

**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 Existing 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 Existing 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 7 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 FCA, 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 1985  
with registered no. 05332938)*

**Notice of General Meeting  
in connection with the conditional  
placing of 5,555,556 Placing Shares at 360 pence per Placing Share  
and  
the proposed acquisition of O&H Northampton Limited**

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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 in Part I of this Circular, and which contains the unanimous recommendation of the Directors that Shareholders vote in favour of the Resolutions 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 16 June 2015 at Hamhins 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 12 June 2015. 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.**

Allenby Capital Limited, which is authorised and regulated by the FCA in the United Kingdom, is acting as nominated adviser and joint broker to the Company for the purposes of the AIM Rules for Companies in connection with the Placing and, as such, its responsibilities are owed solely to the London Stock Exchange and are not owed to the Company and the Directors or to any other person or entity. Allenby Capital Limited will not be responsible to any person other than the Company for providing the protections afforded to clients of Allenby Capital Limited or for providing advice to any other person in connection with the Placing or any acquisition of shares in the Company. Allenby Capital Limited is not making any representation or warranty, express or implied, as to the contents of this Circular. Allenby Capital Limited has not authorised the contents of, or any part of, this Circular, and no liability whatsoever is accepted by Allenby Capital Limited for the accuracy of any information or opinions contained in this Circular or for the omission of any material information.

Arden Partners plc, which is authorised and regulated by the FCA in the United Kingdom, is acting as lead broker and bookrunner to the Company in connection with the Placing. Arden Partners plc will not be responsible to any person other than the Company for providing the protections afforded to clients of Arden Partners plc or for providing advice to any other person in connection with the Placing or any acquisition of shares in the Company. Arden Partners plc is not making any representation or warranty, express or implied, as to the contents of this Circular. Arden Partners plc has not authorised the contents of, or any part of, this Circular, and no liability whatsoever is accepted by Arden Partners plc for the accuracy of any information or opinions contained in this Circular or for the omission of any material information.

## CONTENTS

	<b>Page</b>
TIMETABLE OF PRINCIPAL EVENTS .....	3
PLACING STATISTICS .....	3
DEFINITIONS.....	4
PART I LETTER FROM THE CHAIRMAN.....	7
PART II ADDITIONAL INFORMATION .....	13
PART III SOL CENTRAL TENANCY SCHEDULE.....	15
NOTICE OF GENERAL MEETING .....	16

## TIMETABLE OF PRINCIPAL EVENTS

	<b>2015</b>
Announcement of the Placing and Acquisition	28 May
Posting of this Circular along with Forms of Proxy	28 May
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 12 June
General Meeting	10.00 a.m. on 16 June
Admission effective and dealings in the Placing Shares expected to commence on AIM	8.00 a.m. on 17 June
Date for crediting of Placing Shares in uncertificated form to CREST stock accounts	17 June
Date of despatch of share certificates in respect of the Placing Shares in certificated form	by 1 July
Record date for the Company's final dividend for the year ended 31 March 2015	10 July
Payment date for the Company's final dividend for the year ended 31 March 2015	31 July
Date of merging the Placing Shares into the existing trading line of Ordinary Shares	3 August

### Notes:

- 1 The dates set out in the Timetable of Principal Events above and mentioned throughout this Circular may be adjusted by Palace Capital plc.
- 2 All references to time in this Circular are to time in London.

## PLACING STATISTICS<sup>1</sup>

Number of Existing Ordinary Shares in issue	20,225,673
Number of Placing Shares to be issued pursuant to the Placing	5,555,556
Ordinary Shares in issue on Admission	25,781,229
Issue Price	360 pence
Percentage of Enlarged Share Capital represented by the Placing Shares	21.5%
Gross proceeds of the Placing	£20.0 million
Estimated net proceeds of the Placing (after deducting the costs of the Placing and the Acquisition)	£18.7 million
Market capitalisation of the Company at the Issue Price on Admission	£92.8 million
Placing Shares' ISIN	GB00BWVG1852
TIDM of the Placing Shares	PCA2.L

<sup>1</sup> Assuming no exercise of any of the existing issued warrants to subscribe for Ordinary Shares.

