules do not require companies with a controlling shareholder to enter into a relationship agreement to govern their relationship with that shareholder and safeguard the company's ability to carry on an independent business. However, the Board considers that it is appropriate that the material terms of the Company's existing relationship agreement with Mr Hamish Ogston should remain in place (subject to certain consequential amendments) following AIM Admission. Accordingly, the Company has, conditional on AIM Admission, entered into a revised relationship agreement with Mr Hamish Ogston, details of which are summarised in section 2(b) of Part 4 of this document.
- There is no specified requirement for a minimum number of shares in an AIM company to be held in public hands, whereas a company listed on the Official List has to maintain a minimum of 25 per cent. of its issued ordinary share capital in public hands.
- Certain securities laws will no longer apply to the Company following AIM Admission; for example, the Disclosure and Transparency Rules (save that DTR Chapter 5 in respect of significant shareholder notifications will continue to apply to the Company). This is because AIM is not a regulated market for the purposes of the European Union's directives relating to securities.
- Companies whose shares trade on AIM are deemed to be unlisted for the purposes of certain areas of UK taxation. Following the De-listing and AIM Admission, individuals who hold Ordinary Shares may, provided that the two year holding period is satisfied, therefore be eligible for certain inheritance tax benefits. Shareholders and prospective investors should consult their own professional advisers on whether an investment in an AIM security is suitable for them, or whether the tax benefit referred to above may be available to them.
- The De-listing may have implications for Shareholders holding shares in a Self-Invested Personal Pension ("SIPP"). For example, shares in unlisted companies may not qualify for certain SIPPs under the terms of that SIPP and, if in any doubt, Shareholders should consult with their SIPP provider immediately.
- Since 28 April 2014, stamp duty and stamp duty reserve tax (SDRT) are no longer chargeable on transactions in eligible securities on AIM. Transactions in the Ordinary Shares will therefore be stamp duty/SDRT exempt following AIM Admission.

The comments on the tax implications described in this document are based on the Directors' current understanding of tax law and practice, are not tailored to any individual circumstances and are primarily directed at individuals who are UK resident and domiciled. Tax rules can change and the precise tax implications for you will depend on your particular circumstances. If you are in any doubt as to your tax position, you should consult your own independent professional adviser.

Following AIM Admission, Ordinary Shares that are held in uncertificated form will continue to be held and dealt through CREST. Share certificates representing those Ordinary Shares held in certificated form will continue to be valid and no new certificates will be issued in respect of such Ordinary Shares.

The City Code will continue to apply to the Company following AIM Admission as the Company's registered office is located in the United Kingdom.

The Board does not currently envisage that the implementation of the Proposals will result in significant alteration to the standards of reporting and governance that the Company currently maintains; however, the Board will keep this under review. The Board intends to maintain its Audit, Remuneration, Nomination & Governance and Risk & Compliance Committees which will be subject to substantially similar terms of reference.

Mr Hamish Ogston and the Company have entered, conditional on AIM Admission, into a revised version of the existing relationship agreement between them in order to ensure that the relationship agreement will continue in force following AIM Admission and to make certain conforming changes appropriate in the context of an AIM company. A summary of the revised relationship agreement is included in section 2 of Part 4 of this document.

10. Related party transactions

Mr Hamish Ogston and Schroder Investment Management Limited are related parties of the Company for the purposes of the Listing Rules as they each have existing shareholdings in the Company that are greater than ten per cent., being approximately 56.1 per cent. and 13.0 per cent., respectively. Therefore the proposed participation by each of Mr Hamish Ogston and Schroder Investment Management Limited in the Placing will require approval by independent Shareholders (that is to say, Shareholders other than the relevant related party).

It is proposed that Mr Hamish Ogston and Schroder Investment Management Limited will participate in the Placing in respect of 264,144,352 and 61,437,285 Placing Shares, respectively.

Mr Hamish Ogston has irrevocably undertaken to abstain, and to take all reasonable steps to ensure that his associates (as defined in the Listing Rules) will abstain, from voting at the General Meeting in relation to the resolution for the approval of the related party transaction arising from his participation in the Placing. It should be noted for these purposes that Schroder Investment Management Limited is not an associate of Mr Hamish Ogston and accordingly Schroder Investment Management Limited may vote at the General Meeting in relation to the resolution for the approval of the related party transaction arising from Mr Hamish Ogston's participation in the Placing.

Schroder Investment Management Limited has undertaken to abstain, and to take all reasonable steps to ensure that its associates (as defined in the Listing Rules) will abstain, from voting at the General Meeting in relation to the resolution for the approval of the related party transaction arising from its participation in the Placing. It should be noted for these purposes that Mr Hamish Ogston is not an associate of Schroder Investment Management Limited and accordingly he may vote at the General Meeting in relation to the resolution for the approval of the related party transaction arising from Schroder Investment Management Limited's participation in the Placing.

Revised relationship agreement

In connection with the Proposals, Mr Hamish Ogston has entered into a revised relationship agreement with the Company on materially the same terms as the existing

relationship agreement (subject to certain consequential amendments appropriate to the context of an AIM company), the effectiveness of which is conditional on AIM Admission. For further information, please see paragraph 2(b) of Part 4 of this document. Under the revised relationship agreement, Mr Hamish Ogston will continue to have a right to appoint a Non-Executive Director to the Board of the Company.

11. Information on Phoenix

Phoenix Asset Management Partners is a long-only investment manager that specialises in making long-term value-based investments in businesses on the basis of its own detailed primary research and extensive fieldwork.

The firm began managing assets in May 1998 with the launch of the Phoenix UK Fund. Phoenix is approximately 90 per cent. owned by Channon Holdings Limited and just under approximately 10 per cent. owned by Sir Peter Thompson, the firm's retired non-executive chairman. Gary Channon has been Chief Investment Officer of the business since inception. The same core investment team has been in place for over 13 years.

Phoenix seeks to identify businesses which they regard as undervalued, having faced short-term challenges, but which remain fundamentally good businesses. Phoenix does not make investments based on fixed hold periods and considers itself to be a long term investor. Phoenix often considers significant investments in companies which meet its investment criteria at the time of a significant capital raise. It is currently a 13.5 per cent. shareholder in the AIM-quoted insurance business Randall & Quilter Investment Holdings Ltd and was previously a significant shareholder in Goshawk Insurance Holdings Plc.

Phoenix operates one strategy across all of its funds and is the investment manager to five clients: the Phoenix UK Fund (a Bahamian domiciled mutual fund) and four segregated/managed accounts. Investors in the Phoenix UK Fund consist of a UK university endowment, family offices, a foundation, a multi-manager scheme, wealth managers and high net worth individuals. The segregated accounts manage funds on behalf of a UK pension scheme, a Guernsey domiciled multi-manager scheme for UK Pension schemes, a UK university endowment and a family office.

As at 15 December 2014, Phoenix had firm-wide assets under management of £352 million. The Phoenix UK Fund is the largest client accounting for assets under management of £202.0 million. The four additional segregated mandates range from £66.0 million to £10.0 million in size.

The Directors of Phoenix are Mr Gary Channon, Mr Steve Tatters, Mrs Charlotte Maby and Mr Roger Canham. Phoenix's registered office and principal place of business is at 64-66 Glentham Road, Barnes, London SW13 9JJ.

There are no arrangements in place to transfer any Shares to be acquired by Phoenix under the Placing to any third party.

Phoenix is authorized and regulated by the Financial Conduct Authority.

Phoenix is aware of the Group's on-going change and Business Transformation programmes, is investing in support of these programmes and has no independent plans as regards the Company's employees and management, assets, pension arrangements, fixed assets and places of business or strategic direction. Following completion of the Placing and AIM Admission, Phoenix will have the right to appoint a Non-Executive Director to the Board.

Certain other information on Phoenix is set out in paragraphs 2 and 10 of Part 4 of this document. Copies of the memorandum and articles of association of Phoenix and the audited financial statements of Phoenix for the years ended 31 March 2013 and 31 March 2014 are available for inspection on the Company's website at www.cppgroupplc.com and are available in hard copy at the offices of the Company, Holgate Park, Holgate Road, York YO26 4GA and are accordingly incorporated by reference into this document for the purposes of Rule 24.15 of the City Code. Please refer to pages 2 to 16 (inclusive) of the annual report and accounts of Phoenix for the year ended 31 March 2013 and pages 2 to 17 (inclusive) of the annual report and accounts of Phoenix for the year ended 31 March 2014. A hard copy of this information may also be obtained by Shareholders, persons with information rights or other persons to whom this document is being sent, only by writing with such a request to the Company Secretary at the above-mentioned address or by telephoning the Company Secretary on +44 (0)1904 544 500. Requested information will be sent to the relevant person in hard copy form as soon as possible and in any event within two business days of the request being received.

There are no agreements, arrangements or understandings (including any compensation arrangements) between Phoenix or any person acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of the Company, or any person interested or recently interested in shares in the Company having any connection with or dependence upon Phoenix's participation in the Placing and the request to the Takeover Panel for a waiver of Rule 9 of the City Code.

12. Waiver of Rule 9 of the City Code

The City Code governs, inter alia, transactions which may result in a change of control of a public company to which the City Code applies. Under Rule 9 of the City Code, any person who acquires, whether by a series of transactions over a period of time or not, an interest (as such term is defined in the City Code) in shares which, taken together with the shares in which he and persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights in a company which is subject to the City Code, is normally required to make a general offer to all of the remaining shareholders to acquire their shares.

Similarly, Rule 9 of the City Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company, but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in any other shares carrying voting rights is acquired by any such person, together with persons acting in concert with him.

Such an offer must be in cash and must be at a price not less than the highest price paid by the person required to make the offer, or any member of the group of persons acting in concert with him, for any interest in shares in the company in question during the 12 months prior to the announcement of the offer (which in this case is taken to mean announcement of the Placing on 23 December 2014).

None of Phoenix nor any of its directors nor any person acting in concert with Phoenix currently holds, and has not at any point in the last 12 months acquired or held, any interest in shares in the Company nor has either Phoenix or any of its directors or any person acting in concert with Phoenix engaged in any stock borrowing or stock lending activity nor taken any short positions in the Company. None of the Company nor any of its Directors nor any person acting in concert with the Company currently holds, and has not at any point in the last 12 months acquired or held, any interest in shares in Phoenix, nor has either the Company or any of its Directors or any person acting in concert with the Company engaged in any stock borrowing or stock lending activity nor taken any short positions in Phoenix.

Following completion of the Placing, funds managed by Phoenix are expected to hold Ordinary Shares carrying approximately 40.0 per cent. of the voting rights of the Company. As such, funds managed by Phoenix will have an interest in Ordinary Shares representing more than 30 per cent. of the voting rights of the Company.

The Takeover Panel has agreed, subject to Resolution 10 being passed by Independent Shareholders on a poll at the General Meeting, to waive the requirement under Rule 9 of the City Code that would otherwise arise as a result of the Placing to make a general offer to Shareholders as a result of the allotment and issue by the Company of Ordinary Shares to Phoenix pursuant to the Placing. The Board is therefore seeking the approval of the Independent Shareholders to the waiver of Rule 9 pursuant to Resolution 10.

The Board believes that it is in the best interests of the Company that Resolution 10 be passed. Schroder Investment Management Limited and Mr Hamish Ogston are not considered to be Independent Shareholders for the purposes of Resolution 10 and may not vote on that Resolution.

As a consequence of Mr Hamish Ogston's holding exceeding 30 per cent., but falling below 50 per cent., of the Shares carrying voting rights in the Company, following completion of the Placing, Mr Hamish Ogston will be unable to increase his interest in Ordinary Shares without making a general offer to all remaining Shareholders to acquire their Ordinary Shares.

As a consequence of Phoenix's holding exceeding 30 per cent., but remaining below 50 per cent., of the Shares carrying voting rights in the Company, following completion of the Placing, Phoenix will be unable to increase its interest in Ordinary Shares without making a general offer to all remaining Shareholders to acquire their Ordinary Shares.

13. Board appointments and disapplication of the Remuneration Policy

As previously announced in the Group's Half-Yearly Report as of and for the six months ended 30 June 2014, it has been my intention to step down as Chairman once we had a positive way forward on the restructuring of the Group.

I am pleased to confirm that Mr Eric Anstee has agreed to join the Board and, following his approval by the FCA and the PRA, has now been appointed to the Board as Chairman-elect with a view to taking over from me as Non-executive Chairman with effect from conclusion of the General Meeting. Eric is currently a non-executive director on the boards of PayPoint PLC, Sun Life Financial of Canada, Insight Investment and is a former chairman of Mansell plc and former CEO of the City of London Group plc, of the Institute of Chartered Accountants of England and Wales and of Old Mutual Financial Services. Please see section 4(c) of Part 4 of this document for further details of Eric's terms of service and of his other directorships.

