

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Circular and/or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.**

If you have sold or otherwise transferred all of your Ordinary Shares please immediately forward this Circular, together with the accompanying Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact immediately your stockbroker, bank or other agent through whom the sale or transfer was effected.

The Directors (whose names appear on page 3 of this Circular) and the Company accept responsibility, both individually and collectively, for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and there are no other facts which, if omitted, would affect the import of such information. The Company and the Directors accept responsibility accordingly.

This Circular is not a prospectus for the purposes of the Prospectus Rules and has not been prepared in accordance with the Prospectus Rules. Accordingly, this Circular has not been, and will not be, reviewed or approved by the Financial Conduct Authority, pursuant to sections 85 and 87 of FSMA, the London Stock Exchange or any other authority or regulatory body.

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## **Palace Capital plc**

*(Incorporated and registered in England and Wales under the Companies Act 2006  
with registered no. 05332938)*

### **Proposed general authority for market purchases of own shares and Notice of General Meeting**

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You should read the whole of this Circular. Your attention is drawn in particular to the letter from the Chairman of Palace Capital plc, which is set out on page 3 of this Circular, and which contains the unanimous recommendation of the Directors that Shareholders vote in favour of the Resolution to be proposed at the General Meeting referred to below.

**Notice of a General Meeting of Palace Capital plc, to be held at 10.00 a.m. on 24 March 2016 at Hamllins LLP, 273-287 Regent Street, London, W1B 2AD is set out at the end of this Circular. The Form of Proxy for use at the meeting accompanies this Circular and, to be valid, should be completed and returned to the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Kent, BR3 4TU, as soon as possible and, in any event, so as to arrive by no later than 10.00 a.m. on 22 March 2016. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting, should they so wish.**

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Posting of this Circular along with Forms of Proxy	25 February 2016
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 22 March 2016
Time and Date of General Meeting	10.00 a.m. on 24 March 2016

### Notes:

- 1 The dates set out in the Expected Timetable of Principal Events above and mentioned throughout this Circular may be adjusted by Palace Capital. Any change to the dates or times will be notified to Shareholders by announcement via a regulatory information service recognised by the London Stock Exchange plc.
- 2 All references to time in this Circular are to time in London.

## DEFINITIONS

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

<b>Board</b>	the Board of directors of the Company from time to time;
<b>Business day</b>	any day (excluding Saturdays and Sundays) on which banks are open in London for normal banking business and the London Stock Exchange is open for trading;
<b>Circular</b>	this document;
<b>Company, or Palace Capital</b>	Palace Capital plc, a company registered in England and Wales with registered number 05332938;
<b>Directors</b>	the directors of the Company at the date of this Circular;
<b>EPRA</b>	European Public Real Estate Association;
<b>EPRA NAV</b>	net asset value calculated in accordance with EPRA models of best practice;
<b>Existing Ordinary Shares</b>	the existing issued Ordinary Shares at the date of this Circular;
<b>Form of Proxy</b>	the form of proxy relating to the General Meeting being sent to Shareholders with this Circular;
<b>General Meeting</b>	the general meeting of the Company convened for 10.00 a.m. on 24 March 2016 (or any adjournment of it), notice of which is set out at the end of this Circular;
<b>London Stock Exchange</b>	London Stock Exchange plc;
<b>Ordinary Shares</b>	the ordinary shares of 10 pence each in the capital of the Company;
<b>Resolution</b>	the resolution set out in the notice of General Meeting at the end of this Circular;
<b>Share Buyback Authority</b>	the proposed authority to the Company to make purchases of its own Ordinary Shares to be granted pursuant to the Resolution; and
<b>Shareholders</b>	holders of Existing Ordinary Shares;

**LETTER FROM THE CHAIRMAN**

**PALACE CAPITAL PLC**

Stanley Davis (*Non-Executive Chairman*)  
Neil Sinclair (*Chief Executive*)  
Richard Starr (*Executive Director*)  
Stephen Silvester (*Finance Director*)  
Anthony Dove (*Non-Executive Director*)  
Kim Taylor-Smith (*Non-Executive Director*)

Malta House  
36-38 Piccadilly  
London  
W1J 0DP

Dear Shareholder

25 February 2016

**Proposed general authority for market purchases of Ordinary Shares  
and Notice of General Meeting**

**Introduction and background**

The purpose of this letter is to provide you with the background to and the reasons for the proposed authority for the Company to make market purchases of Ordinary Shares (the “**Share Buyback Authority**”), and to explain why the Directors consider the Share Buyback Authority to be in the best interests of the Company and for the benefit of its Shareholders as a whole.

Details of the General Meeting can be found in the notice of General Meeting at the end of this Circular.

**Reasons for the Share Buyback Authority**

In its half yearly report for the six months ended 30 September 2015, the Company announced an EPRA NAV per Ordinary Share of 404 pence. As at the date of this Circular, the Company's share price is 327.5 pence per Ordinary Share, representing a 19 per cent. discount to the reported EPRA NAV per Ordinary Share. In light of the size of this discount, and in line with normal corporate practice, the Directors consider the Company should seek the Share Buyback Authority to allow the Company to purchase its Ordinary Shares at a point in the future when it would be appropriate to use the Company's financial resources to provide Shareholders, who wish to realise part or all of their investment in the Company, with an opportunity to access liquidity which might not otherwise be available in the market. The Directors would only propose to use the Share Buyback Authority in circumstances where to do so would enhance the EPRA NAV per Ordinary Share. The Directors' report in the Company's next Annual Report and Consolidated Financial Statements will contain details in relation to any Ordinary Shares bought back by the Company during the financial year.

