

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000. This document does not constitute an offer for sale of any Ordinary Shares or any Convertible Note in any jurisdiction.

If you have sold or otherwise transferred all your Ordinary Shares in Accident Exchange Group Plc, please forward this document and the enclosed Form of Proxy at once to the purchaser or transferee or to the stockbroker, banker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or transferred part of your registered holding of Ordinary Shares, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

Accident Exchange Group Plc

(incorporated and registered in England and Wales under the Companies Act 1985 with number 04360804)

**Proposed refinancing by the way of the issue of
£50,000,000 5.50 per cent. Convertible Notes due 2013,
increase of the Company's borrowing powers,
amendments to the Company's articles of association,
adoption of a new employee share plan
and notice of Extraordinary General Meeting**

Your attention is drawn to the letter from the Chairman of Accident Exchange Group Plc which is set out at pages 3 to 14 of this document recommending that you vote in favour of the resolutions to be proposed at the Extraordinary General Meeting.

Notice of an Extraordinary General Meeting of Accident Exchange Group Plc to be held at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, B2 4DL at 9.30 am on 31 December 2007 is set out at the end of this document. The accompanying Form of Proxy for use by Shareholders at this meeting should be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars, Capita Registrars of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and in any event not later than 9.30 am on 29 December 2007.

The Convertible Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), nor under the securities legislation of any state of the United States. The Convertible Notes are being offered outside the United States in accordance with Regulation S under the Securities Act, and may not be offered or sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Convertible Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Form of Proxy for use at the Extraordinary General Meeting	9.30 am 29 December 2007
Time and date of Extraordinary General Meeting	9.30 am 31 December 2007
Settlement Date for Convertible Notes issue (5 business days after the Extraordinary General Meeting)	8 January 2008

All times are London times and each of the times and dates are subject to change. Any changes to the above timetable will be notified to a regulatory information service and/or to Shareholders as appropriate.

CONVERTIBLE NOTES STATISTICS

Number of issued Ordinary Shares at the date of this Circular	71,138,544
Number of Ordinary Shares under option at the date of this Circular	2,653,210
Number of Ordinary Shares under the existing Morgan Stanley Warrant	718,571
Maximum number of Ordinary Shares arising on conversion of the Convertible Notes (assuming no reset of, or adjustment to, the initial conversion price, details of which are set out in paragraph 2 on page 5)	46,412,327
Maximum number of Ordinary Shares arising on conversion of the Convertible Notes (assuming no reset of, or adjustment to, the initial conversion price, details of which are set out in paragraph 2 on page 5), expressed as a percentage of issued Ordinary Shares as at the date of this Circular	65%

LETTER FROM THE CHAIRMAN OF ACCIDENT EXCHANGE GROUP PLC

(incorporated and registered in England and Wales under the Companies Act 1985 with number 04360804)

Directors:

David Galloway (*Non Executive Chairman*)
Stephen Evans (*Chief Executive Officer*)
Martin Andrews (*Group Finance Director*)
David Lees (*Non Executive Director*)
Graham Stanley (*Non Executive Director*)

Registered Office:

Alpha 1
Canton Lane
Hams Hall
Birmingham
B46 1GA

7 December 2007

To Shareholders and, for information only, to holders of options under the Share Option Schemes and to the Warrantholder.

Proposed refinancing by way of the issue of £50,000,000 5.50 per cent. Convertible Notes due 2013, increase of the Company's borrowing powers, amendments to the Company's articles of association, adoption of a new employee share plan and notice of Extraordinary General Meeting

1. Introduction

Convertible Notes Issue

The Company announced on 3 December that it is proposing to raise £50,000,000 (before expenses) by means of the issue of the Convertible Notes. The Company will use the proceeds of the offering to repay £5.0 million of the Company's existing secured facility and to provide additional working capital facilities to the Company and its subsidiaries. If the Company is unable to proceed with the proposed issue of the Convertible Notes in Physically Settled Form, it would need to put in place immediate alternative measures (as described in paragraph 10) to manage the business, so far as possible, within the working capital facilities available to it. The Company's statement on working capital is set out at paragraph 10 below.

The Company has entered into the Subscription Agreement with Morgan Stanley as lead manager of the issue of the Convertible Notes under which Morgan Stanley has agreed, subject to and upon the terms thereof, to procure subscribers for, or failing which, to subscribe itself for the Convertible Notes at par on the Settlement Date. Further details in relation to the subscription arrangements are set out at paragraph 3 below.

The Convertible Notes will have an issue size of £50,000,000, a coupon of 5.50 per cent. per annum payable semi-annually in arrears by reference to the principal amount of the Convertible Notes and a yield to maturity of 9.75 per cent. The Convertible Notes will be issued on a senior unsecured basis and will have a maturity of five years. The Convertible Notes will be issued in bearer form.

The Convertible Notes will, subject to Shareholder approval, be convertible into Ordinary Shares and will have an initial conversion price of £1.0773 per Ordinary Share (which represents a premium of 20 per cent. above the Reference Share Price).

The issue of the Convertible Notes will be made outside the United States exclusively to institutional investors who are non-US persons and other "qualified investors" (as defined in the E.U. Directive 2003/71/EC). Application will be made for the listing of the Convertible Notes on the Official List of the United Kingdom Listing Authority and to trading on the Professional Securities Market of the London Stock Exchange plc. The issue of the Convertible Notes is expected to close on 8 January 2008 (being the date which is five business days after the EGM). Further details of the principal terms of the Convertible Notes

are set out below, in paragraph 2 below and in the schedule to this letter and the full Terms and Conditions of the Convertible Notes will be available for inspection at the EGM.

To facilitate the fundraising and to allow redemption of the Convertible Notes in Physically Settled Form, Shareholder approval is being sought for:

- an increase in the authorised share capital of the Company;
- a grant of authority in favour of the Directors, authorising them to allot the conversion rights under the Convertible Notes; and
- a dis-application of statutory pre-emption rights attaching to the Ordinary Shares to be issued on conversion of the Convertible Notes.

In addition, Shareholder approval is required for an increase in the Company's borrowing powers.

In the event that such Shareholder approvals are not forthcoming for Resolutions 1, 2 and 5, the Company will not be able to issue the Convertible Notes in Physically Settled Form and will need to put in place immediate alternative measures to manage the business so far as possible within the working capital facilities available to it. Although (assuming that Resolution 4 is passed if it is required for the issue of the Convertible Notes) the Company will still be able to issue the Convertible Notes (subject to the provisions of the Subscription Agreement), the Terms and Conditions of the Convertible Notes will be different and, in the opinion of the Directors, significantly less advantageous to the Company and could also result in the withdrawal of the Company's existing facilities. Shareholders' attention is drawn to the paragraph below relating to the consequences of not obtaining Physical Settlement Approval and the working capital statement set out in paragraph 10 of this letter.