Following my departure at the conclusion of the General Meeting, Mr Anstee will take over as chairman of the Board and of the Nomination Committee and will sit on the Audit Committee and the Remuneration Committee.

Additionally, Mr Les Owen intends to step down as an Independent Non-Executive Director in the near future and a process to identify a suitable successor is currently on-going.

New management incentive arrangements

The Company's existing management incentive arrangements were put in place before the current period of restructuring and stabilisation of the business. As those arrangements were implemented on the basis of historic business targets for the

Company, they are no longer applicable to the current business strategy and are no longer delivering the desired incentive effect. New incentive arrangements are required to retain and incentivise the management team.

It is therefore anticipated that, as soon as is practicable following AIM Admission, new incentive arrangements will be introduced by the Company to provide suitable motivation to management whose retention and motivation is central to successful delivery of the business plan.

No firm plans have been put in place yet with regard to the nature and design of these new incentive arrangements but they are expected to comprise a combination of some or both of Ordinary Shares and cash and take the form of annual bonus arrangements combined with short-term, mid-term and long-term equity/cash incentive arrangements. It is anticipated that a combined approach will be most effective as a retention and incentive tool.

The new cash and equity incentive arrangements will be designed to seek to align management with the interest of shareholders and to reward management in a manner which supports successful delivery of the business plan and reflects the creation of value for shareholders.

To the extent that such incentive arrangements may require the issue of Ordinary Shares, at the date of grant of an award, a dilution limit will be applied (by reference to the issued share capital at the date of grant of an award). This dilution limit will be determined by the Remuneration Committee in its discretion, after taking advice as appropriate and applied taking into account any Ordinary Shares which have been or may be issued pursuant to awards granted under any employee share plan of the Company in the ten years prior to the date of the proposed grant. The new Chairman's award described above will not form part of this dilution limit and nor will any Ordinary Shares which are subject to awards or options which have been granted prior to AIM Admission.

Subject to obtaining such approvals as are required from the FCA under the VVOPs, it is expected that the new equity incentive arrangements will be put in place as soon as is practicable following AIM Admission.

14. General Meeting

Set out at the end of this document is a notice convening the General Meeting of the Company to be held at 10:30 a.m. on 13 January 2015 at the offices of Eversheds LLP at One Wood Street, London, EC2V 7WS at which the Resolutions summarised below will be proposed:

Resolution 1 – Capital Reorganisation

Resolution 1 will be proposed as an ordinary resolution of the Company. Pursuant to the Capital Reorganisation, it is proposed that each Existing Ordinary Share with a nominal value of 10 pence is subdivided and re-designated into one Ordinary Share of 1 penny and one Deferred Share of 9 pence.

Resolution 2 – Amendments to the Existing Articles

Resolution 2 will be proposed as a special resolution to enable the Directors to make consequential amendments to the Existing Articles in order to include provisions in respect of the Deferred Shares. As explained in section 5 above, the Deferred Shares will have no voting rights, no rights as to dividends and only very limited rights on a return of capital.

Resolution 3 – authority to allot

An ordinary resolution to authorise the Directors to allot up to 666,666,667 new Ordinary Shares in the Company in connection with the Placing, representing approximately 388.3 per cent. of the total issued ordinary share capital of the Company (as at 22 December 2014, being the last Business Day prior to the publication of this document), excluding treasury shares, and otherwise, up to an aggregate nominal value of £2,791,594.30 (representing approximately 33.3 per cent. of the Enlarged Share Capital). This authority will expire at the conclusion of the next annual general meeting of the Company. As at the date of this document, the Company holds no Ordinary Shares in treasury.

Resolution 4 – disapplication of pre-emption rights

A special resolution to disapply statutory shareholder pre-emption rights in relation to the issue of the 666,666,667 Placing Shares pursuant to the Placing (representing approximately 388.3 per cent. of the total issued ordinary share capital of the Company (as at 22 December 2014, being the last Business Day prior to the publication of this document) and in relation to the issue of up to 41,915,830 new Ordinary Shares (representing approximately five per cent. of the Enlarged Share Capital) for cash on a non-preemptive basis following AIM Admission.

Resolution 5 – approval of the related party transaction with Mr Hamish Ogston

An ordinary resolution to authorise the related party transaction arising from the participation of Mr Hamish Ogston in the Placing.

Resolution 6 – approval of the related party transaction with Schroder Investment Management Limited

An ordinary resolution to authorise the related party transaction arising from the participation of Schroder Investment Management Limited in the Placing.

Resolution 7 – approval of the De-listing and AIM Admission

A special resolution to approve the De-listing and AIM Admission.

Resolution 8 – independent approval of the De-listing

An ordinary resolution of independent Shareholders (i.e. Shareholders other than Mr Hamish Ogston, who is a controlling shareholder as defined in the Listing Rules) to approve the De-listing of the Company from the Official List and AIM Admission.

Resolution 9 – approval of the Placing being effected at the Placing Price

An ordinary resolution of Shareholders to approve the Placing being effected at the Placing Price, which represents a greater than 10 per cent. discount to the middle market price, in accordance with Listing Rule 9.5.10R(3).

Resolution 10 – waiver of Rule 9 Mandatory Offer

An ordinary resolution of Independent Shareholders to approve the waiver of Rule 9 of the City Code following the acquisition by funds managed by Phoenix of an interest in Ordinary Shares carrying more than 30 per cent. of the voting rights in the Company as a result of the Placing, as required by the Takeover Panel. **In accordance with the requirements of the City Code, this resolution will be subject to a vote on a poll.**

Resolution 11 – disapplication of Remuneration Policy

In accordance with section 439A of the Companies Act 2006, shareholders approved the Company's remuneration policy section of the Directors' remuneration report for the year ending 31 December 2013, at the Company's annual general meeting on 16 June 2014. The Remuneration Policy is set out on pages 43 to 47 of the 2013 Annual Report.

The Company's Remuneration Policy currently does not permit the Company to introduce new incentive arrangements of the form which are expected to be put in place for the new Chairman or for management.

Therefore, in anticipation of and conditional upon the approval of the De-listing and AIM Admission, and in preparation for the introduction of a new incentive arrangement for the Chairman and management/employees as noted in section 13 of Part 1 of this document), an ordinary resolution of Shareholders is being proposed at the General Meeting to approve the disapplication of the Remuneration Policy.

15. Irrevocable undertakings

Mr Hamish Ogston has given an irrevocable undertaking to vote in favour of the Resolutions, excluding Resolutions 5 (to approve his own participation in the Placing, which constitutes a related party transaction under the Listing Rules), 8 (to approve De-listing as he is a controlling shareholder), 10 (to approve the Rule 9 Waiver) and 11 (to disapply the Remuneration Policy) in respect of his entire beneficial holding of Existing Ordinary Shares, totalling 96,331,789 Existing Ordinary Shares, representing approximately 56.1 per cent. of the Existing Ordinary Shares. This undertaking expires on the earlier of the conclusion of the General Meeting and 31 January 2015 and does not provide for any termination rights.

Schroder Investment Management Limited has also given an irrevocable undertaking to vote in favour of the Resolutions, excluding Resolutions 6 (to approve its own participation in the Placing, which constitutes a related party transaction under the Listing Rules) and 10 (to approve the Rule 9 Waiver) in respect of its entire beneficial holding of Existing Ordinary Shares, totalling 22,310,544 Existing Ordinary Shares, representing approximately 13.0 per cent. of the Existing Ordinary Shares. This undertaking has no expiry date and does not provide for any termination rights.

16. Action to be taken

You will find enclosed with this document a Form of Proxy for use at the General Meeting.

Whether or not you propose to attend the General Meeting in person, you are asked to complete the Form of Proxy and return it to the Company's registrars, Capita Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive as soon as possible, but in any event so as to be received not later than 10:30 a.m. on 9 January 2015 (or, in case of adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Completion and return of a Form of Proxy will not preclude you from attending and voting at the General Meeting in person if you wish.

Alternatively, if you hold your Ordinary Shares in uncertificated form (that is, in CREST), you may appoint a proxy or proxies using the CREST electronic proxy appointment service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of General Meeting set out at the end of this document). Proxies submitted via CREST must be received by the Company's agent (ID RA 10) by no later than 10:30 a.m. on 9 January 2015 (or, in case of adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

17. Additional Information

Your attention is drawn to the further information set out in Part 4 of this document.

18. Importance of vote

As part of its on-going evaluation of options to strengthen the Group's capital position to support the future development of the Company, the Board has been actively engaged in the preparation of plans to restructure the Group's balance sheet and to determine the appropriate UK listing venue for the Company going forward.

As explained in sections 2 and 6 above, the Group requires capital in order to settle the Deferred Commission and interest thereon, prepay in part the Bank Facility, invest in new IT infrastructure and IT systems to implement a modern, cost-effective IT infrastructure and to fund in part elements of the Group's Business Transformation programme and related costs of change.

Accordingly, the Board has, following its evaluation of the options available, determined to proceed with the Proposals, which require the approval of all (and not some only) of the Resolutions (other than the resolution to be proposed to disapply the Company's Remuneration Policy) described in section 14 of this Part 1 and as further set out in the Notice of General Meeting at the end of this document.

If the Resolutions (other than the resolution to be proposed to disapply the Company's Remuneration Policy) are not all passed, or if the Resolutions are passed but the Proposals do not proceed (for example, because the conditions precedent under the Placing Agreement are not satisfied or the Placing Agreement is terminated), the prepayment in part of the Bank Facility and the Amended and Restated Bank Facility (including the waiver of any event of default under the Group's Bank Facility arising from the Group's entry into the Business Partner Agreement to settle the Deferred Commission incorporated therein) may not become unconditionally effective.

In such circumstances, the steps that the Group has taken to settle the Deferred Commission and to prepay in part the Bank Facility may constitute an event of default under the Bank Facility and the Commission Deferral Agreement, entitling the Lenders and the parties to the Commission Deferral Agreement to declare the amounts outstanding under the Bank Facility and the Commission Deferral Agreement immediately due and payable.

If the Lenders were to declare an event of default under the Bank Facility and/or the relevant Business Partners were to declare an event of default under the Commission Deferral Agreement, the Bank Facility and the Deferred Commission may potentially become immediately repayable on demand. Currently, the Group's existing cash resources alone would not be sufficient to repay the Bank Facility and the Deferred Commission in full and the Board believes that there is a significant risk that the Group would not be able to put alternative financing arrangements in place prior to an event of default being declared and the Bank Facility and the Deferred Commission becoming repayable. In such circumstances, the Company and certain other members of the Group would likely need to cease trading.

Additionally, if the Resolutions (other than the resolution to be proposed to disapply the Company's Remuneration Policy) are not all passed, or if the Resolutions are passed but the Proposals do not proceed, even if the Group were to agree a waiver with its lenders in respect of any event of default under the Bank Facility and the Commission Deferral Agreement, the Group will not receive the proceeds from the Placing and the proposed settlement of the Deferred Commission will not become unconditional.

To the extent that the Deferred Commission is not settled as a result of the Proposals failing to proceed, and the Group is unable to arrange alternative financing prior to the Bank Facility and the Deferred Commission becoming repayable in full (whether as a result of an event of default or on reaching their respective maturity dates) or other matters arise such that it can be anticipated that there will be a working capital shortfall, there are a number of options which the Board has considered and which the Group could seek to take (but none of which give the Board confidence that, on the facts currently known to the Board, any such working capital shortfall will be capable of being addressed in the time available, or at all).

These include, in the Directors' view of the order of practicability:

- seeking to obtain additional equity financing or new debt financing — however, given the on-going risks the Group faces and the restrictions on grants of security under the terms of the VVOPs, it is likely to prove difficult to obtain any such financing on commercially acceptable terms or at all;
- seeking to release additional capital from CPPL and/or HIL – however, given the restrictions on grants of security under the terms of the VVOPs, the requirement for FCA and lender consent to access this capital, the statutory requirement on CPPL and HIL to maintain minimum levels of regulatory capital and the potential impact on CPPL and HIL of any further redress obligations in relation to UK customers who were outside the scope of the Scheme or to non-UK customers, the Board is not confident that it will be able to access further capital from CPPL or HIL in a sufficient amount to meet the working capital shortfall, or at all;
- extending the current management action to reduce the Group's cost base – the Group is already implementing an extensive cash conservation and cost management plan (which has included measures to reduce headcount, the closure of the Group's operations in France and Singapore in 2014, implementing the exit of Hong Kong and Brazil and closure of two of the Group's three offices in the UK). In the event that the Group needs access to increased working capital, additional, wider-reaching measures could be introduced in order to reduce costs further, albeit that these are likely to result in a further reduction in the Group's operations, both nationally and internationally, and to have an adverse effect on the Group's future revenues and growth prospects and may in any event be insufficient to address any working capital shortfall within the time available, or at all; and
- disposing of other assets — over the last two years, the Group has disposed of its North American business and its interest in other non-core UK businesses and could consider a number of further asset disposals, including of certain smaller assets that may be available for disposal. However, there can be no assurance that the Group will be able to dispose of such assets on advantageous terms, or at all, as given the Company's reduced size and market capitalisation, it is more likely that such disposals may be significant transactions for the purposes of Listing Rule 10, requiring publication of circulars and approval in General Meeting, which may become increasingly onerous in terms of time and expense. Additionally, as many of the Group's operations are dependent on centrally provided IT systems and infrastructure, asset disposals may be less attractive to potential purchasers given the resulting need for transitional service arrangements to support the disposed assets.

