

THIS DOCUMENT, THE APPLICATION FORM AND THE ENCLOSED FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. It contains the resolutions to be voted on at a General Meeting of the Company to be held on 6 October 2017. If you are in any doubt about the contents of this document, or the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who is authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are resident in the United Kingdom (or, if you are a person outside the UK, from another appropriately qualified independent financial adviser in your jurisdiction).

If you have sold or otherwise transferred all of your Existing Ordinary Shares prior to the date of this document, please immediately send this document, together with the accompanying Application Form and 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 or transferred only part of your registered holding of Existing Ordinary Shares in the Company, you should retain this document and the accompanying documents and immediately consult with the stockbroker, bank or other agent through whom the sale or transfer was effected. The distribution of this document and/or any accompanying documents into a jurisdiction other than the United Kingdom may be restricted by law or regulation and therefore such documents should not be distributed, forwarded to or transmitted in or into the United States of America, Canada, Australia, the Republic of South Africa, Japan or New Zealand or into any other jurisdiction where to do so would breach any applicable law or regulation.

The total consideration under the Open Offer will be less than €5 million (or an equivalent amount) in aggregate and the Placing Shares will only be available to qualified investors for the purposes of the Prospectus Rules or otherwise in circumstances not resulting in an offer of transferable securities to the public under section 102B of FSMA. Neither the Placing nor the Open Offer constitutes an offer to the public requiring an approved prospectus under section 85 of FSMA and accordingly this document does not constitute a prospectus for the purposes of the Prospectus Rules made by the FCA pursuant to sections 73A(1) and (4) of FSMA and has not been pre-approved by the FCA pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body. In addition, this document does not constitute an admission document drawn up in accordance with the AIM Rules for Companies.

The Company and the Directors, whose names are set out on page 4, accept responsibility, both collectively and individually, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Palace Capital plc

*(Incorporated and registered in England and Wales under the Companies Act 1985
with registered no. 05332938)*

Acquisition of R.T. Warren (Investments) Limited, Placing and Open Offer to raise £70 million and Notice of General Meeting

Nominated Adviser and Joint Broker



Lead Broker and Bookrunner



You should read the whole of this document. Your attention is drawn to the letter from the Chairman which is set out on pages 12 to 21 (inclusive) of this document and, in particular, to paragraph 13 which contains the unanimous recommendation from the Directors that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

The Notice of General Meeting, to be held at CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF at 10.00 a.m. on 6 October 2017, is set out at the end of this document. The accompanying Form of Proxy for use in connection with the General Meeting should be completed by Shareholders and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, by not later than 10.00 a.m. on 4 October 2017 (or in the case of an adjournment of the General Meeting, not later than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the holding of the adjourned meeting). If you hold Existing Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST proxy instruction to the Company's registrars, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (under Participant ID RA10) so that it is received by not later than 10.00 a.m. on 4 October 2017. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting 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 the Open Offer and, as nominated adviser, 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 and the Open Offer 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 and Open Offer. 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 and the Open Offer 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.

This document does not constitute a prospectus for the purposes of section 85 of FSMA and any offer to the public is exempt by virtue of section 86 of FSMA, nor does it constitute an admission document drawn up in accordance with the AIM Rules. This document has not been approved for issue by any person for the purposes of section 21 of FSMA. This document does not constitute or form part of any offer or invitation to buy, subscribe for, or sell Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Placing Shares and Offer Shares have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of South Africa, Japan or New Zealand and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa, Japan or New Zealand. The distribution or transmission of this document in jurisdictions other than the UK may be restricted by law and, therefore, persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this document may not be distributed, directly or indirectly, in or into the United States, Canada, the Republic of South Africa, Australia, Japan or New Zealand. Overseas Shareholders and any person (including, without limitation, nominees and trustees), who have a contractual or other legal obligation to forward this document to a jurisdiction outside the UK should seek appropriate advice before taking any action.

No person has been authorised to give any information or make any representation in relation to the Transaction and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, Allenby Capital Limited or Arden Partners plc.

Copies of this document are available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Allenby Capital Limited at 5 St Helen's Place, London EC3A 6AB for a period of one month from the date of this document as well as on the Company's website: www.palacecapitalplc.com

FORWARD-LOOKING STATEMENTS

This document includes "forward-looking statements" which includes all statements other than statements of historical fact, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or negatives thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules.

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DIRECTORS AND ADVISERS

Directors	Stanley Davis (<i>Non-Executive Chairman</i>) Neil Sinclair (<i>Chief Executive</i>) Stephen Silvester (<i>Finance Director</i>) Richard Starr (<i>Executive Director</i>) Anthony Dove (<i>Non-Executive Director</i>) Kim Taylor-Smith (<i>Non-Executive Director</i>)
Company Secretary	David Kaye Lower Ground Floor One George Yard London EC3V 9DF
Nominated Adviser and Joint Broker	Allenby Capital Limited 5 St. Helen's Place London EC3A 6AB
Lead Broker and Bookrunner	Arden Partners plc 125 Old Broad Street London EC2N 1AR
Legal advisers to the Company	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF
Legal advisers to the Nominated Adviser and Joint Brokers	Holman Fenwick Willan LLP Friary Court 65 Crutched Friars London EC3N 2AE
Registrar & Receiving Agent	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for entitlements under the Open Offer	15 September 2017
Announcement of the Placing and Open Offer	7.00 a.m. on 19 September 2017
Publication and posting of this document, the Application Form and Form of Proxy	19 September 2017
Ex-entitlement Date for the Open Offer	8.00 a.m. on 19 September 2017
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	As soon as practical after 8.00 a.m. on 20 September 2017
Recommended latest time and date for requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 29 September 2017
Recommended latest time for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on 2 October 2017
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 3 October 2017
Latest time and date for receipt of completed Forms of Proxy and receipt of electronic proxy appointments via the CREST system	10.00 a.m. on 4 October 2017
Latest time and date for receipt of the completed Application Form and appropriate payment in respect of Offer Shares or Excess Shares or settlement of relevant CREST instruction	11.00 a.m. on 5 October 2017
General Meeting	10.00 a.m. on 6 October 2017
Announcement of result of General Meeting and Open Offer	6 October 2017
Admission and commencement of dealings in the New Ordinary Shares on AIM	8.00 a.m. on 9 October 2017
CREST members' accounts credited in respect of New Ordinary Shares in uncertificated form	from 8.00 a.m. on 9 October 2017
Completion of the Acquisition	9 October 2017
Despatch of definitive share certificates for New Ordinary Shares in certificated form	by 16 October 2017

If any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of an announcement through a Regulatory Information Service.

Certain of the events in the above timetable are conditional upon, *inter alia*, the approval of Resolutions 1 and 3 to be proposed at the General Meeting.

All references to time and dates in this document are to time and dates in London.

KEY STATISTICS

Number of Existing Ordinary Shares (excluding treasury shares)	25,250,692
Number of Firm Placing Shares	19,330,702
Number of Conditional Placing and Offer Shares	1,257,534
Aggregate number of New Ordinary Shares expected to be issued pursuant to the Placing and Open Offer	20,588,236
Issue Price	340 pence
Open Offer Entitlements under the Open Offer	1 New Ordinary Share for every 20 Existing Ordinary Shares
Percentage of the Enlarged Share Capital represented by the Placing Shares and Offer Shares	44.9 per cent.
Estimated gross proceeds of the Placing	£70 million
Estimated net proceeds of the Placing	£66.4 million
Enlarged Share Capital immediately following the Placing	45,838,928
Market capitalisation of the Company immediately following the Placing at the Issue Price	£155.9 million

DEFINITIONS

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

“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of RT Warren;
“Acquisition Agreement”	the conditional agreement between the Company (1) and the Sellers (2) dated 18 September 2017 pursuant to which the Company will acquire the entire issued share capital of RT Warren;
“Act”	the Companies Act 2006 (as amended);
“Admission”	admission to trading on AIM of the New Ordinary Shares becoming effective in accordance with Rule 6 of the AIM Rules;
“AIM”	the market of that name operated by the London Stock Exchange;
“AIM Rules for Companies”	the AIM Rules for Companies, as published and amended from time to time by the London Stock Exchange;
“Allenby Capital”	Allenby Capital Limited, a private limited company incorporated in England & Wales under registered number 06706681 and having its registered office at 5 St. Helen’s Place, London EC3A 6AB, the Company’s nominated adviser and joint broker for the purposes of the Open Offer, Placing and Admission;
“Application Form”	the application form enclosed with this document on which Qualifying Non-CREST Shareholders may apply for Ordinary Shares under the Open Offer;
“Arden”	Arden Partners plc, a public limited company incorporated in England & Wales under the registered number 04427253 and having its registered office at 5 George Road, Edgbaston, Birmingham B15 1NP, the Company’s lead broker and bookrunner for the purposes of the Open Offer, Placing and Admission;
“Barclays”	Barclays Bank plc;
“Barclays Facility Agreement”	the facility agreement dated 31 January 2017 entered into between RT Warren and Barclays as arranger, original lender, agent and security agent in respect of the Barclays Loan;
“Barclays Loan”	a £14,515,500 loan facility with Barclays pursuant to the Barclays Facility Agreement;
“Board” or “Directors”	the directors of the Company as at the date of this document, whose names are set out on page 4 of this document;
“Business Day”	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;
“certificated” or “in certificated form”	where an Ordinary Share is not in uncertificated form (i.e. not in CREST);
“Chairman”	the chairman of the Board;
“Circular”	this document;
“Company”, “Palace” or “Palace Capital”	Palace Capital plc, a company registered in England and Wales with registered number 05332938;
“Conditional Placees”	subscribers for Conditional Placing Shares;
“Conditional Placing”	the placing of new Ordinary Shares by Arden and Allenby Capital on behalf of the Company as referred to in this document;
“Conditional Placing Shares”	1,257,534 of the New Ordinary Shares, the subject of the Conditional Placing;

“CREST”	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;
“CREST Manual”	the CREST Manual referred to in agreements entered into by Euroclear and available at www.euroclear.com ;
“CREST member”	a person who has been admitted to CREST as a system-member (as defined in the CREST Regulations);
“CREST member account ID”	the identification code or number attached to a member account in CREST;
“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);
“CREST participant ID”	shall have the meaning given in the CREST Manual;
“CREST payment”	shall have the meaning given in the CREST Manual;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) including any enactment or subordinate legislation which amends or supersedes those regulations and any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force;
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor;
“CREST sponsored member”	a CREST member admitted to CREST as a CREST sponsored member;
“Cushman & Wakefield”	Cushman & Wakefield LLP;
“ERV”	estimated rental value;
“Enlarged Share Capital”	the entire issued share capital of the Company on Admission following completion of the Placing;
“Euroclear”	Euroclear UK & Ireland Limited;
“Excess Application Facility”	the arrangement pursuant to which Qualifying Shareholders may apply for additional Ordinary Shares in excess of their Open Offer Entitlement in accordance with the terms and conditions of the Open Offer;
“Excess CREST Open Offer Entitlement”	in respect of each Qualifying CREST Shareholder, their entitlement (in addition to their Open Offer Entitlement) to apply for Ordinary Shares pursuant to the Excess Application Facility, which is conditional on them taking up their Open Offer Entitlement in full;
“Excess Shares”	Ordinary Shares applied for by Qualifying Shareholders under the Excess Application Facility;
“Ex-entitlement Date”	the date on which the Existing Ordinary Shares are marked “ex” for entitlement under the Open Offer, being 19 September 2017;
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this document;
“FCA”	the Financial Conduct Authority of the United Kingdom;
“Firm Placees”	subscribers for Firm Placing Shares;
“Firm Placing”	the placing of new Ordinary Shares by Arden and Allenby Capital on behalf of the Company as referred to in this document;
“Firm Placing Shares”	19,330,702 of the New Ordinary Shares the subject of the Firm Placing;
“Form of Proxy”	the form of proxy for use by Shareholders in relation to the General Meeting enclosed with this document;

“FSMA”	the Financial Services and Markets Act 2000 (as amended);
“General Meeting” or “GM”	the General Meeting of the Company convened for 10.00 a.m. on 6 October 2017 or any adjournment thereof, notice of which is set out at the end of this document;
“Group”	the Company and its Subsidiaries (as defined in the Act);
“Issue Price”	340 pence per New Ordinary Share;
“LTIP”	the Palace Capital Long Term Incentive Plan;
“LTIP Shares”	the 66,352 Ordinary Shares allocated today pursuant to the 2014 LTIP grants, further details of which are set out in paragraph 7 of Part I of this Circular;
“Libor”	the London Interbank Offered Rate;
“London Stock Exchange”	London Stock Exchange plc;
“Majority Sellers”	Richard Warren and Alyson Warren;
“Money Laundering Regulations”	Money Laundering Regulations 2007, the money laundering provisions of the Criminal Justice Act 1993 and the Proceeds of Crime Act 2002;
“New Ordinary Shares”	the Placing Shares and the Offer Shares;
“Notice of General Meeting”	the notice convening the General Meeting as set out at the end of this document;
“Offer Shares”	the 1,257,534 new Ordinary Shares being made available to Qualifying Shareholders pursuant to the Open Offer;
“Open Offer”	the conditional invitation made to Qualifying Shareholders to apply to subscribe for new Ordinary Shares at the Issue Price on the terms and subject to the conditions set out in Part IV of this document and, where relevant, in the Application Form;
“Open Offer Entitlement”	the entitlement of Qualifying Shareholders to subscribe for new Ordinary Shares allocated to Qualifying Shareholders on the Record Date pursuant to the Open Offer;
“Official List”	the Official List of the FCA;
“Ordinary Shares”	ordinary shares of 10 pence each in the capital of the Company in issue from time to time;
“Overseas Shareholders”	a Shareholder with a registered address outside the United Kingdom;
“PIH”	Property Investment Holdings Limited (registered number 00582889), a wholly owned subsidiary of the Company, acquired on 26 August 2014;
“PIH Portfolio”	a portfolio of commercial properties acquired by the Company pursuant to the acquisition of PIH;
“Placees”	the Firm Placees and the Conditional Placees;
“Placing and Open Offer Agreement”	the agreement entered into between the Company, Allenby Capital and Arden in respect of the Placing and the Open Offer dated 19 September 2017, as described in this document;
“Placing”	the placing by Arden and Allenby Capital on behalf of the Company of the Firm Placing Shares and Conditional Placing Shares with certain institutional investors and existing Shareholders, otherwise than on a pre-emptive basis, at the Issue Price;
“Placing Shares”	the 20,588,236 new Ordinary Shares the subject of the Placing;