Purpose

The purpose of this letter is to explain the background to and reasons for the issue of the Convertible Notes, to provide details of the Convertible Notes, and to explain why the Directors unanimously recommend that you vote in favour of all the Resolutions as each of them have irrevocably undertaken to do.

Consequences of not obtaining Physical Settlement Approval

If Physical Settlement Approval is obtained at the EGM, or any subsequently convened general meeting, the Convertible Notes will (subject to the provisions of the Subscription Agreement) be issued in Physically Settled Form. However, if such Physical Settlement Approval is not obtained, the Company may:

- decide not to proceed with the issue of the Convertible Notes at all, in which case it will be obliged to make a payment to persons to whom the Convertible Notes have been allotted equal to 1 per cent. of their principal amount payable on the Settlement Date; or
- decide to proceed with the issue of the Convertible Notes and use its reasonable endeavours to seek Physical Settlement Approval after the Settlement Date,

and, in each case, the Company will also need to put in place immediate alternative measures, as detailed in paragraph 10 below, to manage the business so far as possible within the working capital facilities available to it.

If the Company proceeds with the issue of the Convertible Notes without Physical Settlement Approval, the Company may, at any time on or before 31 July 2008, redeem all, but not only some, of the Convertible Notes at an amount equal to: (i) 102 per cent. of the Accreted Principal Amount per Convertible Note, together with interest accrued to the date of redemption provided the Company gives notice to redeem prior to 18 February 2008; or (ii) at the higher of (a) 102 per cent. of the Accreted Principal Amount per Convertible Note, together with interest accrued to the date of redemption; and (b) the Quoted Price, if the Company gives notice after 18 February 2008 but on or before 31 July 2008.

For so long as Physical Settlement Approval is not obtained, the holders of the Convertible Notes may exercise the conversion rights after the date falling 41 days after the Settlement Date and this conversion will then only be capable of satisfaction by the Company making payment of the relevant cash settlement amount

which will be calculated by reference to a formula, as fully described in the Terms and Conditions of the Convertible Notes.

The consequences of issuing the Convertible Notes without Physical Settlement Approval could be very expensive for the Company as it would potentially have to pay to the holders a cash conversion amount dependent on the future market value of the Ordinary Shares. As a result, the Company would be exposed to potentially material and volatile financing and accounting charges that would increase in line with any increase in the Company's share price. In the event that the Company is obliged to pay a cash settlement amount, whether as a result of the exercise by the holders of the Convertible Notes of their conversion rights or otherwise, in excess of 20 per cent. of the aggregate nominal value of the Convertible Notes, this could result in the withdrawal of the Company's existing facilities (unless such payment is a result of the option of the exercise by the Company of its option to redeem the Convertible Notes on or before 31 July 2008, as described above). Further details are set out in the working capital statement in paragraph 10 of this letter.

If Physical Settlement Approval is obtained, the holders of the Convertible Notes will not be able to exercise their conversion rights for satisfaction in cash.

If the Company decides not to proceed with the proposed issue of the Convertible Notes as a consequence of not obtaining Physical Settlement Approval or as a result of Resolution 4 not being passed when it is required for the issue of the Convertible Notes, in addition to making the 1 per cent. payment mentioned above, the Company would need to put in place immediate alternative measures to manage the business so far as possible within the working capital facilities available to it. The Company would also need to put in place such immediate alternative measures if the Convertible Notes are issued without Physical Settlement Approval or if the Subscription Agreement is terminated prior to the Settlement Date in accordance with its provisions (these are for standard termination events such as *force majeure*, any material adverse change in the financial condition or business affairs of the Company or the Group after signing the Subscription Agreement and any breach of representations, warranties and undertakings of the Company in the Subscription Agreement). There can be no guarantee that any such measures would be effective. The Company's statement on working capital is set out at paragraph 10 below.

Increase in borrowing powers, amendments to Articles and Sharesave Plan

In addition, the Board is also seeking Shareholder approval to allow the Company to increase its borrowing powers and to an amendment of the Articles to reduce the number of days required in order for the Company to convene a general meeting (other than an annual general meeting) as permitted by the 2006 Act. It is also proposed, subject to Shareholder approval, that the Company adopt the Sharesave Plan. Further details on the nature and effects of these Resolutions are set out at paragraphs 5, 6 and 7 below.

2. Description of the Convertible Notes

The Convertible Notes, which will be constituted pursuant to the Trust Deed, will be issued in a principal amount of £50,000,000 on a senior unsecured basis. The Convertible Notes will bear a coupon of 5.50 per cent. per annum of the principal amount outstanding, payable in semi-annual instalments in arrears. To the extent not already converted, purchased or redeemed, the Convertible Notes will be redeemed on their final maturity date being five years from the date of issue of the Convertible Notes.

Subject to Physical Settlement Approval, the Convertible Notes will be convertible into Ordinary Shares at the option of the holders at any time from the date falling 41 days after the Settlement Date until the close of business on the date falling 14 calendar days prior to the final maturity date of the Convertible Notes at an initial conversion price of £1.0773 per Ordinary Share.

The conversion price is subject to adjustment in certain circumstances:

- (a) if the average volume weighted average prices of the Ordinary Shares over the 15 dealing days prior to the day after the first anniversary of the issue of the Convertible Notes (the "**Reset Reference Price**") is less than the Reference Share Price, then the conversion price will be reset by reference to the Reset Reference Price, provided that the conversion price shall not be reduced on this basis below £0.7541; and/or

- (b) the conversion price is also subject to adjustment to reflect any dividends paid by the Company and to other standard adjustment events (including upon any change of control of the Company).

The Convertible Notes will be convertible and also redeemable at the option of the holders in the event of a change of control of the Company.

Application will be made to list the Convertible Notes on the Official List of the UK Listing Authority and to admit the Convertible Notes to trading on the Professional Securities Market of London Stock Exchange plc.

A fuller summary of the Terms and Conditions of the Convertible Notes and the Trust Deed is set out in the schedule to this letter. In addition, the full Terms and Conditions of the Convertible Notes and the Trust Deed will be available for inspection at the EGM.

