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

This document does not constitute an offer to buy, acquire or subscribe for, or the solicitation of an offer to buy, acquire or subscribe for, Subscription Shares or an invitation to buy, acquire or subscribe for the Subscription Shares. No application has been or will be made for the Subscription Shares to be admitted to trading on a regulated market. This document is not, and is not required to be, a prospectus for the purposes of the Prospectus Rules published by the Financial Conduct Authority. In addition, this document does not constitute an admission document drawn up in accordance with the AIM Rules.

Application will be made to the London Stock Exchange for the Ordinary Shares (including the Subscription Shares) to be admitted to trading on AIM. Subject to, *inter alia*, the passing of the Resolutions at the General Meeting, it is expected that admission of the Ordinary Shares will become effective and that dealings in the Ordinary Shares will commence on AIM on or around 19 October 2015.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the Financial Conduct Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

CITY OF LONDON GROUP PLC

(Incorporated in England and Wales under the Companies Acts 1948 to 1980 with registered number 01539241)

Proposed Subscription of 16,646,064 Subscription Shares at 30 pence per Subscription 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 adoption of new investing policy

Notice of General Meeting

The whole of this document should be read. Your attention is drawn in particular to the letter from the Acting Chief Executive Officer of City of London Group plc that is set out in Part 1 of this document.

Peel Hunt LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company and no one else in connection with the Proposals and will not be offering advice and, without limiting the statutory rights of any person to whom this document is issued, will not be responsible for providing customer protections to any other person (whether or not recipients of this document) in respect of the Proposals and/or any acquisition of Ordinary Shares. The responsibilities of Peel Hunt LLP 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 Peel Hunt LLP by FSMA or the regulatory regime established thereunder, no responsibilities or liability (whether arising in tort, contract or otherwise) are or will be owed to the Company or to any Director, Shareholder or any other person, in respect of his decision to acquire shares in the Company in reliance on any part of this document, or otherwise. Peel Hunt LLP is not making any representation or warranty, express or implied, as to the contents or completeness of this document. Peel Hunt LLP has not authorised the contents of this document for any purpose.

Notice of a General Meeting of City of London Group plc to be held at the offices of Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London, EC2M 4YH at 10.15 a.m. on 18 September 2015 is set out at the end of this document. The Form of Proxy for use at the General Meeting accompanies this document.

The action to be taken by Shareholders in respect of the General Meeting is set out on page 18 of this document. If you hold your Existing Ordinary Shares in certificated form, whether or not you plan to attend the General Meeting, you are encouraged to complete the accompanying Form of Proxy and return it in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by post or, during normal business hours only, by hand, to Capita Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 10.15 a.m. on 16 September 2015 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)). The completion and return of a Form of Proxy will not prevent you from attending and voting at the meeting in person should you wish to do so.

If you hold your Existing Ordinary Shares in uncertificated form (that is, in CREST) you may vote using the CREST Proxy Voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of the General Meeting set out at the end of this document). Proxies submitted via CREST must be received by the Company's agent (ID RA10) by no later than 10.15 a.m. on 16 September 2015 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)). The completion and return of the Form of Proxy will not prevent you from attending and voting in person at the General Meeting, or any adjournment thereof, should you wish to do so.

The Subscription Shares described in this document have not been, and will not be, registered under the Securities Act or under the securities laws of any state of the United States. The Subscription 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 Subscription Shares in the United States or elsewhere. The Subscription 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 Subscription Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

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

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

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

Forward-looking information

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

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

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

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>2015</i>
Date of this document	26 August
Latest time and date for receipt of Forms of Proxy for General Meeting	10.15 a.m. on 16 September
Annual General Meeting	10.00 a.m. on 18 September
General Meeting	10.15 a.m. on 18 September
Last day of dealings in the Ordinary Shares on the Main Market	16 October
Cancellation of listing of the Ordinary Shares on the Official List	8.00 a.m. on 19 October
AIM Admission and commencement of dealings in the Ordinary Shares (including the Subscription Shares) on AIM	8.00 a.m. on 19 October
CREST accounts credited with Subscription Shares in uncertificated form	8.00 a.m. or as soon as possible thereafter on 19 October
Despatch of definitive share certificates in respect of the Subscription Shares to be issued in certificated form	by 2 November

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 Subscription, De-listing and AIM Admission are conditional on, *inter alia*, the passing of the Resolutions at the General Meeting.
- (4) Notice of the Company's annual general meeting has been sent to Shareholders under separate cover.

SHARE CAPITAL STATISTICS

Subscription Price	30 pence
Gross proceeds of the Subscription receivable by the Company ⁽¹⁾	£4,993,819.20
Estimated net proceeds of the Subscription receivable by the Company ⁽¹⁾	£4.4 million
Number of Existing Ordinary Shares in issue at the date of this document	20,206,617
Number of Subscription Shares to be issued pursuant to the Subscription ⁽¹⁾	16,646,064
Number of Ordinary Shares (including Subscription Shares) in issue following AIM Admission ⁽¹⁾⁽²⁾	36,852,681
Percentage of the Enlarged Share Capital represented by the Subscription Shares ⁽¹⁾⁽²⁾	45.2%
ISIN	GB0001991685

(1) Assumes that the Subscription Shares are subscribed for in full.

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

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors*	John Kent (<i>Acting Chief Executive Officer</i>) Howard Goodbourn (<i>Chief Financial Officer</i>) Andrew Crowe (<i>Non-Executive Director</i>) Paul Milner (<i>Non-Executive Director</i>)
Proposed Director*	Andrew (“Andy”) Crossley (<i>Senior Independent Non-Executive Director</i>)
Company Secretary	Lorraine Young
Registered office	30 Cannon Street London EC4M 6XH
Financial Adviser, Sponsor and Broker	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
Solicitors to the Company	Squire Patton Boggs (UK) LLP 7 Devonshire Square London EC2M 4YH
Auditors	BDO LLP 55 Baker Street London W1U 7EU
Registrars	Capita Asset Services 34 Beckenham Road Beckenham Kent BR3 4TU

* Conditional upon and with effect from AIM Admission, Mr. Milner will become Non-Executive Chairman of the Company, Mr. Crossley will become the Senior Independent Non-Executive Director and Mr. Kent will switch from Acting Chief Executive Officer to Chief Executive Officer.

PART 1

LETTER FROM THE ACTING CHIEF EXECUTIVE OFFICER

CITY OF LONDON GROUP PLC

(Incorporated and registered in England and Wales under the Companies Acts 1948 to 1980
with registered number 01539241)

Directors:

John Kent (*Acting Chief Executive Officer*)
Howard Goodbourn (*Chief Financial Officer*)
Andrew Crowe (*Non-Executive Director*)
Paul Milner (*Non-Executive Director*)

Registered Office:

30 Cannon Street
London
EC4M 6XH

Proposed Director: Andy Crossley (*Senior Independent Non-Executive Director*)

26 August 2015

Dear Shareholder

Proposed Subscription of 16,646,064 Subscription Shares at 30 pence per Subscription 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 adoption of new investing policy

Notice of General Meeting

1. Introduction

On 16 July 2015 the Board announced that it had conditionally agreed an equity fund raising of between £3 million and approximately £4.5 million through a direct subscription with investors which will provide new capital to fuel the Company's growth and bring in Cain Hoy as a new investor.

At that time, the Company had reserved the right to increase the size of the Subscription to up to £6 million in aggregate in the case of additional demand from third parties, whilst Cain Hoy had reserved the right to procure subscribers to fulfil part of its commitment. The Board was pleased to announce on 28 July 2015 that the Company had entered into a further subscription agreement with Helium Special Situations Fund on substantially the same terms. Cain Hoy has procured that Galliard Holdings subscribe, in order to satisfy part of Cain Hoy's original commitment to subscribe.

The Board is therefore proposing to raise in aggregate £4,993,819.20 million (approximately £4.4 million net of expenses) by way of a non-preemptive Subscription of 16,646,064 Subscription Shares at a price of 30 pence per Subscription Share. Immediately following AIM Admission, the Subscription Shares will represent approximately 45.2 per cent. of the Enlarged Share Capital (assuming that the Subscription Shares are subscribed for in full).

As we announced on 16 July 2015, the Board believes AIM is a more appropriate market for the trading of COLG's shares and will provide the Company with greater flexibility going forward. Therefore, in conjunction with the Subscription, we are proposing the De-listing and AIM Admission, as well as the adoption of a new investing policy which reflects both the Company's future strategy and the requirements of the AIM Rules.

The Subscription 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 Subscription Shares, and on AIM Admission.

The Subscription Price of 30 pence per Subscription Share represented a premium of approximately 29 per cent. to the closing middle market price of 23.25 pence per share on 15 July 2015, being the day before the announcement of the Subscription and a premium of 7 per cent. compared to the consolidated NAV per share of 28 pence per share on 31 March 2015. The Subscription Price represents a premium of approximately 8 per cent. to the closing middle market price of 27.75 pence per Existing Ordinary Share on 25 August 2015, being the last Business Day before the date of this document.

In order to effect the Delisting, AIM Admission and Subscription, the Company will require, *inter alia*, Shareholder approval of the Resolutions at the General Meeting. The Resolutions, which are set out in the Notice of the General Meeting at the end of this document, will, *inter alia*, authorise the Board to: (i) allot the Subscription 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); (ii) 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 Enlarged Share Capital to trading on AIM; (iii) enter into the related party transactions described below; and (iv) adopt the proposed new investing policy described in this document.

The proposed participation in the Subscription by Savoylane and the JG Estate will each constitute a related party transaction pursuant to the Listing Rules. Harvey Bard, who has nominated Paul Milner as a Director of the Company and is the largest creditor of the Company, is considered to be a related party of the Company for the purposes of the Listing Rules. Savoylane holds Existing Ordinary Shares (and upon AIM Admission will also hold Subscription Shares) as nominee for four members of Mr. Bard's family, including his two children, Alexander and Tania Bard, in equal proportions. Mr. Bard's children constitute associates of a related party for the purposes of the Listing Rules. Andrew Crowe, a Director of the Company, is the sole executor of the JG Estate and one of a number of its beneficiaries. As such, Andrew Crowe is considered a related party of the Company and the JG Estate is considered to be an associate of Andrew Crowe for the purposes of the Listing Rules. Notwithstanding that the subscription by the JG Estate constitutes a smaller related party transaction which does not require Shareholder approval under Listing Rule 11, the Board has determined that such transaction should be put to Shareholders for approval. Therefore ordinary resolutions of Shareholders, other than the relevant related party (and his associates) in each case, are being proposed at the General Meeting to approve the related party transactions with each of Savoylane and the JG Estate.

Conditional on the Resolutions being approved at the General Meeting and the Subscription Agreements not having been terminated in accordance with their 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 City of London Financial Services Limited (a wholly-owned subsidiary of the Company) having obtained the approval of the FCA to a variation in its permissions such that it becomes a non-directive firm (as defined in the FCA Handbook glossary) (which condition has, at the date of this document, already been satisfied), and Admission taking place, the Company will issue the Subscription Shares. It is expected that the Enlarged Share Capital will be admitted to trading on AIM on or around 19 October 2015.

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

At the end of this document you will find a notice of the General Meeting at which the Resolutions to approve the Proposals will be put. The General Meeting has been convened for 10.15 a.m. on 18 September 2015 at the offices of Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London, EC2M 4YH.

2. Background to and reasons for the Proposals

On 16 July 2015 the Board was pleased to announce the Company's preliminary financial results for the year ended 31 March 2015, which show a substantial improvement for the Group with advances in both COLG and its investee companies. The Group is now streamlined and focused on SME funding following the sale of its litigation funding associate shortly after the year-end.

Our main objectives for the financial year ended 31 March 2015 were to improve our financial performance, to address our lack of growth capital and to simplify the Group through the disposal of non-core activities. We have largely met these objectives, though some have taken longer than we anticipated.

Our financial performance improved from a loss before tax for the Group of £5.2 million to a loss before tax of £1.6 million (after including an exceptional loss of £0.4 million). This reflected an improvement in the profitability of both our investee companies and also a 55 per cent. reduction in central overheads. We anticipate continued improvements in the year ahead.

We have addressed our lack of growth capital in two ways:

- we have completed the issue of £5 million of 7% preference shares in Credit Asset Management Limited to Citymain Investments Limited, an associate company of Harvey Bard. This should enable Credit Asset Management Limited to seek £15 million of senior debt with which to build a £20 million portfolio of SME leases and loans; and
- through the Subscription, which, if completed, will provide COLG with funding to pursue its proposed new investing policy and to support growth in both of its principal investee companies, Trade Finance Partners Limited and Credit Asset Management Limited. In addition, the proposed transfer to AIM will make future capital raisings both easier and cheaper.

We have also completed our search to find a new partner for Therium, our litigation funding associate. We announced the disposal of our investment in that business in April 2015 for a value of £3.4 million and a profit at Group level of £1.5 million. Taken together with the further reductions in our share portfolio, this leaves the Group more streamlined and with a strategy focussed solely on SME funding which we believe remains an attractive segment of the market.

The improved performance of our investee companies during the year, combined with the strategic transactions we have announced since the year-end, provide a promising outlook and a demonstrable underpinning of the Group's net asset position going forwards.

The Company's current investments are:

(a) *Trade Finance Partners Limited*

TFPL has had a very good year and has continued to grow strongly, reporting an increase in revenue of 143 per cent. The business delivered an EBITDA before exceptionals of £1.0 million for the year (compared with a £0.4 million loss before exceptionals last year) and after shareholder loan interest and exceptional costs of £236,000 the result was a loss before tax of £251,000. Over the year, TFPL's facility with Macquarie Bank has increased from £23 million to £30.5 million and it now deploys in excess of £10 million of subordinated and shareholder capital to support its trading. Following the departure of one of the founder directors after the year-end and the consequential sale of his shares, both COLG and Macquarie increased their shareholdings to 48.9% (2014: 44%) and 37.5% (2014: 34%) respectively.

A significant part of the growth last year was derived from a number of larger structured trades and the strategy of the business for the current year is to broaden and diversify its product offering into three main areas of trade finance, namely 'flow trade' (standard lower risk trade finance products), 'floor plan' (vendor-backed supply chain finance) and structured trading (bespoke transactions, including commodities). A new co-CEO has recently joined the business and there are further plans to enhance the management and organisation of the business to support this next phase of growth. Discussions are under way with Macquarie on the optimum funding mix to support this growth.

(b) ***Credit Asset Management Limited and Professions Funding Limited***

CAML, the manager of the SME leases and loans business, also recorded an improved performance for the year. Yields continued to hold up well despite increasing competition and the business reported higher fee income from its managed account portfolio arising from higher average balances invested. A lower receivables impairment record for the whole portfolio resulted in a net recovery for the year although this benefit is unlikely to recur. These factors contributed to CAML reducing its operating loss before shareholder capital charges to £70,000 (2014: loss of £658,000).

CAML has a strong management team and scalable systems but it is a capital intensive business and it needs access to reasonably priced capital. The results for the year were achieved against a relatively flat portfolio, with CAML's managed accounts showing a small increase in net investment to £12.4 million (2014: £11.6 million) and its own book remaining fairly flat at £3.8 million (2014: £3.9 million). The business now has the opportunity to grow its own book by £20 million using a combination of the £5 million proceeds from the preference share issue and debt from third parties. Own book business traditionally offers better margins than managed accounts and with an own book in excess of £20 million CAML can expect to be profitable and also to be able to access cheaper wholesale funding.

As part of CAML's recapitalisation, COLG has converted its own preference shareholding in CAML into ordinary shares since the year-end. We have also taken the opportunity to consolidate PFL, COLG's wholly-owned professions funding business, into CAML which has been managing the PFL product platform for the last three years. As a consequence, COLG's ordinary shareholding in CAML has increased from 51 per cent. to 85 per cent. since the year-end.

(c) ***Other investments***

The disposal of the natural resources investment portfolio has continued during the year and the portfolio had a valuation of £177,000 at the year-end (2014: £383,000). As announced in April, COLG's remaining individual direct legal investment has been written off at a cost of £411,000 following a material adverse change in the merits of the case. COLG retains pooled legal investments of £232,000 in the Therium Litigation Funding LLP and LLP3 partnerships. These partnerships are spread over a range of cases and have performed well overall.

Current trading and use of proceeds

Trading year to date has seen CAML keeping to plan. Following its capital restructuring CAML has stepped up its monthly new business volumes, it has recruited new sales staff and it is also now awaiting credit approval from three funders for additional debt lines. TFPL has been undergoing a period of consolidation following management changes; gross profit so far has been broadly flat against last year, the business continues to invest in the infrastructure and staffing necessary to achieve its growth targets for the remainder of the year.

