

8 April 2016

**CPPGroup plc**  
**Publication of Shareholder Circular**

**CPP responds to the Resolutions proposed by Schroder Investment Management Limited**

Following the announcement made by CPPGroup plc ("CPP" or the "Company") on 21 March 2016 confirming receipt of a notice requisitioning a general meeting of the Company from Schroder Investment Management Limited, the Company is today publishing a circular to CPP Shareholders containing a letter from the Chairman to CPP Shareholders. The letter details the Board's response to Schroders' Requisition and explains the Board's views on the Requisition in order that CPP Shareholders are fully informed and able to make their voting decisions on that basis.

The Resolutions will be put before CPP Shareholders at the Company's forthcoming General Meeting at 2.00p.m. on 5 May 2016 at the offices of Eversheds LLP, One Wood Street, London, EC2V 7WS.

The Requisition Notice proposes resolutions that four of the five current Directors of the Company be removed and that the Requisition Candidates be appointed to the Company's Board.

In summary, the Board considers that it is not in the best interests of the Company or of CPP Shareholders as a whole for the Requisition Candidates, who the Board understands are not and have not in the recent past been approved by the FCA or the PRA to carry out a controlled function or similar, who have outlined no clear strategy and who have indicated that they will require time to carry out a strategic and financial review before they will be able to formulate a new strategy, to be appointed to the Board in place of the current Chief Executive Officer and the Existing Non-Executive Directors.

Accordingly, the Board unanimously recommends that CPP Shareholders vote against the Resolutions for the reasons set out below.

- The risks to the continuation of existing regulated activities currently carried out by the Company's Regulated Subsidiaries in the UK
- The future growth of the Company depends upon its ability to develop and market products
- Uncertainty arising from the appointment of the Requisition Candidates may adversely impact the Group's relationship with key stakeholders
- A Board with an appropriate balance of skills, independence, knowledge and experience represents the best corporate governance structure for CPP Shareholders
- The Requisition has caused unnecessary disruption to, and uncertainty within, the operations of the business at a time when the Board wants to focus wholly on the trading performance of the Group

For further discussion of the background to the Requisition and for a detailed explanation of the reasons for the Board's recommendation that CPP Shareholders vote against the Resolutions, please refer to the Circular and to the Letter from the Chairman set out in the Appendix to this announcement

All terms used within this announcement will have the same meaning as applied within the Circular and are defined at the end of this announcement.

\* \* \*

The Circular will be posted to CPP Shareholders today, 8 April 2016. A copy of the Circular will be submitted to the National Storage Mechanism and will shortly be available for inspection at: [www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do) and on the Company's website at [www.cppgroupplc.com](http://www.cppgroupplc.com).

The timetable for the General Meeting is as follows:

<b>Event</b>	<b>Date</b>
Latest time and date for receipt of Form of Proxy from CPP Shareholders	2.00 p.m. on 3 May 2016
Voting Record Time for the General Meeting	6.00 p.m. on 3 May 2016
Time, date and location of the General Meeting	2.00 p.m. on 5 May 2016 at the offices of Eversheds LLP, One Wood Street, London EC2V 7WS

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**Notes to Editors:**

CPP provides a range of assistance based services to customers in the UK & Ireland and in a number of international markets across Asia, Europe and Latin America. The Company's core propositions provide peace of mind for customers covering a range of areas including lost and stolen credit cards, identity theft, insurance of mobile devices, and passport and lost luggage assistance.

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

**Further Information:**

If in any doubt about any of the contents of this announcement, independent professional advice should be obtained.

Numis Securities Limited ("Numis"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company, as its nominated adviser and broker, and no one else in connection with the Requisition and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Requisition or any other matters referred to in this announcement. Numis' responsibilities as the Company's nominated adviser, under the AIM Rules, are owed solely to the London Stock Exchange and not to the Company or its Directors or any other person. Apart from the responsibilities and liabilities, if any, which may be imposed on Numis 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 voting decision in reliance on any part of this announcement, or otherwise. Numis makes no representation or warranty, express or implied, concerning the contents or completeness of this announcement. Numis accepts no liability whatsoever for the accuracy of any information or opinions contained in, or for the omission of any material information from, this announcement. Numis is not responsible for, nor has it authorized, the contents of any part 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 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 or Numis Securities.