3. Convertible Notes - Subscription Arrangements

The Company has entered into the Subscription Agreement with Morgan Stanley as lead manager of the issue of the Convertible Notes under which Morgan Stanley has agreed, subject to and upon the terms thereof, to procure subscribers for, or failing which, to subscribe itself for the Convertible Notes at par on the Settlement Date. The Subscription Agreement contains customary euromarket convertible note representations, warranties and undertakings given by the Company in favour of Morgan Stanley in relation to the Group and its business.

The Subscription Agreement also contains customary euromarket convertible note termination provisions (including *force majeure*, any material adverse change in the financial condition or business affairs of the Company or the Group since signing the Subscription Agreement and any breach of representations, warranties and undertakings of the Company in the Subscription Agreement) as well as a provision giving the Company the right to terminate the Subscription Agreement and not proceed with the issue in the event Physical Shareholder Approval is not obtained at the EGM on 31 December 2007. The Subscription Agreement will also terminate automatically if Resolution 4 is required in order for the Company to issue the Convertible Notes but is not passed. As explained earlier, if the Company exercises this termination right or if Resolution 4 is required for the issue of the Convertible Notes but is not passed, the Company will be obliged to make a payment to the persons to whom the Convertible Notes have been allotted equal to 1 per cent. of their principal amount and payable on the Settlement Date. The Subscription Agreement sets out the sales restrictions for the issue.

The Convertible Notes issue will be made exclusively to institutional investors who are non-U.S. persons and to other “qualified investors” as defined in E.U. Directive 2003/71/EC.

Morgan Stanley will receive a commission for underwriting, arranging and managing the issue. In addition, Morgan Stanley and the Company have made a separate agreement as to the costs and expenses in connection with the issue of the Convertible Notes. The approximate net proceeds to the Company of the issue of the Convertible Notes after commission, costs and expenses is estimated to be approximately £46.0 million. The Company will use the proceeds of the Convertible Notes to repay £5.0 million of the Company’s existing secured facility and to provide additional working capital facilities to the Company and its subsidiaries.

4. Background to and reasons for the issue of Convertible Notes

(a) Introduction

The Company announced on 10 April 2007 that it was undertaking a review of the appropriateness of its financing structure as it dealt with a legal challenge to the enforceability of certain of its Terms and Conditions that originated at the end of 2006 and which resulted in a continuing increase in debtor days and a deterioration in cash receipts from insurers (the “**Enforceability Challenge**”). As a result, the Board sought additional bank facilities in order to provide working capital flexibility and thereby give itself time to both defeat the Enforceability Challenge and thereafter drive improved cash flows. The Company announced on 15 June 2007 that it had secured the availability of a £45.0 million revolving credit and term loan facility from Morgan Stanley Bank International Limited. These

facilities were used, *inter alia*, to repay an aggregate of £24.4 million in relation to a revolving credit facility and a six year term loan from the Group's previous bankers and provide additional working capital facilities. Cash at bank at 31 October 2007 was approximately £8.7 million. On 3 December 2007 the Company and Morgan Stanley Bank International agreed a £10.0 million increase in the current revolving credit and term loan facility which is available immediately and, if drawn upon, will be repaid from the proceeds of the issue of the Convertible Notes but in any event is required to be repaid within 10 business days of the EGM.

Furthermore, the Company announced on 31 August 2007 and 24 September 2007 that it had successfully defeated the Enforceability Challenge in two significant test cases which were heard by Designated Civil Judges. On 23 October 2007 the Company announced that the stated deadline for appeal dates in these two cases had passed without any such appeal having been made in either case. The Group is now pursuing payment of all claims where payment has been delayed because of the uncertainty created by the Enforceability Challenge and has put in place procedures to enable it to litigate promptly on all claims not settled within the timeframes specified by the ABI GTA. However, the successful outcome to the Enforceability Challenge took longer to achieve than anticipated and cash flows from operating activities are yet to show the expected material improvement. Consequently the Board is recommending the issue of the Convertible Notes in Physically Settled Form as being most likely to promote the success of the Company and as being for the benefit of the Shareholders, having regard to all relevant factors.

Following the two successful judgments in respect of the Enforceability Challenge, a number of initiatives and strategic activities have been implemented with the Company's panel lawyers with the aim of accelerating settlement on all cases where payment has not been received under the GTA (including £17.2 million of receivables now outstanding on claims which were previously referred to as "X" and "A" rental agreements which were the subject of the Enforceability Challenge). As at 31 October 2007 8,806 claims were threatened with or in the process of formal litigation (30 June 2007: 6,891 claims) with an aggregate claim value of £48.2 million. Of these claims, 2,874 related to "X" and "A" agreements. Using solicitors to threaten litigation or to actively litigate claims is at the heart of the expected improvement in cash flows that has been hindered over the last twelve months.

(b) **Background**

Accident Exchange Limited (the Group's principal trading subsidiary) has grown substantially since its incorporation in 2001. This growth has been funded primarily by bank facilities and the use of finance leases to fund vehicle expansion. In addition, the Company has effected three equity fundraisings (approximately £1.5 million (net of expenses) in April 2004, approximately £7.7 million (net of expenses) in June 2005 and approximately £12.5 million (net of expenses) in October 2006). These increases in external funding (and the recommendation to enter into the proposed issue of Convertible Notes in Physically Settled Form) reflect, amongst other things:

- (i) the fact that the Group's (and the CHO industry's) business model has relatively long debtor days that in periods of growth require increasing working capital finance (the Group's average debtor days rose from 130 at 30 April 2006 to 149 as at 31 October 2006 and then, (in the Board's view as a result of the cash flow impact of the Enforceability Challenge), to 176 as at 30 April 2007 and to 203 as at 31 October 2007;
- (ii) the growth of the Company, as a consequence of growth in the number of dealership relationships, requires initial investment in fleet vehicles and personnel, with more recent growth in the amount of credit repair work undertaken requiring additional availability of working capital resources; and
- (iii) the development of the Group's cash collection strategies as the size and scope of its operations has increased and the impact of the Enforceability Challenge on the process of recovering claims through litigation. The Directors believe that they have recently put in place a range of measures that should significantly improve the cash collection profile of the Group and, particularly, solicitor-led cash collections in light of recently defeating the Enforceability Challenge.