“Prospectus Rules”	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;
“Qualifying CREST Shareholders”	Qualifying Shareholders holding Existing Ordinary Shares in a CREST account;
“Qualifying Non-CREST Shareholders”	Qualifying Shareholders holding Existing Ordinary Shares in certificated form;
“Qualifying Shareholders”	holders of Existing Ordinary Shares on the register of members of the Company at the Record Date (but excluding any Overseas Shareholder who has a registered address in the United States of America or any other Restricted Jurisdiction);
“RT Warren”	R.T. Warren (Investments) Limited, a company incorporated in England & Wales and with company number 00305050;
“RT Warren Portfolio”	the portfolio of commercial and residential properties owned by RT Warren;
“Receiving Agent”	Capita Asset Services, a trading name of Capita Registrars Limited, a private limited company incorporated in England & Wales under registered number 02605568 and having its registered office at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, United Kingdom the Company’s registrar and receiving agent;
“Record Date”	6.00 p.m. on 15 September 2017 being the latest time by which transfers of Existing Ordinary Shares must be received for registration by the Company in order to allow transferees to be recognised as Qualifying Shareholders;
“Registrar” or “Capita Asset Services”	Capita Asset Services of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU;
“Regulatory Information Service”	has the meaning given to it in the AIM Rules for Companies;
“Resolutions”	the resolutions to be proposed at the General Meeting, the full text of which are set out in the Notice of General Meeting; references to numbered Resolutions are those as numbered in the Notice of General Meeting;
“Restricted Jurisdiction”	United States of America, Canada, Australia, Japan, New Zealand and the Republic of South Africa and any other jurisdiction where the extension or availability of the Placing or Open Offer would breach any applicable law;
“Securities Act”	US Securities Act of 1933 (as amended);
“Sellers”	the existing shareholders of RT Warren;
“Sellers’ Representative”	such individual from time to time who is appointed as the “Sellers’ Representative” pursuant to the Acquisition Agreement to act as the representative of the Sellers in connection with certain matters under the Acquisition Agreement and being, as at the date of this Circular, Richard Warren;
“Sequel Portfolio”	a portfolio of commercial properties acquired by the Company pursuant to the acquisition of Signal;
“Shareholders”	the holders of Existing Ordinary Shares, and the term “Shareholder” shall be construed accordingly;
“Signal”	Quintain (Signal) Member A Limited (registered number 06991031), a wholly owned subsidiary of the Company, acquired on 21 October 2013;

“Sol Central”	the property known as Sol Central, Northampton located at the north side of Mare Fair Road, Northampton, owned by O&H Northampton Limited, which was acquired by the Company on 17 June 2015;
“stock account”	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
“Transaction”	together, the Placing, the Open Offer and the Acquisition;
“UK Listing Authority”	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“uncertificated” or “uncertificated form”	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;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“USE”	Unmatched Stock Event instructions;
“US Securities Act”	the United States Securities Act of 1933, (as amended);
“Valuation Report”	the valuation report dated 13 September 2017 of Cushman & Wakefield with respect to the RT Warren portfolio;
“WAULT”	weighted average unexpired lease term;
“W&I Policy”	the warranty and indemnity insurance policy underwritten by Pembroke Syndicate 4000 at Lloyds; and
“£” or “Pounds”	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)*
Stephen Silvester *(Finance Director)*
Richard Starr *(Executive Director)*
Anthony Dove *(Non-Executive Director)*
Kim Taylor-Smith *(Non-Executive Director)*

Registered Office:

Lower Ground Floor
One George Yard
London
EC3V 9DF

Dear Shareholder

19 September 2017

**Acquisition of R.T. Warren (Investments) Limited, Placing and Open Offer
to raise £70 million and Notice of General Meeting**

1. INTRODUCTION

The Company has announced today that it has entered into a conditional agreement to acquire the entire issued share capital of RT Warren. The consideration payable by the Company in cash for all of the issued shares of RT Warren is £53.3 million, subject to adjustment based on a cash free, debt free completion balance sheet. It is the Company's current intention to retain the existing bank loan of approximately £14.5 million from Barclays to RT Warren.

RT Warren owns a portfolio of 21 commercial properties, over 90 per cent. of which are located in the Home Counties of England, and 65 residential properties predominately located in the London Borough of Hillingdon. The RT Warren portfolio is comprised of 15 office buildings, 4 predominantly retail properties, 2 industrial holdings and 65 residential units. The properties in the portfolio have been individually valued on an open market and fair value basis by Cushman & Wakefield at £71.8 million pursuant to the Valuation Report. A summary of the properties in the RT Warren Portfolio is contained in Part II of this document.

To finance the Acquisition and (if necessary) to provide sufficient funds to repay the Barclays Loan, the Board has announced a fundraising to raise a total of £70.0 million (before expenses), comprising; i) a Firm Placing to raise £65.7 million; and ii) a Conditional Placing, subject to clawback under an Open Offer, to raise an additional £4.3 million. The Placing and the Open Offer have been arranged by Arden and Allenby Capital.

The Open Offer provides Qualifying Shareholders with an opportunity to participate in the proposed issue of New Ordinary Shares at the Issue Price.

The issue price of 340 pence per New Ordinary Share represents an approximate 11.7 per cent. discount to the closing middle market price of 385 pence per Existing Ordinary Share on 18 September 2017, the last business day before the announcement of the Transaction.

The Acquisition, the Placing and the Open Offer are conditional, *inter alia*, on the passing of certain of the Resolutions by the Shareholders at the General Meeting, which has been convened for 10.00 a.m. on 6 October 2017, notice of which is set out at the end of this Circular. If the Resolutions are passed, the New Ordinary 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 9 October 2017. Should Shareholder approval not be obtained at the General Meeting, the Acquisition, the Placing and the Open Offer will not proceed. The Placing has not been underwritten.

Dividend forecast

The Company announces that it is proposing to pay an interim dividend of 9.5 pence per Ordinary Share on 29 December 2017 to Shareholders on the register on 8 December 2017. The New

Ordinary Shares will rank for the interim dividend. Following this, the Company is proposing to commence the payment of a quarterly dividend. Further details on the variation to the dividend policy is set out in paragraph 5 below.

The purpose of this document is to explain the background to the Acquisition, the Placing and the Open Offer, to set out the reasons why your Board believes that the Acquisition, the Placing and the Open Offer are 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 CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF at 10.00 a.m. on 6 October 2017.

2. INFORMATION ON RT WARREN

RT Warren was established in 1935 to focus on development of commercial assets and residential dwellings in the South East of England. It was originally formed to hold residential houses built by the then construction company but in 1980 RT Warren ceased its construction activities and has since expanded to hold commercial and residential units.

The RT Warren portfolio contains 21 commercial properties, comprised of 15 office buildings, 4 mainly retail properties and 2 industrial holdings as well as 65 residential properties. The portfolio has been valued, on an open market and fair value basis, by Cushman & Wakefield at £71.8 million pursuant to the Valuation Report. The current total annual income of the portfolio is circa £3.7 million. Further details of the RT Warren Portfolio are set out in Part II of this document.

RT Warren's commercial assets include offices, retail units and industrial units and are a mix of purpose built and converted buildings. The properties total 255,374 sq ft and are spread over fourteen geographical locations. The entire commercial portfolio is held freehold and currently comprises 21 assets. 58 leases have been granted on these properties. Approximately 80% of RT Warren's income is attributable to the commercial portfolio, which equates to approximately £2.9 million per annum at an average of only £11.45 per sq ft which the Directors consider to be low. In the Directors' view, this is capable of significant growth in the medium term. The commercial portfolio has a vacancy rate of 14.7% with an average ownership period of 23 years. The commercial portfolio has a WAULT of 4.5 years to break and 6.1 years to expiry. The Company considers some of the commercial assets to have potential for alternative use, subject to the relevant planning consents.

The residential assets are comprised of 61 houses and four flats in 9 locations. The residential portfolio has close to 100% occupancy with a current gross income of £0.8 million per annum, representing 20% of RT Warren's annual income. 80% of the residential dwellings are located in the London Borough of Hillingdon.

RT Warren currently has a facility of £14,515,500 with Barclays (pursuant to the Barclays Facility Agreement) at a margin of 1.95% over Libor, which expires on 31 January 2018. It is the Company's current intention that the Barclays Loan will remain in place following completion of the Acquisition. The Company intends to renew it if satisfactory terms can be agreed with Barclays.

Prior to completion of the Acquisition, RT Warren's seven employees (comprising the six current directors and the company secretary) will either resign or be made redundant and will all enter into settlement agreements under which they will waive any employment claims they may have against RT Warren. Any associated costs will fall on the Sellers rather than the Company.

As at 31 March 2017, RT Warren had net assets of £58.9 million, principally represented by property assets of £77.0 million and the Barclays Loan of £14.5 million. Rental income for the year ended 31 March 2017 was £3.6 million and profit after tax was £5.3, after administrative costs of £0.6 million, which are not expected to continue after completion of the Acquisition.

3. BACKGROUND TO AND REASONS FOR THE ACQUISITION AND PLACING

Background

The Company's strategy is focused on maximising shareholder returns through carefully selected corporate and direct property acquisitions in key regional UK towns and cities, enhancing sustainable recurring income through active asset management and generating capital growth through refurbishment and development opportunities. The Directors seek to provide attractive

income returns for Shareholders through the Company's progressive dividend policy, as well as through capital growth.

Summary of the Company's portfolio activity

On 21 October 2013, the Company completed the acquisition of the Sequel Portfolio (which comprised 24 properties around the UK) from Quintain Ltd 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 per annum. The Board has undertaken a programme of active management and as at 31 March 2017 (the Company's last year end) the Company had completed the sale of seven properties from the Sequel Portfolio, at sale prices either at or above book value. As at 31 March 2017, the remaining Sequel Portfolio was independently valued at £66.9 million and the annual net rent receivable was £3.98 million reflecting disposals and the intentional vacancies at Hudson House in York.

Since the completion of the acquisition of the Sequel Portfolio, the Company has remained active in acquiring assets which are in line with the Company's strategy to focus on the UK secondary property market outside London.

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 of PIH, the Company has sold part of two properties for £2.58 million either at or above book value. As at 31 March 2017, the remaining properties in the PIH Portfolio were valued at £37.8 million and the annual net rent receivable was £2.62 million.

Since completing the acquisition of the PIH Portfolio the Company has completed the following acquisitions:

- Bank House, Leeds, for a consideration of £10.0 million (1 April 2015);
- Sol Central, Northampton, for a consideration of £20.7 million (17 June 2015);
- 46-54 High Street, Sutton, for a consideration of £3.9 million (17 August 2015);
- 249 Midsummer Boulevard, Milton Keynes, for a consideration of £7.2 million (29 February 2016);
- Broad Street Plaza, Halifax, for a consideration of £24.18 million (14 March 2016);
- Boulton House, Manchester, for a consideration of £10.95 million (22 August 2016); and
- St James Gate, Newcastle, for a consideration of £20.0 million (6 August 2017).

Following the transactions set out above and as at 18 September 2017, the loan to value on the Company's portfolio net of cash was 43 per cent.

Reasons for the Acquisition

In the opinion of the Directors, the South, the South East and South West of England is experiencing a shortage of quality office space as a result of the recent changes to permitted development rights, which allows the change of use of a building from offices to residential without the requirement for planning permission. This has resulted in an increase in the rental incomes achievable in these regions. A report by BNP Paribas Real Estate predicts that average rents will grow faster in the South-East office market over the next two years than in both London and the rest of the UK as a result of such shortages.

The Directors consider the RT Warren Portfolio to be an attractive portfolio of good quality commercial properties, which the Directors believe have historically been undermanaged. The Directors believe there to be an opportunity to improve the rental income on the portfolio through applying the Company's brand of active management. There may also be opportunities to enhance certain of the assets within the portfolio by applying for planning permission for a change of use. They further consider that the RT Warren Portfolio is complementary to the Company's existing portfolio, due to approximately 50% of the Company's assets being in the South and South West of England.

Following completion of the Acquisition, the Directors will review the strategy for the residential portfolio. Whilst it is intended that the Company's focus will remain on commercial property, any sale of the residential assets will only be done at a price that is acceptable to the Board. Subject to this being achievable, the Company will seek to sell the residential assets in the RT Warren Portfolio by the end of Summer of 2018. Any sale of residential assets would provide the Company with further funding to pursue additional acquisition opportunities in line with the Company's stated criteria.