The net proceeds of the Subscription are anticipated to be approximately £4.4 million. The Directors intend to use £2.0 million of the net proceeds to acquire preference shares recently issued by CAML. The balance of the net proceeds will be used to reduce the Company's indebtedness under its revolving credit facility, which will leave the Company with approximately £4.1 million capable of being drawn down under that facility for future investment in both CAML and TFPL. Further details of the revolving credit facility are set out at paragraph 13.3 (a) of Part 3, Section A of this document.

The Proposals

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

The approval and implementation of the Proposals will result in improved liquidity for the Company. As a result, the Directors believe that the Company will have a strengthened and more appropriate capital structure to support the future development of the Company in line with its proposed investing policy.

AIM Admission 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 lead to further cost reductions. Please refer to paragraph 7 of this letter for further details on the regulatory and other consequences of moving to AIM.

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

3. Details of the Subscription

The Company is proposing to raise approximately £5 million (before expenses) by way of a Subscription for 16,646,064 Subscription Shares at the Subscription Price. The Subscription Shares will represent approximately 45.2 per cent. of the Enlarged Share Capital (assuming that the Subscription Shares are subscribed for in full).

The Subscription Price of 30 pence per Subscription Share represented a premium of approximately 29 per cent. to the closing middle market price of 23.25 pence per share on 15 July 2015, being the day before the announcement of the Subscription and a premium of 7 per cent. compared to the consolidated NAV per share of 28 pence per share on 31 March 2015. The Subscription Price represents a premium of approximately 8 per cent. to the closing middle market price of 27.75 pence per Existing Ordinary Share on 25 August 2015, being the last Business Day before the date of this document.

On 16 July 2015, the Company entered into Subscription Agreements with Savoylane, the JG Estate, both existing Shareholders, and Cain Hoy. On 28 July 2015, the Company entered into a further Subscription Agreement with Helium Special Situations Fund on substantially the same terms. On 26 August 2015, the Company entered into a further Subscription Agreement with Galliard Holdings on substantially the same terms, under which Galliard Holdings agreed to take up some of the subscription commitment originally agreed to be taken up by Cain Hoy.

The table below sets out details of the subscribers committing to subscribe (subject to the conditions described below) for the Subscription Shares:

<i>Investor</i>	<i>Number of Existing Ordinary Shares held</i>	<i>Percentage of current issued share capital</i>	<i>Number of Subscription Shares to be subscribed for</i>	<i>Percentage of Enlarged Share Capital at AIM Admission</i>
Cain Hoy (through CH Capital A Holdings LLC)	–	–	5,866,946	15.9
Galliard Holdings (through GHL (CLG Ltd)) ¹	–	–	1,466,737	4.0
Savoylane ²	868,970	4.3	5,868,454	18.3
JG Estate ³	1,852,106	9.2	110,927	5.3
Helium Special Situations Fund	2,446,428	12.1	3,333,000	15.7

1 Under the terms of Cain Hoy's original Subscription Agreement with the Company, Cain Hoy had reserved the right to procure subscribers to fulfil part of its subscription commitment. Cain Hoy has procured that Galliard Holdings subscribe, to satisfy part of Cain Hoy's original commitment to subscribe.

2 Harvey Bard, who has nominated Paul Milner as a director to the Company's board and is the largest creditor of the Company, is considered to be a related party of the Company for the purposes of the Listing Rules. Savoylane holds Existing Ordinary Shares (and upon AIM Admission will also hold Subscription Shares) as nominee for four members of Mr. Bard's family, including his two children, Alexander and Tania Bard, in equal proportions. The Harvey Bard Associates, who are interested in aggregate in 1,737,265 Existing Ordinary Shares (representing approximately 8.6 per cent. of the Existing Ordinary Shares), are considered to be associates of Harvey Bard for the purposes of the Listing Rules.

3 Andrew Crowe, a Director of the Company, holds 69,030 Existing Ordinary Shares and is also the sole beneficiary of the Loire Trust, which holds a further 1,534,000 Existing Ordinary Shares. In addition, Andrew Crowe is the sole executor of the JG Estate, which holds 1,852,106 Existing Ordinary Shares, and in which he has a 10 per cent. beneficial interest.

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

- the passing of the Resolutions;
- City of London Financial Services Limited (a wholly-owned subsidiary of the Company) having obtained the approval of the FCA to a variation in its permissions such that it becomes a non-directive firm (as defined in the FCA Handbook glossary), although Shareholders should note that this condition had been satisfied at the date of this document; and
- AIM Admission becoming effective within 30 Business Days of the Resolutions being passed.

The Subscription Shares will be issued credited as fully paid and will rank in full for all dividends and other distributions declared, made or paid after AIM Admission and will be equal in all respects with the Existing Ordinary Shares. The Subscription 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.

In connection with AIM Admission, the Company has entered into the Introduction Agreement pursuant to which Peel Hunt has agreed, in accordance with its terms, to act as nominated adviser and broker with respect to the Company's application for admission of the Enlarged Share Capital to trading on AIM. The agreement is conditional upon AIM Admission becoming effective by no later than 8.00 a.m. on 19 October 2015 (or such later time and/or date, being no later than 8.00 a.m. on 28 October 2015, as the Company and Peel Hunt may agree). The agreement contains customary warranties given by the Company to Peel Hunt as to matters relating to the Group and its business and a customary indemnity given by the Company to Peel Hunt in respect of liabilities arising out of or in connection with the Proposals. Peel Hunt is entitled to terminate the Introduction Agreement in certain circumstances prior to AIM Admission including, *inter alia*, in the event of: a material breach of the Introduction Agreement by the Company; any of the warranties contained in it being, or becoming, untrue, inaccurate or misleading in any material respect; or a *force majeure* event or a material adverse change in relation to the Company having occurred prior to AIM Admission.

Application will be made to the London Stock Exchange for the Enlarged Share Capital 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 19 October 2015.

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

The Subscription will result in a significant dilution of the proportionate holdings of existing Shareholders who do not participate in the Subscription; approximately 45.2 per cent. of the Enlarged Share Capital will be represented by the Subscription Shares upon completion of the Subscription.

4. Proposed new investing policy

As part of its new growth strategy, the Board believes that COLG should have a more focused but flexible investing policy. This will enable it to continue to invest in its existing platforms if that makes commercial sense. Currently the Company is constrained by the concentration limits in its investing policy. The Board intends to propose the following new investing policy at the General Meeting for the approval of Shareholders:

“The principal investment objective of the Company will be to achieve total returns for Shareholders in excess of 8 per cent. per annum, measured on a 5 year rolling basis. The Company aims to achieve this objective by the following means:

- The majority of the Company's portfolio will be invested in the financial services sector through a series of equity and non-equity investments in unquoted companies and platforms which provide specialist financing and alternative asset management services. The Company will give particular focus to the SME market and professional services.

- The Company's main strategy will be to provide equity, working capital and seed funding to management teams and early stage companies to establish their business platforms and to demonstrate a track record. When appropriate, the Company will assist those platforms in expanding their activities further by raising third party funding. The Company will then be able to progressively redeploy its initial working capital and seed funding whilst retaining its long term equity interests.
- The Company will be able to hold majority and minority equity positions in its investee platforms. Where it has a majority of the equity, the day to day control will remain with each management team within those platforms, and the Company will exercise its rights as a shareholder in order to ensure appropriate investor protection and strategic direction. The Company will not generally have a fixed timescale for the realisation of investments and these will be assessed periodically in order to optimise their value.
- It is the long term intention of the Company to hold a concentrated portfolio of two to four platforms but during a transition period of up to eighteen months the Company may hold only one platform or as many as six platforms pending capital raisings, reinvestment and platform realisations.
- Each of the investee platforms will be separate from all others, stand alone and there will be no cross financing or funding requirements between them.
- Borrowing will take place when the Company believes it to be in its best interests but the amount borrowed will not exceed 100 per cent. of its total gross assets at the time of borrowing.
- Compliance with investment restrictions and guidelines will be monitored continuously by the Board. Any material changes to the investing policy must be approved by the Shareholders in accordance with the AIM Rules for Companies."

5. 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.

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

In order to effect the AIM Admission and Subscription, 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 Subscription Agreements and the Introduction Agreement not having been terminated in accordance with their 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 16 October 2015. Cancellation of the listing of the Ordinary Shares on the Official List will take effect at 8.00 a.m. on 19 October 2015. AIM Admission is expected to take place, and dealings in the Ordinary Shares (including the Subscription Shares) are expected to commence on AIM, at 8.00 a.m. on 19 October 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 Subscription Agreements or the Introduction Agreement will be satisfied (or, if applicable, waived).

6. Risk factors

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

7. 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 an investing company whose shares are traded on AIM are similar to those of investment companies whose shares are listed on the premium segment of the Official List, there are certain exceptions, including those referred to below:

- Under the AIM Rules, prior shareholder approval is required only for: (i) reverse takeovers (being an acquisition or acquisitions in a twelve month period which would: (a) exceed 100 per cent. in various class tests; (b) result in a fundamental change in the company's business, board or voting control; (c) depart materially from its investing policy; or (ii) disposals which, when aggregated with any other disposals over the previous twelve months, would result in a fundamental change of business (being disposals that exceed 75 per cent. in various class tests). Under the Listing Rules, a more extensive range of transactions, including certain related party transactions, are conditional on shareholder approval and require the publication of a detailed circular.
- Although a prospectus is required under the Prospectus Rules where there is a non-exempt offer to the public and an admission document is required when seeking admission for a new class of securities to AIM, there is no requirement for AIM companies to publish a prospectus or an admission document in relation to a further issue of AIM-traded securities provided that the issue is an exempt offer to the public (for example, under section 86(1)(a) and/or (b) of FSMA) and those securities will not otherwise be admitted to trading on a regulated market in the European Economic Area (such that section 85(2) of FSMA does not apply).
- Unlike the Listing Rules, the AIM Rules do not specify any required structures or discount limits in relation to further issues of securities.
- Compliance with the UK Corporate Governance Code is not mandatory for companies whose shares are admitted to trading on AIM.
- Institutional investor guidelines (such as those issued by the Investment Association, the Association of Investment Companies, and the National Association of Pension Funds), which give guidance on issues such as executive compensation and share-based remuneration, corporate governance, share capital management and the issue and allotment of shares on a pre-emptive or non pre-emptive basis, do not apply directly to companies whose shares are admitted to trading on AIM.
- The requirement under sections 420, 439 and 439A of the 2006 Act to prepare a directors' remuneration report and to submit such report and a remuneration policy to a vote by shareholders is only applicable to quoted companies listed on the Main Market; a company whose shares are traded on AIM is not subject to the same obligation to submit its remuneration report or policy to a vote of shareholders.
- The AIM Rules require that AIM companies retain a nominated adviser and broker at all times. On AIM Admission, the Company has agreed to appoint Peel Hunt as its nominated adviser and broker.

- Unlike the Listing Rules, the AIM Rules do not require companies with a controlling shareholder to enter into a relationship agreement to govern their relationship with that shareholder and safeguard the company's ability to carry on an independent business.
- There is no specified requirement for a minimum number of shares in an AIM company to be held in public hands, whereas a company listed on the Official List has to maintain a minimum of 25 per cent. of its issued ordinary share capital in public hands.
- Certain securities laws and regulations will no longer apply to the Company following AIM Admission; for example, the Disclosure and Transparency Rules (save that DTR Chapter 5 in respect of significant shareholder notifications will continue to apply to the Company). This is because AIM is not a regulated market for the purposes of the European Union's directives relating to securities.
- The De-listing may have implications for Shareholders holding shares in a Self-Invested Personal Pension ("SIPP"). For example, shares in unlisted companies may not qualify for certain SIPPs under the terms of that SIPP and, if in any doubt, Shareholders should consult with their SIPP provider immediately.
- Since 28 April 2014, stamp duty and stamp duty reserve tax ("SDRT") are no longer chargeable on transactions in eligible securities on AIM. Transactions in the Ordinary Shares should therefore be stamp duty/SDRT exempt following AIM Admission.

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

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

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

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

8. Related party transactions

Harvey Bard, who has nominated Paul Milner as a director to the Company's board and is the largest creditor of the Company, is considered to be a related party of the Company for the purposes of the Listing Rules. Savoylane holds Existing Ordinary Shares (and upon AIM Admission will also hold Subscription Shares) as nominee for four members of Mr. Bard's family, including his two children, Alexander and Tania Bard, in equal proportions. The Harvey Bard Associates (which includes Mr. Bard's children), who are interested in aggregate in 1,737,265 Existing Ordinary Shares (representing approximately 8.6 per cent. of the Existing Ordinary Shares), are considered to be associates of Harvey Bard for the purposes of the Listing Rules. Pursuant to the Subscription, Savoylane has agreed to subscribe for 5,868,454 Subscription Shares representing approximately £1,760,536 in gross proceeds for the Company at the subscription price of 30 pence per Subscription Share. This transaction will be above the 5 per cent. threshold for smaller related party transactions under Listing Rule 11.1.10R, and as such, will be subject to the approval of the Company's independent Shareholders (that is to say, Shareholders other than the Harvey Bard Associates) at the General Meeting.

Andrew Crowe, a Director of the Company, is the sole executor of the JG Estate and one of a number of its beneficiaries. As such, Andrew Crowe is considered a related party of the Company and the JG Estate is

considered to be an associate of Andrew Crowe for the purposes of the Listing Rules. Andrew Crowe and his associates have a combined holding of 3,455,136 Existing Ordinary Shares (of which Andrew Crowe holds 69,030 Existing Ordinary Shares, the Loire Trust (of which Andrew Crowe is the sole beneficiary) holds a further 1,534,000 Existing Ordinary Shares and the JG Estate holds 1,852,106 Existing Ordinary Shares), which represent approximately 16.0 per cent. of the Existing Ordinary Shares. Pursuant to the Subscription, the JG Estate has agreed to subscribe for 110,927 Subscription Shares representing £33,278 in gross proceeds for the Company at the subscription price of 30 pence per Subscription Share. This transaction is considered a smaller related party transaction under LR 11.1.10R. Notwithstanding that the subscription by the JG Estate constitutes a smaller related party transaction which does not require Shareholder approval under Listing Rule 11, the Board has determined that such transaction should be put to the Company's independent Shareholders (that is to say, Shareholders other than Andrew Crowe, the JG Estate and the Loire Trust) for approval.

Harvey Bard has irrevocably undertaken to abstain, and to procure that each of the Harvey Bard Associates will (or will procure that its nominees will) abstain, from voting in respect of the Existing Ordinary Shares in which they are interested at the General Meeting in relation to the resolution for the approval of the related party transaction arising from Savoylane's participation in the Subscription. It should be noted for these purposes that none of Andrew Crowe, the JG Estate and the Loire Trust is an associate of Harvey Bard and accordingly each of Andrew Crowe, the JG Estate and the Loire Trust may vote at the General Meeting in relation to the resolution for the approval of the related party transaction arising from Savoylane's participation in the Subscription.

Each of Andrew Crowe, the JG Estate and the Loire Trust has undertaken to abstain from voting at the General Meeting in relation to the resolution for the approval of the related party transaction arising from the participation of the JG Estate in the Subscription. It should be noted for these purposes that Mr Harvey Bard (and the respective Harvey Bard Associates) is not an associate of Andrew Crowe and accordingly he (and the respective Harvey Bard Associates) may vote at the General Meeting in relation to the resolution for the approval of the related party transaction arising from the JG Estate's participation in the Subscription.

9. Board appointments

As part of the proposed AIM Admission, the Company has revised its Board and governance structure. Conditional upon AIM Admission:

- Andrew Crossley will be appointed as the senior independent non-executive director;
- Paul Milner will be appointed as non-executive chairman; and
- John Kent will switch from acting chief executive officer to chief executive officer.

10. General Meeting

Set out at the end of this document is a notice convening the General Meeting of the Company to be held at 10.15 a.m. on 18 September 2015 at the offices of Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London, EC2M 4YH at which the Resolutions summarised below (all of which are inter-conditional) will be proposed:

Resolution 1 – authority to allot

An ordinary resolution to authorise the Directors to allot up to 16,646,064 new Ordinary Shares in the Company in connection with the Subscription, representing approximately 82.4 per cent. of the total issued ordinary share capital of the Company (as at 25 August 2015, being the last Business Day prior to the publication of this document), excluding treasury shares. The resolution also authorises the Directors to allot further new Ordinary Shares up to an aggregate nominal value of £1,228,422 (representing approximately 33.3 per cent. of the Enlarged Share Capital) although the Directors do not have any present intention to exercise such authority. This authority will expire at the conclusion of the next annual general meeting of the Company or 15 December 2016, whichever is earlier. As at the date of this document, the Company holds no Ordinary Shares in treasury.