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 AIM Rules (and/or any other applicable regulatory requirements) or applicable law, each of the Company, the Directors and Numis Securities 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.

## APPENDIX

### LETTER FROM THE CHAIRMAN

#### 1. INTRODUCTION

On 21 March 2016, the Board announced that it had received a notice (the "Requisition Notice") from Schroder Investment Management Limited ("Schroders"), requiring the Board to convene a general meeting of the Company's shareholders to consider resolutions to remove the Company's Chief Executive Officer, Mr Stephen Callaghan and all of the Existing Non-Executive Directors of the Company, being Mr Roger Canham, the Company's chairman, Mr Shaun Astley-Stone and Mr Abhai Rajguru, and to replace them with the three Requisition Candidates, being Sir Richard Douglas Laphorne, Mr Nicholas Ian Cooper and Mr Mark William Hamlin (the "Requisition").

The Board is required to convene a general meeting within 21 days of the receipt of the Requisition, with such meeting being required to be held on a date not more than 28 days after the date of the notice convening it, and accordingly the Circular contains the notice of the General Meeting, which is to be held at 2.00 p.m. on 5 May 2016 at the offices of Eversheds LLP, One Wood Street, London EC2V 7WS, at which the Resolutions will be considered.

The purpose of the Circular is to explain the Board's views on the Requisition in order that CPP Shareholders are fully informed and able to make their voting decision on that basis.

#### 2. BACKGROUND

The Requisition Notice proposes resolutions that four of the five current Directors of the Company be removed and that the Requisition Candidates be appointed to the Company's Board. The Board was surprised by the Requisition given that the Company's overall performance has been strong and significantly ahead of previous market expectations and also given that the share price has risen strongly over the past 12 months, seeing the Company move from a market capitalisation of approximately £9.7 million at 31 December 2014 to a value of £106.6 million at the end of 2015. Adjusting for the net equity capital raise of £18.5m in February 2015, this represents an increase of £78.4m or approximately 278% growth.

The Board understands that Schroders (which controls just over 10 per cent. of the CPP Shares) and Sir Richard Laphorne are working together with Mr Hamish Ogston (who controls approximately 42 per cent. of the CPP Shares) in connection with the Requisition.

Mr Ogston is the founder of the Group, was chairman of CPPL from its inception until 2005, and thereafter a member of the board of certain holding companies thereof (including the Company) through to the IPO of the Company in 2010 and throughout the period when the Company was subject to the FCA investigation and subsequent censure, until resigning from the board of the Company in June 2013. Mr Ogston, either directly or through his family investment vehicle, Milton Magna Limited, is a longstanding investment client of Cazenove Capital Management, a trading name for Schroder & Co. Limited which is an affiliate of Schroders, having been with them since 2008.

Mr Ogston sought, in August 2014 and again in August 2015, to secure his reappointment to the Board by exercising a right granted to him to appoint a non-executive director, subject to compliance with applicable laws, under the relationship agreement entered into between him and the Company date 18 March 2010 in preparation for the IPO of the Company and subsequently under the current Relationship Agreement. Any appointment to the Board requires Mr Ogston, like all other directors of the Company, to first be approved by the FCA to carry out a controlled function in respect of the Company's regulated subsidiaries, CPPL and HIL (the "Regulated Subsidiaries"). Mr Ogston duly submitted applications to be approved to carry out the controlled function which were carefully reviewed and considered by the boards of the Regulated Subsidiaries, who concluded that they were unable to submit the applications to the FCA or the Prudential Regulation Authority as the applications did not include certain information and assurances requested by the respective boards from Mr Ogston and were therefore considered incomplete. The boards of the Regulated Subsidiaries concluded that they were not, at that time, satisfied of Mr Ogston's overall suitability to hold a controlled function. Mr Ogston has not, to date, attempted to appoint an alternative candidate to represent his interests on the Board, as he is entitled to do under the Relationship Agreement.