Following completion of the Acquisition, it is expected that the Company's pro forma loan to value net of cash will be under 35 per cent.

Reasons for the Placing and Open Offer

The Company is undertaking the Placing and the Open Offer to finance the Acquisition and (if necessary) to provide sufficient funds to repay the Barclays Loan. The Company is undertaking an Open Offer to ensure that Existing Shareholders are given an opportunity to participate in the proposed issue of New Ordinary Shares at the Issue Price.

4. CURRENT TRADING

Subsequent to its financial year ended 31 March 2017, the Company has announced the following developments:

- the acquisition of SM Newcastle OB Ltd, now Palace Capital (Newcastle) Ltd, for a consideration of £20 million, which owns the freeholds of 1, 2, & 3 St James' Gate, Newcastle-upon-Tyne as well as the Jury's Inn Newcastle-upon-Tyne;
- securing planning consent for the redevelopment of the two-acre Hudson House site in York close to the Railway Station to provide a total net area of 132,800 sq ft including 34,000 sq ft of offices, 5,000 sq ft of other commercial and 127 apartments;
- conclusion of the first letting at Boulton House, Chorlton Street, Manchester following completion of the building's refurbishment. The Company acquired Boulton House in August 2016 and subsequently embarked on a scheme of refurbishment on the common parts and 18,000 sq ft of vacant offices which was completed in February 2017; and
- the sale of the long leasehold interest in Stratton House, Bristol, for a consideration of £2.25 million, equivalent to current book value.

The Board, which will continue to actively manage the Company's properties, believes there are further opportunities to increase Shareholder value and considers that current trading for the year ending 31 March 2018 is in line with management's expectations.

The Directors have previously announced the intention for the Company to join the Official List of the London Stock Exchange. The Directors intend to commence this process following completion of the Transaction.

5. VARIATION TO DIVIDEND POLICY – DIVIDEND FORECAST

In respect of the financial year ended 31 March 2017, the Company paid an interim dividend of 9p per share on 30 December 2016 and a final dividend of 9.5 pence per share on 28 July 2017 making a total dividend for the year of 18.5 pence. The Company remains committed to its brand of active asset management and is confident that it will be able to grow its income which will support its progressive dividend policy.

The Directors have undertaken a review of the current dividend policy and the Directors have decided that it is appropriate for the Company to move to a quarterly dividend. The Company intends to pay an interim dividend of 9.5 pence on 29 December 2017, payable to those Shareholders on the register as at 8 December 2017. The New Ordinary Shares issued pursuant to the Placing and the Open Offer will rank for the interim dividend. Following this payment, the Company will switch to quarterly payments, with the first quarterly dividend being paid in April 2018 in respect of the quarter to 31 March 2018.

6. DETAILS OF THE ACQUISITION AGREEMENT

On 18 September 2017, the Company entered into the Acquisition Agreement with the Sellers to acquire the entire issued share capital of RT Warren (subject to Admission and certain other

conditions). The consideration payable is £53.3 million (subject to adjustment in accordance with the terms of the Acquisition Agreement), to be satisfied in cash within three Business Days of Completion and is subject to two retentions as described below. The consideration will be decreased on a pound for pound basis to the extent that the net assets of RT Warren are less than £53.3 million and a further sum will be paid by the Company on a pound for pound basis to the extent the net assets of RT Warren are more than £53.3 million.

Retentions of £1.4 million will be withheld from the consideration under the Acquisition Agreement and placed into a retention account as security with respect to certain specified amounts of the consideration paid at Completion which could fall to be repaid by the Sellers to the Company under the Acquisition Agreement, including where the net assets of RT Warren are less than £53.3 million. Such retentions will be released (subject to any payments to the Company being made) to the Sellers once it has been determined under the Acquisition Agreement whether any payments to the Company are due in respect of those specified repayable amounts of consideration.

A further retention of approximately £0.5 million will be withheld from the consideration under the Acquisition Agreement and placed into a retention account as security with respect to rent, rates and service charges of three properties owned by RT Warren which are currently vacant. To the extent that, during the 18 month period from Completion, the properties remain vacant or do not produce a minimum income level, an amount shall be payable to the Company from the retention. The retention will be released (subject to any payments to the Company being made) to the Sellers at the end of the 18 month period.

Completion of the Acquisition is conditional on:

- the Resolutions numbered 1 and 3 being passed (without material amendment) by 6 October 2017;
- the Placing and Open Offer Agreement not being terminated and becoming unconditional in accordance with its terms (save for any condition relating to Admission, the allotment of the Placing Shares and the Acquisition Agreement becoming unconditional or being completed); and
- Admission occurring by 8.00 a.m. on 9 October 2017 (or such later date as the Company and the Sellers' Representative may agree, not being later than 27 October 2017).

In addition, the Company is entitled to terminate the Acquisition Agreement in certain circumstances, including *inter alia* if at any time before Completion there is any breach of any of the warranties which is material in the context of the purchase by the Company of RT Warren or if anything occurs which has, or might reasonably be expected to have, a material adverse effect on the financial or trading position, operations or prospects of RT Warren.

Each of the Sellers has provided customary warranties as to title, capacity and solvency (the "Fundamental Warranties") with respect to himself/herself and his/her shares in RT Warren. The Majority Sellers have, in addition, provided customary warranties (the "Business Warranties") and a customary tax covenant (containing tax warranties) with regard to RT Warren and the properties being acquired.

The maximum liability of the Sellers with respect to the Fundamental Warranties, Business Warranties and the tax covenant (including tax warranties) is £1 and the Company's recourse in the event of a claim for breach of such warranties or under the tax covenant will be under the W&I Policy.

The W&I Policy has an aggregate limit of £10.5 million and retention of nil. It covers claims for breach of the Fundamental Warranties, Business Warranties and under the tax covenant. The time limit for notification of claims under the W&I Policy is (in respect of the Business Warranties) two years from Completion and (in respect of the Fundamental Warranties and claims under the tax covenant) seven years from Completion.

7. DETAILS OF THE PLACING AND OPEN OFFER

Details of the Placing

The Company has conditionally raised £70 million (before expenses) through a placing of 20,588,236 New Ordinary Shares at 340 pence per share with institutional and other investors. The Placing comprises a firm placing of 19,330,702 new Ordinary Shares and a conditional placing,

subject to clawback under the Open Offer, of 1,257,534 new Ordinary Shares. The Placing has not been underwritten and is conditional, *inter alia*, upon:

- (a) the passing of the Resolutions numbered 1 and 3 in the Notice of General Meeting at the General Meeting or any adjournment thereof;
- (b) the Acquisition Agreement becoming unconditional in all respects save in respect of any interconditionality with the Placing and Open Offer Agreement and Admission;
- (c) the Placing and Open Offer 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. 9 October 2017 (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 27 October 2017).

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

Details of the Open Offer

The Company is proposing to raise up to approximately £4.3 million through the Open Offer. A total of 1,257,534 new Ordinary Shares are available to Qualifying Shareholders pursuant to the Open Offer at the Issue Price, payable in full on acceptance. Any Offer Shares not subscribed for by Qualifying Shareholders will be available to Qualifying Shareholders under the Excess Application Facility.

The balance of any Offer Shares not applied for or subscribed for under the Excess Application Facility will be acquired by the Conditional Placees under the Conditional Placing.

Qualifying Shareholders may apply for new Ordinary Shares under the Open Offer at the Issue Price on the following basis:

1 new Ordinary Share for every 20 Existing Ordinary Shares

and so in proportion for any number of Existing Ordinary Shares held on the Record Date.

Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Ordinary Shares. Fractional entitlements which would otherwise arise will not be issued to the Qualifying Shareholders but will be made available under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement. Not all Shareholders will be Qualifying Shareholders. Shareholders who are located in, or are citizens of, or have a registered office in certain overseas jurisdictions will not qualify to participate in the Open Offer. The attention of Overseas Shareholders is drawn to paragraph 6 of Part IV of this document.

Valid applications by Qualifying Non-CREST Shareholders will be satisfied in full up to their Open Offer Entitlements as shown on the Application Form. Applicants can apply for less or more than their entitlements under the Open Offer but the Company cannot guarantee that any application for Excess Shares under the Excess Application Facility will be satisfied as this will depend in part on the extent to which other Qualifying Shareholders apply for less than or more than their own Open Offer Entitlements. The Company may satisfy valid applications for Excess Shares in whole or in part but reserves the right not to satisfy, or to scale back, applications made in excess of Open Offer Entitlements.

The Offer Shares must be paid in full on application. The latest time and date for receipt of completed Application Forms or CREST applications and payment in respect of the Open Offer is 11.00 a.m. on 5 October 2017.

Qualifying Shareholders should note that the Open Offer is not a rights issue and therefore the Offer Shares which are not applied for by Qualifying Shareholders will not be sold in the market for the benefit of the Qualifying Shareholders who do not apply under the Open Offer. The Application Form is not a document of title and cannot be traded or otherwise transferred.

Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for application and payment, are contained in Part IV of this document and on the accompanying Application Form (if applicable).

The Open Offer is conditional on the Placing becoming or being declared unconditional in all respects and not being terminated before Admission (as the case may be). Accordingly, if any of the conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed, the Offer Shares will not be issued and all monies received by the Receiving Agent will be returned to the applicants (at the applicants' risk and without interest) as soon as possible thereafter. Any Open Offer Entitlements admitted to CREST will thereafter be disabled.

The Offer Shares (and the Firm Placing Shares and, subject to take up under the Open Offer, the Conditional Placing Shares) will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to the London Stock Exchange for the admission of the Offer Shares to trading on AIM. On the assumption that, *inter alia*, the Resolutions are passed, it is expected that Admission will occur and that dealings will commence at 8.00 a.m. on 9 October 2017 at which time it is also expected that the Offer Shares will be enabled for settlement in CREST.

Placing and Open Offer Agreement

Pursuant to the Placing and Open Offer Agreement, Arden and Allenby Capital have agreed to use their reasonable endeavours as agents of the Company to procure subscribers for the Firm Placing Shares and the Conditional Placing Shares at the Issue Price.

The Placing and Open Offer Agreement provides, *inter alia*, for payment by the Company to Arden and Allenby Capital commissions based on certain percentages related to the number of Firm Placing Shares and Conditional Placing Shares placed by Arden and Allenby Capital multiplied by the Issue Price. In addition, the Company will pay Allenby Capital a corporate finance fee for its work on the Firm Placing, Conditional Placing and Open Offer.

The Company will bear all other expenses of and incidental to the Placing and the Open Offer, including printing costs, Registrar's and Receiving Agent's fees, all legal and accounting fees of the Company, Arden and Allenby Capital and all stamp duty and other taxes and duties where payable.

The Placing and Open Offer Agreement contains certain warranties and indemnities from the Company in favour of Arden and Allenby Capital. Arden or Allenby Capital may terminate the Placing and Open Offer Agreement in certain circumstances, if, *inter alia*, the Company fails to comply with its obligations under the Placing and Open Offer Agreement; if there is a material adverse change in the business, financial or trading position or prospects, operations or solvency of the Company; or if there is a change in the financial, political, economic or market conditions, which would in their opinion, acting in good faith, materially prejudice the success of the Placing and Open Offer.

Directors' participation in the Transaction, issue of shares under LTIP and proposed grant of options

Certain of the Directors of the Company have participated in the Placing, details of which are included in the table below.

In addition, the Company has today allocated the LTIP Shares for awards made under the LTIP in 2014, following the Sequel acquisition in 2013. The grants total 66,352 Ordinary Shares. To make the allocations of the LTIP Shares, the Company has today transferred 100,000 Ordinary Shares out of treasury to The Palace Capital Employee Benefit Trust.

Changes to the interests of Directors and PDMRs in the share capital of the Company following the Placing and issue of the LTIP Shares are as follows:

	<i>At the date of this Circular</i>			<i>On Admission</i>		
	<i>Number of Ordinary Shares</i>	<i>% of issued share capital</i>	<i>LTIP Shares</i>	<i>Placing Shares acquired</i>	<i>Number of Ordinary Shares</i>	<i>% of issued share capital</i>
Neil Sinclair	183,767	0.73	39,811	8,824	232,402	0.51
Richard Starr	82,258	0.33	19,906	29,411	131,575	0.29
Stephen Silvester	2,148	0.01	–	–	2,148	0.005
Anthony Dove	80,000	0.32	–	5,000	85,000	0.19
Kim Taylor-Smith	–	–	–	10,000	10,000	0.02
Stanley Davis	1,565,287	6.20	–	–	1,565,287	3.41
David Kaye (PDMR)	–	–	6,635	–	6,635	0.01

Following the publication of this Circular, the Company will be allocating options to certain Directors pursuant to the Company's deferred bonus plan. The value of options to be issued in lieu of bonus entitlement will total £127,895, representing 35% of the Directors' bonuses for the year ended 31 March 2017, as detailed in the Company's report and accounts for the year ended 31 March 2017. The number of options granted will be calculated based on the average closing mid-market price of an Ordinary Share on the five business days ending 25 September 2017. Further details of these option grants will be announced in due course.

Total voting rights

Following the transfer of the 100,000 Ordinary Shares out of treasury, Palace Capital has in issue (excluding the total of 549,587 ordinary shares now held in treasury) 25,250,692 ordinary shares.

The above figure of 25,250,692 ordinary shares may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA's Disclosure Guidance and Transparency Rules.