Resolution 2 – disapplication of pre-emption rights

A special resolution to disapply statutory pre-emption rights in relation to the issue of the 16,646,064 new Ordinary Shares pursuant to the Subscription, representing approximately 82.4 per cent. of the total issued ordinary share capital of the Company (as at 25 August 2015, being the last Business Day prior to the publication of this document) and in relation to the issue of up to a further 3,685,260 new Ordinary Shares (representing approximately ten per cent. of the Enlarged Share Capital) for cash on a non-preemptive basis following AIM Admission. This authority will expire at the conclusion of the next annual general meeting of the Company or 15 December 2016, whichever is earlier.

Resolution 3 – approval of the related party transaction with Savoylane

An ordinary resolution to authorise the related party transaction arising from the participation of Savoylane in the Subscription.

Resolution 4 – approval of the related party transaction with the JG Estate

An ordinary resolution to authorise the related party transaction arising from the participation of the JG Estate in the Subscription.

Resolution 5 – approval of the De-listing and AIM Admission

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

Resolution 6 – approval of new investing policy

An ordinary resolution to authorise the adoption of a new investing policy by the Company, conditional upon AIM Admission.

11. Irrevocable undertakings

Harvey Bard has given an irrevocable undertaking to vote in favour of the Resolutions (and to procure that each of the Harvey Bard Associates votes (or will procure that its nominees vote) in favour of the Resolutions), excluding Resolution 3 (to approve the participation of Savoylane in the Subscription, which constitutes a related party transaction under the Listing Rules), in respect of the entire beneficial holding of the Harvey Bard Associates in the Existing Ordinary Shares, totaling 1,737,265 Existing Ordinary Shares, representing approximately 8.6 per cent. of the Existing Ordinary Shares. This undertaking expires on the earlier of the conclusion of the General Meeting and 30 September 2015 and does not provide for any termination rights.

Each of Andrew Crowe, the JG Estate and the Loire Trust has also given an irrevocable undertaking to vote in favour of the Resolutions, excluding Resolution 4 (to approve the participation of the JG Estate in the Subscription, which constitutes a smaller related party transaction under the Listing Rules), in respect of their entire beneficial holdings of Existing Ordinary Shares, which in aggregate amount to 3,455,136 Existing Ordinary Shares, representing approximately 16.0 per cent. of the Existing Ordinary Shares. This undertaking expires on the earlier of the conclusion of the General Meeting and 30 September 2015 and does not provide for any termination rights.

Helium Special Situations Fund has also given an irrevocable undertaking to vote in favour of the Resolutions in respect of its entire beneficial holding of Existing Ordinary Shares, which in aggregate amounts to 2,446,428 Existing Ordinary Shares, representing approximately 12.1 per cent. of the Existing Ordinary Shares. This undertaking expires on the earlier of the conclusion of the General Meeting and 30 September 2015 and does not provide for any termination rights.

12. Action to be taken

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

Whether or not you propose to attend the General Meeting in person, you are asked to complete the Form of Proxy and return it to the Company's registrars, Capita Asset Services at PXS, 34 Beckenham Road,

Beckenham, Kent BR3 4TU, so as to arrive as soon as possible, but in any event so as to be received not later than 10.15 a.m. on 16 September 2015 (or, in case of adjournment, not later than 48 hours (excluding non-working days) before the adjourned meeting). Completion and return of a Form of Proxy will not preclude you from attending and voting at the General Meeting in person if you wish.

Alternatively, if you hold your Ordinary Shares in uncertificated form (that is, in CREST), you may appoint a proxy or proxies using the CREST electronic proxy appointment service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of General Meeting set out at the end of this document). Proxies submitted via CREST must be received by the Company's agent (ID RA10) by no later than 10.15 a.m. on 16 September 2015 (or, in case of adjournment, not later than 48 hours (excluding non-working days) before the adjourned meeting).

13. Additional Information

Your attention is drawn to the further information set out in Part 3 of this document.

The Company's annual report and accounts were posted to Shareholders on 29 July 2015. A notice of annual general meeting to be held at 10.00 a.m. on 18 September 2015 at the offices of Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London, EC2M 4YH has been sent to Shareholders.

14. Importance of the vote

If the Resolutions are not all passed, or if the Resolutions are passed but the Proposals do not proceed (for example, because the conditions precedent under the Subscription Agreements are not satisfied or the Introduction Agreement is terminated), the Subscription will not proceed, the Company's proposed new investing policy will not be adopted and the Existing Ordinary Shares will remain listed on the Official List and admitted to trading on the Main Market of the London Stock Exchange. As a result, the Company will not receive the proceeds of the Subscription and will therefore have less cash resources to invest in new and existing investment opportunities. Furthermore, if the revised investing policy is not approved, the Company will not be able to support its existing platforms because of the concentration limits under its existing investing policy. This may have a material adverse effect on the prospects for the Group. . In addition, the Company's ability to raise equity funding in the future may be restricted as it will not be able to take advantage of the greater flexibility and cost efficiencies that AIM Admission will bring. Consequently, if the Company is unable to proceed with the Proposals, this will have a material adverse effect on the Company's performance and future liquidity and the Board will be unable to support its current investments.

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

15. Recommendation

The Board believes that the Proposals, including the Subscription, the De-listing, AIM Admission and adoption of the new investing policy, and therefore the Resolutions to be voted on, are in the best interests of the Company and Shareholders as a whole.

The Board (excluding Paul Milner, a nominee of Harvey Bard who is an associate of Savoylane), considers, having been so advised by the Company's sponsor, Peel Hunt, the terms of the Subscription, including the participation therein by Savoylane, to be fair and reasonable as far as the Shareholders are concerned. Paul Milner has not taken part in the Board's consideration of the Subscription by Savoylane. In providing advice to the Directors (excluding Paul Milner), Peel Hunt has taken into account the commercial assessment of such Directors.

The Board (excluding Andrew Crowe, the sole executor and a beneficiary of the JG Estate), considers, having been so advised by the Company's sponsor, Peel Hunt, the terms of the Subscription, including the participation therein by the JG Estate, to be fair and reasonable as far as the Shareholders are concerned. Andrew Crowe has not taken part in the Board's consideration of the Subscription by JG Estate. In providing advice to the Directors (excluding Andrew Crowe), Peel Hunt has taken into account the commercial assessment of such Directors.

Accordingly, your Board unanimously recommends that Shareholders vote in favour of the Resolutions set out in the Notice of General Meeting at the end of this document, as they intend to do in respect of their own beneficial holdings which amount to 2,014,278 Ordinary Shares (representing approximately 10.0 per cent. of the existing issued ordinary share capital of the Company as at 25 August 2015, the last practicable day prior to publication of this document) of which 1,603,030 Ordinary Shares are the beneficial holdings of Andrew Crowe (who will abstain from the vote with respect to Resolution 4) and 95,188 Ordinary Shares are the beneficial holdings of Paul Milner (who will abstain from the vote with respect to Resolution 3).

Yours sincerely

John Kent

Acting Chief Executive Officer

PART 2

RISK FACTORS

In addition to all other information set out in this document, the following specific risk factors are those which the Directors consider to be the material risk factors relating to the Ordinary Shares, including as a result of the Proposals, and should be considered carefully in deciding whether or not to vote in favour of the Resolutions.

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

RISKS RELATED TO THE PROPOSALS

If the Resolutions are not passed, or if the Resolutions are passed but the Proposals do not proceed, the Subscription will not proceed and the Company may not be able to raise new equity funds in the future, which may have a material adverse effect on its future operations

In order for the Subscription and De-listing to proceed and for the Proposals to become unconditional, the Shareholders will need to approve the Resolutions at the General Meeting. Additionally, completion under the Subscription Agreements is conditional upon conditions including AIM Admission and the other elements of the Proposals (including City of London Financial Services Limited (a wholly-owned subsidiary of the Company) having obtained the approval of the FCA to a variation in its permissions, which approval has now been granted) becoming unconditional. The Introduction Agreement also contains a limited number of provisions which would allow Peel Hunt to terminate the agreement, including, *inter alia*, in the event of: a material breach of the Introduction Agreement by the Company; any of the warranties contained in it being, or becoming, untrue, inaccurate or misleading in any material respect; or a *force majeure* event or a material adverse change in relation to the Company having occurred prior to AIM Admission, as set out in paragraph 8(b) of Part 3, Section A of this document.

If the Resolutions are not all passed, or if the Resolutions are passed but the Proposals do not proceed (for example, because the conditions precedent under the Subscription Agreements are not satisfied or the Introduction Agreement is terminated), the Subscription will not proceed, the Company's proposed new investing policy will not be adopted and the Existing Ordinary Shares will remain listed on the Official List and admitted to trading on the Main Market of the London Stock Exchange. As a result, the Company will not receive the proceeds of the Subscription and will therefore have less cash resources to invest in new and existing investment opportunities. Furthermore, if the revised investing policy is not approved, the Company will not be able to support its existing platforms because of the concentration limits under its existing investing policy. This may have a material adverse effect on the prospects for the Group. In addition, the Company's ability to raise equity funding in the future may be restricted as it will not be able to take advantage of the greater flexibility and cost efficiencies that AIM Admission will bring. Consequently, if the Company is unable to proceed with the Proposals this may have a material adverse effect on the Company's performance and future liquidity and the Board may be forced to reconsider the Company's

future investment strategy, all of which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

RISKS RELATED TO THE COMPANY

The Company's main investments are in joint ventures which are illiquid investments and which may be difficult to exit

The Company's principal investments are in CAML and TFPL, which are joint ventures in which significant shareholdings are held by minority investors. Achieving full value on the sale of either of these investments in a short timescale would require the active assistance of the Company's joint venture partners, which may not be forthcoming.

These investments involve the shared control of underlying assets with business partners, whose agreement must be sought in respect of any sale of the underlying assets. The shareholder agreements with respect to these investments contain compulsory acquisition mechanisms, such as drag and tag along rights for the benefit of other shareholders and rights of pre-emption on share transfer, which could further constrain or delay any divestment. These business partners may have economic or business interests that are inconsistent with the objectives of the Group.

Any difficulties encountered by the Company in the future in realising the investments which it has made could have a material adverse effect on the returns that it generates from those investments and consequently on the financial condition, results of operations and prospects of the Company.

Any lack of funding in the future may constrain the Company's ability to pursue its investing strategy and its ability to generate returns for Shareholders

While the net proceeds of the Subscription will provide funding for new and existing investments for at least the next 12 months, the Company may require access to additional funding beyond this period and, if the Company fails to obtain such funding, it may need to delay or scale back the implementation of its new investing policy which may have a severe impact on the Company's growth prospects and its ability to generate returns for Shareholders.

Similarly, any failure by the Company's investee companies to repay loans when due or any inability of the Company to realise investments, such as those in the Company's natural resources or legal investment portfolios, either at reasonable prices or at all, may limit the Company's available cash resources and have a negative impact on its growth prospects and its ability to generate returns for Shareholders.

The funds that the Company may need will be determined by numerous factors, some of which are beyond the Company's control. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to the Shareholders.

For the avoidance of doubt, these risks do not qualify the working capital statement set out in paragraph 11 of Part 3, Section A of this document.

The Company currently has a highly concentrated Shareholder base and this will continue to be the case following completion of the Subscription

The Company has a highly concentrated shareholder base and the level of concentration of the Company's shareholder base will increase as a result of completion of the Subscription. Details of the Company's major Shareholders are set out at paragraph 6 of Part 3, Section A of this document.

There is a risk that support from some or all of these Shareholders for the Board and the longer term business planning and strategic direction of the Company is not forthcoming in the future. Certain future funding options, including the Subscription, rely largely or entirely on shareholder support and unless this is achieved, it is possible that funds will either not be available or that the Board may be unable to deliver its strategy for the future. In addition, the existence of these large shareholdings may hinder the development of an active and liquid trading market for the Ordinary Shares.

RISKS RELATED TO CAML AND TFPL

The businesses of TFPL and CAML are at an early stage in their development and there are inherent risks in the performance of such businesses as they seek to develop

TFPL's business has been in operation since 2010 and CAML's since 2011. These businesses are therefore relatively immature. Whilst the Company has confidence in the experienced management teams of each business, there are inherent risks for the Company in investing in two early stage businesses, the performance of either or both of which are volatile and may ultimately underperform or fail to grow in line with the Director's expectations.

Key executives and employees may leave the Group

Key individuals may leave the Group and it may be difficult to attract suitably qualified individuals to replace them, particularly while the Company seeks to implement its new investing policy and to establish its presence in the SME and professional service lending markets. The Group seeks to retain its management teams with equity incentives and bonus arrangements which are commensurate with the market, but there can be no assurance that such arrangements will be successful and that the Group will not be materially impacted by the departure of one or more senior management team members.

The Company's existing principal investee companies, CAML and TFPL, may require further working capital in the future, which the Company may not be able to provide

The businesses of CAML and/or TFPL may not develop as planned and may require further working capital funding in the future from COLG. For example, the Directors believe that CAML will receive additional debt funding of approximately £15 million during the current financial year which, if not achieved, will limit its future growth plans. Each investee company has an annual budget, including a budgeted funding requirement. Whilst there are steps that can be taken to mitigate the working capital required by each business, including cost cutting and managing its portfolio growth, the Company may need to provide additional funds to one or more of the businesses, which it may not be able to finance. If either CAML or TFPL is unable to fund its working capital requirements in the future, its business may be materially affected and in turn this may have an adverse effect on the Company's business, financial condition, results of operations and prospects.

For the avoidance of doubt, these risks do not qualify the working capital statement set out in paragraph 11 of Part 3, Section A of this document.

TFPL may encounter certain strategic and business risks

TFPL is active in trade finance, providing services across a wide geographical base and offering a diversity of products. Economic crises, especially when prolonged, and market shocks may weaken companies, banks and governments, leading to a downturn in business confidence, lower spending power, higher unemployment and deteriorating government finances. These scenarios can in turn cause a shortage of liquidity and credit availability, leading to a decrease in trade flows and an increase in strategic and business risks to TFPL, which in turn may lead to a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Increased competition in their respective markets may have an adverse effect on CAML's and TFPL's business

In the event that banks and other finance businesses allocate further funds to the SME and professional services market segments in which the Company's investments operate, this will increase competition thereby reducing the profitability of those market segments for the Group.

There is a risk that the Group may become subject to increased competition in sourcing and making investments in the event that liquidity comes back into the SME market from the high street banks and other investors. This could lead to the Group finding it difficult to invest at the yields for which it had budgeted, which may result in lower returns for the Group and consequently have an adverse impact on the Company's financial condition.

Credit and other counterparty risk could lead to a lack of liquidity for the Group and adversely impact performance

The Group has significant exposure to credit and other counterparty risk through its lending businesses. Credit risk is not only associated with loans but also to other on and off-balance sheet exposures such as letters of credit, guarantees, acceptances and money market operations. There is a risk that parties with whom the Group trades or has other business relationships (including customers, suppliers and other parties) may default on a repayment or other obligation, or become insolvent. This may be as a result of general economic conditions or factors specific to that company. In the event that a party with whom the Group trades defaults on a contractual obligation or becomes insolvent, this will cause a financial loss to TFPL or CAML, as the case may be, which could lead to a lack of liquidity in its business and ultimately could impact on its ability to lend and operate and therefore have an adverse impact on the revenues and profitability of the Group.

TFPL incurs country and transfer risks which increase the risks of default by its customers

In addition to the counterparty credit risk inherent in lending, international lending also includes country risk, risks associated with the economic, social and political environment of the borrower's home country. A component of country risk is transfer risk which arises when a borrower's obligation is not denominated in his local currency. As TFPL carries out activities with counterparties in emerging markets these are risk factors which are specific to its activities and which require careful consideration by prospective investors since they are not usually associated with activities in more developed markets. Such exposure relates to the risks of major political and economic changes including, but not limited to, higher price volatility, the effect of exchange control regulations and the risks of expropriation, nationalism and/or confiscation of assets.

Reduction in the availability of credit insurance may adversely affect TFPL's ability to do business

TFPL makes extensive use of credit insurance in managing counterparty exposure. If credit insurance was unavailable it would impact the ability of the business to write business whilst alternative approaches to mitigating counterparty risk were put in place.

Failure to meet existing funding facility conditions could result in the facilities being withdrawn and give rise to a lack of liquidity for the Group

Typically the third party finance facilities used by CAML and TFPL incorporate certain covenants and performance criteria which must be met whilst the relevant facilities are in use. In the event that the relevant company fails to meet the terms of a facility then this failure could result in facilities being withdrawn which could seriously impact that company's assets and the ability to conduct its business.

The Group may be exposed to fluctuations in interest rates which could adversely affect its profitability

The profitability of financial institutions are susceptible to the volatility in interest rates, as it may affect the spread between borrowing and lending rates. Volatile interest rates could lead to a maturity mismatch between the lending and borrowing portfolios, particularly in instances where lending is based on fixed rates, whilst borrowing is mainly funded through floating rates or vice versa. Fixed lending funded through floating rate finance could lead to a severe exposure to interest risk rates, particularly in a situation where interest rates are rising.