A copy of the explanatory statement initially provided by Schroders for circulation to CPP Shareholders in connection with the Requisition is set out in Schedule I to the Circular. The Board notes that this explanatory statement provides no explanation of Schroders' or the Requisition Candidates' strategic vision for CPP, nor as to how they intend to achieve CPP's full business potential, stating only that it is intended that a strategic and financial review be conducted following their appointment, the results of which will be reported to CPP Shareholders, in order to determine the best way forward.

On 23 March 2016, a letter was sent to Schroders on behalf of the Company raising certain questions in order to enable the Board to understand better the circumstances and concerns that led Schroders to issue the Requisition Notice. A copy of that letter, together with Schroders' response to it by email received on 29 March 2016 and an email sent by the Company's solicitors in reply (to which no response has been received), is set out in Schedule II to the Circular.

Accordingly, on 31 March 2016, the Board, having sought to engage with Schroders through the letter sent on 23 March 2016 but with very limited success, issued a notice to Schroders under section 793 of the Companies Act 2006 (the "Act"), seeking disclosure of details of its interest in CPP Shares and in particular of any arrangements to which Schroders is party in relation to the exercise of any voting rights conferred by the holding of CPP Shares. The notice issued to Schroders, together with Schroders' response to that notice received on 7 April 2016, is set out in Schedule III to the Circular.

A second notice was issued under section 793 of the Act and pursuant to the terms of the Relationship Agreement dated 22 December 2014 to Mr Ogston on the same date, seeking disclosure of details of his interest in CPP Shares and in particular of any arrangements to which he is party in relation to the exercise of any voting rights conferred by his holding of CPP Shares, and to disclose any interaction between the Requisition Candidates and Mr Ogston. The notice issued to Mr Ogston, together with his response to that notice received on 7 April 2016, is set out in Schedule IV to the Circular.

### **3. REASONS FOR THE BOARD'S RECOMMENDATION TO VOTE AGAINST THE RESOLUTIONS**

The Board considers that it is not in the best interests of the Company or of CPP Shareholders as a whole for the Requisition Candidates, who the Board understands are not and have not in the recent past been approved by the FCA or the PRA to carry out a controlled function or similar, who have outlined no clear strategy and who have indicated that they will require time to carry out a strategic and financial review before they will be able to formulate a new strategy, to be appointed to the Board in place of the current Chief Executive Officer and the Existing Non-Executive Directors.

Accordingly, the Board unanimously recommends that CPP Shareholders vote against the Resolutions for the reasons set out below.

#### **3.1 The risks to the continuation of existing regulated activities currently carried out by the Company's Regulated Subsidiaries in the UK**

The Regulated Subsidiaries in the UK, which have branches internationally (and which in some jurisdictions rely on passporting of their UK permissions), together currently account for more than 70 per cent. of the Group's gross profit and more than 60 per cent. of the Group's total revenue.

Given the Group structure and the crucial importance of the Regulated Subsidiaries to the Company's operations, the Board has consistently been advised that all Directors of the Company are required to be approved to carry out controlled functions in respect of the Regulated Subsidiaries, because even Non-Executive Directors' decisions or actions will be regularly taken into account by the Regulated Subsidiaries, including in relation to setting and monitoring their business strategy and scrutinising the approach of executive management and standards of the Regulated Subsidiaries. Accordingly, at present, all of the Directors are approved by the FCA to carry out controlled functions in relation to the Regulated Subsidiaries and it is clear that the FCA expects this to remain the case going forward where Non-Executive Directors are influencing the decisions and activities of the Regulated Subsidiaries in this manner. None of the current Directors took up their appointment to the Board prior to their approval by the FCA and, where appropriate, the PRA. The Board believes that this meets FCA and PRA expectations.