The Share Buyback Authority is for up to 10 per cent. of the Company's issued ordinary share capital. The minimum price of any purchases made under the under the Share Buyback Authority is 10 pence per Ordinary Share (being the nominal value of each Ordinary Share) and the maximum is the higher of:

- i. an amount equal to 105 per cent. of the average of the closing middle market price for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately prior to the day the purchase is made; and
- ii. the price stipulated by Article 5(1) of Commission Regulation (EC) No 2273/2003 (the Buy-back and Stabilisation Regulation) which is an amount equal to the higher of the price per Ordinary Share of the last independent trade and the highest current independent bid per Ordinary Share.

The Share Buyback Authority will expire 15 months after the Resolution is passed but the Directors would expect to seek this authority at successive Annual General Meetings.

### **General meeting**

The notice convening the General Meeting to be held at the offices of Hamllins LLP, Roxburghe House, 273-287 Regent Street, London W1B 2AD at 10.00 a.m. on 24 March 2016 is set out at the end of this Circular. The purpose of the General Meeting is for the Shareholders to consider, and if thought fit, pass the resolution to approve the Share Buyback Authority. This resolution will be proposed as a special resolution.

### **Action to be taken by Shareholders**

Shareholders will find accompanying this Circular a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it to Capita Asset Services, PSX, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and, in any event, so as to arrive no later than 10.00 a.m. on 22 March 2016. Completion and return of the Form of Proxy will not affect your right to attend and vote in person at the General Meeting if you so wish.

### **Directors' recommendation**

The Directors consider the Share Buyback Authority to be in the best interests of the Company and for the benefit of its Shareholders as a whole.

Accordingly the Directors recommend unanimously that Shareholders vote in favour of the Resolution to be proposed at the General Meeting, as they intend to do in respect of their own shareholdings, which total 1,901,460 Ordinary Shares (representing approximately 7.4 per cent. of the total issued Ordinary Share capital of the Company).

This Circular will be available on the Company's website [www.palacecapitalplc.com](http://www.palacecapitalplc.com) in accordance with the requirements of Rule 26 of the AIM Rules for Companies.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Stanley Davis', with a large, sweeping flourish above the name.

Stanley Davis  
**Chairman**

## NOTICE OF GENERAL MEETING

### PALACE CAPITAL PLC

*(Incorporated and registered in England and Wales under the Companies Act 2006  
with registered number 05332938)*

NOTICE IS HEREBY GIVEN that a General Meeting of Palace Capital plc will be held at the offices of Hamblins LLP, Roxburghe House, 273-287 Regent Street, London W1B 2AD on 24 March 2016 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the resolution below which will be proposed as a special resolution:

#### **SPECIAL RESOLUTION**

THAT the Company be, and it is hereby, generally and unconditionally authorised for the purpose of sections 693 and 701 of the Companies Act 2006 (**Act**) to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10 pence each in the capital of the Company (**Ordinary Shares**) upon such terms and in such manner as the Directors of the Company shall determine, provided that:

- a the maximum aggregate number of Ordinary Shares authorised to be purchased is 2,578,122 (representing approximately 10 per cent. of the Company's total issued ordinary share capital);
- b the minimum price which may be paid for each such Ordinary Share is 10 pence (exclusive of expenses);
- c the maximum price (exclusive of expenses) which may be paid for each such Ordinary Share is an amount equal to the higher of:
  - i. an amount equal to 105 per cent. of the average of the closing middle market price for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the day the purchase is made; and
  - ii. the price stipulated by Article 5(1) of Commission Regulation (EC) No 2273/2003 (the Buy-back and Stabilisation Regulation);
- d unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, the expiry of a period of 15 months from the date of the passing of this resolution; and
- e the Company may make a contract to purchase Ordinary Shares under this authority prior to its expiry which will or may be executed wholly or partly after such expiry and may make a purchase of Ordinary Shares in pursuance of any such contract.

Capitalised terms above shall bear the meaning as set out in this Circular dated 25 February 2016 unless otherwise defined herein.

By Order of the Board  
David Kaye  
Company Secretary

*Registered office:*  
41 Chalton Street  
London, NW1 1JD

Dated: 25 February 2016

## NOTES TO THE NOTICE OF GENERAL MEETING

### Entitlement to attend and vote

1. Only those members registered on the Company's register of members at:
  - 10.00 a.m. on 22 March 2016; or
  - if this Meeting is adjourned, at 48 hours (excluding any part of a day that is not a working day) prior to the adjourned meeting,shall be entitled to attend and vote at the Meeting.

### Attending in person

2. If you wish to attend the Meeting in person, please arrive at the offices of Hamllins LLP, Roxburghe House, 273-287 Regent Street, London W1B 2AD (the nearest underground station is Oxford Circus) at 09:30 a.m. on 24 March 2016 (commencement of registration); the Meeting will commence at 10.00 am. Please bring this notice with you. Representatives of corporate shareholders will have to produce evidence of their proper appointment when attending the Meeting. Please contact the Company's Registrar, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, if you require further guidance on this.

### Appointment of proxies

3. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
4. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.
5. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's Registrar, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

### Appointment of proxy using hard copy proxy form

8. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Company's Registrar, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and
- received by Capita Asset Services no later than 10.00 am on 22 March 2016.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

### Appointment of proxies through CREST

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the

CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (**EUI**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (IDRA10) by 10.00 am on 22 March 2016. 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 Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI 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 the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST 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.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

#### **Appointment of proxy by joint members**

10. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

#### **Changing proxy instructions**

11. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### **Termination of proxy appointments**

12. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Asset Services no later than 10.00 am on 22 March 2016. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

#### **Corporate representatives**

13. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