TFPL's exposure to interest rate movements is minimised as its borrowing and lending is relatively short term and on a matched basis. Any residual interest rate risk is passed on to the customer. CAML and PFL's lending is longer term and its borrowing rates are fixed at the start to avoid interest rate exposure. Group borrowing is all at fixed rates.

Notwithstanding the business model of the Group's respective operations, it is possible that interest rate fluctuations could have an adverse effect on its business, financial condition, results of operations and prospects.

Regulatory compliance

The Group operates in a regulated industry. City of London Financial Services Limited, one of the Company's subsidiaries, is authorised by the FCA to perform a number of regulated activities. In addition,

CAML is regulated under the consumer credit regulations, the responsibility for which has been transferred to the FCA. The Group seeks advice on its ongoing compliance obligations on a regular basis but there can be no assurance that the Group will be fully compliant with its obligations at all times and any non-compliance could subject the Group to fines, censure or a cancellation or variation of its permissions, any of which could have material adverse consequences for the continuation of its business in the future.

RISKS RELATED TO AN INVESTMENT IN THE ORDINARY SHARES

Investment in AIM securities

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

Share price volatility and liquidity

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

Dilution

The Subscription is a non-preemptive offering of new Ordinary Shares and as such many of the existing Shareholders will not be able to participate in the Subscription. On AIM Admission, existing Shareholders who do not subscribe in the Subscription will be subject to an immediate and significant dilution; approximately 45.2 per cent. of the Enlarged Share Capital will be represented by the Subscription Shares upon completion of the Subscription (assuming that the Subscription Shares are subscribed for in full). The Subscription may also affect the trading price of the Ordinary Shares.

PART 3

ADDITIONAL INFORMATION

SECTION A: CITY OF LONDON GROUP PLC

1. THE COMPANY

- (a) The Company was incorporated in England on 16 January 1981 under the name of City of London Public Relations Limited with the registered number 01539241 as a private company with limited liability under the Companies Acts 1948 to 1980. The Company was re-registered as a public company on 6 November 1986 and became City of London Public Relations plc. The Company's name was changed to City of London P.R. Group plc on 10 June 1988. The Company was admitted to the London Stock Exchange's Main Market on 1 August 1996. On 4 January 2001, the Company further changed its name to City of London Group plc which is its legal and commercial name.
- (b) The principal legislation under which the Company now operates is the 2006 Act and the regulations made thereunder and the Company is subject to the regulation of the Financial Conduct Authority. The liability of the members is limited.
- (c) The Company's registered office and its principal place of business is at 30 Cannon Street, London, EC4M 6XH. Its telephone number is 020 7628 5518. The Company is domiciled in the United Kingdom and is registered with the Registrar of Companies for England and Wales.
- (d) Details of the Company's significant subsidiary undertakings are set out in note 17 of the audited consolidated financial statements of the Company and its Group for the year ended 31 March 2015. Since that date, the Company has:
- (i) increased its shareholding in TFPL from 44.1 per cent. to 48.9 per cent; and
 - (ii) disposed of its entire shareholding in Therium Capital Management Limited.

2. SHARE CAPITAL

- (a) There are no shares in the Company not representing capital and no shares in the capital of the Company are held by or on behalf of the Company or the Group.
- (b) The following table shows the issued share capital of the Company as at: (i) 31 March 2015, (ii) the date of this document; and (iii) the date of AIM Admission (assuming that the Subscription Shares are subscribed for in full).

<i>Date</i>	<i>Issued and Fully Paid</i>	<i>No. of Ordinary Shares</i>
(i) 31 March 2015	£2,020,661.70	20,206,617
(ii) Date of this document	£2,020,661.70	20,206,617
(iii) Admission	£3,685,268.10	36,852,681

- (c) As at 31 March 2015 and at the date of this document, the Company held no Ordinary Shares in treasury.
- (d) As at the date of this document, there are no warrants issued by the Company that remain capable of exercise.

- (e) The following alterations in the share capital of the Company have occurred during the period from 1 April 2012 to the date of this document:
 - (i) On 28 September 2012, 1,836,960 new Ordinary Shares were issued following a placing. The Ordinary Shares were placed at 70 pence each.
- (f) Save as disclosed either publicly or in this Part 3, no share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.
- (g) The Ordinary Shares are in registered form. The Company's registrar is in charge of maintaining the Company's register of members.

3. ARTICLES OF ASSOCIATION

The Articles contain, amongst other things, provisions to the following effect:

(a) ***Objects***

The Articles contain no specific restrictions on the Company's objects and therefore by virtue of section 31(1) of the 2006 Act the Company's objects are unrestricted.

(b) ***Voting rights***

Subject to paragraph (h) below, and to any special terms as to voting on which any shares may be held, on a show of hands every member who (being an individual) is present in person or (being a corporation) by a duly authorised representative, not being themselves a member entitled to vote, shall have one vote on a show of hands, and on a poll every member present in person or by proxy shall have one vote for each share of which they are the holder. Any person, whether a member or not, may be appointed to act as a proxy.

(c) ***Variation of rights***

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of the placing of the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either in such manner (if any) as may be provided by such rights or with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the affected class, or with the sanction of a special resolution passed at a separate general meeting of such holders (but not otherwise).

(d) ***Alteration of capital***

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal value or sub-divide all or any of its shares into shares of a smaller nominal value. Wherever as a result of a consolidation, division or sub-division of shares any members would become entitled to fractions of a share the Board may deal with the fractions as it thinks fit, and in particular it may, on behalf of those members, consolidate such fractions into a single share and sell such share representing the fractions at the best price reasonably obtained and distribute the net proceeds in due proportion to those members (except that any amount otherwise due to a holder, being less than £3 or such other sum as the Board may from time to time determine, may be retained for the benefit of the Company).

The Company may, subject to the 2006 Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account or any undistributable reserve in any manner.

Subject to and in accordance with the provisions of the 2006 Act, the Company may purchase all or any of its own shares (including any redeemable shares), provided that a special resolution of the Company is passed to authorise such a purchase of the Company's own shares. In addition, if there are holders of any class of shares convertible into equity share capital of the Company, a special resolution shall first be passed at a separate class meeting by the holders of such shares.

(e) ***Transfer of shares***

The instrument of transfer of a certificated share may be in any usual form or in any other form which the Board may approve. The instrument of transfer of such share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee. Uncertificated shares may be transferred without a written instrument in accordance with the CREST Regulations

The Directors may in their absolute discretion (and without giving any reason) refuse to register any transfer of certificated shares unless (i) the instrument of transfer is lodged at the office or at such other place as the Board may appoint, accompanied by the certificate for those shares to which it relates and such other evidence (if any) as the Board may reasonably require to show the title of the transferor to make the transfer and if the instrument of transfer is executed by some other person on their behalf, the authority of that person to do so; (ii) the instrument of transfer is in respect of only one class of shares; (iii) in the case of a transfer of joint holders, they do not exceed four in number; (iv) it is in respect of a share which is fully paid up; (v) it is in respect of a share on which the Company has no lien; and (vi) it is duly stamped (if so required) provided that the refusal does not prevent dealings in the shares from taking place on an open and proper basis).

The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a participating security held in uncertificated form in accordance with the CREST Regulations, except that the Board may refuse (subject to the 2006 Act) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the CREST Regulations.

No transfer of any share shall be made:

- (1) to a minor, or
- (2) to a bankrupt, or
- (3) to any person who is, or may be, suffering from mental disorder and either:
 - (i) has been admitted to hospital following an application for admission for treatment under the Mental Health Act 1983 or any similar statute relating to mental health (whether in the United Kingdom or elsewhere); or
 - (ii) an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for their detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to their property or affairs,

and the Directors shall refuse to register the purported transfer of a share to any such person.

If the Board refuses to register a transfer of a share it shall, as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee. Any instrument of transfer which the Board refuses to register shall (except in the case of suspected fraud) be returned to the person depositing it. All instruments of transfer which are registered may be retained by the Company.

Subject to the above and paragraph (h) below, the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

(f) ***Ordinary Shares***

Ordinary Shares carry the right to vote at general meetings of the Company. All distributions payable to the Shareholders (including on redemption of such Ordinary Shares) will be paid in Sterling,

however, the Board may at its discretion from time to time make provisions to enable a Shareholder to receive dividends duly declared in a currency other than Sterling.

(g) *Dividends*

- (i) The Company may by ordinary resolution in general meeting declare that out of profits available for distribution dividends may be paid to members in accordance with their respective rights and priorities. No dividend shall exceed the amount recommended by the Board.
- (ii) Except as otherwise provided by the rights attached to the shares, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid.
- (iii) All dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date or be entitled to dividends declared after a particular date, such share shall rank for or be entitled to receive a dividend accordingly.
- (iv) Any general meeting declaring a dividend may, upon the recommendation of the Board, direct payment of such dividend wholly or partly by the distribution of assets and in particular of fully paid up shares or debentures of any other company, and the Board shall give effect to such direction. When any difficulty arises in regard to such distribution the Board may settle it as it thinks fit.
- (v) The Board may from time to time declare and pay to the members such interim dividends as appear to the Board to be justified by the profits of the Company available for distribution and the position of the Company. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights unless at the time of payment any preferential dividend is in arrears.
- (vi) The Board may deduct from any dividend or other money payable to any member on or in respect of a share all sums owed to the Company on account of calls, or otherwise, in relation to shares in the Company.
- (vii) Dividends and interest are paid to those members whose names shall be on the register at the date on which such dividend shall be declared or on the date at which such interest shall be payable or at such other date as the Company by ordinary resolution or the Board may determine, notwithstanding any subsequent transfer or transmission of shares.
- (viii) All dividends unclaimed for a period of 12 years after the payment date for such dividend shall if the Directors so resolve be forfeited and shall revert to the Company. All dividends, interest or other sum payable and unclaimed for 12 months may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect of them.

(h) *Suspension of rights*

If a member, or any person appearing to be interested in shares held by a member, has been given notice under section 793 of the 2006 Act and is in default in supplying to the Company within 14 days the information required by such notice, then the Directors may by notice to the member direct that, in relation to the shares in respect of which the default has occurred (the “**Default Shares**”), the member is not entitled to vote, either personally or by proxy, at a general meeting or a class meeting or to exercise any other right conferred by membership in relation to general meetings or meetings of the holders of any class of shares. Where the holding represents at least 0.25 per cent. of the issued shares of a class the payment of dividends may be withheld and the transfer of any Default Shares (or of shares which include or might include Default Shares) which is not an approved transfer shall not

be registered unless (i) the member is not in default as regards the supplying of the information required; and (ii) the transfer relates to part only of the member's holding and, when presented for registration, is accompanied by a certificate by a member in a form satisfactory to the Directors to the effect that, after due and careful enquiry, the member is satisfied that none of the shares to which the transfer relates are Default Shares.

(i) ***Return of capital***

On the winding up of the Company, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members.

(j) ***Pre-emption rights***

There are no rights of pre-emption set out in the Articles in respect of transfers of Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the 2006 Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

(k) ***Shareholder meetings***

Annual general meetings should be held within the time periods specified by the 2006 Act. Twenty-one clear days' notice in writing must be given of an annual general meeting (exclusive of the day on which notice is served or deemed to be served and of the day on which the meeting is to be held). Other general meetings may be called whenever the Directors think fit or when one has been requisitioned in accordance with the 2006 Act, and at least fourteen clear days' notice in writing must be given (exclusive of the day on which notice is served or deemed to be served and of the day on which the meeting is to be held). Two members present in person or by proxy and entitled to vote shall be a quorum when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman which shall not be treated as part of the business of the meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless before or on the declaration of the result of the show of hands (or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by (i) the chairman of the meeting; (ii) not less than five members present in person or by proxy and entitled to vote at the meeting; (iii) a member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (iv) a member or members present in person or by proxy representing shares conferring a right to vote at the meeting on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

(l) ***Directors***

The number of Directors, unless otherwise determined by ordinary resolution of the Company, shall not be less than two and there is no maximum number.

The Directors are entitled to be paid out of the funds of the Company all of their reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as a Director, including any expenses incurred in attending board meetings, committee meetings, general meetings, or separate meetings of the holders of any class of shares or of debentures of the Company.

The Directors shall be paid such remuneration (by way of fee) for their services as the Board may from time to time determine (not exceeding £500,000 per annum or such other sum as the Company in general meeting may approve by ordinary resolution from time to time).

Subject to the provisions of the 2006 Act, the Directors may appoint any one or more of their number to any office or employment within the Company (including, but without limitation that of chief executive, managing director or joint managing director, but not including that of auditor), and may enter into an agreement or arrangement with any Director for their employment by the Company or for the provision by them of any services outside the scope of the ordinary duties of a Director and may also permit any person appointed to be a Director to continue in any office or employment held by them before they were so appointed.

Save as provided in the Articles, a Director shall not vote or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning a matter in which they have, directly or indirectly, an interest or duty which is material unless their interest or duty arises only if one of the following sub-paragraphs applies (in which case they may vote and be counted in the quorum):

- (i) the resolution relates to the giving to them of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by them for the benefit of, the Company or any of its subsidiaries);
- (ii) the resolution relates to the giving to a third party of a guarantee, security, or indemnity in respect of an obligation of the Company or any of its subsidiaries for which the director has assumed responsibility under a guarantee or indemnity or by the giving of security;
- (iii) his interest arises by virtue of his becoming or being entitled to become a participant in the offer of or in the underwriting or sub-underwriting of an offer (of which he is to participate) of any securities by the Company or any of its subsidiaries;
- (iv) the resolution relates to any proposal concerning any other company in which he is interested provided he is not the holder or beneficially interested in one per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;
- (v) the resolution concerns insurance with the Company and proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors;
- (vi) the resolution concerns any arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award to any director any privilege or benefit not generally awarded to the employees to which such arrangement relates.

A director's conflict of interest, subject to the 2006 Act and any other applicable laws, that would otherwise involve the director concerned breaching their duty under the 2006 Act and other applicable laws, to avoid conflicts of interest, may be authorised by the Board.

Subject to the provisions of the 2006 Act and other applicable legislation, and provided they have disclosed to the Board the nature and extent of any material interest, a director:

- (i) may be party to or otherwise directly or indirectly interested in any transaction or arrangement with the Company, or in which the Company is otherwise interested;
- (ii) may become a director, officer or employee or a party to any transaction or arrangement with or otherwise interested in any body corporate promoted by the Company or in which the Company is interested;
- (iii) shall not, by reason of their office, be liable to account to the Company for any benefit which they derive from any such office or employment or from any such transaction or arrangement

or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided as a result any such interest or benefit; and

- (iv) may act by themselves or their firm in a professional capacity for the Company (otherwise than as auditor) and be remunerated for such services on such terms as the Board or a duly authorised committee may arrange.

4. MANDATORY BIDS, SQUEEZE-OUT AND SELL-OUT RULES

(a) *Mandatory bid*

The City Code applies to the Company. Under Rule 9 of the City Code, if:

- (i) a person acquires an interest in shares in the Company which, when taken together with shares already held by them or persons acting in concert with them, carry 30 per cent. or more of the voting rights in the Company; or
- (ii) a person who, together with persons acting in concert with them, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquirer and, depending on the circumstances, their concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the shares by the acquirer or their concert parties during the previous 12 months.

(b) *Squeeze-out*

Under sections 974-991 of the 2006 Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding holders of shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

(c) *Sell-out*

In addition, pursuant to section 983 of the 2006 Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of the shares to which the offer relates who has not accepted the offer may require the offeror to acquire their shares on the same terms as the takeover offer.

The offeror would be required to give any holder of shares notice of their right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises their rights, the offeror is bound to acquire those shares on the terms of the takeover offer or on such other terms as may be agreed.

5. DIRECTORS' INTERESTS IN THE COMPANY

- 5.1 The interests of the Directors, their immediate families and the persons connected with them, all of which unless otherwise disclosed are beneficial, in the issued Ordinary Shares of the Company as at the date of this document and at Admission are and will be as follows:

As at the date of this document

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
John Kent	261,775	1.3
Howard Goodbourn	54,285	0.3
Andrew Crowe ⁴	1,603,030	7.9
Paul Milner	95,188	0.5

At Admission

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
John Kent	261,775	0.7
Howard Goodbourn	54,285	0.1
Andrew Crowe ⁵	1,603,030	4.3
Paul Milner	95,188	0.3

- 5.2 The following Directors are also interested in unissued Ordinary Shares under options held by them, all of which were granted for nil consideration, as follows:

	<i>Exercise Price</i>	<i>Ordinary Shares</i>	<i>Latest exercise date</i>
Howard Goodbourn	69.8 pence	143,267	30 November 2021
John Kent	55.8 pence	70,000	11 November 2019

- 5.3 The Company operates an annual and deferred incentive plan to provide cash and equity incentives to executive Directors and senior employees over Ordinary Shares. This plan is designed to provide a remuneration package that over time best aligns the interests of executives with those of the Shareholders.