Given the significant uncertainties faced by the Group as a result of its operating environment and potential residual redress obligations in the UK and other jurisdictions, particularly those which are not yet sufficiently certain for the Board to determine the quantum of any such obligations and to make suitable provision for them, it is very

difficult for the Board to determine with reasonable certainty the amount and timing of any working capital shortfall that may arise, and unless the Proposals proceed, there will continue to be material uncertainty that casts significant doubt as to the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.

In the event that a working capital shortfall arises, whether as a result of any inability to settle the Deferred Commission as a result of the failure of the Proposals to proceed or otherwise, and the measures described above are not sufficient to address it, the Company and certain other members of the Group would likely need to cease trading.

Currently, in circumstances where the Group was unable to proceed with the Proposals, the Board is not confident that the Group would have a reasonable prospect of being able to refinance the Deferred Commission or the Bank Facility prior to their respective maturity dates. Consequently, it is likely that in such circumstances the Board would conclude that the Company and certain other members of the Group would need to cease trading in order to maximise returns to creditors and Shareholders.

The date on which the Directors may conclude that the Company and other members of the Group should cease to trade will depend on, among other things, the Company's and its subsidiaries' trading positions at any time and the Company's and its subsidiaries' prospects of discharging their respective liabilities, including repayment of the Bank Facility and the Deferred Commission.

The consequences of a cessation of trading, whether as a result of any of the circumstances described above or otherwise, would be likely to include administration or other insolvency process.

Accordingly, the Board stresses that it is very important that Shareholders vote in favour of the Resolutions at the General Meeting in order to enable the Proposals to proceed.

19. Recommendation

The Proposals

The Board believes that the Proposals, including the Capital Reorganisation, the Placing, the De-listing, AIM Admission and disapplication of the Remuneration Policy, and therefore the Resolutions to be voted on, are in the best interests of the Company and Shareholders as a whole.

The Board, considers, having been so advised by the Company's sponsor, Numis Securities, the terms of the Placing, including the participation therein by Mr Hamish Ogston and Schroder Investment Management Limited, to be fair and reasonable as far as the Shareholders are concerned. In providing advice to the Directors, Numis Securities has taken into account the commercial assessment of the Directors.

Proposals and Rule 9 Waiver

In addition, the Directors, having been so advised by Kinmont, the Company's independent financial adviser for the purposes of the City Code, consider the Proposals and the waiver of Rule 9 of the City Code proposed as Resolution 10 to be fair and reasonable and in the best interests of Shareholders and the Company as a whole.

Accordingly your Board unanimously recommends that Shareholders vote in favour (and in the case of Resolution 10 that the Independent Shareholders

vote in favour) of the Resolutions set out in the Notice of General Meeting at the end of this document, as they intend to do in respect of their own beneficial holdings which amount to 36,324 Ordinary Shares (representing approximately 0.02 per cent. of the existing issued ordinary share capital of the Company as at 22 December 2014, the last practicable day prior to publication of this document).

Yours sincerely

Duncan McIntyre
Non-Executive Chairman

PART 2

RISK FACTORS

In addition to all other information set out in this document, the following specific risk factors are those which the Directors consider to be the material risk factors relating to the Ordinary Shares, including as a result of the Proposals, and should be considered carefully in deciding whether to vote in favour of the Resolutions.

Investing in the Ordinary Shares involves a high degree of risk and an investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. The risks listed below do not necessarily comprise all those faced by the Group and are not intended to be presented in any order of priority. Additional risks and uncertainties not presently known to the Company and the Directors or that the Company and the Directors currently consider to be immaterial may also adversely affect the Group's business, operations and financial condition. If any events or circumstances giving rise to any of the following risks, together with possible additional risks and uncertainties of which the Company and the Directors are currently unaware or which the Company and the Directors consider not to be material in relation to the Group's business, actually occur, the Group's business, financial condition and results of future operations could be materially and adversely affected. In such circumstances, the value of the Ordinary Shares could decline due to any of these risks occurring and investors could lose part or all of their investment. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.

RISKS RELATED TO THE PROPOSALS

If the Resolutions are not passed, or if the Resolutions are passed but the Proposals do not proceed, the Group may not be able to repay the Deferred Commission or repay its Bank Facility and the Company may need to cease trading

In order for the Placing and De-listing to proceed and for the Proposals to become unconditional, the Shareholders will need to approve the Resolutions at the General Meeting. Additionally, completion under the Placing Agreement is conditional upon conditions including AIM Admission and the other elements of the Proposals (including FCA approval of the indirect acquisition by funds managed by Phoenix of control of CPPL and HIL as a result of the Placing) becoming unconditional. Further, the settlement of the Deferred Commission under the Business Partner Agreement, prepayment of the Bank Facility and the effectiveness of the Amended and Restated Facility (including the waiver of any event of default or potential event of default under the Bank Facility arising from the Group's entry into the Business Partner Agreement or otherwise in connection with the Proposals) are also conditional (inter alia) on AIM Admission. The Placing Agreement also contains a limited number of provisions which would allow Numis Securities to terminate the agreement, including where there is a breach of warranty by the Company or as a result of a material adverse change between the date of this document and AIM Admission, as set out in section 2(a) of Part 4 of this document.

If the Resolutions (other than the resolution to be proposed to disapply the Company's Remuneration Policy) are not all passed, or if the Resolutions are passed but the Proposals do not proceed (for example, because the conditions precedent under the Placing Agreement are not satisfied or the Placing Agreement is terminated), the settlement of the Deferred Commission under the Business Partner Agreement, the prepayment in part of the Bank Facility and the Amended and Restated Bank Facility (including the waiver of any event of default or potential event of default under the Bank

Facility arising from the Group's entry into the Business Partner Agreement or otherwise in connection with the Proposals) may not become unconditional.

In such circumstances, steps that the Group has taken to settle the Deferred Commission and to prepay in part the Bank Facility may constitute an event of default under the Group's Bank Facility and the Commission Deferral Agreement, entitling the Lenders and the parties to the Commission Deferral Agreement to declare the amounts outstanding under the Bank Facility and the Commission Deferral Agreement immediately due and payable.

If the Lenders were to declare an event of default under the Bank Facility and/or the relevant Business Partners were to declare an event of default under the Commission Deferral Agreement, the Bank Facility and the Deferred Commission may potentially become immediately repayable on demand. Currently, the Group's existing cash resources alone would not be sufficient to repay the Bank Facility and the Deferred Commission in full, and the Board believes that there is a significant risk that the Group would not be able to put alternative financing arrangements in place prior to an event of default being declared and the Bank Facility and the Deferred Commission becoming repayable. In such circumstances, the Company and certain other members of the Group would likely need to cease trading.

Additionally, if the Resolutions (other than the resolution to be proposed to disapply the Company's Remuneration Policy) are not all passed, or if the Resolutions are passed but the Proposals do not proceed, even if the Group were to agree a waiver with its lenders in respect of any event of default under the Bank Facility and the Commission Deferral Agreement, the Group will not receive the proceeds from the Placing and the proposed settlement of the Deferred Commission and of interest thereon will not become unconditional.

To the extent that the Deferred Commission is not settled as a result of the Proposals failing to proceed, and the Group is unable to arrange alternative financing prior to the Bank Facility and the Deferred Commission becoming repayable in full (whether as a result of an event of default or on reaching their respective maturity dates) or other matters arise such that it can be anticipated that there will be a working capital shortfall, there are a number of options which the Board has considered and which the Group could seek to take (but none of which give the Board confidence that, on the facts currently known to the Board, any such working capital shortfall will be capable of being addressed in the time available, or at all).

As a result of these factors, if the Proposals do not proceed, there would continue to be material uncertainty that would cast significant doubt as to the Group's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business.

In the event that a working capital shortfall does arise and the measures described in section 18 (Importance of Vote) of Part 1 of this document are not sufficient to address it, the Company and certain other members of the Group would likely need to cease trading.

The date on which the Directors may conclude that the Company and other members of the Group should cease to trade will depend on, among other things, the Company's and its subsidiaries' trading positions at any time and the Company's and its subsidiaries' prospects of discharging their respective liabilities in relation to customer redress and other liabilities, including repayment of the Bank Facility and the Deferred Commission.

Currently, in circumstances where the Group was unable to proceed with the Proposals, the Board is not confident that the Group would have a reasonable prospect of being able

to refinance the Deferred Commission or the Bank Facility prior to their respective maturity dates. Consequently, it is likely that in such circumstances the Board would conclude that the Company and certain other members of the Group would need to cease trading in order to maximise returns to creditors and Shareholders.

The consequences of a cessation of trading, whether as a result of any of the circumstances described above or otherwise, would be likely to include administration or other insolvency process.

RISKS RELATED TO THE GROUP

The Group may continue to experience a lack of liquidity

The liquidity status of the Group continues to be impacted by restrictions on trading in the UK and the impact of customer redress and the effect that these have had and may continue to have on compliance with the terms of the Bank Facility and the Amended and Restated Facility, notwithstanding completion of the Placing. Whilst direct claims under the Scheme were broadly in line with its provisions (at £32.0 million in aggregate), the Scheme had a significant financial impact on the Group. In addition, the associated publicity in relation to the Scheme may continue to have an adverse effect on the Group's ability to renew policies.

Liquidity in the short term has, in the recent past, relied and may, in the future, rely on working capital solutions which may include the release of restricted cash from one of the UK regulated entities, which may require third party agreement. Although the Board is of the opinion that the proceeds from the Placing and the settlement of the Deferred Commission will provide the Company with sufficient liquidity for at least the next twelve months from the date of this document, in the longer term future it is possible that the Group will continue to experience tightened liquidity.

The Group is exposed to economic and political risk

The Group continues to operate in a number of countries where the economic outlook remains uncertain. The Group's revenue is affected by the condition of the individual economies in the countries in which the Group operates, and in particular by the levels of disposable income of its end customers and growth or consolidation with respect to the Group's Business Partners, particularly in the financial services sector. A deterioration in the condition of such economies could have an adverse effect on the desire of the Group's end customers to purchase or renew the Group's products and services, which in turn could adversely effect the Group's revenue, growth and profitability.

The Group operates in a highly regulated environment

Operating in regulated markets worldwide, there is a risk that part or all of the Group may be subject to regulatory scrutiny and possible censure. The risk may be increased as a result of the Group currently being supported by a central IT platform and the offering of product propositions outside the UK that are derived from the original product propositions in the UK.

Following discussions with the FCA in respect of historical Card Protection sales made directly by HIL in the ROI, a past business review commenced in early September 2014. A provision for redress was disclosed in the Group's 2013 Annual Report and Half Year Financial Statements in respect of this liability.

Discussions have progressed with the CBI in respect of historical Card Protection sales made by Irish banks to customers in the ROI. However, the full extent of any redress exercise has not yet been determined.

The Group is also engaging with the FCA in relation to a customer contact exercise in respect of historic Card Protection sales in the UK between March 2011 and July 2012. The full extent of any redress exercise relating to these discussions has not yet been determined, albeit that it represents a small customer population. There can be no guarantee that other claims or matters may not arise against the Group from these discussions or from the on-going discussions with the CBI and the Group's business partners in Ireland. However, at this time, it is unclear that present obligations exist in respect of these claims or matters.

Additionally, there can be no guarantee that other claims will not arise against the Group from Business Partners or customers. The Board is also aware that regulators in some overseas territories have historically reviewed and, in some cases, are still reviewing certain aspects of the business, and this is being discussed with local management.

The Group is reliant on its relationships with its Business Partners

The Group mainly operates a 'Business-to-Business-to-Consumer' model and as such a relatively high proportion of the Group's revenue and profit is attributable to sales through relationships with its Business Partners.

The current status and recent experience of the Group has increased the requirement to attract new Business Partners and maintain current relationships. In the absence of this, there is a risk that a significant route to market will become constrained. There is also the risk that the Group's Business Partners within financial services may move away from their existing product portfolios as a result of on-going regulatory evaluation, which is evident in respect of, for example, Packaged Accounts.