(c) ***Enforceability Challenge, settlement process and cash collection***

As announced by the Company on 10 April 2007, there are a variety of methods that the Company and the industry in general use to conclude claims against the insurer of the at fault party to a motor accident. These methods include either negotiated block settlements or individual negotiation on a case by case basis and, where the claim fails to settle inside a 90 day period under the terms of the ABI GTA, formal litigation. It is 'ordinary course of business' that this involves the Group's client (the non fault party to the accident) issuing formal proceedings against the at fault driver to recover the hire charges which are ultimately paid by their insurance company. A proportion of these claims settle on the threat of litigation but, where they do not, formal proceedings will be issued and these claims may then be defended by the third party insurer, their solicitors instructed and, in what has historically been a minority of the claims handled by the Group, the claims ultimately determined in court.

In line with the growth in the business and as anticipated by the Group as part of its developing collection strategies during the year ended 30 April 2007, an increased number of claims were processed by the Group's panel of approved solicitors.

As also announced on 10 April 2007, at the end of 2006, one firm of defendant solicitors advanced a technical argument in a number of their defences that sought to reopen the issue of the enforceability of the underlying terms and conditions used by the Group in its older rental agreements. The Board believed and was advised that this issue had been previously decided in the appellate courts. The Enforceability Challenge advanced at the end of 2006 focused on older transactions which, in the main, dated from 2004 and 2005 on terms and conditions referred to internally as "X" agreements and "A" agreements. The defence used by this firm of solicitors was subsequently mirrored by a number of other defendant solicitors. Certain insurers, to varying degrees thereafter departed from their previously established payment profiles to the Group in relation to these older cases whilst individual court cases were determined.

Whilst the Group confirmed its position in relation to the enforceability of its terms and conditions, it also temporarily slowed down the 'ordinary course of business' process of litigation awaiting confirmation of court decisions.

Ultimately, the Enforceability Challenge focused on two test cases which were both heard during summer/autumn of 2007 and were decided in the Group's favour. The dates by which appeals against the court's decisions needed to be made expired on 19 October 2007, without any such appeals having been instigated. The proximity of these events to the end of the six month period ended 31 October 2007 has not allowed sufficient time for insurer responses to the court decisions to allow the cash generated from operations to show a material improvement to date. The Board is of the view that any such cash flow improvement as a result of insurers responding to the legal position is likely to be steady rather than rapid.

As stated, the Enforceability Challenge focused on certain of the Company's historic terms and conditions. The Company's terms and conditions have evolved and the Board is satisfied that the current terms and conditions comply with the relevant legal requirements such that any challenge to their enforceability would be defeated.

(d) ***Financing review***

As a result of the issues detailed above and as previously announced by the Company, the Directors have for some time been reviewing the appropriateness of the Company's financing structure. That review has now led the Board to conclude that, in order to provide flexibility in relation to working capital and cash management issues and to fund the projected growth of the Group, it is in the best interests of Shareholders for the Company to undertake a fundraising by means of the issue of the Convertible Notes in Physically Settled Form. The Directors consider the issue of the Convertible Notes in Physically Settled Form to be the most appropriate source of financing of those considered by the Board to be available to the Company.

The Company is of the opinion that, taking into account the net proceeds of the issue of the Convertible Notes in Physically Settled Form, it has sufficient working capital for its present requirements (that is for at least the next twelve months from the date of this document). This will enable the Company to pursue its strategy of robust litigation against insurers, to drive solicitor-led cash inflow improvement following the successful outcome to the Enforceability Challenge and to fund the projected growth of the Group's business. The Company's statement on working capital is set out at paragraph 10 below.

5. Increase of the Company's borrowing powers

Article 90 of the Articles places a borrowing limit on the Company of a maximum of the greater of £5.0 million and three times the consolidated Adjusted Capital and Reserves (as such term is defined in the Articles) as shown in the last audited consolidated accounts of the Company. As at 30 April 2007 (being the date to which the latest audited consolidated accounts of the Company have been prepared), the consolidated Adjusted Capital and Reserves were £64.6 million. Accordingly, the current borrowing powers are limited to £193.8 million. As at 31 October 2007, the Group's consolidated borrowings, including amounts due under hire purchase agreements in connection with the Group's vehicle fleet, was £135.6 million. Therefore, whilst the Convertible Notes could currently be issued within the Company's existing borrowing limits as set out in the Articles, in view of the Company's current and projected borrowing requirements, to ensure that remains the case and to give adequate flexibility in the medium term, the Directors are of the opinion that it is appropriate to increase the borrowing limit from three times to four times the consolidated Adjusted Capital and Reserves. Article 90 of the Articles permits the Company to exceed the current limit with the previous sanction of an ordinary resolution. As the Company has received irrevocable undertakings (as described in paragraph 11 below) to vote in favour of the Resolutions, the Resolution to increase the borrowing limit will be passed at the EGM, and there is no risk that at the Settlement Date, the Company may not be able to issue the Convertible Notes within its borrowing limits.

6. Amendment to the Articles

Implementation of the 2006 Act makes it possible for companies to convene a general meeting (other than the annual general meeting) on 14 days' notice regardless of the nature of the resolutions being proposed. The Company is proposing to amend the Articles to take advantage of these provisions. The Articles will be available for inspection during the EGM and at least 15 minutes before the meeting commences.

7. Adoption of the Sharesave Plan

In addition to the issue of the Convertible Notes, it is proposed, subject to Shareholder approval, to adopt the Sharesave Plan. This will enable most Group employees to save to buy shares on potentially favourable terms and provide them with an incentive for improved Company performance. The terms of the Sharesave Plan have been drafted in accordance with HMRC rules governing this type of share plan and in conjunction with Newbridge Street Consultants LLP. The Directors consider the terms of the Sharesave Plan to be in line with those of other listed companies. Further details of the Sharesave Plan are set out in the appendix to the notice convening the Extraordinary General Meeting at the end of this document. The Sharesave Plan will be available for inspection during the EGM and at least 15 minutes before the meeting commences.

8. Extraordinary General Meeting

Set out on pages 17 to 19 of this document is a notice convening an Extraordinary General Meeting, to be held at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, B2 4DL on 31 December 2007 at which the Resolutions will be proposed. The Resolutions are set out in full in the Notice of EGM.

The Extraordinary General Meeting is for the purpose of considering and, if thought fit, passing:

- ordinary resolutions to (a) increase the authorised ordinary share capital of the Company from £4,374,275 to £10,000,000, (b) authorise the Directors to allot relevant securities (which includes the Convertible Notes) pursuant to section 80 of the Act, (c) approve the adoption of the Sharesave Plan and (d) increase the Company's borrowing powers; and

- special resolutions to (a) disapply statutory pre-emption rights and authorise the Directors to allot the Convertible Notes for cash as if Section 89(1) of the Act did not apply, and (b) amend the Articles to enable the Company to call general meetings where special resolutions are proposed to be passed on 14 days' notice rather than 21 days notice as provided for by the 2006 Act.