The Board understands that none of the Requisition Candidates is currently or has in the recent past been approved by the FCA or the PRA to carry out a controlled function in respect of any regulated financial services business. Should the Requisition Candidates be appointed to the Board, they will be unable to carry out any part of their role as directors that involves the exercise of any strategic oversight or influence over the core business of the Company and its Group until such time as they are approved (assuming that they are able to satisfy the boards of the Regulated Subsidiaries and the FCA and the PRA that they are fit and proper persons to be approved to carry out a controlled function). The Requisition Candidates have given no indication of how they propose to address this fundamental obstacle to their management of the Company and its Group in the interests of all CPP Shareholders, customers, colleagues and other stakeholders.

The Board therefore believes that the appointment of the Requisition Candidates to the Board would run an unnecessary risk of causing significant disruption to the governance and operations of the Regulated Subsidiaries, as well as causing significant repercussions for the Company's and the Regulated Subsidiaries' relationship with the FCA and PRA, which may cause the FCA and PRA to re-evaluate the ongoing governance of the Regulated Subsidiaries in light of regulatory expectations such that the ongoing renewal activities of the Regulated Subsidiaries could be challenged.

This risk is increased by virtue of the fact that currently Shaun Astley-Stone, Abhai Rajguru and Stephen Callaghan are also Directors of the Regulated Subsidiaries, with Stephen Callaghan holding the CF3 (Chief Executive) control function for CPPL. The ongoing regulatory experience, skills and competence of the boards of the Regulated Subsidiaries are critical to the Regulated Subsidiaries continuing to meet regulatory requirements of good governance such that they can continue to carry out their current regulated activities. It is unclear what impact the removal of these individuals from the Board would have on their directorships of the Regulated Subsidiaries and whether they would, or would be able to, remain in position as approved persons carrying out controlled functions in respect of the Regulated Subsidiaries.

Given the materiality of the Regulated Subsidiaries to the Group, any impact on their ability to continue current trading activities, such as restrictions on or suspension or prohibition of renewals of existing products (which represent the principal source of revenue in the UK business), would have a significant adverse financial impact on the Group.

The Company is in active discussions with the FCA regarding restoring the Regulated Subsidiaries' full regulatory permissions. Following discussions with the FCA, the Board is of the view that the Company must demonstrate the cessation of prior management practices and significant shareholder influence prior to any reinstatement of the Regulated Subsidiaries' full regulatory permissions. Such reinstatement is essential for the Regulated Subsidiaries to develop and market regulated products, and to support the free movement of cash around the Group to support investment. These discussions with the FCA will not, in the Board's view, be assisted, and indeed are likely to be significantly adversely affected, by wide-ranging changes to the Company's and the Group's governance structure, such as would arise if the Requisition Candidates were to be appointed.

Any inability to regain full regulatory permissions will have a material impact on the growth of the Group's business and its longer term prospects. The VVOPs also materially impact the Company's reputation and the Board believe that being seen to be fully rehabilitated is a fundamental requirement to enable the Group to build new relationships and drive further growth.

### **3.2 The future growth of the Company depends upon its ability to develop and market products**

The Board has a clear and established strategy to grow the Group's business by developing and marketing new products in its core markets including the UK; to the extent that these include regulated products, in line with the Group's strategy, this will require reinstatement of CPPL's full regulatory permissions. Accordingly, full reinstatement of regulatory permissions is a key part of the Group's plans and the Group's management has made significant progress on this journey. The products currently offered by the Group have been reviewed in the context of customer and current market needs, and new products have been created, the first of which is expected to launch in the UK shortly. The preparations for reinstatement of permissions include the recruitment of key personnel to fill strategically significant management roles to address weaknesses in the Regulated Subsidiaries, and in relation to creating new products in support of the Group's strategy.

Progress is likely to be impacted if the Company and its management, as a result of the appointment of the Requisition Candidates, are unable to create the conditions in the Company's business necessary to maintain positive momentum with the FCA and achieve reinstatement of CPPL's regulatory permissions. The potential disruption to the Group's recovery and growth arising from an inability to properly implement the Group's strategy would have an adverse impact on the morale of management and key employees. In this light the Board understands that all members of the Company's executive management team, in respect of their aggregate beneficial holdings of 3,795,000 CPP Shares (representing approximately 0.44 per cent. of the issued share capital of the Company), intend to vote against the Resolutions.