## DEFINITIONS

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

<b>Act</b>	the Companies Act 2006 (as amended);
<b>Acquisition</b>	the proposed acquisition by the Company of the entire issued share capital of O&H;
<b>Acquisition Agreement</b>	the conditional agreement between the Company (1) and the Sellers (2) dated 28 May 2015 pursuant to which the Company will acquire the entire issued share capital of O&H, details of which are set out in Part II of this Circular;
<b>Admission</b>	the admission to trading on AIM of the Placing Shares taking place in accordance with the AIM Rules for Companies;
<b>AIM</b>	the market of that name operated by the London Stock Exchange;
<b>AIM Rules for Companies</b>	the AIM Rules for Companies, as published and amended from time to time by the London Stock Exchange;
<b>Allenby Capital</b>	Allenby Capital Limited;
<b>Arden</b>	Arden Partners plc;
<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>certificated or certificated form</b>	not in uncertificated form;
<b>Circular</b>	this document;
<b>Company, Palace or Palace Capital</b>	Palace Capital plc, a company registered in England and Wales with registered number 05332938;
<b>CREST</b>	the relevant system for the paperless settlement of trades and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the CREST Regulations;
<b>Directors</b>	the directors of the Company at the date of this Circular;
<b>DTZ</b>	DTZ Debenham Tie Leung Limited;
<b>Enlarged Share Capital</b>	the enlarged issued Ordinary Share capital of the Company immediately following Admission;
<b>Existing Ordinary Shares</b>	the 20,225,673 existing issued Ordinary Shares as at the date of this Circular;
<b>Facility</b>	the loan facility to be granted by Santander to O&H on the terms of the Facility Agreement;
<b>Facility Agreement</b>	the facility agreement between O&H (1) and Santander (2) to be entered into on or around the date of completion of the Acquisition, as detailed in Part II 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>FCA</b>	the Financial Conduct Authority of the United Kingdom;
<b>FSMA</b>	the Financial Services and Markets Act 2000 (as amended);

<b>General Meeting</b>	the general meeting of the Company convened for 10.00 a.m. on 16 June 2015 (or any adjournment of it), notice of which is set out at the end of this Circular;
<b>Group</b>	the Company and its subsidiaries from time to time;
<b>Issue Price</b>	360 pence per Placing Share;
<b>Libor</b>	the London Interbank Offered Rate;
<b>Lloyds</b>	Lloyds Bank plc;
<b>London Stock Exchange</b>	London Stock Exchange plc;
<b>NAV</b>	net asset value;
<b>Ordinary Shares</b>	the ordinary shares of 10 pence each in the capital of the Company;
<b>O&amp;H</b>	O&H Northampton Ltd, a company incorporated in England & Wales with company number 04982121 whose registered office is at 25-28 Old Burlington Street, London W1S 3AN;
<b>PIH Portfolio</b>	a portfolio of commercial properties owned by PIH;
<b>PIH</b>	Property Investment Holdings Limited, a wholly owned subsidiary of the Company, acquired by the Company on 26 August 2014;
<b>Placees</b>	the persons who conditionally agree to subscribe for the Placing Shares;
<b>Placing</b>	the conditional placing by Arden and Allenby Capital on behalf of the Company of the Placing Shares at the Issue Price, as described in Part I of this Circular;
<b>Placing Agreement</b>	the agreement between the Company (1), Arden (2) and Allenby Capital (3) dated 28 May 2015 relating to the Placing, summary details of which are set out in Part II of this Circular;
<b>Placing Shares</b>	5,555,556 new Ordinary Shares which have been placed conditionally with investors by Arden and Allenby Capital on behalf of the Company;
<b>Prospectus Rules</b>	the rules made by the FCA under Part VI of FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market;
<b>Registrar or Capita Asset Services</b>	Capita Asset Services of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU;
<b>Resolutions</b>	the resolutions set out in the notice of General Meeting at the end of this Circular;
<b>Santander</b>	Santander UK plc;
<b>Sellers</b>	O&H Limited, the Trustees of the Dalgleish Executive Pension Scheme and Malcolm Dalgleish;
<b>Sequel Portfolio</b>	a portfolio of commercial properties held by a subsidiary undertaking of Signal;
<b>Signal</b>	Quintain (Signal) Member A Limited, (registered number 06991031) a wholly owned subsidiary of the Company, acquired by the Company on 21 October 2013;
<b>Shareholders</b>	holders of Existing Ordinary Shares;

<b>Sol Central</b>	the property known as Sol Central, Northampton located at the north side of Mare Fair Road, Northampton;
<b>stock account</b>	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
<b>uncertificated or uncertificated form</b>	means recorded on the relevant register or other record of the share or other security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
<b>UK Listing Authority</b>	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
<b>United Kingdom or UK</b>	the United Kingdom of Great Britain and Northern Ireland; and
<b>£ or Pounds</b>	UK pounds sterling, being the lawful currency of the United Kingdom.