The increase in share capital and the authority to be given under sections 80 and 89 of the Act will enable the Directors to issue the Convertible Notes in Physically Settled Form which constitute relevant securities for the purposes of the Act. Following the passing of Resolution 2 then in addition to the authority to allot Ordinary Shares pursuant to the Convertible Notes the Company will have general authority to allot Shares up to a nominal amount of £1,354,251. This amount represents one third of the existing issued share capital of the Company together with the nominal amount of options and warrants outstanding at the date of this document.

In addition to the dis-application of pre-emption rights in respect of Convertible Notes which, if converted at the initial conversion price, would convert into 46,412,327 Ordinary Shares which represent approximately 65 per cent of the existing issued Ordinary Shares, the Company is seeking authority to allot up to 6,928,700 existing issued Ordinary Shares as if section 89(1) of the Act did not apply. This number represents approximately 5 per cent. of the Company's existing issued share capital together with the number of options and warrants outstanding at the date of this document.

Resolution 2 which authorises the Directors to allot shares pursuant to section 80 of the Act is conditional on the passing of resolution 1 being the resolution to increase the authorised share capital of the Company. In addition, resolution 5, which disapplies the statutory pre-emption rights under section 89 of the Act is conditional on the passing of resolutions 1 and 2.

Resolution 3 would authorise the adoption of the Sharesave Plan.

Resolution 4 would increase the Company's borrowing powers to the greater of £5,000,000 and four times the consolidated Adjusted Capital and Reserves and is required to allow the Company to increase the amount and flexibility of its debt facilities, including by way of the issue of the Convertible Notes.

Resolution 6 will enable the Company to convene a general meeting (other than an annual general meeting) on 14 days' notice as permitted by the 2006 Act.

9. Action to be taken

A Form of Proxy is enclosed for use by Shareholders in connection with the EGM. Whether or not you intend to be present at the EGM, you are requested to complete and return the Form of Proxy as soon as possible in accordance with the instructions printed on it. To be valid, completed Forms of Proxy must be received by Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not later than 9.30 a.m. on 29 December 2007, being 48 hours before the EGM. Completion of a Form of Proxy does not preclude a member from attending and voting at the EGM in person if they wish to do so.

10. Working Capital

The Company is of the opinion that, taking into account the net proceeds of the issue of the Convertible Notes in Physically Settled Form, it has sufficient working capital for its present requirements (that is for at least the next twelve months from the date of this document).

If the Company is unable to proceed with the proposed issue of the Convertible Notes in Physically Settled Form, it is the Board's view that the only circumstance in which the Company may elect not to proceed with the issue of the Convertible Notes would be in the event that, prior to the date falling two days following the EGM (the point at which the Company is required to notify Morgan Stanley if it does not wish to proceed with the Convertible Notes), the Board believed that the Company could continue to operate within its then working capital facilities without the net proceeds of the Convertible Notes (which the Board currently considers unlikely).

If the Company does not obtain Physical Settlement Approval, the Board currently intends to enter into the Convertible Notes having already obtained irrevocable undertakings to pass the required resolutions to do so. Having entered into the Convertible Notes without Physical Settlement Approval (that is the Company would not be able to deliver Ordinary Shares to satisfy any exercise of conversion rights), such Physical Settlement Approval would immediately be sought again at a subsequent EGM.

Until such Physical Settlement Approval is obtained, if ever, the holders of the Convertible Notes have the right, on or after the date falling 41 days after the Settlement Date (which is expected to be on or around 18 February 2008) to require the settlement of the Convertible Notes at any time in cash in accordance with the Terms and Conditions of the Convertible Notes. Having entered into the Convertible Notes without Physical Settlement Approval the Company would implement the alternative measures set out below, as were the holders of the Convertible Notes to implement their right on or after the date falling 41 days after the Settlement Date (which is expected to be on or around 18 February 2008), an event the Board considers to be remote, the Board currently forecasts that the Company would have an approximate £18 million shortfall in committed working capital facilities with effect from that date.

The alternative measures that the Company would look to implement if it were not possible to issue the Convertible Notes in Physically Settled Form would principally include, from a non operational perspective, that of seeking alternative funding either through additional debt or equity sufficient to cover the potential shortfall and, from an operational perspective, one or more of, the agreement of block settlements and compromised litigated claims at higher discount rates than otherwise may need to be the case, reducing the volume of credit repair work undertaken and reducing the size of the fleet.

In the event that these alternative measures were not sufficient to enable the Group to operate within the working capital facilities available to it, the Group could find its working capital facilities being withdrawn. The Company would then become reliant upon the support of its financing bank (which there can be no certainty would be forthcoming) and without which the Company is likely to enter receivership or administration. Whilst the Board is confident that these operational measures would be effective from a working capital perspective, there can be no certainty that they would be adequate to enable the Company to operate within the working capital facilities available to it (and to satisfy repayment of the Convertible Notes, which amount is unquantifiable in view of the relationship between the share price and repayment requirement). Furthermore, it is likely that any combination of these operational measures would have a material adverse impact on the profitability of the Group and its future growth plans.

11. Recommendation

The Board considers that the Proposals are in the best interests of the Company and its Shareholders as a whole and accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions as they have irrevocably undertaken to do in respect of the 32,875,316 Ordinary Shares which they beneficially own, representing approximately 46.21 per cent. of the Company's existing issued Ordinary Shares.

In addition, the Company has received irrevocable undertakings from certain shareholders to vote in favour of the Resolutions in respect of a further 6,999,799 Ordinary Shares which represent approximately 9.84 per cent. of the Company's existing issued Ordinary Shares.

In aggregate, therefore, the Company has received irrevocable undertakings to vote in favour of the Resolutions in respect of 39,875,115 Ordinary Shares which represents approximately 56.05 per cent. of the Company's existing issued Ordinary Shares.

Yours faithfully

David Galloway

Non Executive Chairman

SCHEDULE TO CHAIRMAN'S LETTER

SUMMARY OF THE TERMS AND CONDITIONS OF THE CONVERTIBLE NOTES AND THE TRUST DEED

The full Terms and Conditions of the Convertible Notes and the Trust Deed will be available on display at the EGM.