Allocations are made to participants in the incentive plan from a bonus pool. For each of the financial years ended 31 March 2015 and 31 March 2014 there was no available bonus pool as the relevant performance targets were not met.

Performance awards are made to executive Directors, with vesting after three years dependent upon performance during the period. The key measure for performance is Total Shareholder Return (TSR). If performance exceeds the threshold of 5% over the bank base rate, then 20% of that increase will be added to the bonus pool. Once the threshold performance is achieved then the vesting commences and increases based upon the increase in the value of total shareholder return delivered to Shareholders.

Participants are awarded a number of points which give them an entitlement to a percentage of any bonus pool. That amount will then be converted into shares.

4 Andrew Crowe holds 69,030 Existing Ordinary Shares and is also the sole beneficiary of the Loire Trust, which holds a further 1,534,000 Existing Ordinary Shares. In addition, Andrew Crowe is the sole executor of the JG Estate, which holds 1,852,106 Existing Ordinary Shares, and in which he has a 10 per cent. beneficial interest.

5 Andrew Crowe holds 69,030 Existing Ordinary Shares and is also the sole beneficiary of the Loire Trust, which holds a further 1,534,000 Existing Ordinary Shares. In addition, Andrew Crowe is the sole executor of the JG Estate, which holds 1,852,106 Existing Ordinary Shares, and in which he has a 10 per cent. beneficial interest. The JG Estate has agreed to subscribe for an additional 110,927 Ordinary Shares through the Subscription, which is conditional, *inter alia*, upon AIM Admission.

<i>Director</i> <i>Performance Period</i>	<i>John Kent</i>		<i>Howard Goodbourn</i>	
	<i>2012-2015</i>	<i>2013-2016</i>	<i>2012-2015</i>	<i>2013-2016</i>
Face value	38 points	38 points	25 points	25 points
Percentage of award vesting for minimum performance	At minimum performance of an increase in the return to shareholders of 5% above base rate, because of the nature of the plan, there will be full vesting of the award but there will be no benefit. Only to the extent that the return exceeds the threshold will there be value created for participants which will be 20% of the excess which will then form the bonus pool for distribution to the participants			
Length of vesting period	3 years	3 years	3 years	3 years

Notes:

As the annual and deferred incentive plan was amended and approved by Shareholders at the Company's annual general meeting in 2013, no awards under the amended plan were made before that date.

Based on the current share price, these awards would not vest.

- 5.4 Save as disclosed in this paragraph 5, none of the Directors, nor any member of their respective immediate families, nor any person connected with them, is or, immediately following Admission, will be interested in any share capital of the Company.
- 5.5 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.
- 5.6 Save as disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

6. INTERESTS OF MAJOR SHAREHOLDERS

- (a) So far as the Company is aware, as at 25 August 2015 (being the latest practicable date prior to the posting of this document), the following persons were, directly or indirectly, interested in 3 per cent. or more of the voting rights or issued share capital of the Company:

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Helium Special Situations Fund	2,446,428	12.1
JG Estate ⁶	1,852,106	9.2
Loire Trust ⁷	1,534,000	7.6
AXA IM UK	1,506,024	7.5
The BL & RB Foundation	1,325,000	6.6
Jupiter Asset Management	1,204,819	6.0
Savoylane ⁸	868,970	4.3

6 Andrew Crowe holds 69,030 Existing Ordinary Shares and is also the sole beneficiary of the Loire Trust, which holds a further 1,534,000 Existing Ordinary Shares. In addition, Andrew Crowe is the sole executor of the JG Estate, which holds 1,852,106 Existing Ordinary Shares, and in which he has a 10 per cent. beneficial interest.

7 Andrew Crowe holds 69,030 Existing Ordinary Shares and is also the sole beneficiary of the Loire Trust, which holds a further 1,534,000 Existing Ordinary Shares. In addition, Andrew Crowe is the sole executor of the JG Estate, which holds 1,852,106 Existing Ordinary Shares, and in which he has a 10 per cent. beneficial interest.

8 Harvey Bard, who has nominated Paul Milner as a director to the Company's board and is the largest creditor of the Company, is considered to be a related party of the Company for the purposes of the Listing Rules. Savoylane holds Existing Ordinary Shares (and upon Admission will also hold Subscription Shares) as nominee for four members of Mr. Bard's family, including his two children, Alexander and Tania Bard, in equal proportions. The Harvey Bard Associates, who are interested in aggregate in 1,737,265 Existing Ordinary Shares (representing approximately 8.6 per cent. of the Existing Ordinary Shares), are considered to be associates of Harvey Bard for the purposes of the Listing Rules. As at 25 August 2015 (being the latest practicable date prior to the posting of this document), Alexander Bard has an aggregate beneficial interest in 666,900 Existing Ordinary Shares representing approximately 3.3 per cent. of the Existing Ordinary Shares and Tania Bard has an aggregate beneficial interest in 723,401 Existing Ordinary Shares representing approximately 3.6 per cent. of the Existing Ordinary Shares.

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

	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Savoylane ⁹	6,737,424	18.3
Cain Hoy	5,866,946	15.9
Helium Special Situations Fund	5,779,428	15.7
JG Estate ¹⁰	1,963,033	5.3
Loire Trust ¹⁰	1,534,000	4.2
AXA IM UK	1,506,024	4.1
Galliard Holdings	1,466,737	4.0
The BL & RB Foundation	1,325,000	3.6
Jupiter Asset Management	1,204,819	3.3

- (c) As at Admission, no Shareholder will have any different voting rights to the other holders of Ordinary Shares.

7. MATERIAL CONTRACTS FOR THE GROUP

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

(a) *Subscription Agreements*

On 16 July 2015, the Company entered into subscription letters with Savoylane, the JG Estate and Cain Hoy. On 27 July 2015 the Company entered into a further subscription letter agreement with Helium Special Situations Fund on substantially the same terms. On 26 August 2015, the Company entered into a further Subscription Agreement with Galliard Holdings on substantially the same terms, under which Galliard Holdings agreed to take up some of the subscription commitment originally agreed to be taken up by Cain Hoy.

Each Subscription Agreement is conditional, *inter alia*, on:

- the passing of the Resolutions;
- City of London Financial Services Limited (a wholly-owned subsidiary of the Company) having obtained the approval of the FCA to a variation in its permissions such that it becomes a non-directive firm (as defined in the FCA Handbook glossary), which approval had been granted before the date of this document; and
- AIM Admission becoming effective within 30 Business Days of the Resolutions being passed.

9 Harvey Bard, who has nominated Paul Milner as a director to the Company's board and is the largest creditor of the Company, is considered to be a related party of the Company for the purposes of the Listing Rules. Savoylane holds Existing Ordinary Shares (and upon AIM Admission will also hold Subscription Shares) as nominee for four members of Mr. Bard's family, who at AIM Admission will hold the following aggregate beneficial interests: (i) Alexander Bard – 2,134,014 Ordinary Shares representing approximately 5.8 per cent. of the Enlarged Share Capital; (ii) Tania Bard – 2,190,514 Ordinary Shares representing approximately 5.9 per cent. of the Enlarged Share Capital; (iii) Rebecca Bard – 1,684,356 Ordinary Shares representing approximately 4.6 per cent. of the Enlarged Share Capital; (iv) Sarah Bard – 1,704,356 Ordinary Shares representing approximately 4.6 per cent. of the Enlarged Share Capital.

10 Andrew Crowe holds 69,030 Existing Ordinary Shares and is also the sole beneficiary of the Loire Trust, which holds a further 1,534,000 Existing Ordinary Shares. In addition, Andrew Crowe is the sole executor of the JG Estate, which holds 1,852,106 Existing Ordinary Shares, and in which he has a 10 per cent. beneficial interest. The JG Estate has agreed to subscribe for an additional 110,927 Ordinary Shares through the Subscription, which is conditional, *inter alia*, upon AIM Admission.

In each Subscription Agreement, the Company has given limited warranties to the subscriber. The subscriber may terminate its Subscription Agreement prior to AIM Admission in certain specific circumstances, including (amongst other things) in the event of a breach of the agreement by the Company or any of the warranties contained in it being, or becoming, untrue, inaccurate or misleading.

Each subscriber has agreed to pay the relevant subscription monies to the Company's solicitors on or before the last Business Day prior to the anticipated date of the AIM Admission.

Pursuant to the relevant Subscription Agreements, the following investors have agreed to subscribe for the number of Subscription Shares set opposite their names at the Subscription Price:

Cain Hoy	5,866,946
Galliard Holdings	1,466,737
Savoylane	5,868,454
Helium Special Situations Fund	3,333,000
JG Estate	110,927

(b) ***Introduction Agreement***

On 26 August 2015, the Introduction Agreement was entered into between the Company and Peel Hunt pursuant to which Peel Hunt has agreed, subject to certain conditions, to act as the Company's nominated adviser and broker with respect to the AIM Admission.

Peel Hunt's obligations are conditional, *inter alia*, on:

- the passing of the Resolutions;
- the conditions in the Subscription Agreements being satisfied or (if applicable) waived and the Subscription Agreements not having been terminated in accordance with their terms prior to AIM Admission; and
- AIM Admission becoming effective by not later than 8.00 a.m. on 19 October 2015 (or such later time and/or date, being no later than 8.00 a.m. on 28 October 2015, as the Company and Peel Hunt may agree).

The Introduction Agreement provides for payment to Peel Hunt of a corporate finance fee of £300,000 (less any retainer payments already made by the Company to Peel Hunt) upon AIM Admission. In addition, the Company will bear all costs of, or incidental to, the implementation of the Proposals, including (without limitation) the fees of the London Stock Exchange, printing costs, registrar's fees and all legal and accounting fees of the Company and Peel Hunt.

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

Peel Hunt may terminate the Introduction Agreement prior to AIM Admission in certain specific circumstances, including (amongst other things) in the event of: a material breach of the Introduction Agreement by the Company; any of the warranties contained in it being, or becoming, untrue, inaccurate or misleading in any material respect; or a *force majeure* event or a material adverse change in relation to the Company having occurred prior to AIM Admission.

(c) ***Nominated Adviser and Broker Agreement***

On 26 August 2015, the Nominated Adviser and Broker Agreement was entered into between the Company and Peel Hunt pursuant to which Peel Hunt has agreed, conditional on Admission, to act as

the Company's nominated adviser and broker, for the purposes of the AIM Rules for Companies, in respect of and from AIM Admission. The Company has agreed to pay Peel Hunt an annual fee of £75,000 plus VAT for its services as nominated adviser and broker under this agreement and to reimburse Peel Hunt's reasonable costs and expenses in connection with its services. The agreement contains certain undertakings and indemnities given by the Company to Peel Hunt. The agreement is terminable upon not less than 30 days' prior written notice by either the Company or Peel Hunt. Each of the Company and Peel Hunt also has the right to terminate the agreement with immediate effect if the other party breaches a material obligation, and does not remedy the breach within 7 days of being required to do so by written demand. Peel Hunt has the right to terminate the agreement with immediate effect in certain other limited circumstances.

(d) ***CAML joint venture agreement***

The Company entered into an agreement on 3 May 2011 with Carter Lane Limited, a company representing the management team, Michael Hughes, James Frost and Christopher Boobyer which gave the Group effective control over CAML's board and the conduct of its business.

In particular the Company acquired the 51% of CAML's ordinary equity previously owned through City of London Financial Services Limited ("COLFS"). With this the Company also assumed COLFS' rights through a shareholders agreement between COLFS and CAML dated 28 February 2011 ("the CAML JV Agreement") (a) to appoint two directors and also such number of directors as would give it board control and (b) the right to approve CAML's annual budget and rolling three year business plan and (c) the right of veto over a number of key commercial issues.

Through a facility letter dated 3 May 2011, the Company provided CAML with a working capital facility of up to £750,000 at an interest rate of 4.67 per cent. Through a deed of adherence to the CAML JV Agreement the Company also agreed to invest in CAML preference shares up to the maximum permitted under its investing policy, subject to being satisfied that CAML would be able to achieve gearing of at least 3:1.

(e) ***TFPL joint venture and subsequent restructuring***

An agreement was entered into on 7 June 2012 between City of London Confirming House Limited ("COLCH") (1), Christopher Ash (2), Glyndwyr Powell (3), William Tebbit (4), the Company (5), Macquarie Bank Limited, London Branch ("Macquarie") (6) and TFPL (7) (the "**TFPL Joint Venture Agreement**") under which Macquarie agreed to subscribe an aggregate amount of £1,000,000 for shares and loan notes in TFPL. The agreement also set out how TFPL was to be funded and managed.

As part of a restructuring in March 2014 ("**the Restructuring**"), COLCH (1), Christopher Ash (2), William Tebbit (3), Niall Mason (4) the Company (5), Macquarie (6), Macquarie European Investment Holdings Limited ("**MEIH**") (7) and TFPL (8) entered into a new agreement on 19 March 2014 amending and restating the TFPL Joint Venture Agreement ("**the new JV Agreement**").

The Restructuring involved, *inter alia*, the conversion of Macquarie's loan notes into ordinary shares, the transfer of Macquarie's shares to MEIH, the subscription of new equity by MEIH and the acquisition by MEIH of a departing Director's shares to bring MEIH's ordinary shareholding in TFPL to 34%. COLCH's fully diluted ordinary shareholding was reduced from 51% to 44%, with the balance being held by TFPL's management. At the same time Macquarie subscribed £3m and Citymain Investments Limited ("**Citymain**"), a company associated with Harvey Bard, subscribed £2m of new 8% loan notes. The Company's existing 12% loan notes to the amount of £2,536,850 were replaced by the same amount of new 8% loan notes and a subsidiary of the Company, COLG Trade Finance Limited, received £2,321,465 of new 8% loan notes in repayment for working capital advances made by the Company to a trading associate of TFPL. All the 8% loan notes so issued were unsecured redeemable notes with a maturity in 2019 and interest is rolled up with the exception of the loan notes held by COLG Trade Finance Limited for which interest is payable from 1 July 2015 subject to complying with an intercreditor deed between COLG, Macquarie and Citymain.

The new JV Agreement gives COLCH the right to appoint the chairman and a further director of TFPL at all times whilst it holds at least 20 per cent. of the equity share capital of TFPL. Macquarie has the right to appoint two directors to the board of TFPL while it holds at least 20 per cent. of the equity share capital of TFPL.

TFPL's budgets and business plans must be approved by a board meeting at which at least one nominee director of both COLCH and Macquarie is present. COLCH and Macquarie also have typical access rights to information and management. The consent of 90% of the non-management shareholdings, being effectively both COLCH and Macquarie, is required for any alteration in TFPL's share capital and loan notes, for significant acquisitions, disposals or transactions and for changes to the executive directors and their terms of employment. A simple majority of all ordinary shareholders is required for most other corporate business, including the payment of dividends and the issue of new ordinary shares. The consent of the manager shareholders is also required in relation to a number of limited matters.

The new JV Agreement provides that any holder of more than 30% of the non-management shareholdings, effectively either COLCH or Macquarie, may initiate the exploration of a listing for TFPL if there is a reasonable expectation that the entity value of TFPL would be in excess of £30 million; or may require the appointment of an agent to sell TFPL at any time after 1 January 2017. The Articles of Association for TFPL, adopted at the time of the new JV Agreement are summarised in Part 3, Section B of this document and provide for certain pre-emption rights and debt stapling, as well as drag along and tag along rights, in connection with the sale of equity.

The new JV Agreement also provides that any Manager who ceases to hold shares in TFPL is subject to non-compete covenants for one year after ceasing to hold such shares. Each of COLCH, the Company and Macquarie have agreed not to solicit or interfere with customers or clients of TFPL and not to employ any senior employees of TFPL for a period of two years after ceasing to hold shares in TFPL. In addition, both COLCH and Macquarie have agreed that any director or observer appointed by either of them to the board of TFPL cannot, at the same time, be involved in any executive capacity in a business which competes with TFPL.

As part of the Restructuring, COLCH, Harvey Bard, Macquarie and a number of associated companies together with TFPL management entered into a Master Agreement dated 19th March 2014, which provided for the amendments and changes described above and also envisaged that new management incentivisation arrangements would be established.

The Restructuring also involved the amendment and restatement of the multicurrency revolving facility agreement between TFPL (1), TFP Trading Limited (2) and Macquarie (3) originally dated 1 June 2012, under which Macquarie agreed to provide TFPL with a revolving trade finance credit facility ("**the RCF**"). The RCF was increased to £23 million with provision for further increases and extended to 2017. At present the facility is currently at £30.5 million. The funding is to be utilised in connection with TFPL's trade finance business.