Although the Group's management continue to work closely and actively with Business Partners, the Group has experienced the loss or non-renewal of certain contracts with some of its key Business Partners in recent years.

Any further reaction that Business Partners may have to events and actions arising from the Group's recent history and the resultant impact on the Group's Business Partner relationships remains uncertain. The Group's relationships with its Business Partners could also be affected by a number of other factors, including a change of management in any Business Partner, the Group's failure to meet anticipated service levels, inability to agree terms upon renewal of a Business Partner contract or otherwise.

Any significant deterioration in the Group's relationship with one or more of its Business Partners, including the loss of key Business Partner relationships, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is reliant on its reputation with end customers to purchase and/or renew the Group's products and services

In addition to the Group's relationships with its Business Partners, the Group's business relies heavily on its relationships with end customers in order for such customers to purchase the Group's products and services and make subsequent renewals of the Group's products and services. Any further damage to the Group's reputation, including as a result of the FCA Investigation; further regulatory action against the Group or its employees; third party contractors' operational errors or negligence; or other matters which affect end customers' confidence in the Group, could result in end customers cancelling or failing to renew their existing products and services or result in reduced sales of the Group's products and services, and therefore have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The renewal by end customers of the Group's products and services may also be affected by a number of factors, including a decline in levels of disposable income as a result of adverse economic conditions, the termination by the end customer of the relationship with the Group's Business Partner, reputational issues faced by the Group or any failure by those end customers who pay by credit or debit card to renew the credit or debit card through which renewals are made. The level of renewals in any given market may also be affected by competitive pressures, cultural trends and/or particular characteristics or conditions in the market for the products and services of the Group's Business Partners.

If the cost to the Group of underwriting and sub-underwriting the insurance risk associated with certain of its products and services were to increase significantly or cease to be available at commercially attractive rates, this could adversely affect the Group

The Group relies on third parties to underwrite its Card Protection and other smaller volume products and is dependent on these third party underwriters to obtain appropriate regulatory approvals for their activities connected with the Group's business. If the Group is required to use alternative underwriters for any reason, or existing underwriters increase their premiums, it may materially increase the time and/or cost required for the Group to maintain its products and services in market. In addition, while the Group itself acts as underwriter for Identity Protection products in the UK and for Phonesafe in the UK, as part of its risk management policies the Group re-insures a small proportion of the insurance risk associated with Phonesafe.

The cost of third party underwriting and/or sub-underwriting may increase and such services may not be available at commercially attractive rates or at all, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may experience operating and IT inefficiencies and weaknesses

The Board is aware that a number of challenges remain towards achieving operational and IT efficiency, both in the UK and overseas territories. The operating environment continues within a transformation period and until completed, there remains a risk that regulatory breaches or operational weaknesses may be identified. In addition, there might be slippage in the implementation and delivery of the Group's on-going Business Transformation programme. Management is of the view that further changes and improvements are required before the Group is in the required position to apply to remove the restrictions on our regulatory permissions.

The Group relies on income through its UK regulated entities which are subject to regulatory restrictions

The Group is heavily reliant on revenue generated by its operations in the UK and those operations conducted in other parts of the EEA through the Group's regulated entities in the UK. Any event adversely impacting the Group's operations in the UK or through the UK regulated entities, whether due to economic conditions, changes to law and/or regulations, the impact of the FCA Investigation, reductions in renewals or cancellations or adverse publicity arising from the FCA Investigation, new competition, reputational harm or otherwise, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group has, since 2012, suspended new retail sales of its regulated Card Protection, Identity Protection and Mobile Phone Insurance products in both the UK and other EEA jurisdictions where the Group operates using its UK regulatory permissions, being Italy and Portugal in the case of CPPL and Spain and Ireland in the case of HIL. There can be no certainty as to when the restrictions on new retail sales outlined in the VVOPs will be

removed. The suspension of new retail sales of regulated products and other restrictions set out in the VVOPs have resulted in trading in the UK and certain other EEA jurisdictions continuing to be impacted by lower revenue streams due to the Group's restricted ability to sell its full range of products and these restrictions could continue to have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

If products and services developed by the Group in the future do not achieve substantial levels of market acceptance, or such market acceptance is delayed, the Group could be adversely affected

The Group is continuing to develop its range of products and services. However, the process by which a product or service becomes established in the market to the point where it delivers substantial revenue for the Group involves a number of steps and is not certain to succeed. These steps include designing the relevant product or service, gaining the support of one or more Business Partners for the product, launching the relevant product or service in the market, and then achieving widespread market acceptance by end customers.

Additionally, there remains a risk that competitors launch new products before the Group is able to launch its own new or updated products and before the on-going transformation of the Group is complete.

If the Group is unable to achieve substantial market acceptance for those new products and services which it may develop in the future this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Increased competition and/or the failure of the Group to compete effectively could adversely affect the Group

The Directors believe that the principal competitive factors in the Group's industry include the ability to win and maintain productive and positive relationships with Business Partners, and the ability to identify, develop and offer innovative products and services whilst ensuring competitive pricing and marketing expertise. The Group could lose market share for new sales if new market entrants were to offer products and services similar to those provided by the Group or which it may provide in future.

In addition, the Group could face competition if its current Business Partners or potential new Business Partners were to develop and market their own in-house life assistance products and services, as has occurred notably in the US, where card issuance by banks is significant enough to provide those banks with the scale necessary to make in-housing a viable option. In view of the scope for growth in certain of the Group's markets and the possibility of cross-border consolidation, there can be no assurance that Business Partners in other markets will not reach a trigger scale in terms of card issuance which might allow them successfully to launch and market in-house products and services similar to those offered by the Group.

If the Group's current Business Partners or potential new Business Partners themselves introduce in-house products and services similar to those offered by the Group or new or existing competitors offering such products and services compete with the Group, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group must be able to adapt quickly to evolving industry trends, technological changes and increased regulatory requirements. The Group's ability to grow its business depends on its ability to adapt its existing products and services in line with customer

preferences and to develop new products and services that generate consumer interest. Failure to do so could result in competitors acquiring additional market share.

Any increase in competition could result in price reductions and loss of market share which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Failure by the Group or its third party contractors to protect private data could have an adverse effect on the Group, including damage to its reputation

Certain of the Group's products and services are based upon the collection and protection of sensitive private data (including names, addresses, telephone numbers and elements of credit card numbers). Hackers or other unauthorised users (including unauthorised employees of the Group or its third party contractors) might attempt to access that data and human error or technological failures might cause the loss or wrongful dissemination of that data. The Group's third party contractors may also experience security breaches involving the storage and transmission of proprietary information.

If someone gains unauthorised access to the Group's data or that held by its third party contractors, they may be able to steal, publish, delete or modify confidential information that is stored or transmitted on the Group's systems or those of its partners or third party contractors.

If the Group or its third party contractors experience such a security breach, the integrity of the Group's services may be affected and such a breach could violate the Group's agreements with its Business Partners. In addition, any breach or perceived breach of security could subject the Group to legal claims from Business Partners or end customers under the relevant contractual arrangements and laws that govern breaches of electronic data systems containing non-public personal information. There can be no assurance that the Group would prevail in such litigation and/or that the Group's insurance coverage would be sufficient to cover any losses. Moreover, any public perception that the Group has engaged in the unauthorised release of, or has failed adequately to protect, private information could damage the Group's reputation and adversely affect the Group's ability to attract and retain Business Partners and end customers.

The Group may need to make further significant investments in its information technology and security systems, to remedy and protect against any security breaches.

Any failure by the Group to protect private data or the need to extend capital and resources in this area in respect of any security breach or to protect against future breaches could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Key executives and employees may leave the business

Key individuals may leave the business and it may remain difficult to attract suitably qualified individuals to replace them, particularly while the on-going transformation of the Group is not yet complete and the Group does not yet have in place a fully evolved longer term business plan or a scheme to incentivise and retain its key employees. A number of key personnel have left the Group in the last three years, either as a result of redundancy programmes or natural attrition. The loss of members of senior management and key functional experts may result in the risk that significant knowledge and capability is lost from the Group and may ultimately prejudice the ability of CPPL and HIL to meet the threshold conditions required under their respective permissions. Additionally, the resulting knowledge gap may increase pressure on existing employees and potential operational weaknesses and this risk remains high whilst the Group is not in a position to incentivise its key personnel.

The Company currently has a controlling shareholder and a highly concentrated shareholder base and this will continue to be the case following completion of the Placing

The Company currently has a controlling shareholder, Mr Hamish Ogston, who controls approximately 56 per cent. of the Company's issued share capital. The Company has a highly concentrated shareholder base and the level of concentration of the Company's shareholder base will increase as a result of completion of the Placing since although Mr Hamish Ogston will cease to hold more than 50 per cent. of the Enlarged Share Capital, he will still hold Shares carrying approximately 43.0 per cent. of the voting rights in the Company following completion of the Placing and funds managed by Phoenix will hold Shares carrying approximately 40.0 per cent. of the voting rights in the Company following completion of the Placing.

It is essential that the Company works within this framework whilst meeting its obligations as a publicly traded company with regulated subsidiaries. As a result, there is a risk that support for the Board and the longer term business planning and strategic direction of the Group is not forthcoming. Certain future funding options, including the Placing, rely largely or entirely on shareholder support and unless this is achieved, it is possible that funds will either not be available or the Board may be unable to deliver its strategy for the future.

RISKS RELATED TO AN INVESTMENT IN THE ORDINARY SHARES

Investment in AIM securities

Although the Company intends that all of the Ordinary Shares will be admitted to trading on AIM following De-listing, an active and liquid trading market for the Ordinary Shares may not develop on AIM or, if it develops, may not be maintained following AIM Admission. 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 and may not provide the liquidity normally associated with the premium segment of the Official List. Once admitted to trading on AIM, the Ordinary Shares may, therefore, be difficult to sell compared to shares in companies listed on the premium segment of the Official List and their market prices may be subject to greater fluctuations than might otherwise be the case. Further, a quotation on AIM will afford Shareholders a lower level of regulatory protection than that afforded to shareholders in a company listed on the premium segment of the Official List.

Share price volatility and liquidity

The share price of AIM companies can be highly volatile and shareholdings can be illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some of which are specific to the Company and its operations and some of which may affect quoted companies generally. These factors could include the performance of the Company, large purchases or sales of Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

Additional capital requirements

The Company may require additional capital in the future as a result of its strategy to rebuild, improve, modernise and evolve the Group or, for example, for expansion and future growth opportunities. If the Company does not generate sufficient cash through its operations, it may need to raise additional capital from equity or debt sources. If additional funds are raised through the issuance of new shares or equity-linked securities of the Company, other than on a pro rata basis to existing Shareholders, the percentage

of Ordinary Shares held by existing Shareholders may be reduced. Shareholders may experience significant subsequent dilution and/or such securities may have preferred rights which are senior to those attached to the Ordinary Shares. Further, there is no certainty that further capital raisings, if launched, will be successful.

Dilution

The Placing is a non-preemptive offering of new Ordinary Shares and as such many of the existing Shareholders will not be able to participate in the Placing. On AIM Admission, existing Shareholders who do not subscribe in the Placing will be subject to an immediate and significant dilution; approximately 79.5 per cent. of the Enlarged Share Capital will be represented by the Placing Shares upon completion of the Placing. The Placing may also affect the trading price of the Ordinary Shares.

PART 3

SUMMARY ILLUSTRATIVE PROJECTIONS AND PROFIT TARGETS OF THE GROUP

1. Summary Illustrative Projections

Introduction

Set out below are the summary illustrative revenue projections for the 12 month periods ending 31 December 2014, 31 December 2015 and 31 December 2016 (the "Illustrative Projections"). The Illustrative Projections in relation to the period ending 31 December 2014 are based on the 6 months' actual performance of the Group to 30 June 2014, as reported in the interim financial statements for that period announced on 29 August 2014, the four months' actual performance of the Group to 31 October 2014, as reported in the Group's management accounts and an estimated outturn for the two month period from 1 November 2014 to 31 December 2014.

Given the nature of the operating environment experienced by the Group over the last three years, including the matters arising from the FCA Investigation and the Scheme and their impact on the business, and the relative absence of public comment and analysis resulting (in part) from the material uncertainty faced by the Group as a result of its redress obligations and the Scheme, the Board are conscious that Shareholders and market participants may be experiencing difficulties in forming a clear view as to reasonable expectations for the Group's future financial performance. Accordingly, in order to give Shareholders an indication as to how the Group's business may perform assuming that the Resolutions are approved and the Proposals implemented, the Directors have prepared the Illustrative Projections, comprising their expectations of the Group's revenue for the years to 31 December 2014, 2015 and 2016. The Illustrative Projections are based on the Directors' projections for a reasonably achievable performance of the Group, taking into account the Group's existing structure, historical trading and likely future developments and assuming that the Group is able to deliver on the Directors' expectations without any over or under-performance.