Use of proceeds

The net proceeds of the Placing and the Open Offer after the costs of the Transaction (being £66.4 million) will be applied by the Company to fund the Acquisition and (if necessary) to provide sufficient funds to repay the Barclays Loan.

8. OVERSEAS SHAREHOLDERS

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Existing Ordinary Shares for the benefit of such persons, (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document or the Application Form to such persons, is drawn to the information which appears in paragraph 6 of Part IV of this document.

In particular, Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the UK (including without limitation the United States of America), should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements under the Open Offer.

9. RISK FACTORS AND ADDITIONAL INFORMATION

The attention of Shareholders is drawn to the risk factors set out in Part III and the information contained in Parts IV and V of this document, which provide additional information on the Open Offer.

10. APPLICATION FOR ADMISSION TO AIM

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. On the assumption that, *inter alia*, the Resolutions 1 and 3 are passed at the General Meeting and the Acquisition becomes unconditional (save for any condition relating to Admission), it is anticipated that Admission will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 9 October 2017.

11. GENERAL MEETING

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

A notice convening a General Meeting of the Company, to be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF at 10.00 a.m. on 6 October 2017, is set out at the end of this Circular. At the General Meeting, the following resolutions will be proposed:

Ordinary resolutions to:

1. authorise the directors to allot equity securities up to an aggregate nominal amount of £2,058,823.60 in respect of the Placing and Open Offer; and
2. authorise the directors to allot equity securities up to an aggregate nominal amount of £1,546,283.80 (being equal to approximately one-third of the Enlarged Share Capital).

Special resolutions to:

3. disapply statutory pre-emption rights in respect of allotments of equity securities up to an aggregate nominal amount of £2,058,823.60; and
4. disapply statutory pre-emption rights in respect of: (i) allotments of equity securities made on a pre-emptive basis; and (ii) allotments of equity securities up to an aggregate nominal amount of £463,885.20 (being equal to approximately ten per cent of the Enlarged Share Capital).

Section 551 of the Companies Act 2006 provides that the directors of a company cannot issue new shares in its capital without the approval of the shareholders. The purpose of ordinary resolution 1 is to give the Directors authority to issue Ordinary Shares for the purpose of the Placing and Open Offer. The purpose of ordinary resolution 2 is to give the Directors authority to issue new shares in the capital of the Company up to a maximum amount representing approximately one third of the Enlarged Share Capital and will allow the Directors flexibility to act in the best interests of the Company and its Shareholders by issuing new shares in appropriate circumstances. At the Company's annual general meeting held on 11 July 2017, a resolution was passed giving the directors authority to issue shares in the capital of the Company up to a maximum amount representing approximately one third of the issued ordinary share capital of the Company as at the date of the annual general meeting. The Company's share capital will be significantly increased following the issue of Ordinary Shares pursuant to the Placing and Open Offer and ordinary resolution 2 will increase the Directors' authority to issue shares proportionately.

If shares are to be allotted by the Company, section 561 of the Companies Act 2006 requires that, except to the extent dis-applied by shareholders, those shares be offered first to existing shareholders in proportion to their shareholdings. However, it may sometimes be in the interests of the Company for the Directors to have greater flexibility. The purpose of special resolution 3 is to disapply pre-emption rights for the purpose of the Placing and Open Offer. The purpose of special resolution 4 is to disapply pre-emption rights (i) where an alternative non-statutory pre-emptive offer is made to the Shareholders or (ii) in respect of a maximum of ten per cent of the Enlarged Share Capital without any pre-emptive offer being made to the Shareholders. The Directors have no present intention to exercise the authority conferred by special resolution 4.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

Qualifying Non-CREST Shareholders should check that they have received the following with this document:

- a Form of Proxy for use in relation to the General Meeting; and

- a reply-paid envelope for use in connection with the return of the Form of Proxy (in the UK only).

Whether or not you intend to be present in person at the General Meeting, you are strongly encouraged to complete, sign and return your Form of Proxy in accordance with the instructions printed thereon so as to be received, by post or, during normal business hours only, by hand to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible but in any event so as to arrive by not later than 10.00 a.m. on 4 October 2017 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)).

If you hold Existing Ordinary Shares in CREST, no Form of Proxy will be sent to you. Instead, you may appoint a proxy by completing and transmitting a CREST proxy instruction to the Company's Registrar, Capita Asset Services (under Participant ID RA10) so that it is received by not later than 10.00 a.m. on 4 October 2017.

Appointing a proxy in accordance with the instructions set out above will enable your vote to be counted at the General Meeting in the event of your absence. The completion and return of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting, or any adjournment thereof, should you wish to do so.

13. DIRECTORS' RECOMMENDATION

The Directors consider the Acquisition, the Placing, and the Open Offer 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 1,973,177 Ordinary Shares (representing approximately 7.81 per cent. of the Existing Ordinary Shares).

14. DOCUMENTS AVAILABLE

Copies of this document will be available to the public, free of charge, at the Company's registered office and at the offices of Allenby Capital, 5 St. Helen's Place, London EC3A 6AB, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for one month from the date of this document. This document will also be available on the Company's website, www.palacecapitalplc.com.

Yours sincerely

Stanley Davis
Chairman

PART II
SUMMARY OF THE RT WARREN PORTFOLIO

The following data has been extracted from the Valuation Report completed by Cushman & Wakefield in respect of the RT Warren Portfolio, as at 18 August 2017.

Property	Tenure	Market value in Valuation Report (£)
BANBURY: Units 1&2 Thorpe Drive	Freehold	£780,000
BANBURY: Queensway Shopping Centre	Freehold	£1,150,000
BEACONSFIELD: Old Post House	Freehold	£1,200,000
BEACONSFIELD: Millbarn Medical Centre	Freehold	£850,000
BRIGHTON: Pelham House	Freehold	£1,200,000
FAREHAM: Admiral House	Freehold	£950,000
GERRARDS CROSS: Westminster House	Freehold	£1,300,000
GOSPORT: Aldi Supermarket	Freehold	£4,700,000
ICKENHAM: 2-4 High Road	Freehold	£650,000
PORTSMOUTH: Harbour Court	Freehold	£4,660,000
SOUTHAMPTON: Briton House	Freehold	£4,350,000
SOUTHAMPTON: London Court	Freehold	£1,500,000
SOUTHAMPTON: Kings Park House	Freehold	£4,000,000
THAME: Warren House	Freehold	£850,000
UXBRIDGE: 122-123 High Street	Freehold	£1,500,000
UXBRIDGE: Old School House	Freehold	£1,350,000
VERWOOD: 25 & 27 Black Moor Road	Freehold	£6,100,000
WINCHESTER: Staple House	Freehold	£3,925,000
WINCHESTER: Regency House	Freehold	£1,700,000
WINCHESTER: Hyde Abbey House	Freehold	£1,250,000
YORK: Lendal/Museum Street	Freehold	£4,500,000
Total (<i>commercial assets</i>)		£48,465,000
65 residential properties	Freehold/ Leasehold	£23,342,500
Total		£71,807,500

The aggregate ERV in relation to the commercial assets is £3,606,065 per annum and the aggregate ERV in relation to the residential properties is £934,780 per annum. Thus, the aggregate ERV in relation to the entire RT Warren Portfolio is £4,540,845 per annum.

PART III RISK FACTORS

An investment in the Company is subject to a number of risks and uncertainties. Accordingly, in evaluating whether to make an investment in the Company potential investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including (but not limited to) the risk factors described below, before making any investment decision with respect to the Company's Ordinary Shares. The risk factors described below do not purport to be an exhaustive list and do not necessarily comprise all of the risks to which the Company is exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions and in legal, accounting, regulatory and tax requirements. The risk factors described below are not intended to be presented in any assumed order of priority. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company. If any of the following risks were to materialise, the Group's business, financial condition, results, prospects and/or future operations may be materially adversely affected. In such case, the value of the Ordinary Shares may decline and an investor may lose all or part of their investment.

GENERAL RISKS

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them. The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser authorised under FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making their decision to invest.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's Ordinary Shares will occur or that the commercial objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

The prices of Ordinary Shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

Dilution of ownership of Ordinary Shares

For those Qualifying Shareholders who do not participate in the Transaction, their proportionate ownership and voting interest in the Company will be reduced as a consequence of the Transaction. In particular, to the extent that Shareholders do not take up the offer of Offer Shares under the Open Offer, their proportionate ownership and voting interest in the Company will be further reduced and the percentage that their shareholdings represent of the ordinary share capital of the Company will, following Admission, be reduced accordingly. Subject to certain exceptions, Shareholders in the United States and other Restricted Jurisdictions will not be able to participate in the Open Offer. Shareholders should note that their holdings and voting interest in the Company will be reduced, whether or not they elect to participate in the Open Offer, as a result of the Placing.

RISKS RELATING TO THE PLACING AND ACQUISITION

If the Placing does not proceed

Implementation of the Placing and the Open Offer is conditional, among other things, on Shareholders passing certain of the Resolutions. If Shareholders do not pass these Resolutions and the Placing, Open Offer and Acquisition do not proceed, the Company may not be able to further pursue its investment strategy. Neither the Placing nor the Open Offer is guaranteed or underwritten.

No guarantee that the conditions for the completion of the Acquisition Agreement will be satisfied

Completion of the Acquisition is conditional on:

- the Resolutions numbered 1 and 3 in the Notice of General Meeting being passed (without material amendment) by 6 October 2017;

- the Placing and Open Offer Agreement not being terminated and becoming unconditional in accordance with its terms (save for any condition relating to Admission the allotment of the Placing Shares and the Acquisition Agreement becoming unconditional or being completed); and
- Admission occurring by 8.00 a.m. on 9 October 2017 (or such later date as the Company and the Sellers' Representative may agree, not being later than 27 October 2017).

There can be no guarantee that all of these conditions will be satisfied, and therefore no guarantee that the Acquisition will complete. The parties to the Acquisition Agreement are committed to complete once the conditions are satisfied.

No guarantee that the Company will have sufficient available cash to satisfy the consideration under the Acquisition Agreement at the time that it is contractually bound to complete the acquisition

The ability of the Company to satisfy the consideration payable under the Acquisition Agreement is dependent on the receipt of the proceeds of the Placing and the Open Offer. If one or more of the Placings fails to make payment of funds due from them such that the Company does not have sufficient available cash to satisfy the consideration due under the Acquisition Agreement, the Company may be unable to satisfy its obligations under and will be in breach of the terms of the Acquisition Agreement.

RISKS RELATING TO THE GROUP

Importance of the Resolutions

Shareholders should be aware that if the Resolutions relating to the Placing and the Open Offer are not approved at the General Meeting and Admission does not take place, the net proceeds of the Placing and the Open Offer will not be received by the Company. In the event that the net proceeds of the Placing and the Open Offer are not received by the Company, the Directors may need to secure additional capital in order to enable the Group to execute its growth strategy.

Reliance on key individuals

Given the small size of the Group, its future success is substantially dependent on a relatively small number of people and the Directors, therefore, view the continued service of certain of its Directors, senior management and other key personnel as important. Whilst the Directors are taking steps to ensure that knowledge, skills and expertise are shared so as to avoid the Group being unduly dependent on individuals, they acknowledge that such measures may prove not to be effective if there were adverse circumstances beyond the Group's control affecting one or more key personnel. In order to be able to develop, support and maintain its business, the Group must also recruit and retain suitably qualified personnel. There is no assurance that it will always be able to do so on a timely basis.

Expansion through acquisitions entails certain risks

Part of the Company's strategy involves expanding its business through acquisitions of other property assets. Such acquisitions will require the integration of new assets into the Group's business. The Group's ability to realise the expected benefits from future acquisitions will depend, in large part, upon its ability to integrate new portfolio assets with existing operations in a timely and effective manner and to manage an increasingly large business. In addition, the Group's acquisition strategy will involve numerous risks, including the potential inability to identify appropriate acquisition opportunities, possible failures of acquisitions to generate anticipated returns and potential difficulties in integrating operations and systems with those of acquired companies. There can be no certainty that the Company will be able to make further acquisitions on acceptable terms or at all. The Company could face competition from other potential acquirers. Competitors may have greater financial resources than the Company and a greater ability to borrow funds to make acquisitions. The anticipated benefits from any acquisition may not be achieved, including because of an inability to implement the anticipated improvements to the assets, such as identifying new tenants or increasing the rental income.

To pay for future acquisitions the Group may issue Ordinary Shares, pay cash or use a combination of both. Issues of Ordinary Shares will dilute Shareholders' percentage shareholdings. The use of cash reserves could diminish the Group's ability to respond to other opportunities or challenges. Borrowing to fund the cash element of a purchase price will result in increased debt obligations and the terms of any such borrowings could include covenants or other restrictions that may impair the Group's ability to manage its operations in the way it currently does.

Property valuations

The valuation of a property is generally a matter of the specific valuer's opinion and may fluctuate from time to time. There is no assurance that the valuation of a property will reflect the actual sale price even where such sale occurs shortly after the relevant valuation date. The Valuation Report is made on the basis of certain assumptions which may not prove to reflect the true position.

The performance of the Group could be adversely affected in the longer term by downturns in the property market due to capital values weakening, rental values falling, yields increasing and increasing voids. In the event of a default by a tenant or during any other void period, the Group will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor's costs in re-letting, maintenance costs, insurances, council tax and marketing costs.

Rental income and the market value for properties are generally affected by overall conditions in the economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the demand for premises.