**PART I**  
**LETTER FROM THE CHAIRMAN**  
**PALACE CAPITAL PLC**

*(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05332938)*

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

*Registered Office:*  
41 Chalton Street  
London  
NW1 1JD

Dear Shareholder

28 May 2015

**Notice of General Meeting**  
**in connection with the conditional**  
**placing of 5,555,556 Placing Shares at 360 pence per Placing Share**  
**and**  
**the proposed acquisition of O&H Northampton Ltd**

**1. INTRODUCTION**

Palace Capital has announced today that it has entered into a conditional agreement to acquire the entire issued share capital of O&H, the owner of Sol Central, a mixed use leisure scheme in Northampton. Under the terms of the Acquisition Agreement, the consideration payable by Palace for all of the issued shares of O&H is £1. The Company will also procure the repayment of £20.7 million of the outstanding indebtedness owed by O&H to its existing bank and other creditors. There will also be an adjustment to reflect the net assets of O&H at the date of the Acquisition. The total amount payable by Palace Capital in connection with the acquisition of O&H is expected to be approximately £20.7 million.

Sol Central is a 190,000 sq ft mixed use leisure scheme located in the town centre of Northampton. Constructed in 2002, Sol Central has two anchor tenants, a 10 screen Vue Cinema and a 151 bed Ibis Hotel.

To finance the repayment of O&H's indebtedness and to provide additional capital to exploit further opportunities, the Board has announced a conditional placing of 5,555,556 Placing Shares at the Issue Price to raise approximately £20.0 million (before expenses). The Placing has been arranged by Arden and Allenby Capital. The issue price of 360 pence per Placing Share represents an approximate 3.5 per cent. discount to the closing middle market price of 373 pence (adjusted for the final dividend of 7.0 pence for which the Placing Shares will not rank) per Existing Ordinary Share on 27 May 2015, the last business day before the announcement of the Placing and Acquisition.

The Acquisition is conditional on, *inter alia*, O&H and Santander entering into the Facility Agreement. The Facility will provide O&H with £11.39 million, which will be used, along with part of the Placing proceeds, to repay O&H's outstanding indebtedness up to an aggregate amount of £20.7 million.

The Placing is conditional, *inter alia*, on the passing of the Resolutions by the Shareholders at the General Meeting, which has been convened for 16 June 2015, notice of which is set out at the end of this Circular. If the Resolutions are passed, the Placing Shares are expected to be allotted immediately after the General Meeting, conditional on Admission, which is expected to occur at 8.00 a.m. on 17 June 2015. Should Shareholder approval not be obtained at the General Meeting, the Acquisition and the Placing will not proceed. The Placing is not underwritten.

The purpose of this document is to explain the background to the Acquisition and the Placing, to set out the reasons why your Board believes that the Acquisition and Placing are both in the best interests of the Company and its Shareholders and to seek your approval to the Resolutions at the forthcoming General Meeting, which will be held at the offices of Hamblins LLP, Roxburgh House, 273-287 Regent Street, London W1B 2AD at 10.00 a.m. on 16 June 2015.

## 2. PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2015

The Company has today announced its results for the year ended 31 March 2015. The Group's property portfolio was valued at 31 March 2015 at £102.75 million (prior to the acquisition of Bank House, Leeds, for £10 million on 1 April 2015). The Company reported an adjusted profit before tax of £4.6 million<sup>1</sup> (year ended 31 March 2014: £1.5 million) and an increased NAV per Ordinary Share of 396 pence (31 March 2014: 357 pence). The Company also announced a final dividend of 7.0 pence which, subject to Shareholder approval, will be paid on 31 July 2015 to Shareholders on the register on 10 July 2015. The Placing Shares will not rank for the final dividend.

## 3. INFORMATION ON O&H

O&H is the owner of Sol Central. Sol Central was constructed in 2002 and is a 190,000 sq ft mixed use leisure scheme located in the town centre of Northampton, approximately 200 metres from Northampton railway station and 200 metres from the main retail shopping area of Northampton. Sol Central's current tenants include:

- Vue Entertainment Ltd, a modern 10 screen Vue Cinema, with auditorium sizes ranging from 163 to 440 seats and a total of 2,547 seats;
- Accor UK Limited, trading as a 151 room Ibis Hotel;
- Fitness 4 Less, a low-cost gym, featuring a swimming pool, gym equipment and offering fitness classes; and
- BST Amateur Sports Club Ltd, a purpose built mixed martial arts and fitness centre.

In addition, Gala Casinos Limited rents space but does not occupy it at Sol Central under a lease that has 13 years left to run. A pub operator has 21 years to run on a lease of a unit which is also vacant. At this time the pub is not currently trading. There is also a vacant unlet restaurant unit. A full schedule of current tenants is contained in Part III of this Circular.