The Illustrative Projections have been prepared on a basis consistent with the Group's current accounting policies and have been prepared after due and careful enquiry by the Directors. The estimates and assumptions underlying the Illustrative Projections are inherently uncertain, being based upon events that have not taken place, and are subject to significant economic, competitive and other uncertainties and contingencies beyond the Company's control. Consequently, the Illustrative Projections may not be achieved and the Group's actual revenue may be materially higher or lower than that in the Illustrative Projections. Accordingly, Shareholders are cautioned not to place undue reliance on the Illustrative Projections and your attention is drawn to the principal assumptions set out below, and to the Risk Factors in Part 2 of this document.

The estimates and assumptions underlying the Illustrative Projections are based on matters as they exist at the date of this document and not as at any future date. Accordingly, the Company and the Directors accept no obligation and give no undertaking to disseminate any updates or revisions to the Illustrative Projections to reflect any change in the Company's or the Directors' expectations with regard thereto, any new information or any change in events, conditions or circumstances after the date of this document on which any such statements are based, unless required to do so by the Listing Rules, the Disclosure and Transparency Rules or the AIM Rules or otherwise by law or any appropriate regulatory authority.

Principal bases and assumptions

The principal bases and assumptions set out below and on which the Illustrative Projections have been prepared are those which the Directors consider to be the key ones impacting on the potential future strategies for the Group's business, and are not presented in any order of priority. There may be other factors which are currently unknown to the Directors or which the Directors do not consider likely to have a material impact on these future strategies but which may have such a consequence. The Illustrative Projections have been prepared on the following principal bases and assumptions:

- It has been assumed that the Resolutions detailed in this document will be passed enabling the Proposals to proceed as described. Other than through the obtaining of undertakings from Shareholders (such as those already obtained from Mr Hamish Ogston and Schroder Investment Management Limited), it is not possible for the Group to influence the outcome of the General Meeting and accordingly it is not certain that the Proposals will proceed, because Resolutions 5, 8 and 10, which are interconditional with certain of the other Resolutions proposed, are Resolutions on which Mr Hamish Ogston may not vote and it is not practicable for the Board to obtain undertakings from more than 50 per cent. of the Shareholders other than Mr Hamish Ogston in advance. Additionally, there are certain conditions to the Proposals (including, for example, the FCA's approval of the indirect acquisition by funds managed by Phoenix of control of CPPL and HIL for the purposes of section 185 of FSMA) that are outside the Company's discretion.
- It has been assumed that the funds arising from the Placing will be received and applied in the amounts and for the purposes identified in section 6 "Use of Proceeds" of Part 1 of this document.
- Revenue projections included in the Illustrative Projections have been estimated by the Directors based on assumptions as to the number of live policies and historical renewal patterns, reflecting the final outcome of the Scheme. Due to the restrictions contained in the VVOPs, the Group is currently limited in its ability to present information that may discourage customers from cancelling or not renewing their policies and is currently prohibited from selling new regulated products in the United Kingdom, such that in practice the Group currently has little influence over the number of live policies or whether it will be able to achieve renewal rates comparable with historical patterns. As reported in the Group's trading update published on 14 November 2014, the Group's annual renewal rate (excluding cancellations resulting from the Scheme) was approximately 70.3 per cent. If Scheme cancellations were included, the annual renewal rate would be 4.1 percentage points lower at 66.2 per cent.
- In respect of Revenues, it has been assumed that the UK business will be able to leverage the FCA's agreement to remove the restrictions under the VVOPs granted in September 2014 (in relation to the cooling off period for renewals). For new business and broader retention activities, removal of the VVOP restrictions is targeted in early 2016, with a view to enabling marketing in the fourth quarter of 2016. Although it is within the Group's discretion to determine when it will apply to the FCA to remove the restrictions under the VVOPs and the Group is progressing towards applying for the restrictions on new business and broader retention activities in early 2016 as indicated above, ultimately any decision to remove the restrictions under the VVOPs (or elements thereof) is within the FCA's discretion. In the six months to 30 June 2014, Group revenue from continuing operations fell to £58.7 million (£99.7 million as at 30 June 2013). The Group's revenue performance during the period since 30 June 2014 to the date of publication has continued to reflect the trends outlined in the Group's Half Year Report on 29 August 2014.

- It has been assumed that, as detailed in section 2 of Part 1 of this document, the Business Partner Agreement will be effected, that the Bank Facility will be prepaid in part and that the Amended and Restated Facility will remain in place throughout the period covered by the Illustrative Projections and that no events of default will arise under the Bank Facility, the Commission Deferral Agreement, the Business Partner Agreement or the Amended and Restated Facility Agreement. Currently, no event of default has been declared under the Group's debt facilities and the Group has some ability to influence the continuing availability of its debt facilities (including the Bank Facility and the Deferred Commission and, following completion of the Proposals, the Amended and Restated Facility) through active engagement with the Lenders and its Business Partners. However, to the extent that a potential event of default arises under the Group's Bank Facility, the Amended and Restated Facility or the Business Partner Agreement, it is within the discretion of the Lenders, the Continuing Lender and the relevant Business Partners, respectively, whether to declare an event of default (with the result that the relevant debt would become immediately due and repayable) or to grant a waiver in respect of any such event of default.

Illustrative Projections for the 12 months ended 31 December 2014, 31 December 2015 and 31 December 2016

	Year ending 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016
	£ million	£ million	£ million
Revenue	108.1	87.1	102.7

2. Profit Targets

The Board has set out certain financial targets which it believes to be achievable for the year ending 31 December 2016 (the "**Profit Targets**"). The Group's Profit Targets are set out below.

The Profit Targets do not show the effect of exceptional items on the Group's consolidated income statement. Shareholders should note that significant exceptional items have arisen in relation to each of the last three financial years and, because the extent to which the Group may recognise exceptional items in its consolidated financial statements depends, among other things, on what steps are taken in connection with the Group's on-going change programmes, which are not yet fully formed, it is very difficult to foresee with reasonable certainty what exceptional items will continue to arise throughout the period covered by the Profit Targets.

The Profit Targets do not show the impact of taxation on the income that may be generated by the Group during the period covered by the Profit Targets (including, without limitation, on any gains or losses arising from the settlement of the Deferred Commission and steps taken in connection with the Group's on-going change programmes), since without being able to reliably forecast exceptional items which may arise, it is impossible to identify with reasonable certainty the effect of taxation on any gains (or losses) arising after the impact of exceptional items is taken into account.

For these reasons, the Board is not able to set a forecast of profit or loss after taxation that the Group may generate over the period covered by the Profit Targets and Shareholders should not rely on the Profit Targets for this purpose.

It has been assumed that the Group will have generated annualised savings of approximately £15.0 million in 2014, due, in part, to a 48 per cent. reduction in headcount since 2012 as well as the closure of its operations in France and Singapore earlier in 2014. Plans are well advanced to exit Hong Kong and Brazil and to close two of its three office sites in the UK in keeping with the reduced scale of the business.

It has been assumed that the transformation of the Group's operations and IT infrastructure and capability will continue through 2015 and early 2016 with further associated overhead savings. The Group is able to influence at what rate it incurs costs in connection with the transformation of its operations and IT infrastructure. However, the impact of scaling back the costs expected to be incurred in connection with the transformation of its operations and IT infrastructure may affect the Group's ability to achieve certain overhead savings and in terms of whether the Group would be able to achieve other goals (including obtaining agreement to remove the restrictions under the VVOPs) in a timely manner, or at all.

Nothing in the Profit Targets constitutes a "profit forecast", whether for the purposes of Rule 28 of the City Code or otherwise, nor has the information been reported on under Rule 28 of the City Code. It is emphasized that the Profit Targets represent a financial target and not a profit forecast.

Profit Targets for the 12 month period ending 31 December 2016

	Year ending 31 December 2016
	£ million
Target operating profit before exceptional items	2.4
Target cash generated by operations before exceptional items	5.1

PART 4

ADDITIONAL INFORMATION

1. Interests of major shareholders

- (a) So far as the Company is aware, as at 22 December 2014 (being the latest practicable date prior to the posting of this document), the following persons were, directly or indirectly, interested in 3 per cent. or more of the voting rights or issued share capital of the Company:

	Number of Ordinary Shares	Percentage of issued share capital
Mr Hamish Ogston	96,331,789	56.12
Schroder Investment Management Limited	22,310,554	13.00
Mr Tariq Rashid	5,500,000	3.20

- (b) Immediately following AIM Admission and completion of the Placing, the following persons are expected to be, directly or indirectly, interested in 3 per cent. or more of the voting rights or issued share capital of the Company:

	Number of Ordinary Shares	Percentage of Enlarged Share Capital
Mr Hamish Ogston	360,476,141	43.00
Schroder Investment Management Limited	83,747,829	9.99
Phoenix Asset Management Partners Limited	335,326,643	40.00

2. Material Contracts for the Group

The only material contracts, not being contracts entered into in the ordinary course of business, which have been entered into by the Group during the 2 years preceding the date of this document and which are or may be material or, whenever entered into which contain any provision under which any member of the Group has an obligation or entitlement which is material to the Group, as at the date of this document and which is information which Shareholders would reasonably require to make a properly informed assessment of how to vote at the General Meeting are summarised below:

- (a) Placing Agreement

On 23 December 2014, the Placing Agreement was entered into between the Company and Numis Securities pursuant to which Numis Securities has agreed, subject to certain conditions, as agent for the Company, to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

The Placing is conditional, *inter alia*, on:

- the passing of the Resolutions;

- the Business Partner Agreement, the prepayment in part of and the waiver under the Group's Bank Facility and the Amended and Restated Facility each becoming unconditional save for any conditions relating to the Placing and/or AIM Admission;
- Phoenix having obtained the approval (which may be subject to conditions) of the FCA to the indirect acquisition by funds managed by Phoenix of "control" of the regulated entities, CPPL and HIL;
- the conditions in the Placing Agreement being satisfied or (if applicable) waived and the Placing Agreement not having been terminated in accordance with its terms prior to AIM Admission; and
- AIM Admission becoming effective by not later than 8.30 a.m. on 11 February 2015 (or such later time and/or date, being no later than 8.30 a.m. on 27 February 2015, as the Company and Numis Securities may agree).

The Placing Agreement provides for payment to Numis Securities of a corporate finance fee and commission totalling £750,000 in aggregate. In addition to the fee and commission, the Company will bear all costs of, or incidental to, the implementation of the proposals, including (without limitation) the fees of the London Stock Exchange, printing costs, registrar's fees and all legal and accounting fees of the Company and Numis Securities.

The Placing Agreement contains certain warranties by the Company in favour of Numis Securities, including as to the accuracy of the information contained in this document and certain financial information and other matters relating to the Group and its business. In addition, the Company has agreed to indemnify Numis Securities in respect of any losses, damages and liabilities incurred by Numis Securities resulting from the carrying out by Numis Securities of their obligations or services under, or in connection with, the Placing Agreement.

Numis Securities may terminate the Placing Agreement prior to AIM Admission in certain specific circumstances, including (amongst other things) in the event of a breach of the Placing Agreement by the Company or any of the warranties contained in it being, or becoming, untrue, inaccurate or misleading.

(b) Revised Relationship Agreement with Mr Hamish Ogston

On 22 December 2014, Mr Hamish Ogston entered into a revised Relationship Agreement with the Company governing the exercise by him of his rights in respect of the Company following AIM Admission. The revised Relationship Agreement takes effect upon AIM Admission following termination of the existing Relationship Agreement on De-Listing.

For as long as Mr Hamish Ogston and certain persons connected to him hold 30 per cent. or more of the Company, he has undertaken not to, and to procure (so far as he is able) that certain persons connected to him do not, exercise his voting rights in favour of any amendment to the articles of association of the Company in a manner which would be contrary with the principle of independence of the Company and not to take any action which precludes any member of the Group from carrying on a business independently of Mr Hamish Ogston and certain persons connected with him.

Under the revised Relationship Agreement, all transactions and relationships between any member of the Group and Mr Hamish Ogston or certain persons connected with him shall be conducted at arm's length, on a normal commercial basis and in accordance with the related party transaction rules set out in AIM Rules. In addition, only independent directors shall be entitled to vote on any matters giving rise to a conflict of interest between a Group company and Mr

Hamish Ogston or certain persons connected with him. Any material amendment to or waiver in respect of any rights of a Group company under any agreement with Mr Hamish Ogston or certain persons connected with him must be agreed by a majority of independent directors.

For so long as Mr Hamish Ogston and persons connected to him hold at least 15 per cent. of the shares in the Company, he shall be entitled to appoint (and remove and reappoint) one non-executive director to the Board.