Company	Accident Exchange Group Plc (as issuer of the Convertible Notes).
Convertible Notes	£50,000,000 5.50 per cent. Convertible Notes due 2013.
Settlement Date	The date of issue of the Convertible Notes, expected to be on 8 January 2008.
Issue Price	100 per cent. of the principal amount of the Convertible Notes.
Final Maturity	Unless previously purchased and cancelled, redeemed or converted, the Convertible Notes will be redeemed on the fifth anniversary of the Settlement Date (the " Final Maturity Date ") at their Accreted Principal Amount.
Conversion Right	Subject to Physical Approval Settlement, unless previously redeemed or purchased and cancelled, each Convertible Note will be convertible, at the option of the holder, into Ordinary Shares of the Company at the prevailing Conversion Price as at the relevant conversion date during the period commencing 41 days after the Settlement Date and ending 14 days prior to the Final Maturity Date.
Conversion Price	£1.0773 per Ordinary Share, subject to adjustment in respect of any dividend or distribution made by the Company or the Conversion Price Reset and other usual adjustment provisions.
Conversion Price Reset	<p>The Conversion Price will be reset on the day after the first anniversary of the Settlement Date (the "Reset Date") if the average of the volume weighted average prices of the Ordinary Shares on the London Stock Exchange for the 15 dealing days immediately prior to the Reset Date (the "Reset Reference Price") is less than the Reference Share Price of £0.8977.</p> <p>If reset, the Conversion Price shall be reduced to the Reset Reference Price multiplied by one plus the Initial Conversion Premium, where "Initial Conversion Premium" means 20 per cent., expressed as a fraction, provided that, amongst other things, the Conversion Price shall not be reduced on the Reset Date below £0.7541.</p>
Interest	The Convertible Notes bear interest from (and including) the Settlement Date at 5.50 per cent. per annum payable semi-annually in arrears in equal instalments.
Status of the Convertible Notes	The Convertible Notes constitute senior, unsubordinated, direct, unconditional and (subject to a standard euromarket capital markets indebtedness negative pledge provision) unsecured obligations of the Company and rank <i>pari passu</i> without preference among themselves. The obligations of the Company under the Convertible

Notes shall, save for such exceptions as may be provided by applicable legislation and (subject to a standard euromarket capital markets indebtedness negative pledge provision), at all times rank at least equally with all its present and future unsecured and unsubordinated obligations.

Yield

a gross yield to maturity of 9.75 per cent. per annum calculated on a semi-annual basis.

Additional early redemption right of the Company in the event Physical Settlement Approval is not obtained from Shareholders

If Physical Settlement Approval is not obtained at the EGM, the Company will have the option either:

- (a) not to proceed with the issue of the Convertible Notes, in which case it shall make a payment to persons to whom the Convertible Notes were allotted equal to 1 per cent. of principal amount and payable on the Settlement Date; or
- (b) to proceed with the issue of the Convertible Notes and use its reasonable endeavours to seek thereafter to obtain Physical Settlement Approval.

If Physical Settlement Approval is not obtained at the EGM and the Company opts to proceed with the issue of the Convertible Notes, the Company may give notice to redeem the Convertible Notes on or before 31 July 2008. If the Company exercises such option, the Notes will be redeemed at:

- (a) an amount equal to 102 per cent. of the Accreted Principal Amount as at the call redemption date together with any accrued but unpaid interest to such date, if the Company gives notice on or before 18 February 2008; or
- (b) an amount equal to the higher of: (i) 102 per cent. of the Accreted Principal Amount as at the call redemption date together with any accrued but unpaid interest to such date; and (ii) the Quoted Price (as defined in the Terms of Conditions of the Convertible Notes) if the Company gives notice after 18 February 2008.

Conversion right and cash settlement provisions in the event that Physical Settlement Approval is not obtained from Shareholders

In the absence of Physical Settlement Approval in circumstances where the Company has opted to issue the Convertible Notes, the exercise by the holders of the Convertible Notes of their conversion rights will be satisfied by the Company by way of the payment to the holders of such Convertible Notes of a cash settlement amount which will be calculated using a formula (as fully described in the Terms and Conditions of the Convertible Notes), with the result that the Company would potentially have to pay to the holders the market value of the Ordinary Shares calculated over an average period of 15 dealing days from the date of conversion, on exercise of the conversion right.

Cross Default

The Convertible Notes will contain a cross default provision, subject to a threshold of £5,000,000.

Other Events of Default

The Convertible Notes will contain standard euromarket convertible note events of default that will permit the Convertible Notes to become immediately due and payable at their Accreted Principal Amount, together with accrued interest. These include non-payment

of interest and principal (subject to agreed grace periods) and insolvency events.

Redemption at the option of the Company (“clean up call”)

The Convertible Notes may be redeemed at the option of the Company in whole (but not in part only) at their Accreted Principal Amount as at the date fixed for redemption together with accrued interest to the date fixed for redemption at any time if, prior to the date on which the relevant notice of redemption is given to Noteholders, conversion rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Convertible Notes originally issued.

Anti-Dilution Protection

The Conversion Price will be adjusted for certain corporate or other events that may affect the value of the Ordinary Shares including, amongst other things, share consolidations, share splits, distributions, spin-off events, rights issues and bonus issues.

Conversion Price upon Change of Control

If a change of control (in respect of more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company) of the Company shall occur, the holder of the Convertible Notes may exercise their conversion rights at an adjusted conversion price (adjusted downwards by reference to a formula, all as more fully described in the Terms and Conditions of the Convertible Notes), for a period of 60 days following the change of control or, if later, 60 days after notice of the change of control is given to the holders.

Redemption on a Change of Control

Following the occurrence of a change of control of the Company, the holder of each Convertible Note will have the right at such holder’s option to require the Company to redeem (in whole but not in part) such holder’s Convertible Notes on the change of control put date at their Accreted Principal Amount as at the change of control put date, together with accrued and unpaid interest to such date.

Lock Up

The Company and its directors have, subject to certain exceptions, agreed not to issue or sell Ordinary Shares or certain related securities for a limited period from the date of the Subscription Agreement.

Trustee

BNY Corporate Trustee Services Limited

Trust Deed

A trust deed constituting the Convertible Notes will be entered into between the Company and the Trustee dated the Settlement Date. The Trust Deed will contain standard euromarket convertible note provisions and contain the forms of the global and definitive Convertible Notes.

Listing and Trading

Applications will be made for the Convertible Notes to be admitted to the Official List of the UK Listing Authority and to trading on the Professional Securities Market of the London Stock Exchange plc.

