

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, IN, INTO THE UNITED STATES, AUSTRALIA, CANADA OR THE REPUBLIC OF SOUTH AFRICA OR ANY OTHER JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF THAT JURISDICTION

**CPPGROUP PLC**

23 December 2014

**Close of Formal Sale Process and End of Offer Period, Proposed Placing of Shares, Proposed Refinancing and Creditor Restructuring, Proposed Cancellation of Admission to the Official List and Trading on the Main Market, Proposed Application for Admission to Trading on AIM, Proposed Capital Reorganisation and Waiver of Rule 9 Mandatory Offer**

CPPGroup Plc (CPP or the Group) makes the following update announcement to Shareholders. As indicated in the Group's announcement on 14 November 2014, the Board stated that it was progressing plans to secure new equity funding for the business and restructure the Group's balance sheet, while at the same time pursuing the option of selling the Group through the commencement of a formal sale process.

Following extensive discussions with a number of parties, the Board is pleased to announce that it has secured new equity funding of £20.0 million, which combined with a restructuring of the Group's liabilities and refinancing of the Group's debts, provides, in its view, the best value for all stakeholders.

The significant progress made to stabilise the Group's platform and improve liquidity will strengthen and provide a more appropriate capital structure to support the future development of CPP. As a consequence, the Board has closed the formal sale process, led by KPMG, with immediate effect and CPP is no longer deemed to be in an Offer Period in accordance with the rules of the City Code.

Accordingly, subject to Shareholder approval in General Meeting, the Board proposes (the 'Proposals') as follows:

- an equity placing to raise in aggregate £20.0 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 (the 'Placing');
- the inter-conditional cancellation of the Group's shares from the Main Market and admission to trading on AIM;
- prepayment in part of the Group's current Bank facility and related costs of £8.5 million, together with the refinancing of the remaining £5.0 million through an Amended and Restated Facility; and
- settlement of all liabilities of the Commission Deferral Agreement (approximately £21 million) with certain of its Business Partners for a compromise payment of

approximately £1.3 million and further deferral of commission up to approximately £1.3 million.

Upon completion of the Placing, funds managed by Phoenix Asset Management Partners Limited will hold approximately 40 per cent. of the Enlarged Share Capital following AIM Admission. The Takeover Panel has agreed, subject to the requisite resolution being passed by Independent Shareholders on a poll at the General Meeting, to waive the requirement under Rule 9 of the City Code (Rule 9 Waiver) 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.

In order to effect the Proposals and the Rule 9 Waiver, the Company will require Shareholder approval and will today post a Circular to Shareholders convening a General Meeting at which it will ask Shareholders to vote on a number of Resolutions including, amongst others, the Placing, the de-listing and the admission to AIM. Full details of the Resolutions included in the Circular are set out below.

The Board strongly believes that the Proposals are in the best interests of the Company and Shareholders as a whole. If the Group is unable to proceed with the Proposals, it is likely that 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. Accordingly, the Board stresses that it is very important that Shareholders vote in favour of the Resolutions at the General Meeting on 13 January 2015 in order to enable the Proposals to proceed.

The Group is also pleased to announce the appointment of Mr Eric Anstee to the Board as a Non-Executive Director with immediate effect. Following the conclusion of the General Meeting, Mr Anstee will take over as Non-Executive Chairman from Duncan McIntyre, who announced his intention to step down on 29 August 2014. Mr Anstee is a well known Chartered Accountant with over 40 years of business experience, particularly in the financial services sector.

**Duncan McIntyre, Non-Executive Chairman, commented:**

“The Proposals that we have set out today are vital to strengthen and improve the financial position of the business. They will create a stronger platform from which the Company can look forward with renewed confidence. The Board strongly recommends that Shareholders vote in favour of the Resolutions.”

**Brent Escott, Chief Executive Officer, commented:**

“Our intention to raise £20.0 million of new equity, refinance and restructure our balance sheet represents a pivotal step as we strengthen the Group and invest in our future. There are a number of stages on our journey to rebuild the Group and we are realistic about our challenges and those which remain. Significant progress has been made in the last year to stabilise and add value to the Group and with the support of new and existing Shareholders, we are moving forward on our journey to create sustainable long-term value for stakeholders.”