Certain provisions of the Relationship Agreement terminate on Mr Hamish Ogston and certain persons connected with him ceasing to own at least 30 per cent. of the Company.

(c) Commission Deferral Agreement

On 31 July 2013, CPPL entered into an agreement with certain of its Business Partners to defer payment of commission that would otherwise have become due over the twelve months up to 30 June 2014 for a period of up to four years, with repayment due on 31 July 2017 (the "Repayment Date"). Under the Commission Deferral Agreement, interest accrues quarterly on the deferred commission at a rate per annum equal to 3.5 per cent. and will be paid out on the Repayment Date.

In compliance with the terms of the VVOP agreed with the FCA by CPPL, the deferred commissions under the Commission Deferral Agreement are required to be retained within CPPL and have been used to fund customer redress payments, the operational costs of the Scheme and to provide working capital for CPPL. The Commission Deferral Agreement provides the Business Partners which are party to it with security over CPPL in substantially similar form and terms to the security granted under the Bank Facility.

(d) Business Partner Agreement

On 22 December 2014, CPPL entered into a further agreement with certain of its Business Partners, whereby it was agreed that:

- (i) all of the Deferred Commission owing under the Commission Deferral Agreement be discharged and settled in consideration of either (a) the payment of an aggregate amount of approximately £1.3 million to be shared among certain Business Partners (provided that such Business Partners then accept deferral of commission earned from 1 December 2014 to 31 March 2015) or (b) the payment of the commission earned from 1 December 2014 to 31 March 2015 as it falls due;
- (ii) commission earned from 1 December 2014 to 31 March 2015 up to a maximum aggregate amount of approximately £1.3 million and owing to certain Business Partners who so elected would be deferred until 31 January 2017 (provided that Business Partners who do not elect to receive payment described in (i)(a) above will not participate in deferral of commission earned from 1 December 2014 to 31 March 2015); and
- (iii) without any admission of liability whatsoever by the Business Partners, CPPL may appropriate and apply a portion of the future commission that would be due to certain Business Partners to the extent required to discharge any redress due to a customer of CPPL that has purchased a relevant product between March 2011 and July 2012 in respect of

any actual or potential claims, provided that CPPL shall be responsible for the operational costs of any such redress exercise.

Under the Business Partner Agreement, interest accrues quarterly on the deferred commission at a rate per annum equal to 3.5 per cent. and will be paid out on 31 January 2017. The Business Partner Agreement provides the Business Partners which are party to it with security over CPPL in substantially similar form and terms to the security granted under the Bank Facility.

(e) Amended and Restated Facility Agreement

On 22 December 2014, the Company entered into an amended and restated £5.0 million multicurrency revolving facility agreement with Barclays Bank PLC as the Continuing Lender.

The purpose of the Amended and Restated Facility was to refinance the facilities provided for under the Bank Facility, to the extent not proposed to be prepaid following completion of the Placing and for general corporate and working capital purposes.

The Amended and Restated Facility matures on 28 February 2018.

The Company has certain voluntary cancellation and voluntary prepayment rights under the Amended and Restated Facility. The Amended and Restated Facility contains certain mandatory prepayment events, including, but not limited to, change of control.

The interest rate under the Amended and Restated Facility is made up of the applicable margin and LIBOR. The margin is 4 per cent. per annum.

The fees payable under or in connection with the Amended and Restated Facility are customary for facilities of this nature.

13 group companies act as guarantors under the Amended and Restated Facility, including CPPL and HIL. Those guarantors registered in England and Wales have granted certain security under a group debenture between Barclays Bank Plc as Security Agent and the charging companies listed therein. Under the Amended and Restated Facility, it is a condition subsequent for new debentures to be given following completion of the Placing to secure certain ancillary facilities (primarily relating to foreign exchange) provided by Barclays going forward.

Each company in the Group which is a party to the Amended and Restated Facility as an obligor makes certain representations and gives certain general undertakings, which are customary to make in a facility agreement of this nature. The Company also undertakes to comply with certain financial covenants.

Events of default, customary in a facility agreement of this nature, include failure to meet payment or certain other obligations, misrepresentation, cross-default in an amount over £500,000, insolvency and insolvency proceedings and material adverse change.

3. **Material contracts for Phoenix**

Phoenix has not entered into any material contracts, not being contracts entered into in the ordinary course of business, during the 2 years preceding the date of this document and which are or may be material or, whenever entered into

which contain any provision under which Phoenix has an obligation or entitlement which is material to Phoenix as at the date of this document.

4. **Directors' service contracts and letters of appointment**

(a) *Executive Directors' service contracts*

Brent Escott is employed under a service contract with the Company dated 30 August 2013 which is subject to a notice period to and from the Company of 6 months. Craig Parsons is employed under a service contract with the Company dated 30 August 2013 which is subject to a notice period to and from the Company of 6 months.

The Company may terminate the employment of Executive Directors by making a payment in lieu of notice equivalent to basic salary and fixed benefits only. The Articles of Association require a Director to stand for election by shareholders at the first Annual General Meeting following their appointment (if appointed by the Directors) and in all cases by rotation every three years thereafter.

(b) *Existing non-executive Directors' letters of appointment*

Non-Executive Directors receive a fixed fee for their services to the Group. These fees are set for each individual Non-Executive Director by the Board on an annual basis. Fee levels for the Chairman and Non-Executive Directors reflect the time commitment in preparing and attending meetings and the responsibility and duties of the positions. The policy is to pay a market rate against other companies of a similar size and complexity. Non-Executive Directors are not entitled to any other benefits, pension arrangements or to participate in the Group's share incentive schemes.

(c) *Appointment of Eric Anstee*

Mr Anstee will serve as a director and, following the General Meeting, as Non-executive Chairman, on substantially similar terms to the letters of appointment entered into with the Company's existing Non-executive Directors. Mr Anstee will offer himself for re-election at the first annual general meeting following his appointment. Mr Anstee's appointment is terminable on three months' written notice from Mr Anstee or the Company during the first year of his appointment, reducing to one month's written notice thereafter.

The Company intends to offer a new incentive arrangement to Mr Anstee as the incoming Chairman when he is appointed and following AIM Admission. This incentive arrangement will be over and above an annual fee which will be paid to Mr Anstee in an amount of £130,000 per annum and an additional fixed fee of £18,000 per month to be paid in respect of additional duties arising during the first 3 months following his appointment.

In order to properly align the interests of Mr Anstee with Shareholders and with a view to his expected role in the on-going transformation of the Group, it is anticipated that he will receive a share-based award in addition to director fees. This award is expected to comprise a share option over a number of Ordinary Shares equal to 0.6 per cent. of the fully diluted issued share capital of the Company as at the date of award. The exercise price which will be payable to exercise the award is expected to be equal to the market value of an Ordinary Share as at the date of grant of the award. Subject to meeting the conditions for exercise of the award, it will be satisfied using newly issued shares of the Company.

Vesting of Mr Anstee's award is expected to be conditional upon the achievement of an objective performance target, set by the Remuneration Committee at the time of grant of the award. To encourage performance that is consistent with Shareholders' interests, the target which is expected to be used is that the share price of the Company (averaged for the 6 months to 31 December 2017) must exceed the share price at the time of grant of the award.

Exercise of the award will also be subject to, among other requirements, satisfactory underlying financial performance of the Company during the three years from 1 January 2015. Mr Anstee will be required to remain in post as a condition of exercise of the award.

Vesting of one-third of the Ordinary Shares which are subject to the award is expected to take place at the beginning of 2018. A further third will vest at the beginning of 2019 and the balance of the Ordinary Shares which are subject to the award will vest at the beginning of 2020. Furthermore, the award is expected to be subject to good/bad leaver conditions, including malus and clawback provisions.

It is not anticipated that Mr Anstee will receive any other share-based incentive arrangements on appointment to the Board.

Directorships

Mr Anstee's other directorships of publicly quoted companies in the last five years (which were all non-executive directorships) include:

Existing directorships

Paypoint PLC

Resigned directorships

City of London Group plc

Vision Media Group (International) PLC
(in liquidation)

Mr Anstee has no unspent convictions in relation to indictable offences, has not been subject to any public criticisms by statutory or regulatory authorities (including designated professional bodies) and has not been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

Additionally, he has not in the last five years:

- been involved in any receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors of any company where he was an executive director at the time of, or within the 12 months preceding, such events;
- been involved in any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where he was a partner at the time of, or within the 12 months preceding, such events; or
- been involved in receiverships of any asset of a company or other entity or a partnership of which he was a partner at the time of, or within the 12 months preceding, such event.

(d) *Other*

Save as set out in paragraph 4(c) above, there have been no changes to the Directors' service arrangements in the six months prior to the date of this document.

5. **Significant Change**

Save as disclosed in relation to the Group's revenue (which had declined 36 per cent. on a constant currency basis as at 30 November 2013 compared to the same period in 2013), annual renewal rates (which had increased to 70.8 per cent. as at 30 November 2014), total number of live policies (which had decreased by 0.9 million since 30 June 2014 to 5.2 million), customer redress and associated costs (which has increased by £3.0 million since 30 June 2014) and net funds position (which had decreased by £13.9 million from £21.6 million at the half year to £7.7 million as at 30 November 2014) under "Current trading and prospects" set out in section 2 of Part 1 of this document, there has been no significant change in the financial or trading position of the Group since 30 June 2014, the date to which the last unaudited interim results of the Company were prepared.

6. **Working capital**

Taking into account the net proceeds of the Placing, the settlement of Deferred Commission under the Business Partner Agreement, the prepayment in part of the Bank Facility and the availability of the Amended and Restated Facility on completion of the Proposals, the Company is of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this document.

7. **Consents**

Numis Securities has given and has not withdrawn its written consent to the issue of this document with the inclusion in this document of its name in the form and context in which it appears.

Kinmont has given and has not withdrawn its written consent to the issue of this document with the inclusion in this document of its name in the form and context in which it appears.

8. **Responsibility statements**

- (a) The Company and the Directors of the Company, whose names appear on page 7, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the directors of the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (b) Phoenix and the directors of Phoenix, whose names appear on page 25, accept responsibility for the information relating to Phoenix contained in sections 4, 11 and 12 of Part 1 and section 3 of Part 4 of this document. To the best of the knowledge and belief of Phoenix and the directors of Phoenix (who have taken all reasonable care to ensure that such is the case) the information contained in those sections relating to Phoenix is in accordance with the facts and does not omit anything likely to affect the import of such information.

9. Market price of the Shares

The middle market quotations for the Shares, for the first business day in each of the six months immediately before the date of this document and for 22 December 2014, being the last practicable business day before publication of this document, are set out below:

Date	Middle market quotation (pence)
1 July 2014	10.50
1 August 2014	9.875
1 September 2014	12.25
1 October 2014	12.00
3 November 2014	11.50
1 December 2014	6.50
22 December 2014	5.50

10. Documents available for inspection

Copies of the following documents will be available for inspection on the Company's website at www.cpppgroupplc.com and at the offices of the Company, Holgate Park, Holgate Road, York YO26 4GA during usual business hours on any weekday (excluding Saturdays, Sundays and public holidays) up to and including 13 January 2015 and at the General Meeting to be held on that day:

- (a) the Articles of Association of the Company;
- (b) this document;
- (c) the Undertakings;
- (d) the material contracts referred to in section 2 above;
- (e) the service contracts and letters of appointment referred to in section 3 above;
- (f) the consent letters referred to in section 6 above;
- (g) the audited consolidated statements of the Company and its Group for the periods ended 31 December 2012 and 2013;
- (h) the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014;
- (i) the memorandum and articles of association of Phoenix; and
- (j) the audited financial statements of Phoenix for the years ended 31 March 2013 and 31 March 2014.

11. **Estimate of expenses**

The Company estimates the aggregate amount of fees and expenses incurred in respect of the Proposals and the Rule 9 Waiver to be £2.1 million, including fees and expenses in relation to:

- financing arrangements of £330,000;
- financial and corporate broking advice (including placing commission) of £994,000;
- legal advice of £405,000;
- accounting advice of £250,000; and
- other costs and expenses (including public relations advice) of £163,000.

12. **Incorporation by reference**

This document should be read and construed in conjunction with certain documents which have been previously published and which have been filed with the FCA and which shall be deemed to be incorporated herein, and form part of, this document, for the purposes of satisfying Rule 24.15 of the City Code. The table below lists the information which is incorporated by reference into this document.

To the extent that any document or information incorporated by reference or attached to this document itself incorporates any information by reference, either expressly or impliedly, such information is not incorporated by reference into this document and will not form part of this document for the purposes of the Listing Rules.