DEFINITIONS

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

“ABI GTA”	the Association of British Insurers’ General Terms of Agreement;
“2006 Act”	Companies Act 2006;
“Accreted Principal Amount”	the accreted principal amount in respect of each Convertible Note which, in the case of a redemption of Convertible Notes on the Final Maturity Date, shall be £63,286 (per £50,000 principal amount of Convertible Note) and in respect of any early redemption, shall be the amount which (together with accrued and unpaid interest) represents the Yield and shall be calculated by reference to a formula, all as more fully described in the Terms and Conditions of the Convertible Notes;
“Act”	Companies Act 1985 (as amended from time to time);
“Approved Plan”	the Approved Company Share Option Plan (2006);
“Articles”	the articles of association of the Company at the date of this document;
“CHOs”	credit hire organisations;
“Company”	Accident Exchange Group Plc;
“Convertible Notes”	the £50,000,000 5.50 per cent. unsecured convertible notes due 2013 proposed to be issued by the Company;
“Directors” or “Board”	the directors of the Company, whose names are set out on page 3 of this document;
“EGM” or “Extraordinary General Meeting”	the Extraordinary General Meeting of the Company to be held on 31 December 2007 (or any adjournment or postponement of it);
“Enforceability Challenge”	has the meaning set out in paragraph 4(a) of the Chairman’s letter;
“Form of Proxy”	the document for use by Shareholders at the EGM enclosed with this document;
“Group”	the Company and its subsidiaries;
“LTIP”	the Accident Exchange Group Plc Directors and Senior Executives Long Term Incentive Plan;
“Morgan Stanley”	Morgan Stanley & Co. International plc;
“Morgan Stanley Warrant”	means the warrant instrument creating 718,571 warrants conferring rights upon Morgan Stanley to subscribe for in aggregate 718,571 Ordinary Shares of 5 pence each in the capital of the Company at a subscription price of £1.05 per share entered into by the Company on 14 September 2007 pursuant to a special resolution of the Company passed on 21 August 2007;
“Notice of EGM”	means the notice convening the EGM set out on pages 17 to 19 of this Circular;
“Ordinary Shares”	ordinary shares of 5 pence each in the capital of the Company;

“Physically Settled Form”	means, in relation to the Convertible Notes, in a form which following Physical Settlement Approval enables the Company to deliver Ordinary Shares in respect of any exercise of conversion rights under the Convertible Notes;
“Physical Settlement Approval”	means the approval by the Shareholders at a general meeting of Resolutions numbered 1, 2 and 5 to enable the Company to deliver Ordinary Shares in respect of any exercise of conversion rights under the Convertible Notes;
“Proposals”	the proposed issue of the Convertible Notes, increase in the Company’s borrowing powers, amendments to articles and adoption of the Sharesave Plan;
“Quoted Price”	has the meaning set out in the Terms and Conditions of the Convertible Notes;
“Reference Share Price”	£0.8977 (representing the average of (i) the volume weighted average price of the Ordinary Shares on 3 December 2007 and (ii) the average of the 5 closing prices of the Ordinary Shares on the 5 business days ending on 30 November 2007);
“Resolutions”	the resolutions to be proposed at the EGM as set out in the Notice of EGM;
“Settlement Date”	the date of issue of the Convertible Notes;
“Shareholders”	holders of Ordinary Shares;
“Share Option Schemes”	the Unapproved Share Option Plan (2004), the LTIP and the Approved Plan;
“Sharesave Plan”	the proposed Accident Exchange Group Sharesave Plan 2007 the adoption of which is the subject of Resolution 3;
“Subscription Agreement”	the subscription agreement entered into by the Company and Morgan Stanley on 3 December 2007, details of which are set out in the paragraph on page 6 of this document entitled “Convertible Notes – Subscription Arrangements”;
“Terms and Conditions of the Convertible Notes”	the terms and conditions of the Convertible Notes;
“Trust Deed”	the trust deed between the Company and BNY Corporate Trustee Services Limited constituting the Convertible Notes to be dated on or around the Settlement Date;
“Unapproved Plan”	Unapproved Share Option Plan (2004);
“Warrantholder”	Morgan Stanley & Co. International plc; and
“Yield”	a gross yield to maturity of 9.75 per cent. per annum calculated on a semi-annual basis.

Unless otherwise indicated all references in this document to ‘pounds sterling’, ‘£’, ‘pence’ or ‘p’ are to the lawful currency of the United Kingdom.

ACCIDENT EXCHANGE GROUP PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of Accident Exchange Group Plc (the “Company”) will be held at the offices of DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, B2 4DL on 31 December 2007 at 9.30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions numbered 1 to 4 (inclusive) will be proposed as ordinary resolutions and resolutions 5 and 6 as special resolutions:

ORDINARY RESOLUTIONS

1. THAT, the authorised share capital of the Company be increased from £4,374,275 to £10,000,000 by the creation of 112,514,500 new ordinary shares of 5 pence each in the capital of the Company ranking *pari passu* in all respects with the existing ordinary shares of 5 pence each in the capital of the Company in issue.
2. THAT subject to the passing of resolution 1 above in substitution for any existing authority under section 80 of the Companies Act 1985 (the “Act”), but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Act to exercise all powers of the Company to allot relevant securities (as defined in section 80 of the Act) (i) up to an aggregate nominal amount of £3,570,000 pursuant to the Convertible Notes (as defined in the circular sent to shareholders of the Company on 7 December 2007 (“Circular”)); and (ii) otherwise than pursuant to sub-paragraph (i) above up to an aggregate nominal amount of £1,354,231;

provided that this authority shall expire at the conclusion of the next annual general meeting of the Company or 15 months from the passing of this resolution (if sooner) save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired and such authority shall be in substitution for all authorities previously conferred upon the Directors pursuant to section 80 of the Act.
3. THAT the rules of the Accident Exchange Group Sharesave Plan 2007 (the “**Shavesave Plan**”) referred to in the Circular, (and a summary of the principal terms of which is set out in the Appendix to this notice) be approved and the Directors be authorised to:
 - (a) make such minor and non material modifications to the Sharesave Plan as they may consider appropriate to take account of the requirements of HMRC and best practice and for the implementation of the Sharesave Plan, and to adopt the Sharesave Plan as so modified and to do all such other acts and things as they may consider appropriate to implement the Sharesave Plan; and
 - (b) establish further plans based on the Sharesave Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the Sharesave Plan.
4. THAT for the purposes of Article 90.1 of the articles of association of the Company (“**Articles**”) the Company shall be permitted to incur borrowings such that the limit on the aggregate borrowings of the Group contained therein is exceeded provided that instead the board must restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (but as regards subsidiaries only in so far as, by the exercise of the rights or powers of control, the board can secure) that the aggregate principal amount outstanding of all borrowings by the Group (exclusive of borrowings owing by one member of the Group to another member) does not, without the previous sanction of a further ordinary

resolution, exceed the greater of £5,000,000 and four times the Adjusted Capital and Reserves (as such term is defined in the Articles).