## **Enquiries**

### Investor Relations

CPPGroup Plc  
Brent Escott, Chief Executive Officer  
Craig Parsons, Chief Financial Officer  
Tel: +44 (0)1904 544702

Helen Spivey, Head of Corporate and Investor Communications  
Tel: +44 (0)1904 544387

### Media

Tulchan Communications: Martin Robinson; David Allchurch  
Tel: +44 (0)20 7353 4200

### Sponsor and Broker

Numis Securities Limited: Robert Bruce; Stuart Skinner; Charles Farquhar  
Tel: +44 (0)20 7260 1000

### Financial Adviser

Kinmont Limited  
Tel: +44(0) 20 7087 9100

## **Notes to Editors**

CPPGroup Plc (CPP or the Group) is an international assistance business operating in the UK and overseas within the financial services, telecommunications and travel sectors. CPP primarily operates a business-to-business-to-consumer (B2B2C) business model providing services and retail, wholesale and packaged products to customers through Business Partners and direct to consumer. The Group's core assistance and travel service products help to provide security and enhance the experience of travel for customers worldwide, designed to make everyday life easier to manage.

For more information on CPP visit [www.cppgroupplc.com](http://www.cppgroupplc.com)

REGISTERED OFFICE  
CPPGroup Plc  
Holgate Park  
York  
YO26 4GA

Registered number: 07151159

## Further Information

Neither the content of the Company's website (or any other website) nor any website accessible by hyperlinks on the Company's website (or any other website) is incorporated in, or forms part of, this announcement.

Any person receiving this announcement is advised to exercise caution in relation to the Placing. If in any doubt about any of the contents of this announcement, independent professional advice should be obtained.

Numis Securities Limited ("Numis Securities"), 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 announcement is issued, will not be responsible for providing customer protections to any other person (whether or not recipients of this announcement) in respect of the Proposals and/or any acquisition of Ordinary Shares. The responsibilities of Numis Securities 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 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 announcement, or otherwise. Numis Securities is not making any representation or warranty, express or implied, as to the contents or completeness of this announcement. Numis Securities has not authorised the contents of this announcement for any purpose.

Kinmont Limited ("Kinmont"), 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 announcement is issued, will not be responsible for providing customer protections to any other person (whether or not recipients of this announcement) in respect of the Proposals and/or any acquisition of Ordinary Shares. No responsibilities or liability (whether arising in tort, contract or otherwise) are or will be owed by Kinmont 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 announcement, or otherwise. Kinmont is not making any representation or warranty, express or implied, as to the contents or completeness of this announcement. Kinmont has not authorised the contents of this announcement for any purpose.

This announcement is not an offer to sell or a solicitation of any offer to buy the securities of CPPGroup Plc (the "Company") in the United States, Australia, Canada, Japan, the Republic of South Africa or in any other jurisdiction where such offer or sale would be unlawful.

This announcement may not be published, distributed or transmitted by any means or media, directly or indirectly, in whole or in part, in or into the United States. The Placing Shares 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 announcement. 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.

This announcement is an advertisement and not a prospectus. No prospectus is required to be published in connection with the Placing in accordance with the Prospectus Directive, and accordingly no prospectus will be published in connection with the Placing. This announcement cannot be relied on for any investment contract or decision. No person has been authorised to give any information or make any representation and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, Numis Securities or Kinmont.

Note regarding forward-looking statements:

This announcement 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 announcement 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 announcement, 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 announcement, 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 announcement 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 announcement. 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, Numis Securities and Kinmont 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 announcement on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

This summary should be read in conjunction with the full text of the announcement which follows.

## **CPPGROUP PLC**

### **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**

#### **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 announces today that the Board is proposing to raise in aggregate £20.0 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 "Reasons for and Details of the Capital Reorganisation", 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 contained in the Circular, 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. Further information on the revised relationship agreement is set out in the Circular to be published and distributed to Shareholders today.

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 Non-Executive Chairman (to replace Duncan McIntyre with effect from the end of the General Meeting – for further information please see "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 announcement 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.

The Circular includes 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.

## **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 announcement) 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 the Circular. This information is incorporated by reference into the Circular 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 announcement 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 announcement, 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 announcement 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 announcement 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 announcement;

- 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 announcement) falling due between the date of this announcement 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 today, 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 today 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. Further details on the regulatory and other consequences of moving to AIM are set out in the Circular to be published and distributed to Shareholders today.

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

### **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 the Circular.

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 the Circular.

The estimates and assumptions underlying the Illustrative Projections are based on matters as they exist at the date of this announcement 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 announcement 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 the Circular.

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.