The Board's view is that the uncertainty arising from such disruption will make it difficult to attract, retain and replace suitably qualified employees, including in particular key members of management hired to remedy past failings and implement the current strategy, and will therefore be likely to have a material adverse effect on both the Group's business and prospects and the Company's 3.8 million customers worldwide.

### **3.3 Uncertainty arising from the appointment of the Requisition Candidates may adversely impact the Group's relationship with key stakeholders**

The uncertainty generated by the Requisition may have a significant adverse impact on the Group's relationship with its lender, which in addition to the Group's partially drawn revolving credit facility also provides settlement, collections and other services to the Group and the Regulated Subsidiaries. The Group's lender has been supportive of the Group over a sustained period whilst it has navigated through the FCA Investigation, various re-financings, the redress scheme and the very difficult trading conditions resulting from these events. The Board understands that, were the FCA to take any actions as a result of the removal of the current Directors and the election of the Requisition Candidates, the Group's lender would reassess their relationship with the Group, the services they are willing to continue providing to the Group and their assessment of the long term prospects and creditworthiness of the Group. Additionally, were the FCA to impose any further restrictions on the ability of the Regulated Subsidiaries to renew existing regulated products, whether temporarily or permanently, the resulting material adverse impact on trading would materially impact the Group's ability to comply with the covenants under its revolving credit facility.

The Board understands that the third party insurance underwriters who currently underwrite more than 90 per cent. of the insurance products held by the Group's UK customers see current developments as potentially detrimental and are concerned about the possibility of changes to the Group's senior leadership and the potential adverse impact on the direction and stability of the Company and the Regulated Subsidiaries, on the positive cultural changes that have been made within the Company and on the Company's and the Regulated Subsidiaries' relationship with the FCA.

Any significant deterioration in the Group's relationships with key stakeholders may result in the suspension or withdrawal of, or a significant and unfavourable revision of the terms of, business-critical services currently provided to the Group, which could have a material adverse impact on the Group's business and prospects.

### **3.4 A Board with an appropriate balance of skills, independence, knowledge and experience represents the best corporate governance structure for CPP Shareholders**

In the circular published on 24 December 2014 in connection with the proposed equity capital raising and admission of the Company to AIM that were completed in February 2015, on the basis of which Schroders and Mr Ogston participated in the capital raising, the Company's board (as it was then constituted) stated that it did not envisage that the implementation of Schroders' proposals would result in significant alteration to the standards of reporting and governance that the Company maintained at the time as a premium-listed company. The UK Corporate Governance Code requires listed companies to have a formal, rigorous and transparent procedure for the appointment of new directors and the search for board candidates should be conducted, and appointments made, on merit against objective criteria. In addition, it provides that boards of directors of listed companies should have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their duties and responsibilities as directors effectively. In particular, matters which might compromise the independence of a director include where that director (i) holds cross-directorships or has significant links with other directors through involvement in other companies or bodies and (ii) represents a significant shareholder. The Corporate Governance Code for Small and Mid-size Quoted Companies published by the Quoted Companies Alliance, which many AIM companies follow, contains recommendations that are substantially similar in effect.

The Board firmly believes in the value of corporate governance, in maintaining a sound framework for the control and management of the Company and its subsidiaries and in maintaining an effective and diverse board of directors in compliance with the UK Corporate Governance Code.

Two of the Requisition Candidates, Sir Richard Lapthorne and Mark Hamlin, are currently serving (as Chairman and Deputy Chairman respectively) on the board of Cable & Wireless Communications Plc and the third, Nicholas Cooper, was a member of that board until March 2015. All of the Requisition Candidates are being put forward for election by Schroders, whom the Board understands to be working together with Sir Richard Lapthorne and Mr Hamish Ogston to secure the appointment of the Requisition Candidates. Additionally, none of the Requisition Candidates is currently or, so far as the Board is aware, has ever been, approved by the FCA to carry out a controlled function in respect of any regulated entity and no approach has ever been made by any Requisition Candidate to the board of either CPPL or HIL to submit such an application in respect of any Requisition Candidate, nor, it is believed, do any of the Requisition Candidates have any recent and relevant experience of managing a regulated financial services business.