SPECIAL RESOLUTIONS

5. THAT subject to the passing of resolutions 1 and 2 above pursuant to section 95 of the Act and in substitution for all existing authorities under that section, the directors be and generally are empowered to allot equity securities (within the meaning of section 94(2) of the Act and which includes the Convertible Notes) for cash pursuant to the authority conferred by resolution 2 above as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- 5.1 the allotment of equity securities in connection with an offer (whether by way of rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange;
- 5.2 the allotment of equity securities pursuant to the Convertible Notes; and
- 5.3 the allotment of equity securities for cash (otherwise pursuant to paragraphs 5.1 and 5.2 above) up to an aggregate nominal amount of £346,435,

and unless previously revoked varied or renewed, shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or 15 months from the passing of this resolution (whichever is the earlier), save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution has not expired.

6. That the Articles be amended so that article 47 reads as follows:

“An annual general meeting shall be called by not less than 21 clear days’ notice. All other general meetings of the Company shall be called by not less than 14 days’ notice”.

By order of the Board

Registered office:

Alpha 1
Canton Lane
Hams Hall
Birmingham
B46 1GA

Stephen Jones
Company Secretary

7 December 2007

Notes

1. A member of the Company who is entitled to attend and vote at the Extraordinary General Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company. Completion of a form of proxy will not preclude a member from attending and voting at the meeting in person.
2. A form of proxy is enclosed with this notice. Instructions for use are shown on this form. Alternatively, you may register your votes electronically by logging onto www.capitaregistrars.com. Full details of the procedure are given on that website.
3. The instrument appointing a proxy together with a power of attorney, or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be completed, signed and returned so as to reach Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by not later than 9.30 a.m. on 29 December 2007.

4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those Shareholders registered on the register of members of the Company as at 5.00 p.m. on 29 December 2007, or, if the Extraordinary General Meeting is adjourned, on the register of members at 5.00 p.m. on the day falling 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of Ordinary Shares registered in their name at that relevant time.
5. Shares held in uncertified form (ie in CREST) may be voted through CREST Proxy Voting Service in accordance with the procedures set out in the Crest manual.
6. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
7. A copy of the draft rules of the Sharesave Plan will be available for inspection at the office of DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham B2 4DL during normal business hours on any weekday (Saturdays and English public holidays excepted) until the close of the Extraordinary General Meeting and at the place of the Extraordinary Meeting for at least 15 minutes prior to and during the Extraordinary General Meeting.

APPENDIX TO NOTICE OF EGM

Summary of principal terms of the Accident Exchange Group Sharesave Plan 2007 (the “Sharesave Plan”)

Operation

The operation of the Sharesave Plan will be supervised by the board of directors of the Company (the “Board”). It will be approved by HM Revenue & Customs (“HMRC”) in order to provide UK tax-advantaged options to UK employees.

Eligibility

Employees and full-time directors of the Company and any designated subsidiary who are UK resident tax payers are eligible to participate. The Board may impose a service requirement of up to five years and may allow other employees to participate.

Grant of options

Participating employees enter into HMRC approved savings contracts, under which monthly savings are normally made over three or five years. Options must be granted within 30 days (or 42 days if applications are scaled back) of the first day by reference to which the option price is set. The Shares subject to an option will have a total option price equal to the maturity proceeds of the savings contract.

Options may not be granted more than 10 years after shareholder approval of the Sharesave Plan. They are not transferable, except on death, and are not pensionable.

Individual participation

Monthly savings by an employee under all savings contracts linked to options granted under any HMRC approved sharesave scheme may not exceed the statutory maximum (currently £250).

Option price

The price per Share payable upon the exercise of an option will not be less than the higher of: (i) 80 per cent. of the average middle-market quotation of a Share on the London Stock Exchange on the three dealing days specified in an invitation to participate (or such other day or days as may be agreed with HMRC); and (ii) if the option relates only to new issue Shares, the nominal value of a Share.

The option price will be determined by reference to relevant dealing days which must normally fall within six weeks of the announcement by the Company of its results for any period (unless or at any other time when the Board considers there to be exceptional circumstances) which justify offering options under the plan.

Exercise of options

Options will normally be exercisable for six months from the third, fifth or seventh anniversary of the commencement of the related savings contracts. Earlier exercise is permitted:

- following cessation of employment due to death, injury, disability, redundancy, retirement on reaching age 65 (or any other age at which the employee is bound to retire under his terms of employment) or the business or company that the employee works for ceasing to be part of the Company’s group;
- when an employee reaches 65;
- where employment ceases more than three years from grant for any reason other than dismissal for misconduct; and

- in the event of a takeover, amalgamation, reconstruction or winding-up of the Company, except in the case of an internal corporate re-organisation when the Board may decide to exchange existing options for equivalent new options over shares in a new holding company.

Except where stated above, options will lapse on cessation of employment or directorship with the group.

Shares will be allotted or transferred to participants within 30 days of exercise.

Overall plan limits

The Sharesave Plan may operate over new issue Shares, treasury Shares or Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 10 per cent. of the issued ordinary share capital of the Company under the Sharesave Plan and any other employee share plan adopted by the Company (provided that options granted to replace options granted before 19 April 2004 are ignored for this purpose).

Treasury Shares will count as new issue Shares for this purpose unless while this is required by institutional investors guidelines.

Variation of capital

If there is a variation in the Company's share capital then the Board may, subject to HMRC approval, adjust the number of Shares under option and the option price as it considers appropriate.

Rights attaching to Shares

Any Shares allotted when an option is exercised under the Sharesave Plan will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Alterations to the Sharesave Plan

The Board may amend the Sharesave Plan, provided that the prior approval of shareholders is obtained for any amendments to the advantage of participants made to the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares to be acquired and the adjustment of options.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Sharesave Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

Overseas plans

The shareholder resolution to approve the Sharesave Plan will allow the Board, without further shareholder approval, to establish further plans for overseas territories, any such plan to be similar to the Sharesave Plan, but modified to take account of local tax, exchange control or securities laws, provided that any Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the Sharesave Plan.