Both rental income and capital values may also be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the insolvency of tenants or otherwise, the periodic need to renovate, repair and re-lease space and the costs thereof, the costs of maintenance and insurance and increased operating costs. Similarly, rent reviews may not result in rental income from any property being received at the expected rental value. In addition, certain significant expenditures, including operating expenses, must be met by the owner when a property is vacant.

Any change to the laws and regulations relating to the relevant property markets may have an adverse effect on the capital value of the Group's property portfolio and/or the rental income of the property portfolio.

Investments in property are relatively illiquid and more difficult to realise than equities or bonds. Property values may also be adversely affected by illiquidity in the property market.

As it is the intention that properties will continue to be selected and acquired by the Group, it is currently difficult to calculate accurately the total acquisition and financing costs for the acquisition of such properties. In the event that the actual acquisition and financing costs exceed the anticipated costs, this may reduce the anticipated returns to Shareholders.

Political landscape

In addition, the UK held a referendum on its membership of the European Union on 23 June 2016, the result of which was a majority vote in favour of the UK's exit from the European Union. Following this vote, on 29 March 2017, the UK Government triggered Article 50 of the Lisbon Treaty to commence the process of the UK leaving the European Union. The political, economic, legal and social consequences, the exact timing of the UK's exit from the European Union, as well as the potential ultimate outcome of any agreement between the UK and the European Union, remain uncertain as at the date of this document.

Such potentially prolonged uncertainty and the potential negative economic trends that may follow could have a material adverse effect on the Group's business, financial position and/or results of operations, including the availability and cost of finance for investment and development activity, consumer spending in the Group's shopping centres and other properties, tenants' ability to service rental costs, tenants' willingness to enter into long-term commitments, an increase in construction and other development costs potentially impacting on the viability of development activities, investment flows into real estate and the valuation of real estate in the United Kingdom. The UK Government held a General Election on 8 June 2017, the result of which was a minority Conservative Government following a hung parliament. Following the election, the Government may introduce or pursue different legal, tax, economic and/or social policies to those pursued previously, which may result in a change of attitude of consumers and consequently investors to retail and leisure property and otherwise have a material adverse effect on the Group's business, financial condition and/or results of operations.

Uninsured losses

The Group will aim to ensure that all of the Group's property assets are adequately insured to cover all appropriate losses. Insurance premiums on properties owned by the Group are recoverable from the tenants in each case. In the event that any of the Group's properties becomes vacant, the Group will be responsible for ensuring payment of premiums for such properties in order to maintain an insurance policy suitable to cover such properties. In the event that any of the properties incur a loss that is not fully covered by insurance, the value of the Group's property assets will be reduced by that uninsured loss. In addition, the Group may have no source of funding to repair or reconstruct the damaged property, and it cannot be certain that any of those sources of funding will be available to it for such purposes in the future. There may be additional risks associated with investments in property including certain types of loss and destruction which may not be insurable.

No guarantee that the investment objectives of the Group will be met

There can be no guarantee that the investment objectives of the Group will be met. The results of the Group's operations will depend on many factors, including, but not limited to, the availability of opportunities for the acquisition of assets, the level and volatility of interest rates, readily accessible funding alternatives, conditions in the financial and property markets and general economic conditions.

Continued fluctuations in financial markets and further global economic downturn could affect the Group's long term ability to refinance any of its obligations.

Continuing global economic turmoil could inhibit the Group's ability to rollover its existing borrowings in the event that the Group is, in the long term, unable to comply with applicable financial covenants or to meet its financial obligations when they fall due. Such turmoil could also affect the Group's long term ability to refinance its obligations or obtain new financing.

Tax risk

Any change in the Group's tax status or in taxation legislation in the UK could affect the Group's ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in shares are based on current law and practice, which is subject to change. The taxation of an investment in the Group depends on the individual circumstances of investors.

The nature and amount of tax which members of the Group expect to pay and the reliefs expected to be available to any member of the Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Group. Any limitation in the availability of relief under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Group.

Law and regulation

Government authorities are actively involved in the application and enforcement of laws and regulations relating to taxation, land use and zoning and planning restrictions, environmental protection and safety and other matters. The institution and enforcement of those laws and regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the Group's property assets. Any change to the laws and regulations relating to the UK property market may have an adverse effect on the capital value of the Group's property assets and/or the rental income derived from them.

The Group will be exposed to risks relating to its future indebtedness

The Group expects to generate sufficient cash flow to make payments on its future indebtedness, and will re-finance its indebtedness when due. However, the Group's future financial performance will be affected by a range of economic, competitive and business factors, many of which are outside of the Group's control.

The Company's capital structure is such that the net assets attributable to the Ordinary Shares will depend on the underlying performance of the Group's assets and the amount of its future borrowings. Amounts owing under any banking facility will rank ahead of Shareholders' entitlements. A positive net asset value per Ordinary Share will be dependent upon the Group's assets being sufficient to meet prior

entitlements. Borrowings are secured over the Group's property assets. In the event that the Group defaults under the terms of any borrowing agreements entered into, to the extent that the Group cannot remedy any such default or the lender does not agree to waive or suspend any rights in respect of such default, the lender concerned may seize title to such assets by enforcing their security.

Repayment of borrowings will rank ahead of Shareholders' entitlements to the return of any capital invested. If in the future the Group's gearing level increases, the volatility of the Group's financial performance may increase and the effect of any change in the valuation of the Group's assets on its financial position and results of operations may be amplified. Prospective investors should be aware that, whilst the use of borrowings should enhance the total return on the Ordinary Shares where the value of the Group's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling.

If the Group's assets do not grow at a rate sufficient to cover the costs of operating the Group and further acquiring assets to add to the Group's property portfolio (including interest and loan repayments, if any), Shareholders may not recover the amount initially invested.

Interest rates increases

If long term interest rates increase, the Company may not be able to meet future expectations of dividends and the level of income or the prospect of income and capital growth will be reduced accordingly. In addition, the interest payments required to service the Group's debt will also increase.

The availability of debt finance on reasonable terms or at all may adversely affect the Group

The property investment sector is capital-intensive. If current difficult financial market conditions persist, in the longer term the Group may have difficulty in renewing, extending or refinancing its existing financing facilities when they mature in accordance with their terms.

If it is unable to do so or the terms of any new facilities entered into by the Group are more onerous than the terms of the Group's existing financing facilities, in the longer term this could limit the Group's ability to develop the business in accordance with its' strategy and such consequences would adversely affect in the longer term the Group's business, financial condition and results of operations.

The Barclays Facility Agreement has a termination date of 31 January 2018 and the Barclays Loan will be repayable in full on this date. The Company intends to renew the Barclays Facility Agreement if satisfactory terms can be agreed with Barclays but there is no guarantee that it will be able to do so.

Changes in economic conditions

Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors could substantially and adversely affect equity investments and, consequently, the Group's operations and prospects.

Environmental liabilities

Under various environmental laws, a current or previous owner or operator of real estate property may be liable for the cost of removing or remediating hazardous or toxic substances on that property.

Environmental laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws may also impose restrictions on the manner in which property may be used or businesses may be operated. A property owner (or operator) who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, by private parties. In connection with the acquisition and ownership of properties, the Group may be exposed to those remedial costs or restrictions on the usage of the property. The cost of defending against environmental claims or complying with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect the Group's business, assets or results of operations and, consequently, the amount available for dividends to Shareholders.

RISKS RELATING TO THE ORDINARY SHARES

Suitability

An investment in the Ordinary Shares may not be suitable for all recipients of this document, and is only appropriate for investors capable of evaluating the risks (including the risk of capital loss) and merits of such investment and who have sufficient resources to sustain a total loss of their investment. An investment in the Ordinary Shares should be seen as long-term in nature and complementary to investments in a range of other financial assets and should only constitute part of a diversified investment portfolio. Potential investors should consider carefully whether investment in the Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances. Before making any final decision, potential investors in any doubt should consult with an investment adviser authorised under the FSMA who specialises in advising on investments of this nature.

Trading market for the Ordinary Shares

The share price of publicly traded companies, including those listed on AIM, can be highly volatile and shareholdings illiquid. The Issue Price may not be indicative of the market price for the New Ordinary Shares following Admission. The market price of the Ordinary Shares will be influenced by a large number of factors, which could include, but not be limited to, the performance of both the Group's and its competitors' businesses, variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, large purchases or sales of Ordinary Shares, legislative changes and general economic, political and regulatory conditions. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may therefore realise less than, or lose all of, their investment. The volume of shares traded on AIM can be limited and this may restrict the ability of Shareholders to dispose of Ordinary Shares at any particular time. It may be more difficult for an investor to realise their investment in the Group than in a company whose shares are quoted on the Official List. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for the admission of the Company's securities to the Official List.

Dividends

Any future dividends will depend upon a number of factors, including the availability of distributable reserves and capital from which to pay dividends. The generation of profits for distribution depends on the successful management of the Company's investments, the yields on existing and new properties, interest costs, taxes and profits on development and sale of properties. The above circumstances could have a material adverse effect on the business, financial condition or results of the Group.

The level of dividend and dividend growth on the Ordinary Shares will depend principally on growth in rental and other income returns on the properties acquired by the Group, which may fluctuate, as well as capital gains realised on the underlying assets. The level of income of the Group is affected by the level of borrowings incurred by the Group and the amount of income required to service interest payments on external borrowing.

PART IV TERMS AND CONDITIONS OF THE OPEN OFFER

Introduction

As explained in the letter from the Chairman set out in Part I of this document, the Company is proposing to raise £70 million (approximately £66.4 million net of expenses) by way of the Placing and the Open Offer, of which up to approximately £4.3 million will be raised from Qualifying Shareholders under the Open Offer.

The purpose of this Part IV is to set out the terms and conditions of the Open Offer. Up to 1,257,534 new Ordinary Shares will be issued through the Open Offer. Qualifying Shareholders are being offered the right to subscribe for Offer Shares in accordance with the terms of the Open Offer. Offer Shares not taken up under the Open Offer will be acquired by the Conditional Placees under the Conditional Placing.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is expected to be 6.00 p.m. on 15 September 2017. Application Forms are expected to be posted to Qualifying Non-CREST Shareholders on 19 September 2017 and Open Offer Entitlements and Excess CREST Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST as soon as practical after 8.00 a.m. on 20 September 2017.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders to apply for Excess Shares. Further details in relation to the Excess Application Facility are set out in paragraph 3.1(f) and 3.2(j) of this Part IV and in Part V of this document and, for Qualifying Non-CREST Shareholders, the Application Form.

The latest time and date for receipt of a completed Application Form and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 5 October 2017 with Admission and commencement of dealings in Offer Shares expected to take place at 8.00 a.m. on 9 October 2017.

This document and, for Qualifying Non-CREST Shareholders only, the Application Form contain the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 3 of this Part IV which gives details of the procedure for application and payment for the Offer Shares and any Excess Shares applied for pursuant to the Excess Application Facility.

The Offer Shares will, when issued and fully paid, rank equally in all respects with the Placing Shares and the Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

The Open Offer is an opportunity for Qualifying Shareholders to apply for up to 1,257,534 new Ordinary Shares *pro rata* (excepting fractional entitlements) to their current holdings at the Issue Price in accordance with the terms of the Open Offer.

Qualifying Shareholders are also being offered the opportunity to apply for additional new Ordinary Shares in excess of their Open Offer Entitlement to the extent that other Qualifying Shareholders do not take up their Open Offer Entitlement in full. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date.

Any Qualifying Shareholder who has sold or transferred all or part of their registered holding(s) of Ordinary Shares prior to the Ex-entitlement Date is advised to consult their stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Offer Shares under the Open Offer may be a benefit which may be claimed from them by the purchasers under the rules of the London Stock Exchange.

1. The Open Offer

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity under the Open Offer to subscribe for Offer Shares at the Issue Price *pro rata* to their holdings, payable in full on application. The Issue Price represents a discount of 11.7 per cent. to the closing middle market price of 385 pence per Existing Ordinary Share on 18 September 2017 (being the last practicable Business Day before publication of this document).

Qualifying Shareholders have basic entitlements of:

1 new Ordinary Share for every 20 Existing Ordinary Shares

registered in their name on the Record Date. Entitlements under the Open Offer will be rounded down to the nearest whole number of Offer Shares, with fractional entitlements being aggregated and made available under the Excess Application Facility.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.

If you are a Qualifying Non-CREST Shareholder, the Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box 6) and your Open Offer Entitlement (in Box 7).

If you are a Qualifying CREST Shareholder, application will be made for your Open Offer Entitlement and Excess CREST Open Offer Entitlement to be credited to your CREST account. Open Offer Entitlements and Excess CREST Open Offer Entitlements are expected to be credited to CREST accounts on 20 September 2017. The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for the Offer Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders, provided they have taken up their Open Offer Entitlement in full, to apply for further Offer Shares in excess of their Open Offer Entitlement. Further details in relation to the Excess Application Facility are set out in Part V of this document and, for Qualifying Non-CREST Shareholders, the Application Form. Qualifying CREST Shareholders will have their Open Offer Entitlement and Excess CREST Open Offer Entitlement credited to their stock accounts in CREST and should refer to paragraph 3.2 of this Part IV for information on the relevant CREST procedures and further details on the Excess Application Facility. Qualifying CREST Shareholders can also refer to the CREST Manual for further information on the relevant CREST procedures.