*Illustrative Projections for the 12 month periods ending 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
Target operating profit before exceptional items			2.4
Target cash generated by operations before exceptional items			5.1

*Profit Targets for the 12 month period ending on 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

**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 announcement 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:

<b>Investor</b>	<b>No. of Existing Ordinary Shares held</b>	<b>Percentage of issued share capital</b>	<b>No. of Placing Shares to be subscribed for</b>	<b>Percentage of Enlarged Share Capital held on AIM Admission</b>
<b>New Shareholders</b>				
Phoenix	-	-	335,326,643	40.00%
<b>Existing Shareholders</b>				
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.

## **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.

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 the Circular for further details of the rights which are proposed to be attached to the Deferred Shares.

## **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:

<b>Use of proceeds</b>	<b>£ million</b>
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
<b>Total</b>	<b>17.9</b>

### **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).

## **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, Shareholders should refer to Part 2 of the Circular.

### **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.

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 the Circular.

For a detailed discussion of the consequences of the move to AIM, Shareholders should refer to Part 1 of the Circular.

### **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 the Circular. 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.

#### **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 those 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 financial and other information on Phoenix will be included in the display documents listed in Part 4 of the Circular.

### **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 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.

### **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 the intention of Duncan McIntyre to step down as Non-Executive Chairman once the Board had a positive way forward on the restructuring of the Group.

It has today been confirmed 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 Duncan McIntyre as Non-Executive Chairman with effect from conclusion of the General Meeting. Mr Anstee 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. Further details of Mr Anstee's terms of service and of his other directorships are set out in Part 4 of the Circular.

Following Duncan McIntyre's 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.

### **General Meeting**

Set out in the Circular 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 announcement), 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 announcement, 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 announcement) 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, an ordinary resolution of Shareholders is being proposed at the General Meeting to approve the disapplication of the Remuneration Policy.

**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.

### **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 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) as set out in the Notice of General Meeting.

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.

## **Recommendations**

### *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, 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 announcement).

## EXPECTED TIMETABLE

The expected timetable for the principal events is set out below:

	<b>2014</b>
Date of this announcement	23 December
	<b>2015</b>
Latest time and date for receipt of Forms of Proxy	10:30 a.m. on 9 January
General Meeting	10:30 a.m. on 13 January
Capital Reorganisation Record Date	6 p.m. on 13 January
Last day of dealings in the Ordinary Shares on the Main Market	10 February
Cancellation of listing of the Ordinary Shares on the Official List	8.00 a.m. on 11 February
AIM Admission and commencement of dealings in the Ordinary Shares (including the Placing Shares) on AIM	8.00 a.m. on 11 February
CREST accounts credited with Placing Shares in uncertificated form	8.00 a.m. or as soon as possible thereafter on 11 February
Dispatch of definitive share certificates in respect of the Placing Shares to be issued in certificated form	by 18 February

### 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.

## DEFINITIONS

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

<b>“2006 Act”</b>	the Companies Act 2006, as amended
<b>“AIM”</b>	AIM, a market operated by the London Stock Exchange
<b>“AIM Admission”</b>	the admission of the Ordinary Shares (including the Placing Shares) to trading on AIM
<b>“AIM Designated Market”</b>	a market whose name appears in the latest publication by the London Stock Exchange of the document entitled “The AIM Designated Market Route”
<b>“AIM Rules”</b>	the AIM Rules for Companies published by the London Stock Exchange from time to time
<b>“Amended Articles”</b>	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 Resolution 2 in the Notice of General Meeting
<b>“Amended and Restated Facility”</b>	the Group’s £5.0 million multicurrency revolving credit facility entered into with the Continuing Lender on the date of this announcement, which is conditional on AIM Admission and completion of the Placing
<b>“Annual Renewal Rate”</b>	the net amount of annual retail policies remaining on the book after the scheduled renewal date, as a proportion of those available to renew
<b>“Bank Facility”</b>	the Group’s £13.0 million multicurrency revolving credit facility advanced by the Lenders
<b>“Board” or “Directors”</b>	the board of directors of the Company
<b>“Business Day”</b>	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
<b>“Business Partner Agreement”</b>	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
<b>“Business Partners”</b>	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
<b>“Capital Reorganisation”</b>	the proposed sub-division and re-designation of the Ordinary Shares, details of which are set out in this announcement, to be effected by the passing of Resolutions 1 and 2