The weighted average unexpired lease term at Sol Central is 13.7 years. Over 50 per cent. of the income generated by Sol Central is from 5A1 rated tenants<sup>2</sup>. Sol Central also has a 375 space multi-storey car park, operated by O&H, generating a net income of circa £280,000 per annum.

Sol Central has been valued, on an open market and fair value basis, by DTZ at £20.7 million. In the year ended 28 February 2015, the gross annual rental income of Sol Central was £1.99 million and the net annual rental income was £1.89 million. Based on the consideration of £20.7 million and the costs associated with the Acquisition, this income represents a net initial yield on O&H of 8.86 per cent. In the year ended 28 February 2015, the profit before tax for O&H, after deducting interest of £1.0 million, was £1.37 million (which includes an upward property revaluation of £0.7 million). The net liabilities at that date were £0.35 million including borrowings of £16.7 million and indebtedness owed to shareholders of O&H of £4.1 million.

## 4. BACKGROUND TO AND REASONS FOR THE ACQUISITION AND PLACING

On 21 October 2013, the Company completed the acquisition of the Sequel Portfolio (which comprised 24 properties around the UK) from Quintain Estates & Development PLC and Buckingham Properties Limited for a consideration of £39.25 million. At the time of this acquisition the properties in the Sequel Portfolio had an aggregate market value of £44.2 million, with a net rent receivable of £5.2 million. The Board has undertaken a programme of active management and as at 31 March 2015 (the Company's last year end) the Company had completed the sale of 6 properties, at sale prices all above book value. As at 31 March 2015 the remaining Sequel Portfolio was independently valued at £65.21 million and the annual net rent receivable was £5.12 million.

On 26 August 2014, the Company completed the acquisition of the PIH portfolio, for a consideration of £32.0 million. At the time of the acquisition of the PIH portfolio, PIH held 17 properties split into 55 individual units. Since the acquisition PIH has, amongst other things, let Fraser House in Staines (which had previously been empty for 18 months) to Tornier (UK) Ltd at a rental of £155,000 per annum and has sold part of 61 Albert Road, North Reigate, for £495,000. As at 31 March 2015, the remaining properties in the PIH Portfolio were valued at £35.3 million and

<sup>1</sup> Adjusted for increases from revaluations, realised gains and acquisition costs.

<sup>2</sup> Dun & Bradstreet rating.

the annual net rent receivable was £2.32 million. Subsequent to this date, PIH has sold a property at 54 Albert Road, North Reigate for £445,000 and has exchanged contracts for the sale of a property in Burgess Hill for £1.25 million.

On 1 April 2015, the Company completed the acquisition of Bank House, Leeds, for a consideration of £10.0 million, which it has since refinanced with a £4.5 million loan provided by Lloyds.

The Company's strategy is to focus on the UK secondary property market outside London, both through its current investment portfolio and by continuing to pursue additional acquisition opportunities. The Acquisition is in line with this strategy and the Directors believe that Sol Central can benefit from active management to increase income and add capital value and that, going forward, it will provide Palace Capital with a long-term rental income from tenants with good covenants.

The Company is undertaking the Placing and entering into the Facility Agreement both to finance the repayment of O&H's existing indebtedness and to provide funding for the Company to pursue other acquisition opportunities.

## 5. CURRENT TRADING AND PROSPECTS

### *Current trading*

Subsequent to 31 March 2015, the Company's financial year end, the Company has undertaken the following:

- **Bank House, Leeds** – The Company completed the acquisition of Bank House, Leeds, for £10.0 million on 1 April 2015. Bank House is situated in the heart of the traditional business district in Leeds and comprises a net floor area of 88,000 sq ft. Joint letting agents have been appointed to market the vacant space comprising of circa 8,800 sq ft;
- **Hudson House, York** – The Company is making steady progress on this 103,000 sq ft office building adjacent to York Railway Station. The Directors are confident that the Company is close to reaching agreement with the City of York Council regarding the mix of a major refurbishment, comprising Grade A offices and residential use, for which the Directors believe there is considerable demand in York, and the Company is due to submit a planning application shortly. The Board continues to be very positive as to the potential of this property which is in a first class location, in a vibrant and growing city.
- **124-126, Above Bar Street, Southampton** – The Company's professional team is progressing with the City Council to submit an early planning application for a new building for retail/restaurant on the ground floor and residential above. Southampton City Council intends that this area of Southampton becomes the new cultural quarter.
- **The Copperfields Centre, Dartford, Kent** – In the Company's last interim results statement it confirmed that it had secured Permitted Development at the property for nine residential units. The Company has now submitted a revised application for fourteen residential units and a decision is expected shortly from Dartford Council.
- **Unit 1, Clayton Manor, Burgess Hill** – This 16,100 sq ft warehouse/office building has been empty since June 2013, fourteen months before the Company acquired PIH. It was valued on purchase at £690,000 and the valuation was updated at the year end to £1,090,000. The Company exchanged contracts in January of this year to sell the freehold for £1,250,000, subject to planning consent being granted to use the premises as a builders' merchants. This planning consent was granted on 15 May 2015 so the contract has become unconditional and the Company is due to complete in mid June 2015.