If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, it is intended that Excess Shares will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility, however, the Directors reserve the right to allocate the Excess Shares in such manner as the Directors may determine in their absolute discretion and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full or in part or at all.

Please refer to paragraphs 3.1(f) and 3.2(j) of this Part IV for further details of the Excess Application Facility.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that their respective Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited through CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer. Any Offer Shares which are not applied for by Qualifying Shareholders under the Open Offer will be placed with placees under the Conditional Placing.

The attention of Overseas Shareholders is drawn to paragraph 6 of this Part IV.

The Offer Shares will, when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid after the date of this document and otherwise *pari passu* in all respects with the Existing Ordinary Shares and the Placing Shares. The Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

2. Conditions and further terms of the Open Offer

The Open Offer is conditional on the Placing becoming or being declared unconditional in all respects and not being terminated before Admission. The principal conditions to the Placing are:

- (a) the passing of the Resolutions numbered 1 and 3 in the Notice of General Meeting at the General Meeting or any adjournment thereof;
- (b) the Acquisition Agreement becoming unconditional in all respects save in respect of any interconditionality with the Placing and Open Offer Agreement and Admission;
- (c) the Placing and Open Offer Agreement having become unconditional and not having been terminated in accordance with its terms prior to Admission; and
- (d) admission of the Placing Shares occurring not later than 8.00 a.m. on 9 October 2017 (or such later time and/or date as the Company, Allenby Capital and Arden may agree being no later than 8.00 a.m. on 27 October 2017).

Accordingly, if these conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter. Any Open Offer Entitlements admitted to CREST will thereafter be disabled.

No temporary documents of title will be issued in respect of Offer Shares held in uncertificated form. Definitive certificates in respect of Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Offer Shares in certificated form within 10 Business Days of Admission.

In respect of those Qualifying Shareholders who have validly elected to hold their new Ordinary Shares in uncertificated form, the new Ordinary Shares are expected to be credited to their stock accounts maintained in CREST by 9 October 2017.

Applications will be made for the Offer Shares to be admitted to trading on AIM. Admission is expected to occur on 9 October 2017, when dealings in the Offer Shares are expected to begin.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will notify the London Stock Exchange and make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

3. Procedure for application and payment

The action to be taken by you in respect of the Open Offer depends on whether, at the relevant time, you are sent an Application Form in respect of your Open Offer Entitlement under the Open Offer or your Open Offer Entitlement and Excess CREST Open Offer Entitlement is credited to your CREST stock account.

Qualifying Shareholders who hold all or part of their Existing Ordinary Shares in certificated form will receive the Application Form, enclosed with this document. The Application Form shows the number of Existing Ordinary Shares held in certificated form at the Record Date. It will also show Qualifying Shareholders their Open Offer Entitlement that can be allotted in certificated form. Qualifying Shareholders who hold all their Existing Ordinary Shares in CREST will be allotted Offer Shares in CREST.

Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted Offer Shares in uncertificated form to the extent that their entitlement to Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit into and withdrawal from CREST is set out in paragraph 3.2(f) of this Part IV.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying Shareholders who do not want to apply for the Offer Shares under the Open Offer should take no action and should not complete or return the Application Form, or send a USE instruction through CREST.

3.1 If you have an Application Form in respect of your Open Offer Entitlement under the Open Offer

(a) General

Subject to paragraph 6 of this Part IV in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 6. It also shows the Open Offer Entitlement allocated to them set out in Box 7. Entitlements to Offer Shares are rounded down to the nearest whole number and any fractional entitlements to Offer Shares will be aggregated and made available under the Excess Application Facility. Box 8 shows how much they would need to pay if they wish to take up their Open Offer Entitlement in full. Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

Under the Excess Application Facility, provided they have agreed to take up their Open Offer Entitlement in full, Qualifying Non-CREST Shareholders may apply for more than the amount of their Open Offer Entitlement should they wish to do so. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement at the Record Date. It is intended that the Excess Shares will be allocated *pro rata*, however, the Directors reserve the right to allocate Excess Shares in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer in relation to Qualifying Non-CREST Shareholders.

(b) Bona fide market claims

Applications to acquire Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Application Forms may not be sold, assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 3 October 2017. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of their holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should contact their broker or other professional adviser authorised under FSMA through whom the sale or purchase was effected as soon as possible, as the invitation to acquire Offer Shares under the Open Offer may be a benefit which may be claimed by the purchaser(s) or transferee(s).

Qualifying Non-CREST Shareholders who have sold all or part of their registered holding should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however be forwarded to or transmitted in or into the United States, any Restricted Jurisdiction, nor in or into any other jurisdiction where the extension of the Open Offer would breach any applicable law or regulation. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedure set out in paragraph 3.2 below.

(c) Application procedures

Qualifying Non-CREST Shareholders wishing to apply to acquire Offer Shares (whether in respect of all or part of their Open Offer Entitlement or in addition to their Open Offer Entitlement under the Excess Application Facility) should complete the Application Form in accordance with

the instructions printed on it. Qualifying Non-CREST Shareholders may only apply for Excess Shares if they have agreed to take up their Open Offer Entitlements in full. It is intended that the Excess Shares will be allocated *pro rata*, however, the Directors reserve the right to allocate the Excess Shares in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders under the Excess Application Facility will be met in full or in part or at all.

Completed Application Forms should be posted to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or returned by hand (during normal business hours only) so as to be received by Capita Asset Services, by no later than 11.00 a.m. on 5 October 2017. The Company reserves the right to treat any application not strictly complying with the terms and conditions of application as nevertheless valid. The Company further reserves the right (but shall not be obliged) to accept either Application Forms or remittances received after 11.00 a.m. on 5 October 2017. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. Multiple applications will not be accepted. If an Application Form is being sent by first-class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Application Forms received after 11.00 a.m. on 5 October 2017; or
- (ii) Applications in respect of which remittances are received before 11.00 a.m. on 5 October 2017 from authorised persons (as defined in FSMA) specifying the Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days.

All documents and remittances sent by post by, to, from or on behalf of an applicant (or as the applicant may direct) will be sent entirely at the applicant's own risk.

(d) *Payments*

All payments must be in pounds sterling and made by cheque made payable to "Capita Registrars Ltd: Re: Palace Capital plc Open Offer A/C" and crossed "A/C Payee Only". Cheques must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or the British Isles which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the cheque to confirm that the relevant Qualifying Shareholder has title to the underlying funds. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

Cheques will be presented for payment upon receipt. The Company reserves the right to instruct Capita Asset Services to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity (and withhold definitive share certificates (or crediting to the relevant member account, as applicable) pending clearance thereof). No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents or cheques sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted. If the Open Offer does not become unconditional, no Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Open Offer.

If Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be

invalid, Capita Asset Services shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Non-CREST Shareholder's Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of Capita Asset Services, Arden, Allenby Capital or the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholders.

(e) *Incorrect sums*

If an Application Form encloses a payment for an incorrect sum, the Company through Capita Asset Services reserves the right:

- (i) to reject the application in full and return the cheque or refund the payment to the Qualifying Non-CREST Shareholder in question; or
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the Qualifying Non-CREST Shareholder in question, save that any sums of less than £1 will be retained for the benefit of the Company; or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all of the Offer Shares referred to in the Application Form, refunding any unutilised sums to the Qualifying Non-CREST Shareholder in question, save that any sums of less than £1 will be retained for the benefit of the Company.

All monies received by Capita Asset Services in respect of Offer Shares will be held in a separate non-interest bearing account.

(f) *The Excess Application Facility*

Provided they choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables a Qualifying Non-CREST Shareholder to apply for Excess Shares. Qualifying Non-CREST Shareholders wishing to apply for Excess Shares may do so by completing Box 3 of the Application Form.

If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, it is intended that the Excess Shares will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. However, the Directors reserve the right to allocate Excess Shares in such manner as the Directors may determine in their absolute discretion and no assurance can be given that applications under the Excess Application Facility by Qualifying Shareholders will be met in full or in part or at all. Qualifying Non-CREST Shareholders who wish to apply for Excess Shares must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional and applications under the Open Offer exceed 1,257,534 Ordinary Shares, resulting in a scale back of applications, each Qualifying Non-CREST Shareholder who has made a valid application for Excess Shares and from whom payment in full for the Excess Shares has been received will receive a pounds sterling amount equal to the number of Excess Shares applied and paid for but not allocated to the relevant Qualifying Non-CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk.

(g) *Effect of application*

All documents and remittances sent by post by, to, from, or on behalf of or to an applicant (or as the applicant may direct) will be sent entirely at the applicant's own risk. By completing and delivering an Application Form the applicant:

- (i) represents and warrants to the Company, Allenby Capital and Arden they have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise their rights, and perform their obligations, under any contracts resulting therefrom and that they are not a person

otherwise prevented by legal or regulatory restrictions from applying for Offer Shares or Excess Shares or acting on behalf of any such person on a non-discretionary basis;

- (ii) agrees with the Company, Allenby Capital and Arden that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iii) confirms to the Company, Allenby Capital and Arden that in making the application they are not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, they will be deemed to have had notice of all information in relation to the Company contained in this document (including information incorporated by reference);
- (iv) represents and warrants to the Company, Allenby Capital and Arden that they are the Qualifying Shareholder originally entitled to the Open Offer Entitlement or that, if they have received some or all of their Open Offer Entitlements from a person other than the Company, they are entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (v) requests that the Offer Shares to which they will become entitled be issued to them on the terms set out in this document and the Application Form, subject to the articles of association of the Company from time to time;
- (vi) represents and warrants to the Company, Allenby Capital and Arden that they are not, nor are they applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States, any Restricted Jurisdiction or any other jurisdiction in which the application for Offer Shares is prevented by law and they are not applying with a view to re-offering, re-selling, transferring or delivering any of the Offer Shares or Excess Shares which are the subject of their application in the United States or to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States, any Restricted Jurisdiction or any other jurisdiction in which the application for Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company they are able to accept the invitation by the Company free of any requirement which the Company (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Offer Shares under the Open Offer;
- (vii) represents and warrants to the Company, Allenby Capital and Arden that they are not, and nor are they applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
- (viii) confirms that in making the application they are not relying and have not relied on the Company, Allenby Capital or Arden or any person affiliated with the Company, Allenby Capital or Arden in connection with any investigation of the accuracy of any information contained in this document or their investment decision.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or you can contact them on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and

training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

Qualifying Non-CREST Shareholders who do not want to take up or apply for the Ordinary Shares under the Open Offer should take no action and should not complete or return the Application Form.

A Qualifying Non-CREST Shareholder who is also a CREST member may elect to receive the Offer Shares to which they are entitled in uncertificated form in CREST. Please see paragraph 3.2(f) of this Part IV for more information.

3.2 If you have an Open Offer Entitlement and an Excess CREST Open Offer Entitlement credited to your stock account in CREST in respect of your entitlement under the Open Offer

(a) General

Subject to paragraph 6 of this Part IV in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to their stock account in CREST of their Open Offer Entitlement equal to the maximum number of Ordinary Shares for which they are entitled to apply under the Open Offer plus their Excess CREST Open Offer Entitlement equal to the maximum number of Ordinary Shares for which they are entitled to apply under the Excess Application Facility. Entitlements to Offer Shares will be rounded down to the nearest whole number and any Open Offer Entitlements have therefore also been rounded down. Any fractional entitlements to Offer Shares arising will be aggregated and made available under the Excess Application Facility.

The CREST stock account to be credited will be an account under the participant ID and member account ID that applies to the Existing Ordinary Shares held on the Record Date by the relevant Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and Excess CREST Open Offer Entitlements have been allocated.

If for any reason Open Offer Entitlements and/or the Excess CREST Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 3.00 p.m. on 2 October 2017, or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlement and Excess CREST Open Offer Entitlement which should have been credited to their stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive an Application Form.

CREST members who wish to apply to acquire some or all of their entitlements to Offer Shares and their Excess CREST Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) Bona fide market claims

Each of the Open Offer Entitlements and Excess CREST Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and Excess CREST Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) and Excess CREST Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) USE instructions

Qualifying CREST Shareholders who are CREST members and who want to apply for Offer Shares in respect of all or some of their Open Offer Entitlements and their Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an USE instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Capita Asset Services under the participant ID and member account ID specified below, with a number of Open Offer Entitlements or Excess CREST Open Offer Entitlements corresponding to the number of Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of Capita Asset Services in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Offer Shares referred to in paragraph 3.2(c)(i) above.

(d) *Content of USE instruction in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to Capita Asset Services);
- (ii) the ISIN of the Open Offer Entitlement. This is GB00BF16TJ31;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of Capita Asset Services in its capacity as a CREST receiving agent. This is 7RA33;
- (vi) the member account ID of Capita Asset Services in its capacity as a CREST receiving agent. This is 29291PAL;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of new Ordinary Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 5 October 2017; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 5 October 2017.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 5 October 2017 in order to be valid is 11.00 a.m. on that day.

In the event that the Conditional Placing and the Open Offer do not become unconditional by 8.00 a.m. on 9 October 2017 (or such later time and date as the Company, Allenby Capital and Arden determine being no later than 8.00 a.m. on 27 October 2017), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Capita Asset Services will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

(e) *Content of USE instruction in respect of Excess CREST Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Excess Shares for which application is being made (and hence being delivered to Capita Asset Services);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00BF16TQ08;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the participant ID of Capita Asset Services its capacity as a CREST receiving agent. This is 7RA33;
- (vi) the member account ID of Capita Asset Services in its capacity as a CREST receiving agent. This is 29291PAL;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Excess Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 5 October 2017; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 5 October 2017.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contract name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 5 October 2017 in order to be valid is 11.00 a.m. on that day.