<b>“Capital Reorganisation Record Date”</b>	6.00 p.m. on 13 January 2015
<b>“Card Protection”</b>	those products and services sold by the Group under the “Card Protection” name
<b>“certificated” or “in certificated form”</b>	a share or other security not held in uncertificated form (i.e. not in CREST)
<b>“Circular”</b>	the circular to Shareholders to be published on or about the date hereof in connection with the Proposals and the Waiver of Rule 9 under the City Code
<b>“City Code”</b>	the City Code on Takeovers and Mergers,
<b>“Company”</b>	CPPGroup Plc
<b>“Commission Deferral Agreement”</b>	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
<b>“Continuing Lender”</b>	the lender under the Amended and Restated Facility, being Barclays Bank PLC
<b>“Corporate Governance Code”</b>	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
<b>“CPPL”</b>	Card Protection Plan Limited, a regulated, wholly owned indirect subsidiary of the Company
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations)
<b>“CREST Manual”</b>	the manual, as amended from time to time, produced by Euroclear describing the CREST system, and supplied by Euroclear to users and participants thereof
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001, as amended from time to time
<b>“De-listing”</b>	the cancellation of the listing of the Ordinary Shares on the Official List and from trading on the Main Market
<b>“Deferred Commission”</b>	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 announcement
<b>“Deferred Shares”</b>	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

<b>“Disclosure and Transparency Rules” or “DTRs”</b>	the disclosure rules and transparency rules made by the FCA under Part VI of FSMA, as amended from time to time
<b>“Enlarged Share Capital”</b>	the expected issued ordinary share capital of the Company outstanding immediately following completion of the Placing
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited
<b>“Existing Articles”</b>	the articles of association of the Company as at the date of this announcement
<b>“Existing Ordinary Shares”</b>	the Ordinary Shares issued and outstanding as at the last Business Day prior to the date of this announcement
<b>“FCA”</b>	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
<b>“FCA Investigation”</b>	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
<b>“Form of Proxy”</b>	the enclosed form of proxy for use by Shareholders in connection with the General Meeting
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended
<b>“General Meeting”</b>	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 the Circular
<b>“Group”</b>	the Company and its subsidiary undertakings as defined in section 1162 of the 2006 Act
<b>“Hamish Ogston Undertaking”</b>	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
<b>“HIL”</b>	Homecare Insurance Ltd, a regulated, wholly owned indirect subsidiary of the Company
<b>“Kinmont”</b>	Kinmont Limited, which is authorised and regulated in the United Kingdom by the FCA
<b>“Identity Protection”</b>	those products and services sold by the Group under the “Identity Protection” name

<b>“Illustrative Projections”</b>	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 the Circular
<b>“Independent Shareholders”</b>	(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
<b>“Lenders”</b>	the current lenders under the Bank Facility, being each of Endless LLP and Barclays Bank PLC
<b>“Listing Rules”</b>	the listing rules made by the FCA under Part VI of FSMA, as amended from time to time
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Main Market”</b>	the regulated market of the London Stock Exchange
<b>“Notice” or “Notice of General Meeting”</b>	the notice of the General Meeting set out at the end of the Circular
<b>“Numis Securities”</b>	Numis Securities Limited, which is authorised and regulated in the United Kingdom by the FCA
<b>“Official List”</b>	the daily official list of listed securities maintained by the FCA
<b>“Ordinary Shares”</b>	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
<b>“Original Lenders”</b>	the original lenders under the Bank Facility, being each of Barclays Bank PLC, the Royal Bank of Scotland PLC and Santander UK Plc
<b>“Phoenix”</b>	Phoenix Asset Management Partners Limited
<b>“Placing”</b>	the proposed placing by Numis Securities on behalf of the Company of the Placing Shares
<b>“Placing Agreement”</b>	the conditional agreement between the Company and Numis Securities dated 23 December 2014 relating to the Placing
<b>“Placing Price”</b>	the price of 3 pence per Placing Share
<b>“Placing Shares”</b>	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

<b>“PRA”</b>	the Prudential Regulatory Authority of the UK in its capacity as the competent authority set up under Part 1A of FSMA
<b>“Profit Targets”</b>	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 the Circular
<b>“Proposals”</b>	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
<b>“Regulation S”</b>	Regulation S under the Securities Act
<b>“Remuneration Policy”</b>	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
<b>“Resolutions”</b>	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting
<b>“ROI”</b>	Republic of Ireland
<b>“Scheme”</b>	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
<b>“Securities Act”</b>	the United States Securities Act of 1933, as amended
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“Schroder Investment Management Undertaking”</b>	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
<b>“Takeover Panel”</b>	the UK Panel on Takeovers and Mergers
<b>“uncertificated” or “in uncertificated form”</b>	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
<b>“Undertakings”</b>	the Hamish Ogston Undertaking and the Schroder Investment Management Undertaking.
<b>“U.S. person”</b>	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