(f) ***COLG SME L.P and COLG SME Loans L.P and Credit Asset Management Limited***

City of London SME Leasing Limited ("**COLG SME LTD**") entered into two agreements with The Secretary of State for Business, Innovation and Skills ("**BIS**") on 20 March 2013. Pursuant to the two agreements, two limited partnerships, COLG SME LP and COLG SME Loans LP, were established. The conduct of the business of the two limited partnerships are regulated by two limited partnership agreements which, amongst other things, set out the funding arrangements and allocation of profits for the limited partnerships.

COLG SME LP was established to carry on the business of providing or acquiring interests in asset financing to small and medium sized enterprises within the UK. COLG SME Loans LP was established to carry on the business of providing or acquiring interests in loan financing to small and medium sized enterprises within the UK. The two L.Ps have been set up to deploy funds under the

Business Finance Partnership Initiative announced by the UK Government to increase the flow of credit from “non-traditional” sources.

The aggregate amount made available to the two LPs is £10,000,000, £5,000,000 of which is provided by BIS and £5,000,000 is provided by COLG SME LTD. Under the terms of the two limited partnership agreements all of the funds must be deployed by 20 March 2016. Subject to the performance fees under the master sale agreements, the profits of the two L.Ps are to be shared equally by COLG SME LTD and BIS.

Under a management and master sale and purchase agreement, Credit Asset Management Limited is responsible for managing and originating lease agreements on behalf of COLG SME LP. Under a further master sale agreement, Professions Funding Limited (“PFL”) is responsible for managing and originating loan agreements on behalf of COLG SME Loans LP.

These agreements set out a number of matters including (i) the arrangements for managing the portfolios of the limited partnerships, (ii) restrictions on the type and level of financing which both CAML and PFL can originate, (iii) the management and performance fees to be paid to CAML and PFL respectively and (iv) the warranties and indemnities given by CAML and PFL in relation to each lease or loan which is financed.

The general partner under both of the two limited partnerships is COLG SME (GP) Limited.

(g) ***Loan agreement between (1) City of London SME Leasing Limited, (2) The Trustees of the IPS Pensions Builder – HP Bard and (3) the Company and related debenture***

An agreement dated 4 March 2013 was entered into between (1) City of London SME Leasing Limited (as borrower) (“**the borrower**”), (2) The trustees of the IPS Pension Builder – HP Bard (as lender) (an associate of Harvey Bard) (“**the lender**”) and (3) the Company pursuant to which a loan of up to £6,000,000 (or such other amount as may be expressly agreed between the parties from time to time) has been provided by the lender to the borrower. The loan is provided by the lender on its receipt of a written drawdown notice from the borrower and the satisfaction of certain conditions precedents. The loan can be drawn in tranches.

The loan is to be used by the borrower solely for the purpose of making asset backed loans to small to medium size enterprise companies and professional firms. The loan funds can be applied to funding leases and loans to small to medium size enterprises or funding trade finance arrangements (with a maximum sum of £1,000,000 for funding trade finance arrangements) managed by TFPL.

The borrower must repay the loan (plus accrued interest and any other amounts it owes to the lender or under the loan agreement) by 4 April 2018. The borrower may prepay the loan or any tranche of it (plus accrued interest) by giving one month’s notice in writing to the lender. Interest will be charged at 7 per cent. per annum for the first 24 months of the agreement, 8 per cent. for following 36 months of the loan agreement.

The loan (plus accrued interest) will be immediately payable on written demand by the lender on the unremedied occurrence of an Event of Default (as defined in the loan agreement).

The loan is secured by a debenture. Under the related debenture, entered into on 7 June 2013 between the borrower and the lender, the borrower:

- (i) covenants to pay, discharge and perform all liabilities and past, present and future obligations owing or incurred by it to the lender on demand on or at any time after the due date for payment under the loan agreement;
- (ii) as security for its payment of all liabilities and past, present and future obligations owing or incurred by it to the lender:

- (A) grants a first fixed charge and a first floating charge in favour of the lender over the whole of its right, title and interest in its present and future assets, property, rights and undertakings; and
 - (B) assigns all its right, title and interest in its present and future assets, property, rights and undertakings to the lender; and
- (iii) agrees not to create or permit to subsist any further security over, or to dispose of any of the property secured under the debenture.

Pursuant to a letter, signed by all parties on 21 May 2013, the loan was increased by an additional £1,000,000, and a further £2,000,000 pursuant to a letter signed by all parties on 17 July 2013.

The loan and debenture referred to above were novated by The Trustees of the IPS Pension Builder – HP Bard, as assignor, to The Trustees of the HPB Pension Trust, as assignee, pursuant to a deed of novation and priority entered into on 1 December 2014 by (1) the borrower, (2) the lender (3) The Trustees of the HPB Pension Trust (as “**the new lender**”) and (4) the Company. Under the deed of novation and priority, the new lender assumed the rights and obligations of the lender under the loan and debenture described above.

- (h) Pursuant to a sale and purchase agreement entered into on 7 April 2015 between, *inter alia*, the Company and Therium Group Holdings Limited (as purchaser), the Company completed the sale of its 50% interest in Therium Capital Management Limited (“**TCML**”) on 29 April 2015 for a total consideration of approximately £1.7 million, which was received in cash on completion. In addition, TCML agreed to repay to the Company outstanding loans in an aggregate amount of approximately £1.6 million after two years or earlier in certain circumstances, including to the extent that TCML earns performance fees or incremental management fees above an annual threshold. TCML’s obligations are guaranteed by its new partner. The sale agreement provides that the Company may receive a further consideration of £600,000 in the event that TCML earns more than £7 million of performance fees from the portfolio of cases it has been managing whilst it was an associate of COLG. The sale agreement also provides for COLG to receive further payments in the event that Therium UK Holdings Limited, TCML or its associate, Novitas Loans Limited, are resold at certain values within two years.
- (i) In May 2015, following the departure of William Tebbit from TFPL, his shares were offered to other shareholders under TFPL’s articles of association. COLCH and Macquarie took up their allocations and applied for any shares not applied for by other shareholders, with the result that COLCH increased its shareholding in TFPL from 44.1% to 48.9% at a cost of £192,000 whilst Macquarie increased its shareholding from 33.8% to 37.5% for a cost of £147,000.
- (j) As the first step in a restructuring, COLG converted its £1,250,000 of preference shares in CAML into 1,218,638 ordinary shares on 13 July 2015 with CAML accepting the obligation to pay £512,000 of accrued preference share dividends. On 14 July CAML entered into an agreement to acquire COLG’s 100% ordinary shareholding in PFL, together with COLG’s £950,000 of preference shares in return for the issue of 1,048,029 new ordinary shares and an intercompany balance owing to COLG to the amount of the accrued preference dividends; CAML also effected a share capital reduction to cancel out its share premium account. These steps had the effect of increasing COLG’s ordinary shareholding in CAML from 51% to 85% and effectively cancelling CAML’s negative profit and loss account.
- (k) As the final step in its restructuring, on 15 July 2015, CAML issued £5 million of new redeemable 7% preference shares to Citymain, an associate company of Harvey Bard, in return for £5 million of lease and loan assets which CAML had originated and managed on behalf of Citymain and other associates of Harvey Bard. The preference shares’ coupon increases to 8% after 5 years and they are to be redeemed after 7 years. COLG has entered into a separate put and call agreement with Citymain under which it may repurchase the preference shares at any time at face value and accrued but unpaid dividend whilst Citymain may put the preference shares onto COLG on the same terms if they are not redeemed after 7 years or in the event of a change of control in either COLG or CAML.

8. DIRECTORS' LETTERS OF APPOINTMENT

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

Andrew Crowe entered into a letter of appointment with the Company with effect from 23 December 2013 for an initial period of two years. After this his reappointment under the terms of the letter will be subject to the agreement of the board. The appointment may be terminated at any time on one month's written notice by either party without compensation for termination. Mr. Crowe receives an annual fee of £27,500.

Paul Milner entered into a letter of appointment with the Company with effect from 29 November 2013. Mr. Milner's appointment is expected to continue until the repayment of certain loans owed by the Group to Harvey Bard and his pension fund. After this, Mr. Milner's reappointment under the terms of the letter will be subject to the agreement of the Board. Mr. Milner may terminate the appointment by one month's written notice. Mr. Milner receives an annual fee of £27,500.

(b) *Appointment of Proposed Director*

Andy Crossley entered into a letter of appointment with the Company on 26 August 2015 appointing him as a director of the Company with effect from AIM Admission for an initial period of two years. The appointment may be terminated by either party on one month's written notice by either party without compensation for termination. Mr. Crossley will receive an annual fee of £27,500.

Andy is currently the Managing Director of Westhouse Securities Ltd having left Peel Hunt LLP in 2015, where he spent four years as Head of Corporate Sales and subsequently Head of ECM/Syndicate. At Peel Hunt LLP Andy had both a financial advisory and execution role and sat at the interface between corporate clients and investing institutions. Prior to his move to the sell side Andy spent twenty-four years, principally at Invesco Perpetual, as one of the UK's best known UK small cap fund managers. Andy currently sits on the AIM Advisory Group and will bring a wealth of corporate governance and capital market expertise to the Company.

(c) *Other*

Save as set out in paragraph 8(b) above, there have been no changes to the Directors' service arrangements in the six months prior to the date of this document.

9. ADDITIONAL INFORMATION ON THE BOARD

9.1 Aside from directorships held within the Group the Directors hold or have held the following directorships or been a partner in the following partnerships within the five years prior to the date of this document:

<i>Name of Director</i>	<i>Age</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
John Christian	60	Reform Topco Limited	Dalestone Energy LLP
William Kent		Reform Investments Limited	JCWK Associates Ltd
		Trafficmart Limited	Little Greek Food Company Limited
			SUSD Asset Management (Holdings) Ltd
			Tosca Penta Holdings Ltd
			TTT Moneycorp Limited

<i>Name of Director</i>	<i>Age</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Howard Charles Goodbourn	54	None	Bowsprit Holdings Ltd Bowsprit Property Development Ltd Ecoclear Ltd Monk Rawling Ltd Southern Water (NR) Holdings Ltd Southern Water Industries Ltd Southern Water Investments Ltd Southern Water Ltd Southern Water Services Finance PLC Southern Water Services Group Ltd Southern Water Services Ltd SWS Group Holdings Ltd SWS Holdings Ltd Water UK
Andrew James Crowe	43	Parkstone Advisory Ltd Nairn Developments Ltd TBSL Limited	Mining & General Investments Limited
Paul Milner	54	Evenlode Investments Ltd 4 Chandos Street Ltd	None
Andrew John Crossley	52	Westhouse Securities Ltd	Baronsmead VCT plc

9.2 Save as disclosed in this document, none of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) had any bankruptcy order made against him or entered into any voluntary arrangements;
- (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he as a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (f) been publicly criticised by any statutory or regulatory authority (including designated professional bodies);
- (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company; or
- (h) had a name other than his/her existing name.

10. SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Group since 31 March 2015, the date to which the last audited consolidated annual financial statements of the Company and the Group were prepared.

11. WORKING CAPITAL

Taking into account the net proceeds of the Subscription, the Directors have no reason to believe that the Company or its Group has insufficient working capital for its present requirements, that is for at least the next twelve months from the date of this document.

12. LITIGATION

The Company is not involved in any governmental, legal or arbitration proceedings which may have or have had in the 12 months preceding the date of this document a significant effect on the Company's financial position or profitability or the financial position or profitability of the Group as a whole and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company or any other member of the Group.

13. RELATED PARTY TRANSACTIONS AND DOCUMENTS INCORPORATED BY REFERENCE

13.1 Save as disclosed in paragraph 8 above and paragraphs 13.2 and 13.3 below, the Company has not entered into any related party transactions (being those set out in the Standards adopted according to Regulation (EC) No. 1606/2002) in the last three financial years preceding the date of this document and up to the date of this document.

13.2 The Company has entered into the related party transactions referred to in:

- (a) Note 29 to the audited consolidated financial statements of the Company and its Group for the year ended 31 March 2015 (pages 64 to 66);
- (b) Note 29 to the audited consolidated financial statements of the Company and its Group for the year ended 31 March 2014 (pages 69 to 70);
- (c) Note 29 to the audited consolidated financial statements of the Company and its Group for the year ended 31 March 2013 (pages 62 to 64),

(together the "**Related Party Notes**"), each of which is incorporated herein by reference in accordance with the following disclosures.

Paragraphs 13.1 and 13.2 above should be read and construed in conjunction with the Related Party Notes, which have been previously published and which have been filed with the FCA and which shall be deemed to be incorporated herein, and form part of, this document.

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

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

13.3 The Company has also entered into the following related party transactions:

- (a) A revolving credit facility dated 28 November 2013 of £4.8 million between COLG as borrower and Harvey Phillip Bard as lender with a maturity of 30 September 2017 secured on a debenture over COLG. Interest at 7% pa originally rolled up but is now payable quarterly in arrears with renewal fees of 1% on the amount outstanding at 31 December 2015 and 0.5% on the amount outstanding on 30 September 2016.
- (b) A block discount loan agreement dated 22 August 2014 for a maximum aggregate of £1.2 million between Citymain (an associate of Harvey Bard) as lender and Credit Asset Management Ltd and Professions Funding Ltd as borrowers available for draw down for one year, unless renewed. The interest rate is 7% with an early termination fee of 0.5%. The loan is secured on receivables. An arrangement fee of approximately £9,000 was payable.
- (c) A block discount loan agreement dated 11 February 2015 for a maximum aggregate of £1.3 million and extended to £6.3 million on 30 March 2015 between the trustees of HPB Pension Trust (an associate of Harvey Bard) as lender and Credit Asset Management Ltd and Professions Funding Ltd as borrowers. The loan is secured on receivables and the interest rate is 7% with an arrangement fee of £37,500.

14. CONSENTS

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

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on the Company's website at www.cityoflondongroup.com and at the offices of the Company, 30 Cannon Street, London EC4M 6XH during usual business hours on any weekday (excluding Saturdays, Sundays and public holidays) up to and including 18 September 2015 and at the General Meeting to be held on that day:

- (a) the Articles;
- (b) the consent letter referred to at paragraph 14 above; and
- (c) the audited consolidated financial statements of the Company and its Group for the periods ended 31 March 2014 and 2015.

16. TAXATION

The following comments are intended only as a general guide to current United Kingdom tax legislation and to the current published practice of HM Revenue and Customs in the United Kingdom, and may not apply to certain Shareholders (such as dealers in securities, insurance companies and collective investment schemes). They relate (except where stated otherwise) to persons who are resident in the UK for tax purposes, who are beneficial owners of Ordinary Shares and who hold their Ordinary Shares as an investment (and not as employment-related securities). Shareholders who are in any doubt about their tax position should consult their professional adviser immediately.

16.1 *Taxation of dividends*

Under current United Kingdom legislation, no tax is required to be withheld from dividend payments by the Company.

- (a) *Individuals*

Shareholders (other than a company) receiving a dividend from the Company also receive a notional tax credit in respect of the dividend of an amount equal to one ninth of the amount of the net dividend (which is 10 per cent. of the sum of the dividend and the tax credit). The liability to United Kingdom income tax is calculated on the gross dividend income (i.e. the net dividend received plus the notional 10 per cent. tax credit).

Individual Shareholders whose income is within the basic rate tax band (for 2015/16 £31,785 after the personal allowance, subject to any reliefs that may extend the basic rate band such as gift aid payments made) will be subject to income tax at the dividend rate of 10 per cent., so that (after taking into account the notional 10 per cent. credit) such Shareholders will have no further liability to income tax on that dividend income.

Individual Shareholders who are subject to the higher rate of income tax (broadly, where income in 2015/16 exceeds £31,785, after the personal allowance) will be subject to dividend income tax at 32.5 per cent. subject to any reliefs that may extend the basic rate band such as gift aid payments made. After allowing for the 10 per cent. notional tax credit, a higher rate taxpayer suffers an effective rate of 25 per cent. on the net dividend received.

Individual Shareholders who are subject to the additional rate of income tax (broadly, where income in 2015/16 exceeds £150,000) will be subject to dividend income tax at 37.5 per cent. After allowing for the 10 per cent. notional tax credit, an additional rate taxpayer suffers an effective rate of 30.56 per cent. on the net dividend received.

Dividends payable to trustees will be subject to dividend income tax at 37.5 per cent.

Dividends payable to personal representatives of deceased persons are taxable at the 10 per cent. rate on dividends received.

Shareholders who are not liable to income tax on the dividend income (or any part of it) may not claim repayment of the tax credit (or any part of it).