In the event that the Conditional Placing and the Open Offer do not become unconditional by 8.00 a.m. on 9 October 2017 (or such later time and date as the Company, Allenby Capital and Arden determine being no later than 8.00 a.m. on 27 October 2017), the Open Offer will lapse, the Open Offer Entitlements and the Excess CREST Open Offer Entitlements admitted to CREST will be disabled and Capita Asset Services will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

(f) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in their Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim), provided that such Qualifying Non-CREST Shareholder is also a CREST member. Similarly, Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer and entitlement to apply under the Excess Application Facility is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient

time to enable the person holding or acquiring the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 5 October 2017. After depositing their Open Offer Entitlement into their CREST account, CREST holders will shortly thereafter receive a credit for their Excess CREST Open Offer Entitlement, which will be managed by Capita Asset Services.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agent, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 2 October 2017 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 29 September 2017 in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility, as the case may be, prior to 11.00 a.m. on 5 October 2017.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Capita Asset Services by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing entitlements under the Open Offer into CREST" on page 2 of the Application Form, and a declaration to the Company and Capita Asset Services from the relevant CREST member(s) that it/they is/are not in the United States or citizen(s) or resident(s) of any Restricted Jurisdiction or any other jurisdiction in which the application for New Ordinary Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(g) *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 5 October 2017 will constitute a valid application under the Open Offer.

(h) *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that their CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 5 October 2017. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(i) *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question (without interest);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question (without interest); and

- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Offer Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question (without interest).

(j) *The Excess Application Facility*

The Excess Application Facility enables Qualifying CREST Shareholders, who have taken up their Open Offer Entitlement in full, to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, it is intended that the Excess Shares will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. However, the Directors reserve the right to allocate in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all. Excess CREST Open Offer Entitlements may not be sold or otherwise transferred. Subject as provided in paragraph 6 of this Part IV in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with Excess CREST Open Offer Entitlements to enable applications for Excess Shares to be settled through CREST. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities. Neither the Open Offer Entitlements nor the Excess CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form or cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and the relevant Open Offer Entitlement(s) be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Open Offer Entitlement(s) claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of their Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that an additional USE instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement.

Should the Open Offer become unconditional and applications for Offer Shares by Qualifying Shareholders under the Open Offer exceed 1,257,534 new Ordinary Shares, resulting in a scale back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application pursuant to their Excess CREST Open Offer Entitlement and from whom payment in full for the Excess Shares has been received, will receive a pounds sterling amount equal to the number of Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable following the completion of the scale back, without payment of interest and at the applicant’s sole risk by way of CREST payment, as appropriate. Fractions of Offer Shares will be aggregated and made available under the Excess Application Facility.

All enquiries in connection with the procedure for applications under the Excess Application Facility and your Excess CREST Open Offer Entitlement should be addressed to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or you can contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

(k) *Effect of valid application*

A CREST member who makes or is treated as making a valid application for some or all of their *pro rata* entitlement to the Offer Shares in accordance with the above procedures hereby:

- (i) represents and warrants to the Company, Allenby Capital and Arden that they have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise their rights, and perform their obligations, under any contracts resulting therefrom and that they are not a person otherwise prevented by legal or regulatory restrictions from applying for Offer Shares or Excess Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Capita Asset Services' payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees with the Company, Allenby Capital and Arden that all applications under the Open Offer and contracts resulting therefrom, and only non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England;
- (iv) confirms to the Company, Allenby Capital and Arden that in making the application they are not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, they will be deemed to have had notice of all the information in relation to the Company contained in this document (including information incorporated by reference);
- (v) represents and warrants to the Company, Allenby Capital and Arden that they are the Qualifying Shareholder originally entitled to the Open Offer Entitlements or Excess CREST Open Offer Entitlements or that, if they have received some or all of their Open Offer Entitlements from a person other than the Company, they are entitled to apply under the Open Offer in relation to such Open Offer Entitlement or Excess CREST Open Offer Entitlements (as the case may be) by virtue of a *bona fide* market claim;
- (vi) requests that the Offer Shares to which they will become entitled be issued to them on the terms set out in this document, subject to the articles of association of the Company from time to time;
- (vii) represents and warrants to the Company, Allenby Capital and Arden that they are not, nor are they applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States, any Restricted Jurisdiction or any other jurisdiction in which the application for Offer Shares is prevented by law and they are not applying with a view to re-offering, re-selling, transferring or delivering any of the Offer Shares which are the subject of the application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States, any Restricted Jurisdiction or any other jurisdiction in which the application for Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that they are able to accept the invitation by the Company free of any requirement which the Company (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor person(s) otherwise prevented by legal or regulatory restrictions from applying for Offer Shares or Excess Shares under the Open Offer;
- (viii) represents and warrants to the Company, Allenby Capital and Arden that they are not, and nor are they applying as nominee or agent for, a person who is or may be liable to

notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and

- (ix) confirms that in making the application they are not relying and have not relied on the Company, Allenby Capital or Arden or any person affiliated with the Company, Allenby Capital or Arden in connection with any investigation of the accuracy of any information contained in this document or their investment decision.

If a Qualifying CREST Shareholder does not wish to apply for the Offer Shares under the Open Offer, they should take no action.

(l) Company's discretion as to the rejection and validity of applications

The Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part IV;
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which Capita Asset Services receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Capita Asset Services has received actual notice from Euroclear of any of the matters specified in Regulation 35(5) (a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Capita Asset Services in connection with CREST.

(m) Lapse of the Open Offer

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 9 October 2017 or such later time and date as the Company, Allenby Capital and Arden may agree (being no later than 8.00 a.m. on 27 October 2017), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Capita Asset Services will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

4. Money Laundering Regulations

4.1 Holders of Application Forms

To ensure compliance with the Money Laundering Regulations, Capita Asset Services may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and

not of Capita Asset Services. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the "acceptor"), including any person who appears to Capita Asset Services to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Offer Shares as is referred to therein (for the purposes of this paragraph 4 the "relevant Offer Shares") shall thereby be deemed to agree to provide Capita Asset Services with such information and other evidence as they may require to satisfy the verification of identity requirements.

If Capita Asset Services determines that the verification of identity requirements apply to any acceptor or application, the relevant Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. Capita Asset Services is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither Capita Asset Services nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, Capita Asset Services has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, Capita Asset Services, Allenby Capital and Arden from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no.91/308/EEC));
- (ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (iii) if the applicant (not being an applicant who delivers their application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- (iv) if the aggregate subscription price for the Offer Shares is less than €15,000 (approximately £13,000).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (a) if payment is made by cheque in sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques, should be made payable to "Capita Registrars Limited. Re: Palace Capital plc Open Offer A/C" in respect of an application by a Qualifying Shareholder and crossed "A/C Payee Only". Third party cheques will not be accepted with the exception of building society cheques where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque to such effect. The account name should be the same as that shown on the Application Form; or
- (b) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force, the agent should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the

Receiving Agent. If the agent is not such an organisation, it should contact Capita Asset Services at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

To confirm the acceptability of any written assurance referred to in (b) above, or in any other case, the acceptor should contact Capita Asset Services on 0371 664 0321. Calls to the helpline number are typically charged at your service provider's standard rate. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note Capita Asset Services cannot provide financial or taxation advice or comment on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlement.

If the Application Form(s) is/are in respect of Offer Shares with an aggregate subscription price of €15,000 or more (approximately £13,000) and is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, they should ensure that they have with them evidence of identity bearing their photograph (for example, their passport) and separate evidence of their address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 5 October 2017, Capita Asset Services has not received evidence satisfactory to it as aforesaid, Capita Asset Services may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the applicant at the applicant's risk (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

4.2 Open Offer Entitlements in CREST

If you hold your Open Offer Entitlement and Excess CREST Open Offer Entitlement in CREST and apply for Offer Shares in respect of some or all of your Open Offer Entitlement and/or Excess CREST Open Offer Entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Capita Asset Services is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Capita Asset Services before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to Capita Asset Services such information as may be specified by Capita Asset Services as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Capita Asset Services as to identity, who may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

5. Admission, settlement and dealings

The result of the Open Offer is expected to be announced on 6 October 2017. Applications will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. Subject to the Conditional Placing and the Open Offer becoming unconditional in all respects (save only as to Admission), it is expected that Admission will become effective and that dealings in the Offer Shares will commence at 8.00 a.m. on 9 October 2017.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 5 October 2017 (the latest date for applications under the Open Offer). If the condition(s) to the Open Offer described above are satisfied, New Ordinary Shares

will be issued in uncertificated form to those persons who submitted a valid application for New Ordinary Shares by utilising the CREST application procedures and whose applications have been accepted by the Company.

On 19 September 2017, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Offer Shares with effect from Admission. The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE instruction was given. Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and Excess CREST Open Offer Entitlements, and to allot and/or issue any Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

No temporary documents of title will be issued and, transfers will be certified against the UK share register of the Company. All documents or remittances sent by, to, from or on behalf of applicants, or as they may direct, will (in the latter case) be sent through the post and will (in both cases) be at the risk of the applicant. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 3.1 of this Part IV above and their respective Application Form.

6. Overseas Shareholders

The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

6.1 General

The distribution of this document and the making or acceptance of the Open Offer to or by persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom, may be affected by the laws or regulatory requirements of the relevant jurisdictions. It is the responsibility of those persons to consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Ordinary Shares under the Open Offer.

No action has been or will be taken by the Company, Allenby Capital, Arden or any other person, to permit a public offering or distribution of this document (or any other offering or publicity materials or application form(s) relating to the Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement or an Excess CREST Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to, and Open Offer Entitlements and Excess CREST Open Offer Entitlements will not be credited to stock accounts in CREST of, persons with registered addresses in the United States or a Restricted Jurisdiction or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to them, nor should they in any event use any such Application Form and/or credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to them and such Application

Form and/or credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Offer Shares under the Open Offer to satisfy themselves as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company, Arden, Allenby Capital nor any of their respective representatives, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements or Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by their custodian, agent, nominee or trustee, they must not seek to apply for Ordinary Shares in respect of the Open Offer unless the Company, Allenby Capital and Arden determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Open Offer Entitlements or Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part IV and specifically the contents of this paragraph 6.

The Company reserves the right to treat as invalid any application or purported application for Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any other jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Offer Shares or in the case of a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, to a CREST member whose registered address would be in the United States or a Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

Notwithstanding any other provision of this document or the relevant Application Form, the Company, Allenby Capital and Arden reserve the right to permit any person to apply for Ordinary Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Offer Shares should note that payment must be made in sterling denominated cheques or where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST. Due to restrictions under the securities laws of the United States and the Restricted Jurisdictions, and subject to certain exceptions, Qualifying Shareholders in the United States or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements or Excess CREST Open Offer Entitlements. No public offer of Offer Shares is being made by virtue of this document or the Application Forms into the

United States or any Restricted Jurisdiction. Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement or Excess CREST Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed and no action should be taken to take up any Open Offer Entitlement or Excess CREST Open Offer Entitlement so credited.

6.2 **United States**

The New Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered or sold, re-sold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except in reliance on an exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer (or the Placing) into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any New Ordinary Shares in the United States. Subject to certain exceptions, neither this document nor an Application Form will be sent to, and no New Ordinary Shares will be credited to a stock account in CREST of, any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from or postmarked in the United States will be deemed to be invalid and all persons acquiring New Ordinary Shares and wishing to hold such New Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires New Ordinary Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form and delivery of the New Ordinary Shares, that they are not, and that at the time of acquiring the New Ordinary Shares they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States or any state of the United States.

The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of New Ordinary Shares, or which does not make the warranty set out in the Application Form to the effect that the person completing the Application Form does not have a registered address and is not otherwise located in the United States and is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares in the United States or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements.

The Company will not be bound to allot or issue any New Ordinary Shares to any person with an address in, or who is otherwise located in, the United States in whose favour an Application Form or any New Ordinary Shares may be transferred. In addition, the Company, Allenby Capital and Arden reserve the right to reject any USE instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the New Ordinary Shares. In addition, until 45 days after the commencement of the Open Offer, an offer, sale or transfer of the New Ordinary Shares within the United States by a dealer (whether or not participating in the and Open Offer) may violate the registration requirements of the Securities Act.

6.3 **Restricted Jurisdictions**

Due to restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exemptions, Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements or Excess CREST Open Offer Entitlements. The Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any

state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No offer or invitation to apply for Offer Shares is being made by virtue of this document or the Application Form into any Restricted Jurisdiction.

6.4 Other overseas territories

Application Forms will be sent to Qualifying Non-CREST Shareholders and Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or the Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, may participate in the Open Offer in accordance with the instructions set out in this document and the Application Form. Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the United Kingdom should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to participate in the Open Offer.

6.5 Representations and warranties relating to Overseas Shareholders

(a) Qualifying Non-CREST Shareholders

Any person completing and returning an Application Form or requesting registration of the Offer Shares comprised therein represents and warrants to the Company, Allenby Capital, Arden and Capita Asset Services that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Ordinary Shares from within the United States or any Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Ordinary Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within the United States or any Restricted Jurisdiction (except as agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not acquiring Ordinary Shares with a view to offer, sell, resell, transfer, deliver or distribute, directly or indirectly, any such Offer Shares into any of the above territories. The Company and/or Capita Asset Services may treat as invalid any acceptance or purported acceptance of the allotment of Offer Shares comprised in an Application Form if it: (i) appears to the Company or its agents to have been executed, effected or dispatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in the United States or a Restricted Jurisdiction for delivery of the share certificates of Offer Shares (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the warranty required by this sub-paragraph (a).