The Company's portfolio currently consists of fifty properties, with a total floor space of 1.5 million sq ft and an occupancy rate of 90.6 per cent. by lettable space.

### *Borrowings*

The Company has modest levels of borrowing (including finance leases of £0.8 million), which totalled £37.0 million at 31 March 2015. Based on the revaluation of the Company's properties at 31 March 2015 of £102.75 million, the Board believes the Company has a very comfortable level of net gearing of 30.9 per cent. and a loan to value of 35.2 per cent..

Cash in hand of £12.3 million at 31 March 2015 was reduced by the acquisition of Bank House, Leeds, for £10.0 million plus costs after the year-end.

On 11 May 2015, the Company announced that it had secured a £4.5 million loan facility for a term of four years from Lloyds to be charged against Bank House, Leeds.

The acquisition of the Sequel Portfolio in October 2013 was part financed by a £20.0 million bank loan from the Nationwide Building Society. Since October 2013 the Company has repaid a net £0.4 million of this bank loan and the remaining balance of £19.6 million is due to be repaid in October 2016. The loan to value on the Sequel Portfolio is 30.4% and the Company is in preliminary discussions with the Nationwide Building Society to refinance the bank loan and allow part of the security contained in the Sequel Portfolio to be released.

In addition to the bank loans secured on Bank House and the Sequel portfolio, the Company currently has a bank loan of £1.2 million secured on the Hockenhull portfolio (the Company's properties in Cheshire) and £15.4 million secured on the PIH portfolio.

### *Prospects*

The Board considers that the result of the last general election will be positive for the business community generally and the property sector in particular. The Company focuses on the UK regions and the incoming administration has made it very clear that they are keen to see growth in the areas in which the Company operates, particularly in the north of England.

The Board considers the appointment of a high calibre banker and economist to oversee the proposed Northern Powerhouse as positive, and it reaffirms the Board's decision to focus the Company's activities away from London. The Directors see greater opportunity for value enhancement in the regions.

The Board believes the outlook for Palace remains favourable and looks forward to the future with confidence.

### *O&H*

Since 28 February 2015 (the date to which O&H's last accounts have been audited), O&H has traded in line with its management's expectations with rental income and costs in line with budget.

## **6. DETAILS OF THE ACQUISITION AGREEMENT**

The Company has agreed conditionally to acquire the entire issued share capital of O&H, on the terms of the Acquisition Agreement, for a consideration of £1. The Company will also procure the repayment of £20.7 million of the outstanding bank indebtedness and other indebtedness owed by OH to other creditors, principally the Sellers. The aggregate amount payable is expected to be approximately £20.7 million.

The Acquisition is conditional upon, amongst other things, the passing of the Resolutions. If any of such conditions are not satisfied or, if applicable, waived the Acquisition will not proceed.

In accordance with the terms of the Acquisition Agreement, Palace Capital has paid a £1.035 million deposit on exchange of contracts with O&H. In the event of the Acquisition not completing the deposit will not, in certain circumstances, be repaid to the Company.

Further detail on the Acquisition Agreement is set out in Part II of this Circular.

## **7. DETAILS OF THE FACILITY**

The Company has agreed with Santander that O&H will enter into the Facility Agreement prior to or on completion of the Acquisition. The Facility constitutes a term loan facility in the sum of £11.385 million and is conditional, *inter alia*, on completion of the Acquisition.

The Facility will be available to O&H for a five year term at an interest rate of 2.25 per cent. above Libor. The Facility will be secured by a first ranking legal charge over Sol Central and a debenture over the entire undertaking of O&H. The Facility Agreement will contain a number of normal banking covenants on the part of O&H.

Further detail on the Facility Agreement is set out in Part II of this Circular.

## 8. DETAILS OF THE PLACING

The Company has conditionally raised £20.0 million (before expenses) through a placing of 5,555,556 Placing Shares at 360 pence per share with institutional and other investors. The net proceeds of the Placing after the costs of the Acquisition and the Placing (being approximately £18.7 million) will be applied by the Company to: a) part fund the repayment of the indebtedness of O&H (the balance being funded by the Facility); and b) fund future acquisitions. The Directors believe that these additional funds will enable the Company to pursue acquisition opportunities in a timely manner which are complementary to the Company's existing property portfolio. The Placing has not been underwritten.