From April 2016 the notional tax credit is to be abolished and is to be replaced by a dividend tax allowance of £5,000. The new rate of tax on dividend income in excess of this £5,000 allowance will be 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers and 38.1 per cent. for additional rate taxpayers. As at the date of this document there are unresolved questions as to how these rules may impact trustees and personal representatives.

(b) *Companies*

Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally expect to be subject to UK tax on dividends from the Company. Other Shareholders within the charge to UK corporation tax will not be subject to UK tax on dividends (including dividends from the Company) so long as the dividends fall within an exempt class and certain conditions are met. In general, dividends paid on shares that are “ordinary share capital” for UK tax purposes and are not redeemable, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class. UK resident shareholders (including authorised unit trusts and open ended investment companies) and pension funds are not entitled to claim payment of the tax credit (or any part of it).

16.2 *Taxation of chargeable gains*

Shareholders who are resident in the UK for tax purposes and who dispose of their Ordinary Shares at a gain will ordinarily be liable to UK taxation on chargeable gains, subject to any available exemptions or reliefs. The gain will be calculated as the difference between the sale proceeds and any allowable costs and expenses, including the original acquisition cost of the Ordinary Shares.

Shareholders who are not resident in the UK for tax purposes but who carry on a trade, profession or vocation in the UK through a branch, agency or fixed place of business in the UK may be liable to UK taxation on chargeable gains on any gain on a disposal of their Ordinary Shares, if those Ordinary Shares are or have been held, used or acquired for the purposes of that trade, profession or vocation or for the purposes of that branch, agency or fixed place of business.

If an individual shareholder ceases to be resident in the UK and subsequently disposes of Ordinary Shares, in certain circumstances any gain on that disposal may be liable to UK capital gains tax upon that shareholder becoming once again resident or ordinarily resident in the UK.

16.3 *Inheritance tax*

The Ordinary Shares are assets situated in the UK for the purposes of UK inheritance tax. A gift of such shares by, or on the death of, an individual shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the shareholder is neither domiciled nor deemed to be domiciled in the UK, or if the individual is non-UK resident but domiciled or deemed domiciled in the UK.

16.4 *Stamp Duty and Stamp Duty Reserve Tax*

The allotment and issue of the Subscription Shares will not generally give rise to a liability to stamp duty or SDRT.

Transfers of securities admitted to trading on certain recognised growth markets (presently including AIM) are exempt from stamp duty and SDRT, provided that the securities are not “listed” on a recognised stock exchange. As such, following AIM Admission, subsequent transfers of Ordinary Shares for value should not give rise to either stamp duty or SDRT.

16.5 *Taxation of the Company*

The Company should be subject to UK corporation tax on its profits and gains. For the fiscal year beginning on 1 April 2015 the UK corporation tax rate is 20 per cent. This declines to 19 per cent. for the fiscal year beginning on 1 April 2017 and to 18 per cent. for the fiscal year beginning on 1 April 2020.

17. **OTHER INFORMATION**

- 17.1 This document has been prepared, *inter alia*, in accordance with the requirement of Schedule One (including its supplement) of the AIM Rules that for a quoted applicant all information that is equivalent to that required for an admission document which is not currently public shall be made public. Information which is publicly disclosed includes, without limitation, all regulatory announcements made by the Company to the London Stock Exchange (available at www.londonstockexchange.com) and all information available on the website of the Company (www.cityoflondongroup.com), including this document.
- 17.2 There are no specific dates on which entitlement to dividends or interest thereon on Ordinary Shares arises and there are no arrangements in force for the waiver of future dividends.
- 17.3 The total gross proceeds of the Subscription receivable by the Company are expected to be £4,993,819.20. The estimated amount of expenses of the Subscription and Admission which are payable by the Company is approximately £600,000. The net proceeds of the Subscription receivable by the Company will be approximately £4.4 million.
- 17.4 The accounting reference date of the Company is currently 31 March.
- 17.5 The accounts of the Company for the financial years ended 31 March 2013, 31 March 2014 and 31 March 2015 have been audited by BDO LLP of 55 Baker Street, London W1U 7EU.
- 17.6 Save as disclosed either publicly or in this document, no person (excluding professional advisers as stated in this document and trade suppliers) has received directly or indirectly from the Group within the 12 months preceding the Company’s application for Admission and no persons have entered into contractual arrangements to receive:
- (a) fees totalling £10,000 or more;
 - (b) securities in the Company with a value of £10,000 or more;

- (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 17.7 Save as disclosed either publicly or in this document, the Company has no principal investments for the period 1 April 2012 to 31 March 2015 and has no principal investments in progress and no principal future investments in relation to which it has made a firm financial commitment.
- 17.8 Save as disclosed either publicly or in this document, the Company does not hold a proportion of capital of any undertaking likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.
- 17.9 The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 17.10 The typical investors for whom an investment in the Company is intended are professionally advised private investors, or institutional investors, seeking long term capital growth from investment in UK equities. An investment in the Company may also be suitable for financially sophisticated private investors who are not professionally advised but are capable of evaluating the risks and merits of an investment in the Company and who have sufficient resources to bear any loss that may result from such an investment. However, such investors should consider consulting an independent financial adviser authorised under FSMA before investing.
- 17.11 There have been no public takeover bids by third parties in respect of the Company's share capital within the last financial year or in the current financial year as at 25 August 2015 (being the latest practicable date before the publication of this document).
- 17.12 Following due and careful enquiry, the Company confirms that it has adhered to the legal and regulatory requirements involved in having its Ordinary Shares admitted to trading on the Main Market.
- 17.13 The Company's NAV is calculated and set out in the Company's interim and full year financial statements.
- 17.14 The Company's investor relations website at www.cityoflondongroup.com/investor-relations.asp includes:
- (a) documents or announcements which the Company has made public during the last two years;
 - (b) details of the rights attaching to its securities; and
 - (c) its latest published annual accounts.

SECTION B: TRADE FINANCE PARTNERS LIMITED

1. TFPL

- (a) TFPL was incorporated in England on 22 January 2010 under the name of Trade Finance Partners Limited with the registered number 07133402 as a private company with limited liability under the Companies Act 2006.
- (b) The principal legislation under which TFPL now operates is the 2006 Act and the regulations made thereunder and TFPL is subject to the regulation of the Financial Conduct Authority. The liability of the members is limited.
- (c) TFPL's registered office and its principal place of business is at 30 Cannon Street, London, EC4M 6XH. Its telephone number is 0207 634 9800. TFPL is domiciled in the United Kingdom and is registered with the Registrar of Companies for England and Wales. TFPL has the following significant subsidiary undertakings:

<i>Name</i>	<i>Registered Office</i>	<i>Principal Activity</i>	<i>Percentage of ordinary share capital owned by TFPL</i>	<i>Voting Interest</i>
Trade Finance Partnership Limited	30 Cannon Street, London, EC4M 6XH	Dormant	100	100
TFP Trading Company Limited	30 Cannon Street, London, EC4M 6XH	Wholesale of wine, beer, spirits and other alcoholic beverages	100	100

Each of the above-mentioned companies is incorporated in England & Wales and has its domicile in the United Kingdom.

- (d) The directors of TFPL are:
- Christopher Ash (*Co-Chief Executive Officer*)
 - Christopher Dailey (*Co-Chief Executive Officer*)
 - Howard Goodbourn (*Nominee Director of COLCH*)
 - John Kent (*Chairman, Nominee Director of COLCH*)
 - Patrick Ottersbach (*Nominee Director of Macquarie*)
 - Ken Pippin (*Nominee Director of Macquarie*)

2. SHARE CAPITAL

Pursuant to the Companies Act 2006, TFPL was incorporated on 22 January 2010 with a share capital of £1000 comprising 100,000 ordinary shares of £0.01 each. There are no shares in TFPL not representing capital and no shares in the capital of TFPL are held by or on behalf of TFPL or the Group. The following table shows the issued share capital of TFPL as at: (i) 31 March 2015, (ii) the date of this document; and (iii) the date of AIM Admission.

<i>Date</i>	<i>Issued and fully paid</i>	<i>No. of ordinary shares</i>	<i>No. of preference shares</i>
(i) 31 March 2015	£2,858.08	285,808 A Ordinary Shares of £0.01 each	425,000 preference shares of £1 each
	£809.97	80,997 B Ordinary Shares of £0.01 each	
(ii) Date of this document	£3,169.04	316,904 A Ordinary Shares of £0.01 each	425,000 preference shares of £1 each
	£499.01	49,901 B Ordinary Shares of £0.01 each	
(iii) Admission	£3,169.04	316,904 A Ordinary Shares of £0.01 each	425,000 preference shares of £1 each
	£499.01	49,901 B Ordinary Shares of £0.01 each	

As at 31 March 2015 and at the date of this document, TFPL held no shares in treasury.

As at the date of this document, there are no warrants issued by TFPL that remain capable of exercise.

The following alterations in the share capital of TFPL have occurred during the period from 1 April 2012 to the date of this document:

- (i) as part of the Restructuring the following changes were made to TFPL's share capital on 19 March 2014:

50,329 A ordinary shares were issued to Macquarie in respect of the conversion of £736,850 of convertible loan notes previously issued to Macquarie under the TFPL Joint Venture Agreement;

31,096 B ordinary shares transferred by Glyn Powell to MEIH were redesignated as A ordinary shares;

MEIH subscribed for 29,250 new A ordinary shares; and

Niall Mason subscribed for 18,805 new B ordinary shares.

- (ii) Following the departure of William Tebbit, his 31,096 B ordinary shares were acquired by COLCH and MEIH on 5 June 2015 and re-designated as A ordinary shares.

As at the date of this document, no options to subscribe for ordinary shares have been granted to employees and directors of TFPL. However, Macquarie and COLCH intend to introduce a long term incentive scheme for management based around achieving certain realisable values for TFPL. Save as disclosed in this Part 3, no share or loan capital of TFPL or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

3. ARTICLES OF ASSOCIATION

The articles of association of TFPL follow the Model Articles for companies limited by shares as set out in the The Companies (Model Articles) Regulations 2008 but to the extent of any conflict with the new JV Agreement summarised in paragraph 7(c) of Part 3, Section A of this document, that agreement takes precedence.

Objects

The Articles contain no specific restrictions on the Company's objects and therefore by virtue of section 31(1) of the 2006 Act the Company's objects are unrestricted

Dividends

- (i) Subject to having profits available for distribution within the meaning of the Companies Act 2006, and any restriction imposed by a lender, TFPL shall pay a cumulative preference dividend of 12% per annum on the amount of issued preference shares;
- (ii) Subject to payment of the cumulative dividend due in respect of the preference shares and to any restriction imposed by a lender, available profits may be used to pay a dividend to all holders of ordinary shares equally of such amount as the Board may determine and ordinary members approve in general meeting.

Return of Capital, Exit and Redemption

Preference shares and any unpaid cumulative dividend receive the first proceeds of any liquidation, capital reduction or sale of TFPL, to be followed by ordinary shares treated *pari passu* as between the different classes of ordinary shares. The preference shares are due to be redeemed at the end of 2015 and continue accruing dividend to the extent that they are not. The preference shares have no right of conversion.

Variation of rights

Pursuant the terms of the new JV Agreement, any alteration of TFPL's share capital or the rights attaching to its shares requires the consent of holders of 90 per cent. or more of the A ordinary shares.

Voting

A and B ordinary shares carry one vote per share and preference shares carry no votes. Notices of general meetings must comply with the 2006 Act. A quorum for a general meeting shall be at least one duly appointed representative of a holder of A ordinary shares and a holder of B ordinary shares. Holders of preference shares are not entitled to receive notice of or to attend general meetings.

Transfer of shares and pre-emption

Prior to 30 September 2015, transfers of ordinary shares are not permitted unless they are transferred (a) to management as part of new management incentivisation arrangements; (b) within the same corporate group as an existing shareholder; (c) pursuant to death or bankruptcy of a shareholder or change of control of an intermediate shareholding entity (not the ultimate parent); (d) pursuant to a compulsory transfer of shares when a management shareholder becomes a leaver; (e) as a result of the drag along or tag along articles; (f) following application of the pre-emption provisions of the articles; and (g) in respect of A ordinary shares, together with the pro-rata amount of loan notes ("Stapled Debt") held by that A shareholder group (including Citymain, for these purposes only, as part of COLG's A shareholder group), provided the case of ordinary shares that the transferee has entered into an undertaking to abide by the new JV agreement (unless already so bound) and, in the case of Stapled Debt, that the transferee has acceded to the intercreditor agreement between Macquarie, COLG and Citymain. Preference shares are freely transferable.

After 30 September 2015 and before 2 June 2017, a transfer of shares may be made to an EU entity regulated by the Financial Conduct Authority with net assets of at least £20 million or any other EU entity with net assets of at least £50 million. After 2 June 2017 a transfer may be made to any person. In each case after 30 September 2015, transfers can only be made for all, rather than part of a holder's shares, subject to the pre-emption provisions in the articles and in the case of A ordinary shares where the transfer also includes all of the relevant stapled debt securities held by the A shareholder group.

Where a holder of B ordinary shares (a manager) leaves TFPL he or she is required to offer their shares either to TFPL or to the other shareholders in accordance with the pre-emption provisions given below.

TFPL's pre-emption provisions require a transferor who complies with one of the permitted circumstances above to offer their shares to other shareholders or to the Company (if agreed by the holders of two thirds of the nominal value of A ordinary shares). The other shareholders may apply for their pro-rata share of such shares and may also apply for excess shares in respect of any not taken up by other shareholders. In the case of a sale to a third party transferee, the price applying for the purposes of pre-emption is that agreed with the proposed transferee of the shares. In the case of death, bankruptcy or a manager leaving TFPL the price

applying is the agreed or independently arbitrated fair value. In the case of the allotment of new shares, each shareholder is entitled to receive its pro-rata share of new shares and may also apply for excess shares not taken up by other shareholders. The share price for new allotments is either an agreed price or one independently arbitrated.

Drag Along and Tag Along

In the event that a shareholder wishes to sell its holding such that a third party acquires or holds 30% or more of the A ordinary shares, and the other shareholders do not acquire that party’s shares under the pre-emption provisions, then the selling party may require the other shareholders to sell their shares to the third party on the same terms (the “Drag Along”). The non-selling shareholders may also require the proposed transferee to acquire their shares on the same terms in those circumstances or the sale of selling shareholder’s shares will not be completed.

Directors

The number of directors, unless otherwise determined by ordinary resolution of TFPL, shall not be less than two and there is no maximum number.

The quorum for a meeting of the directors is three, of which one will be a COLG nominated director, one a Macquarie nominated director and one shall be any director who is also a holder of B shares. The directors may authorise any matter or situation proposed to them by any director, which if not authorised, would involve a director breaching his duty under section 175 of the 2006 Act to avoid conflicts of interest.

4. DIRECTORS’ INTERESTS IN TFPL

4.1 The interests of the directors of TFPL, their immediate families and the persons connected with them, all of which unless otherwise disclosed are beneficial, in the issued ordinary shares of TFPL as at the date of this document and at Admission are and will be as follows:

As at the date of this document and Admission

<i>Director</i>	<i>Number of shares</i>	<i>Percentage of voting rights</i>
Christopher Ash	31,096 B ordinary shares	8.48
John Kent Pension Trust	25,000 preference shares	Nil

4.2 Save as disclosed in this paragraph 4, none of the directors of TFPL, nor any member of their respective immediate families, nor any person connected with them, is or, immediately following Admission, will be interested in any share capital of TFPL.

4.3 There are no outstanding loans granted or guarantees provided by TFPL to or for the benefit of any of its directors.

4.4 Save as disclosed in this document, no director of TFPL has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of TFPL taken as a whole and which was effected by TFPL during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

5. INTERESTS OF MAJOR SHAREHOLDERS

- (a) So far as TFPL is aware, as at 25 August 2015 (being the latest practicable date prior to the posting of this document) and following AIM Admission, the following persons were and are expected to be, directly or indirectly, interested in 3 per cent. or more of the voting rights or issued share capital of TFPL:

	<i>No. of A ordinary shares</i>	<i>Percentage of A ordinary shares</i>	<i>Percentage of total voting rights</i>
City of London Confirming House Ltd	179,306	56.58%	48.88%
Macquarie European Investment Holdings Ltd	137,598	43.42%	37.51%

	<i>No. of B ordinary shares</i>	<i>Percentage of B ordinary shares</i>	<i>Percentage of total voting rights</i>
Christopher Ash	31,096	62.32%	8.48%
Niall Mason	18,805	37.68%	5.13%

- (b) No ordinary shareholder in TFPL has any different voting rights to the other holders of ordinary shares in TFPL.

6. MATERIAL CONTRACTS

Save for the contracts summarised at paragraph 7 of Part 3, Section A of this document to which TFPL or any of its subsidiaries is a party, there are no material contracts, not being contracts entered into in the ordinary course of business, which have been entered into by TFPL or its subsidiaries during the 2 years preceding the date of this document and which are or may be material.

