Invocas Group PLC – Shareholder update, June 2015

I am pleased to provide shareholders with an update on the Group's performance following the close of the 2014-15 financial year on 31 March 2015.

The year was characterised both internally and in the wider debt sector by the growing impact of the Financial Conduct Authority ("FCA") as well as Treating Customers Fairly ("TCF") legislation. At the time of writing my introduction to last year's accounts, the requirements and impact of the FCA were something of an unknown quantity. As it has turned out, the FCA has become a significant influence on the sector. As far as the Group's business is concerned, much of the activity of Turndebtaround Limited ("TDA") comes under the remit of the FCA. TDA was granted "Interim Permissions" prior to 1 April 2014 and, early in 2015, we submitted our formal application for FCA approval. At the time of writing, we have submitted responses to the FCA's follow-up questions and are optimistic that we will be granted a full licence in the near future. Our strategy of targeting debt purchase and collection companies has continued and, whilst we have received very positive feedback on our core proposition, most of our targets have also been engaged in the FCA application and licensing process, and have not been prepared to enter new external relationships unless and until both parties are fully licensed. This has meant that relatively few new cases were acquired during the year from this source. Nevertheless, our Manchester based advice centre became fully operational during the year and continued to win cases from the traditional data acquisition route.

In the wider market, many of the smaller debt solution providers have decided that the compliance costs of the FCA regime are not for them and we have seen a number of players exit the market. Others have decided to move out of the informal debt solutions markets and to focus only on formal solutions, regulated by the insolvency industry. In the collections arena, TCF has been, and continues to be, transformational with many commentators questioning the validity of the contingent collection business model.

In the context of a market undergoing fundamental structural change, it is pleasing to note that our draft unaudited results for the year to 31 March 2015 show a return to profit, with EBITDA earnings of £108k and retained profit of £26k, with a £230k positive net cash movement during the year.

The profit achieved has been principally attributable to our successful outsourced PPI claims management operation, which secured a number of significant contracts during the year, the income from which will be a significant contributor over the next 2 years. There are still opportunities to win additional PPI portfolios and we intend to maximise this opportunity during 2015-16.

Given the changes in the market place, we have carried out a further review of our core strategy and are now focussed on introducing services which will assist potential business referrers with meeting the compliance and other requirements of both the FCA and TCF. We believe that our proposition in this area is unique. The underlying market position in terms of total UK unsecured debt remains in our favour, with personal borrowing continuing to increase despite the challenges of austerity. Your Board are therefore optimistic that Invocas can build a market leading position going forward.

Despite our optimism, we recognise that many of our shareholders would like to dispose of their holdings, given that the Company is no longer listed on the AIM market. To this end, we are talking to a number of corporate finance advisors with a view to finding an investor who understands our core strategy and the growth opportunities brought by structural change in the wider debt market. Our preferred goal is to achieve an MBO which will allow legacy shareholders to achieve an exit and, at the same time, to enable the new management team to secure an ownership stake in the business.

Finally, the year has seen a number of key Board changes. Bob Lewis retired as a Non Executive Director on 31 March 2015. I would like to thank Bob for his sterling service, having been with the business since its inception. I have also changed my own role and have largely relinquished my executive responsibilities which have been assumed by our CEO, Rico Dinolfi. In order to give the Board greater insight into the wider personal credit and debt sector, we are currently seeking an additional non executive director with relevant experience.

We intend to hold this year's AGM on **28 September 2015** and I will be pleased to update you further on our progress at that meeting. Formal notice will be sent to all shareholders in due course.

John Hall
Chairman
3 June 2015