The Company has entered into the Placing Agreement under which Arden and Allenby Capital, as joint brokers, have agreed to use their reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price. Further terms of the Placing Agreement are set out in Part II of this Circular.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. Assuming the passing of the Resolutions at the General Meeting, it is expected that Admission will become effective and that dealings in the Placing Shares will commence at 8.00 a.m. on 17 June 2015.

The Placing is conditional, *inter alia*, upon:

- (a) the passing of the Resolutions;
- (b) the Acquisition Agreement and the Facility Agreement becoming unconditional in all respects save in respect of any interconditionality with the Placing Agreement;
- (c) the Placing Agreement becoming unconditional in all respects (other than Admission) and not having been terminated in accordance with its terms; and
- (d) Admission occurring by not later than 8.00 a.m. 17 June 2015 (or such later time and/or date as the Company, Arden and Allenby Capital may agree, not being later than 8.00 a.m. on 1 July 2015).

Accordingly if any of such conditions are not satisfied or, if applicable, waived the Placing will not proceed.

**The Placing Shares will not rank for the proposed final dividend of 7.0 pence per Existing Ordinary Share, announced by the Company today. The Placing Shares will trade initially on AIM under TIDM PCA2.L, with ISIN GB00BWVG1852. Following the dividend payment date, the Placing Shares will be merged with the Existing Ordinary Shares and trade on AIM under TIDM PCA.L with ISIN GB00BF5SGF06. Following merger with the Existing Ordinary Shares, the Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and therefore will rank equally for all future dividends or other distributions declared, made or paid after the date of the Existing Ordinary Shares and Placing Shares being merged under the same TIDM and ISIN.**

*Reasons for not carrying out a pre-emptive issue*

The Directors have considered the most appropriate method to conduct the fundraising, including consideration of carrying out a placing and open offer or a rights issue. The Directors consider that the time and costs associated with a pre-emptive offer are not in the best interests of the Company. After careful consideration, they conclude that the benefit of minimising the costs of any fundraising by way of a non pre-emptive cash placing would be in the best interests of the Shareholders.

## 9. GENERAL MEETING

The General Meeting is being convened to seek Shareholders' approval to grant new authorities to enable the Directors, *inter alia*, to allot the Placing Shares.

A notice convening a General Meeting of the Company, to be held at the offices of Hamblins LLP, Roxburghe House, 273-287 Regent Street, London W1B 2AD at 10.00 a.m. on 16 June 2015, is set out at the end of this Circular. At the General Meeting, the following resolutions will be proposed:

An ordinary resolution to:

- (i) grant authority to the Directors pursuant to and for the purposes of Section 551 of the Act, to allot shares or grant rights to subscribe for or to convert any security into shares in the Company with an aggregate nominal amount of up to:

- (A) £555,555.60 in connection with the Placing;  
(B) £1,718,748.60 in connection with a rights issue; and  
(C) £859,374.30 generally.

The authority in (B) will represent 66.7% of the Enlarged Share Capital and the authority in (C) will represent 33.3% of the Enlarged Share Capital and is in line with the existing share authorities granted at the Company's last GM which was held on 26 August 2014.

A special resolution to:

- (ii) to empower the Directors pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) pursuant to the authority conferred by paragraph (i) (A) and (B) above as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate amount of:

- (A) £555,555.60 pursuant to the Placing; and  
(B) £257,812.29 generally.

The Company is seeking these general authorities in order to provide it with the flexibility to take advantage of opportunities, should they arise. However, the Company has no current intention of issuing any new Ordinary Shares.

## **10. 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 12 June 2015. 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.

## **11. DIRECTORS' RECOMMENDATION**

The Directors consider the Placing and Acquisition to be in the best interests of the Company and its Shareholders as a whole.

Accordingly the Directors recommend unanimously that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as they intend to do in respect of their own shareholdings, which total 1,896,570 Ordinary Shares (representing approximately 9.42 per cent. of the Existing Ordinary Share capital).

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

Yours sincerely

Stanley Davis  
**Chairman**

**PART II**  
**ADDITIONAL INFORMATION**

**1. ACQUISITION AGREEMENT**

On 28 May 2015, the Company entered into the Acquisition Agreement with the Sellers to acquire the entire issued share capital of O&H. The Acquisition Agreement is conditional on, *inter alia*:

1. the passing of the Resolutions;
2. the repayment of O&H's current loan facility and the release of all related security;
3. the completion of the Facility Agreement;
4. no event, circumstance, condition or change having occurred between exchange and completion which materially and adversely affects, the business, operations, assets, or position of O&H (subject to a few limited exceptions, including, *inter alia*, changes in stock markets, property prices or applicable laws); and
5. Admission.