7. DIRECTORS' SERVICE CONTRACTS

- (a) *Directors' service contracts*

Christopher Ash entered into a service agreement with TFPL on 23 November 2010 which is terminable by either party on 6 months' notice without compensation for termination and includes restrictive covenants for a period of 12 months following termination.

Christopher Dailey entered into a service agreement with TFPL on 9 March 2015 which is terminable by either party on 6 months' notice without compensation for termination and includes restrictive covenants for a period of 12 months following termination.

John Kent entered into a letter of appointment with TFPL on 23 November 2010 which is terminable by either party on 6 months' notice. His annual fee of £25,000 is payable to COLCH.

None of the other directors have written service contracts or letters of appointment with TFPL.

- (b) *Other*

Save as disclosed in paragraph 7(a) above, there have been no changes to the directors' service arrangements in the six months prior to the date of this document.

8. SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of TFPL and its subsidiaries since 31 March 2015, the date to which the last audited consolidated annual financial statements of TFPL were prepared.

9. LITIGATION

- (a) Save as disclosed in paragraph 9 (b) below, TFPL is not involved in any governmental, legal or arbitration proceedings which may have or have had in the 12 months preceding the date of this document a significant effect on TFPL's financial position or profitability or the financial position or

profitability of TFPL and its subsidiaries as a whole and, so far as the Directors are aware, there are no such proceedings pending or threatened against TFPL or any other subsidiary of TFPL.

- (b) TFPL is currently pursuing a legal claim against one customer for an outstanding debt of \$5.8 million. The claim is expected to progress to trial during 2016. Based on the legal advice obtained, TFPL management believes that TFPL has a very strong case and therefore believes that no additional provision is required over and above that which has been included in TFPL's accounts.

10. RELATED PARTY TRANSACTIONS

Save as disclosed publicly or in Part 3, Section A of this document, TFPL has not entered into any related party transactions (being those set out in the Standards adopted according to Regulation (EC) No. 1606/2002) in the last three financial years preceding the date of this document and up to the date of this document.

11. OTHER INFORMATION

- 11.1 There are no specific dates on which entitlement to dividends or interest thereon on ordinary shares arises and there are no arrangements in force for the waiver of future dividends.
- 11.2 The accounting reference date of TFPL is currently 31 March.
- 11.3 The accounts of TFPL for the financial years ended 31 March 2013, 31 March 2014 and 31 March 2015 (which are available at www.cityoflondongroup.com/investor-relations.asp) have been audited by BDO LLP of 55 Baker Street, London W1U 7EU.
- 11.4 Save as disclosed in this document, as far as the Directors are aware:
 - (a) there are no known trends, uncertainties, demands or events that are reasonably likely to have a material adverse effect on the prospects of TFPL or its subsidiaries for at least the current financial year; and
 - (b) there are no exceptional factors that have influenced the activities of TFPL or its subsidiaries.
- 11.5 Save as disclosed in this document, TFPL has no principal investments for the period from 1 April 2012 to 31 March 2015 and has no principal investments in progress and no principal future investments in relation to which it has made a firm financial commitment.
- 11.6 There are no environmental issues that may affect the utilisation of the tangible fixed assets of TFPL.
- 11.7 Save as disclosed in this document, TFPL does not hold a proportion of capital of any undertaking likely to have a significant effect on the assessment of TFPL's assets and liabilities, financial position or profits and losses.
- 11.8 TFPL is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of TFPL.
- 11.9 There is no corporate governance regime applicable to TFPL.
- 11.10 The number of employees of TFPL as at 31 March 2015 was 22.

DEFINITIONS

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

“2006 Act”	the Companies Act 2006, as amended
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Admission”	the admission of the Ordinary Shares (including the Subscription Shares) to trading on AIM
“AIM Designated Market”	a market whose name appears in the latest publication by the London Stock Exchange of the document entitled “The AIM Designated Market Route”
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange from time to time
“Articles”	the articles of association of the Company as at the date of this document
“Board” or “Directors”	the board of directors of the Company together with, from the date of his appointment, the Proposed Director whose names are set out on page 6 of this document
“Business Day”	any day on which the banks are generally open for business in England and Wales for the transaction of business, other than a Saturday, Sunday or public holiday
“Cain Hoy”	Cain Hoy Enterprises, LLC, acting through CH Capital A Holdings LLC
“CAML”	Credit Asset Management Limited, a subsidiary of the Company
“certified” or “in certificated form”	a share or other security not held in uncertificated form (i.e. not in CREST)
“City Code”	the City Code on Takeovers and Mergers,
“Company” or “COLG”	City of London Group plc
“Corporate Governance Code”	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
“CREST”	the relevant system (as defined in the CREST Regulations)
“CREST Manual”	the manual, as amended from time to time, produced by Euroclear describing the CREST system, and supplied by Euroclear to users and participants thereof
“CREST Regulations”	the Uncertificated Securities Regulations 2001, as amended from time to time
“De-listing”	the cancellation of the listing of the Ordinary Shares on the Official List and from trading on the Main Market
“Disclosure and Transparency Rules” or “DTRs”	the disclosure rules and transparency rules made by the FCA under Part VI of FSMA, as amended from time to time

“Enlarged Share Capital”	the expected issued ordinary share capital of the Company outstanding immediately following completion of the Subscription
“Euroclear”	Euroclear UK & Ireland Limited
“Existing Ordinary Shares”	the Ordinary Shares issued and outstanding as at the last Business Day prior to the date of this document
“FCA”	the Financial Conduct Authority of the UK in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of admission to the premium listing segment of the Official List
“Form of Proxy”	the enclosed form of proxy for use by Shareholders in connection with the General Meeting
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Galliard Holdings”	Galliard Holdings Limited, acting through GHIL (CLG) Ltd
“General Meeting”	the general meeting of the Company convened for 10.15 a.m. on 18 September 2015, notice of which is set out at the end of this document
“Group”	the Company and its subsidiary undertakings as defined in section 1162 of the 2006 Act
“Harvey Bard Associates”	Harvey Bard and his associates for the purposes of the Listing Rules, namely: his wife, Sonia Bard; his two children, Alexander and Tania Bard; and the HPB Pension Trust, of which Mr. Bard is a beneficiary
“Introduction Agreement”	the conditional agreement between the Company and Peel Hunt dated 26 August 2015 relating to AIM Admission
“JG Estate”	the estate of the late John Greenhalgh, of which Andrew Crowe (a Director) is the sole executor
“Listing Rules”	the listing rules made by the FCA under Part VI of FSMA, as amended from time to time
“London Stock Exchange”	London Stock Exchange plc
“Main Market”	the regulated market of the London Stock Exchange
“NAV”	net asset value
“Notice” or “Notice of General Meeting”	the notice of the General Meeting set out at the end of this document
“Official List”	the daily official list of listed securities maintained by the FCA
“Ordinary Shares”	the issued ordinary shares of 10 pence each in the capital of the Company
“Peel Hunt”	Peel Hunt LLP, which is authorised and regulated in the United Kingdom by the FCA
“PFL”	Professions Funding Limited, a subsidiary of CAML
“PRA”	the Prudential Regulatory Authority of the UK in its capacity as the competent authority set up under Part 1A of FSMA document

“Proposals”	the Subscription, the De-listing and AIM Admission, the proposed adoption of a new investing policy and the additional authorities set out in the Resolutions
“Proposed Director”	Andrew Crossley
“Prospectus Rules”	the prospectus rules of the FCA made under section 73A of FSMA, as amended from time to time
“Regulation S”	Regulation S under the Securities Act
“Resolutions”	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting at the end of this document
“Savoylane”	Savoylane Limited
“Securities Act”	the United States Securities Act of 1933, as amended
“Shareholders”	holders of Ordinary Shares
“Subscription”	the proposed subscription for the Subscription Shares on the terms of the Subscription Agreements
“Subscription Agreements”	the conditional agreements between the Company and each subscriber of Subscription Shares relating to the Subscription
“Subscription Price”	the price of 30 pence per Subscription Share
“Subscription Shares”	the 16,646,064 new Ordinary Shares conditionally subscribed pursuant to the Subscription by investors that will be allotted subject to (<i>inter alia</i>) the passing of the Resolutions, De-listing and AIM Admission
“Takeover Panel”	the UK Panel on Takeovers and Mergers
“TFPL”	Trade Finance Partners Limited, an associated company of COLG
“uncertificated” or “in uncertificated form”	recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“U.S. person”	as defined in Regulation S under the Securities Act

CITY OF LONDON GROUP PLC

(Incorporated in England and Wales under the Companies Acts 1948 to 1980 with registered number 01539241)

NOTICE OF GENERAL MEETING

NOTICE IS GIVEN that a general meeting of the Company will be held at the offices of Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London, EC2M 4YH at 10.15 a.m. on 18 September 2015 to consider the following resolutions, of which resolutions 1, 3, 4 and 6 will be proposed as ordinary resolutions and resolutions 2 and 5 will be proposed as special resolutions. All of the resolutions are inter-conditional and resolution 6 is also conditional on the AIM Admission. All terms and expressions used but not defined in this notice shall have the meaning given to them in the circular issued by the Company dated 26 August 2015, containing this Notice of General Meeting (the “**Circular**”).

Ordinary resolution

1. THAT, subject to and conditional upon the passing of Resolutions 2 to 6 (inclusive), the Directors of the Company be generally and unconditionally authorised for the purposes of section 551 of the 2006 Act:
 - (a) to exercise all of the powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company:
 - (i) up to an aggregate nominal amount of £1,664,606, being approximately 82.4 per cent. of the issued ordinary share capital of the Company, in connection with the Subscription;
 - (ii) otherwise than under sub-paragraph 1(a)(i), up to an aggregate nominal amount of £1,228,422, being approximately 33.3 per cent. of the issued ordinary share capital of the Company immediately following the issue and allotment of the Subscription Shares under sub-paragraph 1(a)(i) of this resolution;
 - (b) the authorities granted at paragraph 1(a) shall expire (unless renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company or on 15 December 2016 if earlier;
 - (c) the Company may, before the authorities granted at paragraph 1(a) expire, make an offer or agreement which would or might require relevant securities to be allotted or rights to be granted after such expiry and the Directors of the Company may allot securities or grant rights under such offer or agreement as if the relevant authority granted at paragraph 1(a) above had not expired; and
 - (d) the authorities set out in paragraph 1(a) above shall be in substitution for all previous or existing authorities under section 551 of the 2006 Act.

Special resolution

2. THAT, subject to and conditional upon the passing of Resolution 1 and Resolutions 3 to 6 (inclusive), the Directors be empowered under section 570 of the 2006 Act:
 - (a) to allot equity securities (within the meaning of section 560(1) of the 2006 Act) for cash under the authority referred to in Resolution 1 as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that such power shall be limited to:
 - (i) the allotment of equity securities up to a nominal value of £1,664,606, being approximately 82.4 per cent. of the existing issued ordinary share capital of the Company, under or in connection with the Subscription; and
 - (ii) otherwise than under sub-paragraph 2(a)(i) above, the allotment of equity securities up to an aggregate nominal amount of £368,526, being approximately 10 per cent. of the issued ordinary share capital following the issue and allotment of the Subscription Shares under resolution 1;

- (b) the power granted at paragraph 2(a) shall expire (unless renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company or on 15 December 2016 if earlier;
- (c) the Company may, before the power granted at paragraph 2(a) expires, make an offer or agreement which would or might require equity securities to be allotted after it expires and the Directors of the Company may allot securities under such offer or agreement as if the power granted at paragraph 2(a) had not expired; and
- (d) the power set out in paragraph 2(a) shall be in substitution for all existing powers or authorities under section 570 of the 2006 Act.

Ordinary resolution

- 3. THAT, subject to and conditional upon the passing of Resolutions 1 and 2 and Resolutions 4 to 6 (inclusive), the participation by Savoylane in the Subscription in respect of 5,868,454 Subscription Shares, which constitutes a related party transaction, be authorised in accordance with the Listing Rules.

Ordinary resolution

- 4. THAT, subject to and conditional upon the passing of Resolutions 1 to 3 (inclusive) and Resolutions 5 and 6, the participation by the JG Estate in the Subscription in respect of 110,927 Subscription Shares, which constitutes a related party transaction, be authorised in accordance with the Listing Rules.

Special resolution

- 5. THAT, subject to and conditional upon the passing of Resolutions 1 to 4 (inclusive) and Resolution 6, the Directors of the Company be authorised to cancel the listing of the Ordinary Shares on the Official List of the Financial Conduct Authority and to remove such Ordinary Shares from trading on the London Stock Exchange's Main Market for listed securities and to apply for admission of the said Ordinary Shares and the Subscription Shares to trading on AIM, a market operated by London Stock Exchange plc.

Ordinary resolution

- 6. THAT, subject to and conditional upon the passing of Resolutions 1 to 5 (inclusive) and upon the AIM Admission, the proposed new investing policy set out in the Circular, be approved and adopted as the Company's investing policy.

By order of the Board

Lorraine Young
Secretary

Registered Office:
30 Cannon Street
London
EC4M 6XH

Dated: 26 August 2015

Notes:

- 1. If you are a member entitled to attend and vote at the meeting, you may appoint one or more proxies to attend and vote on your behalf. A proxy need not be a member of the Company. A form of proxy is enclosed. If you appoint a proxy it will not prevent you from attending the meeting and voting in person.
- 2. You must send the form of proxy and any power of attorney or other authority under which it is signed, (or a notarially certified copy of such power or authority), to the Company's registrars: Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so that it is received by them not less than 48 hours (excluding non-working days) before the time of the meeting.
- 3. If your shares are held in joint names, the signature of only one of the joint holders is required. However, if more than one of the joint holders votes, the vote of the first named on the register of members will be accepted to the exclusion of other joint holders.
- 4. Any corporation which is a member may appoint one or more corporate representatives to exercise all of its powers as a member, on its behalf, provided that not more than one corporate representative may exercise powers over the same shares.

5. You may appoint more than one proxy, provided that each proxy is appointed to exercise rights in relation to different shares. If you wish to appoint more than one proxy, please call Capita Asset Services Helpline on 0871 664 0300 (for callers within the UK) or +44 208 639 3399 (for callers outside the UK) between 9.00am and 5.30pm on any business day, or photocopy the proxy form. Please ensure that all proxy forms for one registered holding are sent in the same envelope if possible.
6. If you appoint more than one proxy, you must state the number of shares over which each proxy is entitled to exercise rights. As long as the total number of shares covered by all of the forms of proxy is not more than your total holding, it will be assumed that the proxies are appointed in relation to different shares, rather than that you have made conflicting appointments over the same shares. If two or more forms of proxy are received in relation to the same share(s) and the same meeting, the form of proxy which is received last will be treated as replacing and revoking any other forms received.
7. If you have been sent a copy of this notice because you have been nominated to have information rights under the Act by a nominee shareholder who holds shares on your behalf (and therefore your shares are not held in your own name) then you do not have the right to appoint a proxy using a form of proxy issued by the Company. However, you may have a right under an agreement with the registered shareholder to appoint someone else or to be appointed yourself as a proxy for this meeting. If you do not have this right, or if you do not wish to exercise it, you may have a right under such agreement to give instructions to the shareholder as to how they should vote in respect of the shares they hold on your behalf. You should contact the registered shareholder to find out more about any such arrangements.
8. Under Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), you must be on the register of members by the close of business two days before the GM in order to have the right to attend or vote at the meeting. The number of shares you hold at that time is the number over which you may exercise voting rights at the meeting. Changes to entries on the register of members after that time will be disregarded in determining your right to attend or to vote (and the number of votes you may cast) at the GM or any adjournment of that meeting.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the GM and any adjournment(s) of it by using the procedures described in the CREST Manual. If you are a CREST personal member or other CREST sponsored member, and/or a CREST member who has appointed a voting service provider(s), you should refer to your CREST sponsor or voting service provider(s), who will be able to take appropriate action on your behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specification and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of GM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if you are a CREST personal member or sponsored member or you have appointed a voting service provider(s), to ensure that your sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers, are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulation 2001.
11. You may not use any electronic address provided either in this notice or any related documents (including the form of proxy) to communicate for any purposes other than those expressly stated.
12. Under section 319A of the Act, you (or your proxy) have the right to ask questions in relation to the business being dealt with at the GM. However, the Company is not obliged to answer a question raised at the meeting if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
13. A copy of this notice together with the other information required by section 311A of the Act may be found at www.cityoflondongroup.com.
14. As at 25 August 2015 (being the latest practicable date before the publication of this document) the Company's issued share capital consisted of 20,206,617 ordinary shares of 10 pence each, carrying one vote each. There are no shares currently held in treasury. Therefore, the total number of voting rights in the Company at that date was 20,206,617.