Although the Board has asked Schroders how it identified Sir Richard Lapthorne, Nicholas Cooper and Mark Hamlin as appropriate board members, it has to date received no meaningful response and is unable to determine what rigorous and transparent procedure (if any) was followed in selection of the Requisition Candidates and on what objective criteria (if any) the Requisition Candidates were and apparently remain judged suitable for the Company, notwithstanding the Board's serious concerns as to their appropriateness and the other impacts of the Requisition. In the Board's view, this relative lack of transparency and the significant and sudden escalation of normal dialogue with institutional shareholders that the Requisition represents, is a little surprising in light of the guidance issued by the Financial Reporting Council in the UK Stewardship Code.

The proposed appointment of the Requisition Candidates in the absence of a rigorous recruitment process lead by the Board means the Board's, CPP Shareholders' and key stakeholders' (including the FCA's) only knowledge of the Requisition Candidates is therefore based almost entirely on what is publicly available.

The Board currently considers that, in light of publicly available information and the very limited other evidence that has been made available to it to date, the Requisition Candidates do not have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their duties and responsibilities as directors of a regulated financial services business. There are significant reasons to doubt their suitability to be proposed as independent non-executive directors for this reason alone and also in light both of their links to each other through their long-standing involvement on the board of Cable & Wireless Communications Plc and the fact that they are being proposed by Schroders, a significant shareholder whom the Board also understands to be working together with Mr Hamish Ogston, the Company's largest single shareholder when his holding is aggregated with that of Milton Magna Limited, his family investment vehicle.

The Board considers that the interests of CPP Shareholders are best served by a Board that is independent of, free from significant influence from, and does not represent the narrow interests of, any individual significant CPP Shareholder or shareholding group. The proposed Resolutions will dramatically reduce the level of independence on the Board going forward, if not removing independent voices entirely. Under Schroders' proposals, the composition of all of the board committees would also no longer be compliant with the requirements of the UK Corporate Governance Code.

The Board has always been, and will continue to be, open to dialogue with all CPP Shareholders. In the Board's opinion, replacing the Group's Chief Executive Officer and all of the Existing Non-Executive Directors at this important time is unnecessary and there is currently no evidence that any of Schrodgers' candidates would add any significant new value to, or would introduce significant enhancements or improvements to, the Board and governance structure of the Company as it currently stands. Instead, Schrodgers' current proposals would reduce the independence on the Board, damage the Company's compliance with the UK Corporate Governance Code and provide a voice to one particular group of CPP Shareholders in preference to other CPP Shareholders.

### 3.5 **The Requisition has caused unnecessary disruption to, and uncertainty within, the operations of the business at a time when the Board wants to focus wholly on the trading performance of the Group**

The Board is focused on delivering the Group's strategy, which is to focus on development of the Group's customer proposition, developing new channels to market and performance marketing underpinned by supporting its existing revenue stream, new income generation, business transformation and cost control. The Board remains confident of the direction in which the business is heading and the progress being made.

As reported in the Group's Full Year Report for the year ended 31 December 2015 published on 24 March 2016, driven by the new leadership team, the Group made significant financial and operational progress in 2015. In particular, there has been substantial improvement in profitability in 2015, with underlying operating profit from continuing operations at £6.9 million (up from £2.8 million in 2014) and underlying operating profit from continuing and discontinued operations combined at £8.9 million (compared to a £0.6 million loss in 2014). This level of performance has required the leadership team to take decisions which have materially improved the business in the past 12 months. Compared to the business plan in place in early 2015, these underlying operating profits are materially higher than the forecasts made by the Board and leadership team in place at that time. The Company's cash position at the end of 2015 was also £10 million ahead of the previous budget. The annual financial report is available on the Group's website at <http://www.cppgroupplc.com/investor-relations/key-financial-data/financial-reports/>.