Accordingly if any of such conditions are not satisfied or, if applicable waived, the Acquisition will not proceed.

The Company has agreed to pay a deposit of £1,035,000 to the Sellers on exchange of the Acquisition Agreement. This deposit will be forfeited by the Company should the Acquisition fail to complete due to any of the conditions in the Acquisition Agreement not being fulfilled (other than a few limited exceptions).

The consideration for the Acquisition is £1. In addition, the Company will procure the repayment of £20.7 million of the outstanding indebtedness owed by O&H to its incumbent lender and the Sellers. The Sellers will waive such proportion of the aggregate loan sum owed to them as necessary to result in the net assets of O&H amounting to £1 on completion of the Acquisition. The remaining balance owed to them will be repaid by O&H on completion of the Acquisition. The Acquisition Agreement provides for a post completion adjustment, on a £ for £ basis, so that should the Completion net assets of O&H be less or more than £1 the shortfall will be paid by the Sellers to the Company or the excess will be paid by the Company to the Sellers in cash.

The Sellers have agreed, severally, to give warranties in relation to O&H to the Company. The warranties are qualified by the Disclosure Letter (as such term is defined in the Acquisition Agreement) and certain limitations on liability. The maximum liability pursuant to the warranties given by the Sellers is limited to £1,000,000 and the time limit for bringing claims (other than for tax matters) expires 18 months after completion of the Acquisition (or 7 years after completion of the Acquisition in respect of claims under the tax warranties or the tax covenant).

**2. FACILITY AGREEMENT**

The Company has agreed terms with Santander pursuant to which Santander will enter into the Facility Agreement with O&H on the date of completion of the Acquisition. Santander will make the Facility available to O&H for a period of five years from the date of completion of the Acquisition.

The Facility constitutes a term loan facility subject to an interest rate of 2.25 per cent. above three month Libor.

The purpose of the Facility is to refinance O&H's existing borrowing from Barclays Capital, which is secured on Sol Central.

The Facility Agreement provides for quarterly repayments of £50,000 throughout the term in instalments plus interest and a balancing repayment at the end of the term. The Facility Agreement provides further for the payment of an arrangement fee of one per cent. of the Facility payable on the date of the Facility.

The Facility will be secured by a first ranking legal charge over Sol Central and a debenture over the entire undertaking of O&H. O&H will covenant with Santander under the terms of the Facility Agreement, amongst other things, that the ratio of the total amount of the loan outstanding to the value of Sol Central will be no more than 55 per cent. throughout the term of the facility.

The Facility Agreement contains further covenants on the part of O&H including:

- (A) the maintenance of an insurance policy in respect of Sol Central, with an insurer at a level of cover approved by Santander and naming Santander as a co-insured party;
- (B) the provision of six monthly management accounts of O&H and rent roll details of the tenants of Sol central within 30 days of the end of the period to which they relate;
- (C) the provision of annual accounts of O&H within 270 days from the end of the period to which they relate; and
- (D) the payment of rental payments in respect of Sol Central into a rent account held by O&H at Santander.

### **3. PLACING AGREEMENT**

On 28 May 2015 the Company entered into the Placing Agreement with Arden and Allenby Capital pursuant to which Arden and Allenby Capital have agreed to use their respective reasonable endeavours to arrange for Placees to subscribe for 5,555,556 Placing Shares at the Issue Price. The agreement is conditional, *inter alia*, upon Admission taking place on or before 17 June 2015 or such later date as Arden, Allenby Capital and the Company may agree but in any event no later than 1 July 2015.

Allenby Capital will receive, pursuant to the Placing Agreement and conditional on Admission, a corporate finance fee of £30,000 plus VAT. In addition, Arden and Allenby Capital will receive, conditional on Admission, total Placing commissions of £800,000, representing 4% of the funds raised by each.

The Placing Agreement contains, *inter alia*, customary undertakings and warranties given by the Company in favour of Arden and Allenby Capital as to the accuracy of information contained in this document and other matters relating to the Company and its business and an indemnity from the Company in favour of Arden and Allenby Capital.

Arden or Allenby Capital may terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or any of the warranties contained in it, or where any event of omission relating to the Company is, or will be in the opinion of Arden or Allenby Capital, material in the context of the Placing, or where any change of national or international, financial, monetary, economic, political or market conditions is, or will be in the opinion of Arden and Allenby Capital, materially adverse to the Company or the successful outcome of the Placing.