<i>Source of information incorporated by reference in this document</i>	<i>Information incorporated by reference</i>	<i>Section and page number of this document</i>
Audited consolidated financial statements of the Company and its Group for the period ended 31 December 2012	Financial Statements (pages 36-85) comprising: • Independent Auditors' Report on consolidated financial statements (pages 36) • Consolidated income statement (pages 37 to 38) • Consolidated balance Sheet (page 39) • Consolidated statement of changes in equity	Section 2 of Part 1, Chairman's Letter on page 12

<i>Source of information incorporated by reference in this document</i>	<i>Information incorporated by reference</i>	<i>Section number of this document</i>
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(page 40)

- Consolidated cash flow statement (page 41)
- Notes to the consolidated financial statements (pages 42 to 75)
- Company balance sheet (page 76)
- Notes to the Company's financial statements (pages 77 to 85)

Audited consolidated financial statements of the Company and its Group for the period ended 31 December 2013

Directors' Report (pages 54-57)

Financial Statements (pages 58 to 110) comprising:

Section 2 of Part 1, Chairman's Letter on page 12

- Independent Auditors' Report on consolidated financial statements (pages 59 to 61)
- Consolidated income statement (pages 62 to 63)
- Consolidated balance Sheet (page 64)
- Consolidated statement of changes in equity (page 65)
- Consolidated cash flow statement (page 66)
- Notes to the consolidated financial statements

<i>Source of information incorporated by reference in this document</i>	<i>Information incorporated by reference</i>	<i>Section and page number of this document</i>
	(pages 67 to 101)	
	• Company balance sheet (page 102) • Notes to the Company's financial statements (pages 103 to 110)	
Unaudited condensed consolidated interim financial statements of the Company and its Group for the six months ended 30 June 2014	Going concern (page 14) Condensed consolidated interim financial statements (pages 15 to 34) comprising: • Consolidated income statement (pages 15 to 16) • Consolidated balance Sheet (page 17) • Consolidated statement of changes in equity (page 18) • Consolidated cash flow statement (page 19) • Notes to the consolidated financial statements (pages 20 to 33) • Independent review report to the Company (page 34)	Section 2 of Part 1, Chairman's Letter on page 12
Audited financial statements of Phoenix for the year ended 31 March 2013	Directors' Report (pages 1-2) Independent Auditors' Report (pages 3-4) Profit and Loss Account (page 5)	Section 11 of Part 1, Chairman's Letter on page 26

<i>Source of information incorporated by reference in this document</i>	<i>Information incorporated by reference</i>	<i>Section and page number of this document</i>
	Balance Sheet (page 6)	
	Cash Flow Statement (page 8)	
	Notes to the Financial Statements (pages 8 to 16)	
Audited financial statements of Phoenix for the year ended 31 March 2014	Directors' Report (pages 2-3)	Section 11 of Part 1, Chairman's Letter on page 26
	Independent Auditors' Report (pages 4-5)	
	Profit and Loss Account (page 6)	
	Balance Sheet (page 7)	
	Cash Flow Statement (page 8)	
	Notes to the Financial Statements (pages 9 to 17)	
Memorandum and articles of association of Phoenix	Entire document	Section 11 of Part 1, Chairman's Letter on page 26

To the extent applicable, Prospectus Rule 2.4.1 has been complied with in relation to all documents incorporated by reference. Except as set forth above, no other portion of these documents is incorporated by reference into this document and those portions of such documents which are not specifically incorporated by reference in this document are either not relevant for investors or the relevant information not incorporated by reference is included elsewhere in this document.

DEFINITIONS

The following definitions apply throughout this document (including the Notice of General Meeting) and the Form or Proxy, unless the context otherwise requires:

"2006 Act"	the Companies Act 2006, as amended
"AIM"	AIM, a market operated by the London Stock Exchange
"AIM Admission"	the admission of the Ordinary Shares (including the Placing Shares) to trading on AIM
"AIM Designated Market"	a market whose name appears in the latest publication by the London Stock Exchange of the document entitled "The AIM Designated Market Route"
"AIM Rules"	the AIM Rules for Companies published by the London Stock Exchange from time to time
"Amended Articles"	the articles of association of the Company as amended following the passing of Resolution 2 at the General Meeting, further details of which are set out in section 5 of Part 1 of this document and in Resolution 2 in the Notice of General Meeting at the end of this document
"Amended and Restated Facility"	the Group's £5.0 million multicurrency revolving credit facility entered into with the Continuing Lender on the date of this document, which is conditional on AIM Admission and completion of the Placing
"Annual Renewal Rate"	the net amount of annual retail policies remaining on the book after the scheduled renewal date, as a proportion of those available to renew
"Bank Facility"	the Group's £13.0 million multicurrency revolving credit facility advanced by the Lenders
"Board" or "Directors"	the board of directors of the Company whose names are set out on page 7 of this document
"Business Day"	any day on which the banks are generally open for business in England and Wales for the transaction of business, other than a Saturday, Sunday or public holiday
"Business Partner Agreement"	the conditional agreement entered into among CPPL and certain of the Group's Business Partners on 22 December 2014 settling the Group's obligation to repay the Deferred

	Commission and interest thereon
"Business Partners"	those organisations and companies which provide access for the Group to their customer base for the sale of the Group's products and services, in return for commissions payable by the Group and/or other benefits
"Capital Reorganisation"	the proposed sub-division and re-designation of the Ordinary Shares, details of which are set out in this document, to be effected by the passing of Resolutions 1 and 2
"Capital Reorganisation Record Date"	6.00 p.m. on 13 January 2015
"Card Protection"	those products and services sold by the Group under the "Card Protection" name
"certificated" or "in certificated form"	a share or other security not held in uncertificated form (i.e. not in CREST)
"City Code"	the City Code on Takeovers and Mergers,
"Company"	CPPGroup Plc
"Commission Deferral Agreement"	the agreement entered into among CPPL and certain of the Group's Business Partners on 31 July 2013 deferring the Group's obligation to pay commission and providing for the payment of interest thereon until 31 July 2017
"Continuing Lender"	the lender under the Amended and Restated Facility, being Barclays Bank PLC
"Corporate Governance Code"	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
"CPPL"	Card Protection Plan Limited, a regulated, wholly owned indirect subsidiary of the Company
"CREST"	the relevant system (as defined in the CREST Regulations)
"CREST Manual"	the manual, as amended from time to time, produced by Euroclear describing the CREST system, and supplied by Euroclear to users and participants thereof
"CREST Regulations"	the Uncertificated Securities Regulations 2001, as amended from time to time
"De-listing"	the cancellation of the listing of the Ordinary Shares on the Official List and from trading on

	the Main Market
"Deferred Commission"	the commission in the amount of approximately £20.8 million (with accrued interest) owing by the Group to certain of its Business Partners pursuant to the Commission Deferral Agreement as at the date of this document
"Deferred Shares"	the new deferred shares of 9 pence each in the capital of the Company arising from the Capital Reorganisation and having the rights set out in the Amended Articles
"Disclosure and Transparency Rules" or "DTRs"	the disclosure rules and transparency rules made by the FCA under Part VI of FSMA, as amended from time to time
"Enlarged Share Capital"	the expected issued ordinary share capital of the Company outstanding immediately following completion of the Placing
"Euroclear"	Euroclear UK & Ireland Limited
"Existing Articles"	the articles of association of the Company as at the date of this document
"Existing Ordinary Shares"	the Ordinary Shares issued and outstanding as at the last Business Day prior to the date of this document
"FCA"	the Financial Conduct Authority of the UK in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of admission to the premium listing segment of the Official List
"FCA Investigation"	the investigation by the FCA of CPPL in relation to UK sales of its Card Protection and Identity Protection products, which was resolved by agreement between CPPL and the FCA and publication of a Final Notice by the FCA on 15 November 2012, and the agreement by CPPL to make a phased payment of a financial penalty of £10.5 million
"Form of Proxy"	the enclosed form of proxy for use by Shareholders in connection with the General Meeting
"FSMA"	the Financial Services and Markets Act 2000, as amended
"General Meeting"	the general meeting of the Company convened for 10:30 a.m. on 13 January 2015, notice of which is set out at the end of this document

"Group"	the Company and its subsidiary undertakings as defined in section 1162 of the 2006 Act
"Hamish Ogston Undertaking"	the irrevocable undertaking given by Hamish Ogston to vote in favour of the Resolutions, excluding Resolutions 5 (to approve his own participation in the Placing), 8 (to approve De-listing) and 12 in respect of his beneficial holding of Existing Ordinary Shares
"HIL"	Homecare Insurance Ltd, a regulated, wholly owned indirect subsidiary of the Company
"Kinmont"	Kinmont Limited, which is authorised and regulated in the United Kingdom by the FCA
"Identity Protection"	those products and services sold by the Group under the "Identity Protection" name
"Illustrative Projections"	the summary illustrative financial projections of the Group's revenue for the twelve month periods ending 31 December 2014, 31 December 2015 and 31 December 2016, prepared by the Directors and set out in summary form in Part 3 of this document
"Independent Shareholders"	(for the purposes of Resolution 10 in connection with the Rule 9 Waiver) all Shareholders other than Mr Hamish Ogston and Schroder Investment Management Limited
"Lenders"	the current lenders under the Bank Facility, being each of Endless LLP and Barclays Bank PLC
"Listing Rules"	the listing rules made by the FCA under Part VI of FSMA, as amended from time to time
"London Stock Exchange"	London Stock Exchange plc
"Main Market"	the regulated market of the London Stock Exchange
"Notice" or "Notice of General Meeting"	the notice of the General Meeting set out at the end of this document
"Numis Securities"	Numis Securities Limited, which is authorised and regulated in the United Kingdom by the FCA
"Official List"	the daily official list of listed securities maintained by the FCA
"Ordinary Shares"	the issued ordinary shares of 10 pence each in the capital of the Company, each such ordinary share to be sub-divided and re-designated into one new ordinary share of 1 penny and one

	new deferred share of 9 pence following completion of the Capital Reorganisation
"Original Lenders"	the original lenders under the Bank Facility, being each of Barclays Bank PLC, the Royal Bank of Scotland PLC and Santander UK Plc
"Phoenix"	Phoenix Asset Management Partners Limited
"Placing"	the proposed placing by Numis Securities on behalf of the Company of the Placing Shares
"Placing Agreement"	the conditional agreement between the Company and Numis Securities dated 23 December 2014 relating to the Placing
"Placing Price"	the price of 3 pence per Placing Share
"Placing Shares"	the 666,666,667 new Ordinary Shares conditionally placed pursuant to the Placing with investors that will be allotted subject to (<i>inter alia</i>) the passing of the Resolutions, De-listing and AIM Admission
"PRA"	the Prudential Regulatory Authority of the UK in its capacity as the competent authority set up under Part 1A of FSMA
"Profit Targets"	the target operating profit before exceptional items and target cash generated by operations before exceptional items for the year ending 31 December 2016 prepared by the Directors and set out in summary form in Part 3 of this document
"Proposals"	the Capital Reorganisation, the Placing, the De-listing and AIM Admission and the additional authorities set out in the Resolutions, together with settlement of the Deferred Commission and prepayment in part of the Bank Facility
"Regulation S"	Regulation S under the Securities Act
"Remuneration Policy"	the Company's remuneration policy approved by Shareholders at the Company's annual general meeting on 16 June 2014, as set out on pages 43 to 47 of the 2013 Annual Report
"Resolutions"	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting at the end of this document
"ROI"	Republic of Ireland
"Scheme"	the UK solvent creditor scheme of arrangement under Part 26 of the Companies Act 2006 entered into in connection with certain of

CPPL's customer redress obligations which became effective on 31 January 2014 and for which the bar date for submitting a claim was 30 August 2014

"Securities Act"

the United States Securities Act of 1933, as amended

"Shareholders"

holders of Ordinary Shares

"Schroder Investment Management Undertaking"

the undertaking given by Schroder Investment Management Limited to vote in favour of the Resolutions, excluding Resolution 6 (to approve its own participation in the Placing) in respect of its beneficial holding of Existing Ordinary Shares

"Takeover Panel"

the UK Panel on Takeovers and Mergers

"uncertificated" or "in uncertificated form"

recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST

"Undertakings"

the Hamish Ogston Undertaking and the Schroder Investment Management Undertaking.

"U.S. person"

as defined in Regulation S under the Securities Act

"VVOPs"

the voluntary variations of permission agreed with the FCA in relation to CPPL and HIL on 15 November 2012

CPPGROUP PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 07151159)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of the Company will be held at the offices of Eversheds LLP at One Wood Street, London, EC2V 7WS at 10:30 a.m. on 13 January 2015 for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1, 3, 5, 6 and 8 to 11 will be proposed as ordinary resolutions and resolutions 2, 4 and 7 will be proposed as special resolutions. Resolution 2 is conditional on the passing of Resolution 1. Resolutions 3 to 10 are conditional on the passing of Resolution 1 and 2 and are themselves inter-conditional. Resolution 10 will be proposed as a vote on a poll. Resolution 11 is conditional on the Company's Admission to AIM. All terms and expressions used but not defined herein shall have the meaning given to them in the circular issued by the Company dated 24 December 2014, containing this Notice of General Meeting (the "**Circular**").