The trading price of the CPP Shares has also benefited with a significant increase in the market capitalisation of the Company over the prior twelve month period, with the trading price increasing to 12.50 pence at 31 December 2015 (resulting in a market capitalisation of £106.6 million), from 5.63 pence at 31 December 2014 (resulting in a market capitalisation of £9.7 million) and basic earnings per share from continuing and discontinued operations has improved to 2.72 pence per CPP Share (compared to a 3.94 pence loss per CPP Share in 2014). This substantial increase in shareholder value reflects the significant progress made by the Board and senior leadership.

The Company released its Full Year Report on 24 March 2016 showing significantly higher than forecast operating profit performance. Since the Requisition was reported, the trading price of the CPP Shares has moved from a closing price of 12.38 pence on 21 March 2016 to 9.62 pence on 7 April 2016, a decline of more than 22 per cent.

## 4. **RECOMMENDATION**

For the reasons set out above, the Board considers that the Resolutions:

- to remove Mr Stephen Callaghan, the Company's Chief Executive Officer and to remove the Existing Non-Executive Directors of the Company, being Mr Roger Canham, the Company's Chairman, Mr Shaun Astley-Stone and Mr Abhai Rajguru; and
- to replace them with the three Requisition Candidates, being Sir Richard Douglas Lapthorne, Mr Nicholas Ian Cooper and Mr Mark William Hamlin,

are, in each case, not in the best interests of the Company or CPP Shareholders, as a whole.

**The Board therefore unanimously recommends that all CPP Shareholders vote against the Resolutions, as all the Directors intend to do in respect of their aggregate beneficial holdings of 4,875,000 CPP Shares (representing approximately 0.57 per cent. of the issued share capital of the Company).**

## 5. **ACTION TO BE TAKEN**

CPP Shareholders will find, set out at the end of the Circular, a Notice convening the General Meeting, to be held at 2.00 p.m. on 5 May 2016 at the offices of Eversheds LLP. One Wood Street, London EC2V 7WS, at which the Resolutions will be considered. The full text of the Resolutions is set out in the Notice. Voting at the General Meeting will be by poll and not on a show of hands and each CPP Shareholder entitled to attend and who is present in person or by proxy will be entitled to one vote for each CPP Share held.

CPP Shareholders will find enclosed with the Circular a Form of Proxy for use at the General Meeting or any adjournment thereof. Whether or not CPP Shareholders intend to be present at the General Meeting, they are requested to complete and sign the Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's registrars, Capita Asset Services, at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible, and in any event, no later than 2.00 p.m. on 3 May 2016 (or, in the case of an adjournment, not later than 48 hours (excluding non-working days) before the time fixed for the holding of the adjourned meeting).

If CPP Shareholders hold CPP Shares in CREST and they wish to appoint a proxy or proxies for the General Meeting or any adjournment(s) thereof by using the CREST electronic proxy appointment service, they may do so by using the CREST proxy voting service in accordance with the procedures set out in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to that CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Proxies submitted via CREST (under CREST ID RA10) must be sent as soon as possible and, in any event, so as to be received by the Company's registrars, Capita Asset Services, by no later than 2.00 p.m. on 3 May 2016 (or, in the case of an adjournment, not later than 48 hours (excluding non-working days) before the time fixed for the holding of the adjourned meeting).

CPP Shareholders wishing to complete their paper Form of Proxy in line with the Board's recommendations should place an "X" in the boxes under the heading "Against".

If CPP Shareholders have any questions relating to this document, the General Meeting and/or the completion and return of the Form of Proxy, they should please telephone Capita Asset Services on 0871 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales). Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Requisition nor give any financial, legal or tax advice.

The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude CPP Shareholders from attending and voting in person at the General Meeting or any adjournment thereof, if they wish to do so and are so entitled.