**PART III**  
**SOL CENTRAL TENANCY SCHEDULE**

Set out below is the current tenancy schedule of Sol Central:

<b>Address</b>	<b>Tenant</b>	<b>Start Date</b>	<b>Expiry Date</b>	<b>Term Y - M - D</b>	<b>Breaks</b>	<b>Reviews</b>	<b>Review Date</b>	<b>Annual Rent £</b>
Cinema	Vue Entertainment Ltd	30/04/04	24/12/27	23-7-25		5 yr	30/04/14	499,182
Hotel	ACCOR UK Economy Hotels Ltd	25/03/02	24/03/27	25-0-0			n/a	510,000
Unit 10	Topnotch Health Club	29/09/03	24/12/27	24-2-26		5 yr	29/09/18	100,000
Unit 1, 2 & Leisure	Gala Casinos Ltd	12/03/03	11/03/28	25-0-0		5 yr	12/03/13	312,852
Unit 3	Eldridge Pope c/o Marstons Group p	24/06/01	23/06/36	35-0-0		5 yr	24/06/11	118,665
Unit 4	Vacant							–
Unit 5, Unit 6, Unit 6a, Unit 6b and Unit 7	BST Amatuer Sports Club Ltd	27/11/13	26/11/18	5-0-0				52,900
Unit 8	Nash Entertainments Ltd (T/A Laserforce)	11/07/11	10/06/26	25-0-0	11/07/16	5 yr	11/07/15	27,242
Unit 11	HJM Leisure Ltd	25/12/02	24/12/27	25-0-0		5 yr	25/12/12	15,000
Kiosk Unit 2	Bounds Taxis Ltd	21/05/08	20/05/18	10-0-0		5 yr	n/a	12,000
Kiosk Unit 12	Sarah Kells – T/A Body Beautiful	01/03/14	28/02/19	5-0-0		n/a	n/a	5,000
ATM Cash Machine	Note Machine UK Ltd	01/12/13	30/11/18	5-0-0		n/a	n/a	6,000
Mall Income	Various – contracted							5,000
Car Park	O & H Northampton Ltd							286,800
								1,950,641

## 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 (the "Company") will be held at the offices of Hamblins LLP, Roxburghe House, 273-287 Regent Street, London W1B 2AD on 16 June 2015 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions. Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution:

#### ORDINARY RESOLUTION

1. THAT the directors of the Company be generally and unconditionally authorised to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or convert any security into shares ("Relevant Securities"):
  - 1.1 in respect of the allotment of up to an aggregate nominal amount of £555,555.60 in respect of the Placing (as that term is defined in the circular dated 28 May 2015 from the Company to its shareholders of which notice of this meeting forms part);
  - 1.2 comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £1,718,748.60 in connection with an offer by way of a rights issue:
    - (a) to holders of ordinary shares of £0.10 each in the capital of the Company ("Ordinary Shares") in proportion (as nearly as may be practicable) to their respective holdings; and
    - (b) to holders of other equity securities as required by the rights of those securities or as the directors of the Company otherwise consider necessary,but subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
  - 1.3 in any other case, up to an aggregate nominal amount of £859,374.30,  
provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date which is 15 months after the date of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the directors of the Company may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the directors of the Company to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

#### SPECIAL RESOLUTION

2. THAT, subject to and conditional on the passing of Resolution 1, the directors of the Company be given the general power to allot equity securities (as defined by Section 560 of the Act) for cash, either pursuant to the authority conferred by Resolution 1 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - 2.1 the allotment of new Ordinary Shares in respect of the Placing;
  - 2.2 the allotment of equity securities in connection with an offer by way of a rights issue:
    - (a) to the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and
    - (b) to holders of other equity securities as required by the rights of those securities or as the directors of the Company otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

- 2.3 the allotment (otherwise than pursuant to sub-paragraphs 2.1 and 2.2 above) of equity securities up to an aggregate nominal amount of £257,812.29.

The power granted by this resolution will expire on the date which is 15 months after the date of this resolution or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuant of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the directors of the Company to allot equity securities as if section 561(1) of the Companies Act 2006 did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

Capitalised terms above shall bear the meaning as set out in this Circular dated 28 May 2015.

By Order of the Board  
David Kaye  
Company Secretary

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

Dated: 28 May 2015

## 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:
  - 6.00 p.m. on 12 June 2015; or,
  - if this Meeting is adjourned, at 6.00 p.m. on the working day which is 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 Hamblins LLP, Roxburghe House, 273-287 Regent Street, London W1B 2AD (the nearest underground station is Oxford Circus) at 9:30 a.m. on 16 June 2015 (commencement of registration); the Meeting will commence at 10:00 a.m. 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, The Registry, 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, The Registry, 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 a.m. on 12 June 2015.

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 a.m. on 12 June 2015. 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 PXS, 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 a.m. on 12 June 2015.

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.