Ordinary resolution

1. THAT each of the issued ordinary shares of 10 pence in the capital of the Company (the "**Existing Ordinary Shares**") be sub-divided and re-designated into one new ordinary share of 1 penny (each, an "**Ordinary Share**") and one new deferred share of 9 pence (each, a "**Deferred Share**"). Each Ordinary Share shall carry the same rights in all respects as the Existing Ordinary Shares did prior to the subdivision and redesignation. Each Deferred Share shall carry such rights and be subject to such restrictions as will be set out in the Company's articles of association, as amended pursuant to Resolution 2 below.

Special resolution

2. **THAT**, subject to and conditional on the passing of Resolution 1 above, the articles of association of the Company be amended pursuant to section 21 of the 2006 Act by:
 - a. the insertion of a new definition into Article 2 as follows:

""**Deferred Shares**" the deferred shares of 9 pence each in the capital of the Company having the rights set out in Article 3.2;"
 - b. the deletion of the current Article 3 and its replacement with the following:

"3.1 Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such rights (including preferred, deferred or other special rights) or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine).

"3.2 Any Deferred Shares in issue shall have the following rights and shall be subject to the following restrictions, notwithstanding any other provisions in these Articles:

Return of Capital

3.2.1 on the return of assets on a winding up of the Company, after the holders of ordinary shares have received the aggregate amount paid up thereon plus £10,000,000 for each such ordinary share held by them, there shall be distributed amongst the holders of the Deferred Shares an amount equal to the nominal value of the Deferred Shares and thereafter any surplus shall be distributed amongst the holders of the ordinary shares *pro rata* to the number of ordinary shares held by each of them, respectively. Save as set out in this Article 3.2.1, the holders of the Deferred Shares shall have no interest or right to participate in the assets of the Company;

Dividends

3.2.2 the Deferred Shares shall not carry any entitlement to receive dividends or to participate in any way in the income or profits of the Company;

Further Participation

3.2.3 save as set out in Article 3.2.1, the Deferred Shares shall carry no right to participate in the profits or assets of the Company;

Acquisition

3.2.4 the Company may acquire, subject to the Statutes, all or any of the Deferred Shares in issue at any time for £1 in aggregate. Pending such acquisition, each holder of the Deferred Share(s) shall be deemed to have irrevocably authorised the Company, at any time:

(a) to appoint any person to execute (on behalf of the holder of the Deferred Share(s)) a transfer thereof and/or an agreement to transfer the same to the Company or to such person(s) as the Company may determine as custodian thereof; and

(b) pending such transfer, to retain such holder's certificate (if any) for the Deferred Shares;

3.2.5 other than as specified in this Article 3.2, the Deferred Shares shall not be capable of transfer at any time other than with the prior consent of each of the Directors, nor shall the holders of them be entitled to mortgage, pledge, charge or otherwise encumber them or to create or dispose of or to agree to create or dispose of any interest (within the meaning of section 820 of the Companies Act) whatsoever in any Deferred Share;

3.2.6 the Company is irrevocably authorised to appoint any person on behalf of any holder of the Deferred Share(s) to enter into an agreement to transfer and to execute a transfer of the Deferred Share(s) to such person as the Directors may determine in their absolute discretion and to execute any other documents which such person may consider necessary or desirable to effect such transfer (and pending such transfer, to retain such holder's certificate (if any) for the Deferred Share(s)) or to give instructions to transfer any Deferred Share(s) held in uncertificated form to such person as the Directors may determine in their absolute discretion, in

each case, without obtaining the sanction of the holder(s) of them and without any payment being made in respect of that transfer;

Voting

3.2.7 the Deferred Shares shall not confer on the holders thereof any entitlement to receive notice of or to attend or speak at or vote at any general meeting or any annual general meeting of the Company; and

Variation of Rights

3.2.8 the rights attaching to the Deferred Shares shall not be deemed to be varied or abrogated by the creation and/or allotment and/or issue of any further shares, the passing of any resolution of the Company reducing its share capital or cancelling the Deferred Shares and none of the rights or restrictions attached to the Deferred Shares shall be deemed to be varied or abrogated in any way by the passing or coming into effect of any special resolution of the Company to reduce its share capital and/or reduce or cancel (as the case may be) its share premium account (including a special resolution to reduce the capital paid up or to cancel such Deferred Shares), provided that upon a cancellation of all the Deferred Shares the Articles shall automatically be amended by the deletion of the definition of "Deferred Shares" in Article 2, any references to Deferred Shares in Article 3 and this Article 3.2 in its entirety."

Ordinary resolution

3. THAT, subject to and conditional upon the passing of Resolutions 1 and 2 and Resolutions 4 to 10 (inclusive), the Directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the 2006 Act:
 - a. to exercise all of the powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company:
 - i. up to an aggregate nominal amount of £6,666,666.67, being approximately 388.3 per cent. of the issued ordinary share capital of the Company, in connection with the Placing;
 - ii. otherwise than pursuant to sub-paragraph 3(a)(i), up to an aggregate nominal amount of £2,791,594.30, being approximately 33.3 per cent. of the issued ordinary share capital of the Company immediately following the issue and allotment of the Placing Shares pursuant to sub-paragraph 3(a)(i) of this resolution;
 - b. the authorities granted at paragraph 3(a) shall expire (unless renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company;
 - c. the Company may, before the authorities granted at paragraph 3(a) expire, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors of the Company may allot securities in pursuance of such offer or agreement as if the relevant authority granted at paragraph 3(a) above had not expired; and

- d. the authorities set out in paragraph 3(a) above shall be in substitution for all previous or existing authorities under section 551 of the 2006 Act.

Special resolution

- 4. THAT, subject to and conditional upon the passing of Resolutions 1 to 3 (inclusive) and Resolutions 5 to 10 (inclusive), the Directors be and they are hereby empowered pursuant to section 570 of the 2006 Act:
 - a. to allot equity securities (within the meaning of section 560(1) of the 2006 Act) for cash pursuant to the authority referred to in Resolution 3 as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that such power shall be limited to:
 - i. the allotment of equity securities up to a nominal value of £6,666,666.67, being approximately 388.3 per cent. of the existing issued ordinary share capital of the Company, pursuant to or in connection with the Placing; and
 - ii. otherwise than pursuant to sub-paragraph 4(a)(i) above, the allotment of equity securities up to an aggregate nominal amount of £419,158.30, being approximately 5 per cent. of the issued ordinary share Capital following the issue and allotment of the Placing Shares pursuant to resolution 3;
 - b. the power granted at paragraph 4(a) shall expire (unless renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company;
 - c. the Company may, before the power granted at paragraph 4(a) expires, make an offer or agreement which would or might require equity securities to be allotted after it expires and the Directors of the Company may allot securities in pursuance of such offer or agreement as if the power granted at paragraph 4(a) had not expired; and
 - d. the power set out in paragraph 4(a) shall be in substitution for all existing powers or authorities under section 570 of the 2006 Act.

Ordinary resolution

- 5. THAT, subject to and conditional upon the passing of Resolutions 1 to 4 (inclusive) and Resolutions 6 to 10 (inclusive), the participation by Mr Hamish Ogston in the Placing in respect of 264,144,352 Placing Shares, which constitutes a related party transaction, be and is hereby authorised in accordance with the Listing Rules.

Ordinary resolution

- 6. THAT, subject to and conditional upon the passing of Resolutions 1 to 5 (inclusive) and Resolutions 7 to 10 (inclusive), the participation by Schroder Investment Management Limited in the Placing in respect of 61,437,285 Placing Shares, which constitutes a related party transaction, be and is hereby authorised in accordance with the Listing Rules.

Special resolution

7. THAT, subject to and conditional upon the passing of Resolutions 1 to 6 (inclusive) and Resolutions 8 to 10 (inclusive), the Directors of the Company be and are hereby authorised to cancel the listing of the Ordinary Shares on the Official List of the Financial Conduct Authority and to remove such Ordinary Shares from trading on the London Stock Exchange's Main Market for listed securities and to apply for admission of the said Ordinary Shares and the Placing Shares to trading on AIM, a market operated by London Stock Exchange plc.

Ordinary resolution

8. THAT, subject to and conditional upon the passing of Resolutions 1 to 7 (inclusive) and Resolutions 9 and 10, the independent shareholders of the Company hereby consent to the cancellation of the listing of the Ordinary Shares on the Official List of the Financial Conduct Authority and to the removal of such Ordinary Shares from trading on the London Stock Exchange's Main Market for listed securities and to the application for admission of the said Ordinary Shares and the Placing Shares to trading on AIM, a market operated by London Stock Exchange plc.

Ordinary resolution

9. THAT, subject to and conditional upon the passing of Resolutions 1 to 8 (inclusive) and Resolution 10, the Directors, for the purposes of the Listing Rules, be and are generally and unconditionally authorised to issue the Placing Shares (as defined in this document) at a price of 3 pence per Placing Share, with such price representing a discount of approximately 45.4 per cent. to the closing price of 5.50 pence per Existing Ordinary Share as derived from the Daily Official List of the London Stock Exchange plc on 22 December 2014, being the latest practicable date prior to the announcement of the Placing (as defined in the Circular).

Ordinary resolution to be proposed as a vote on a poll

10. That, subject to and conditional upon the passing of Resolutions 1 to 9 (inclusive), the waiver granted by the Takeover Panel of the obligation that would otherwise arise on Phoenix and the funds that it manages on a discretionary basis pursuant to Rule 9 of the City Code as a consequence of the Placing described in the Circular, be and is hereby approved.

Ordinary resolution

11. THAT, subject to and conditional upon the Company's Admission to AIM, the Remuneration Policy set out in the remuneration policy section of the Directors' Remuneration Report for the year ending 31 December 2013 and approved by shareholders at the last general meeting on 16 June 2014 in accordance with section 439A of the Companies Act 2006, be and is hereby disapplied.

Dated: 24 December 2014

Registered Office:
Holgate Park
Holgate Road
York
YO26 4GA

By order of the Board
Lorraine Beavis
Secretary

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and on a poll to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.
 2. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the 2006 Act ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
 3. To appoint a proxy you may:
 - 3.1 use the Form of Proxy enclosed with this Notice of General Meeting. In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, in order to be valid, must reach the Company's Registrars, Capita Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours (excluding any part of a day which is a non-working day) before the time of the meeting or of any adjournment of the meeting; or
 - 3.2 if you hold your ordinary shares in uncertificated form, use the CREST electronic proxy appointment service as described in Note (4) below.
- Completion of the Form of Proxy or appointment of a proxy through CREST will not prevent a member from attending and voting in person.
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10), by 10:30 a.m. on 9 January 2015 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy

Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

5. Any member attending the General Meeting is entitled, pursuant to section 319A of the 2006 Act to ask any question relating to the business being dealt with at the meeting. The Company will cause any such questions to be answered unless (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; or (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
6. From the date of this notice and for the following 2 years the following information will be available on the Company's website and can be accessed at www.cppgroupplc.com:
 - (i) the matters set out in this Notice of General Meeting;
 - (ii) the total numbers of shares in the Company and shares of each class, in respect of which members are entitled to exercise voting rights at the meeting; and
 - (iii) the totals of the voting rights that members are entitled to exercise at the meeting in respect of the shares of each class.

Any members' statements, members' resolutions and members' matters of business received by the Company after the date of this notice will be added to the information already available on the website as soon as reasonably practicable and will also be made available for the following 2 years.

7. In order to attend and vote at this meeting you must comply with the procedures set out in notes 1 to 5 by the dates specified in those notes.
8. The right of members to vote at the General Meeting is determined by reference to the register of members. As permitted by section 360B(3) of the 2006 Act and regulation 41 of the Uncertificated Securities Regulations 2001, shareholders (including those who hold shares in uncertificated form) must be entered on the Company's share register at 6:30 p.m. on 9 January 2015 in order to be entitled to attend and vote at the General Meeting. Such Shareholders may only cast votes in respect of shares held at such time. If the General Meeting is adjourned, the time by which a member must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned General Meeting is not less than 48 hours prior to the date fixed for the adjourned General Meeting (excluding any part of a day that is not a Business Day). Changes to entries on the relevant register after the relevant

times shall be disregarded in determining the rights of any person to attend or vote at the General Meeting or any adjourned General Meeting.

9. 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.
10. The total number of Ordinary Shares in issue as at 22 December 2014, the last practicable day before printing this document was 171,649,941 Ordinary Shares and the total level of voting rights was 171,649,941, none of which were attached to shares held in treasury by the Company.