## DEFINITIONS

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

<b>"Act"</b>	the Companies Act 2006
<b>"AIM"</b>	the AIM market operated by the London Stock Exchange
<b>"Board"</b>	the current board of directors of the Company
<b>"Company" or "CPP"</b>	CPPGroup Plc, registered in England and Wales with registered number 07151159
<b>"CPP Shareholders"</b>	holders of CPP Shares
<b>"CPP Shares"</b>	the ordinary shares of 1 pence each in the capital of the Company, having the rights set out in the Company's Articles of Association
<b>"CPPL"</b>	Card Protection Plan Limited
<b>"CREST"</b>	the relevant system (as defined in the Regulations) in respect of which Euroclear is the operator (as defined in the Regulations)
<b>"CREST Manual"</b>	the CREST manual consisting of the CREST reference manual; CREST international manual; CREST central counterparty service manual; CREST rules; CCSS operations manual and CREST glossary of terms available at <a href="http://www.euroclear.com">http://www.euroclear.com</a>
<b>"CREST Proxy Instruction"</b>	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a shareholder at the General Meeting and containing the information required to be contained in the CREST Manual
<b>"Directors"</b>	the directors of the Company whose names are set out on page 4 of the Circular
<b>"Euroclear"</b>	Euroclear UK & Ireland Limited

<b>“Existing Non-Executive Directors”</b>	Mr Roger Canham, Mr Shaun Astley-Stone and Mr Abhai Rajguru
<b>“FCA”</b>	the United Kingdom Financial Conduct Authority
<b>“Form of Proxy”</b>	the Form of Proxy enclosed with this document, for use by CPP Shareholders in connection with the General Meeting
<b>“General Meeting”</b>	the general meeting of the Company to be held at 2.00 p.m. on 5 May 2016 (and any adjournment thereof) for the purposes of considering and, if thought fit, passing the Resolutions
<b>“Group”</b>	the Company and its Subsidiaries
<b>“HIL”</b>	Homecare Insurance Limited
<b>“Notice”</b>	the notice of the General Meeting set out in the Circular
<b>“PRA”</b>	the Prudential Regulation Authority
<b>“Regulated Subsidiaries”</b>	Card Protection Plan Limited and Homecare Insurance Limited
<b>“Regulations”</b>	the Uncertificated Securities Regulations 2001 of the United Kingdom
<b>“Requisition”</b>	has the meaning given thereto on page 4 of the Circular
<b>“Requisition Candidates”</b>	Sir Richard Douglas Laphorne, Mr Nicholas Ian Cooper and Mr Mark William Hamlin
<b>“Requisition Notice”</b>	has the meaning given on page 4 of the Circular
<b>“Relationship Agreement”</b>	the relationship agreement entered into between the Company and Mr Hamish Ogston dated 22 December 2014
<b>“Resolutions”</b>	the ordinary resolutions to be proposed at the General Meeting (and set out in the Notice contained in the Circular):

- to remove the Company's Chief Executive Officer, Mr Stephen Callaghan, and to remove the three Existing Non-Executive Directors of the Company, being Mr Roger Canham, the Company's chairman, Mr Shaun Astley-Stone and Mr Abhai Rajguru; and
- to replace them with the three Requisition Candidates, being Sir Richard Douglas Laphorne, Mr Nicholas Ian Cooper and Mr Mark William Hamlin

<b>"Schroders"</b>	Schroder Investment Management Limited
<b>"Subsidiary"</b>	has the meaning given thereto in section 1159 of the Companies Act 2006
<b>"UK" or "United Kingdom"</b>	the United Kingdom of Great Britain and Northern Ireland
<b>"UK Corporate Governance Code"</b>	the UK Corporate Governance Code as published by the Financial Reporting Council
<b>"VVOPs"</b>	the voluntary variations of permission of the Regulated Subsidiaries entered into on 15 November 2012
<b>"pence", "pounds sterling", "sterling", "£" or "p"</b>	the lawful currency of the United Kingdom

*All times referred to are London time unless otherwise stated.*

*All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.*

*Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.*