(b) Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part IV represents and warrants to the Company, Allenby Capital, Arden and Capita Asset Services that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) they are not within the United States or any Restricted Jurisdiction; (ii) they are not in any territory in which it is unlawful to make or accept an offer to acquire Offer Shares; (iii) they are not accepting on a non-discretionary basis for a person located within the United States any Restricted Jurisdiction (except as otherwise agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) they are not acquiring any Offer Shares with a view to the offer, sale, resale,

transfer, delivery or distribution, directly or indirectly, of any such Offer Shares into any of the above territories.

6.6 Waiver

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company, Allenby Capital or Arden in their absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

7. Times and Dates

The Company shall, in agreement with Allenby Capital and Arden and after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the London Stock Exchange, and make an announcement on a Regulatory Information Service but Qualifying Shareholders may not receive any further written communication.

If a supplementary circular is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three Business Days after the date of issue of the supplementary circular (and the dates and times of principal events due to take place following such date shall be extended accordingly).

8. Taxation

Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the United Kingdom, should immediately consult a suitable professional adviser.

9. Further information

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

10. Governing law and jurisdiction

The terms and conditions of the Open Offer as set out in this document and the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England and Wales.

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form. By taking up Offer Shares, by way of their Open Offer Entitlement and the Excess Application Facility (as applicable), in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART V QUESTIONS AND ANSWERS ABOUT THE OPEN OFFER

The questions and answers set out in this Part V are intended to be in general terms only and, as such, you should read Part IV of this document for full details of what action to take. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under the FSMA if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

This Part V deals with general questions relating to the Open Offer and more specific questions relating principally to persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part IV of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Open Offer Entitlement. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part IV of this document for full details of what action you should take.

If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

The contents of this document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult their own appropriate professional advisers for advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action.

1. What is an open offer?

An open offer is a way for companies to raise money. Companies usually do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings. In this instance Shareholders will also be offered the opportunity to apply for additional shares in excess of their entitlement to the extent that other Qualifying Shareholders do not take up their entitlement in full. The fixed price is normally at a discount to the market price of the existing ordinary shares prior to the announcement of the open offer.

The Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire up to an aggregate of 1,257,534 new Ordinary Shares at a price of 340 pence per share. If you hold Existing Ordinary Shares on the Record Date or have a *bona fide* market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address or located in the United States, or a Restricted Jurisdiction, you will be entitled to buy new Ordinary Shares under the Open Offer.

The Open Offer is being made on the basis of 1 new Ordinary Share for every 20 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Offer Shares is not a whole number, you will not be entitled to buy a fraction of an Offer Share and your entitlement will be rounded down to the nearest whole number. The Issue Price of 340 pence per Offer Share represents a discount of 11.7 per cent. to the closing mid-market price quotation as derived from the Daily Official List of the London Stock Exchange of 385 pence per Ordinary Share on 18 September 2017 (being the latest practicable Business Day prior to the date of this document).

The Excess Application Facility allows Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement. It is intended that the Excess Shares will be allocated *pro rata*, however, the Directors reserve the right to allocate Excess Shares in such manner as the Directors may determine in their absolute discretion, if applications under the Excess Application Facility are received from Qualifying Shareholders for more than the available number of Offer Shares, and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

Unlike in a rights issue, Application Forms are not negotiable documents and neither they nor Open Offer Entitlements can themselves be traded. Shareholders will not be able to apply for any new Ordinary Shares which are the subject of the Placing.

2. I hold my Existing Ordinary Shares in certificated form. How do I know I am eligible to participate in the Open Offer?

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address or located in the United States or any Restricted Jurisdiction, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 19 September 2017 (the time when the Existing Ordinary Shares are expected to be marked “ex-entitlement” by the London Stock Exchange).

3. I hold my Existing Ordinary Shares in certificated form. How do I know how many Offer Shares I am entitled to take up?

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address and are not located in the United States or any Restricted Jurisdiction, you will be sent an Application Form that shows:

- how many Existing Ordinary Shares you held at the close of business on the Record Date;
- how many Offer Shares are comprised in your Open Offer Entitlement; and
- how much you need to pay if you want to take up your right to buy all your entitlement to the Offer Shares.

Subject to certain exceptions, if you have a registered address in the United States or any of the Restricted Jurisdictions, you will not receive an Application Form.

If you would like to apply for any of or all of the Offer Shares comprised in your Open Offer Entitlement you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be returned, along with a cheque drawn in the appropriate form, by post to Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom, or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 5 October 2017, after which time Application Forms will not be valid.

4. I hold my Existing Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?

(a) *If you do not want to take up your Open Offer Entitlement*

If you do not want to take up the Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Offer Shares. You will also not receive any money when the Offer Shares you could have taken up are sold, as would happen under a rights issue.

You cannot sell your Application Form or your Open Offer Entitlement to anyone else. If you do not return your Application Form subscribing for the Offer Shares to which you are entitled by 11.00 a.m. on 5 October 2017, the Company has made arrangements under which the Company has agreed to issue the Offer Shares to other Qualifying Shareholders under the Excess Application Facility or to the Conditional Placees pursuant to the Conditional Placing.

If you do not take up your Open Offer Entitlement then following the issue of the Offer Shares pursuant to Open Offer, your interest in the Company will be significantly diluted. Even if a Qualifying Shareholder subscribes for their Open Offer Entitlement in full, their proportionate economic interest would be diluted by the issue of New Ordinary Shares pursuant to the Excess Application Facility and the Placing.

(b) *If you want to take up some but not all of your Open Offer Entitlement*

If you want to take up some but not all of the Offer Shares to which you are entitled, you should write the number of Offer Shares you want to take up in Boxes 2 and 4 of your Application Form; for example, if you are entitled to take up 50 shares but you only want to take up 25 shares, then you should write ‘25’ in Boxes 2 and 4. To work out how much you need to pay for the Offer Shares, you need to multiply the number of Offer Shares you want (in this example, ‘25’) by £3.40, which

is the price in pounds of each Offer Share (giving you an amount of £85.00 in this example). You should write this amount in Box 5, rounding up to the nearest whole pence and this should be the amount your cheque is made out for. You should then return the completed Application Form, together with a cheque for that amount, by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 5 October 2017, after which time Application Forms will not be valid. If you post your Application Form by first class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque made payable to “Capita Registrars Ltd: Re: Palace Capital Plc Open Offer A/C” and crossed “A/C Payee Only”. Cheques must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant’s name at the building society or bank by stamping or endorsing the cheque to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted (see paragraph 4 of Part IV).

Cheques will be presented for payment upon receipt. The Company reserves the right to instruct Capita Asset Services to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents and cheques sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Offer Shares that you take up. Your definitive share certificate for Offer Shares is expected to be despatched to you by no later than 10 Business Days from Admission.

(c) ***If you want to take up all of your Open Offer Entitlement***

If you want to take up all of the Offer Shares to which you are entitled, all you need to do is send the Application Form (ensuring that all joint holders sign (if applicable)), together with your cheque for the amount (as indicated in Box 5 of your Application Form), by post to Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 5 October 2017, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque made payable to “Capita Registrars Ltd: Re: Palace Capital Plc Open Offer A/C” and crossed “A/C Payee Only”. Cheques must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Third party cheques will not be accepted with the exception of building society cheques where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant’s name at the building society or bank by stamping or endorsing the cheque to such effect. The account name should be the same as that shown on the application.

Post-dated cheques will not be accepted. Third party cheques (other than building society cheques where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted.

A definitive share certificate will then be sent to you for the Offer Shares that you take up. Your definitive share certificate for Offer Shares is expected to be despatched to you by no later than 10 Business Days from Admission.

(d) ***If you want to apply for more than your Open Offer Entitlement***

Provided you have agreed to take up your Open Offer Entitlement in full, you can apply for further Offer Shares under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. You should write the number of Offer Shares comprised in your Open Offer Entitlement (as indicated in Box 7 of the Application Form) in Box 2 and write the number of Excess Shares for which you would like to apply in Box 3. You should then add the totals in Boxes 2 and 3 and insert the total number of Offer Shares for which you would like to apply in Box 4. For example, if you have an Open Offer Entitlement for 50 Offer Shares but you want to apply for 75 Offer Shares in total, then you should write '50' in Box 2, '25' in Box 3 and '75' in Box 4. To work out how much you need to pay for the Offer Shares, you need to multiply the number of Offer Shares you want (in this example, '75') by £3.40, which is the price in pounds sterling of each Offer Share (giving you an amount of £255.00 in this example). You should write this amount in Box 5. You should then return your Application Form by post to Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 5 October 2017, after which time Application Forms will not be valid. If you post your application form by first class post, you should allow at least four Business Days for delivery.

If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, it is intended that the Excess Shares will be allocated *pro rata*, however, the Directors reserve the right to allocate Excess Shares in such manner as the Directors may determine in their absolute discretion. No assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full or in part or at all.

All payments must be in pounds sterling and made by cheque made payable to "Capita Registrars Ltd: Re: Palace Capital Plc Open Offer A/C" and crossed "A/C Payee Only". Cheques must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted (see paragraph 4 of Part IV).

Cheques will be presented for payment upon receipt. The Company reserves the right to instruct Capita Asset Services to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Offer Shares that you take up and otherwise successfully apply for using the Excess Application Facility. Your definitive share certificate for Offer Shares is expected to be despatched to you, at your own risk, by no later than 10 Business Days from Admission.

5. I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?

CREST members should follow the instructions set out in Part IV of this document. Persons who hold Existing Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Existing Ordinary Shares of (i) the number of Offer Shares which they are entitled to acquire under their Open Offer Entitlement and (ii) how to apply for Offer Shares in excess of their Open Offer Entitlement under the Excess Application Facility provided they choose to take up their Open Offer Entitlement in full and should contact them should they not receive this information.

6. I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some Shareholders who do not hold their Existing Ordinary Shares in uncertificated form, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 15 September 2017 and who have converted them to certificated form;
- Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares before 15 September 2017 but were not registered as the holders of those shares at the close of business on 15 September 2017; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.30 p.m. Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

7. Can I trade my Open Offer Entitlement?

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although Open Offer Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only), Open Offer Entitlements will not be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim. Offer Shares for which an application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Open Offer Entitlement will have no rights under the Open Offer or receive any proceeds from it. The Offer Shares are not underwritten.

8. What if I change my mind?

If you are a Qualifying Non-CREST Shareholder, once you have sent your Application Form and payment to Capita Asset Services, you cannot withdraw your application or change the number of Offer Shares for which you have applied, except in the very limited circumstances which are set out in this document.

9. What if the number of Offer Shares to which I am entitled is not a whole number: am I entitled to fractions of Offer Shares?

If the number is not a whole number, you will not receive a fraction of an Offer Share and your entitlement will be rounded down to the nearest whole number.

10. I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?

If you hold Existing Ordinary Shares in the Company directly and you sell some or all of your Existing Ordinary Shares before 6.00 p.m. on 15 September 2017, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Offer Shares under the Open Offer. If you sell any of your Existing Ordinary Shares on or after 19 September 2017, you may still take up and apply for the Offer Shares as set out on your Application Form.

11. I hold my Existing Ordinary Shares in certificated form. How do I pay?

Completed Application Forms should be returned with a cheque drawn in the appropriate form. All payments must be in pounds sterling and made by cheque made payable to “Capita Registrars Ltd: Re: Palace Capital Plc Open Offer A/C” and crossed “A/C Payee Only”. Cheques must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Third party cheques will not be accepted with the exception of building society cheques where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant’s name at the building society or bank by stamping or endorsing the cheque to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted.

12. Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?

If you decide not to apply for any of the Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced. Even if a Qualifying Shareholder subscribes for their Open Offer Entitlement in full, their proportionate economic interest would be diluted by the issue of New Ordinary Shares pursuant to the Excess Application Facility and the Placing.

13. I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?

You should send your completed Application Form together with the monies in the appropriate form, by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal office hours only). If you post your Application Form by first-class post, you should allow at least four Business Days for delivery. If you do not want to take up or apply for Offer Shares then you need take no further action.

14. I hold my Existing Ordinary Shares in certificated form. When do I have to decide if I want to apply for Offer Shares?

Capita Asset Services, Corporate Actions must receive the Application Form by no later than 11.00 a.m. on 5 October 2017, after which time Application Forms will not be valid. If an Application Form is being sent by first class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

15. How do I transfer my entitlements into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your Offer Shares to be in uncertificated form, you should complete the CREST deposit form (contained in the Application Form), and ensure it is delivered to the CREST Courier and Sorting Office in accordance with the instructions in the Application Form. CREST sponsored members should arrange for their CREST sponsors to do this.

16. I hold my Existing Ordinary Shares in certificated form. When will I receive my new share certificate?

It is expected that Capita Asset Services will post all new share certificates within 10 Business Days from Admission.

17. If I buy Existing Ordinary Shares after the Record Date, will I be eligible to participate in the Open Offer?

If you bought your Existing Ordinary Shares after the Record Date, you are unlikely to be able to participate in the Open Offer in respect of such Ordinary Shares.

18. Will I be taxed if I take up my entitlements?

Shareholders who are in any doubt as to their tax position should consult an appropriate professional adviser immediately.

19. What should I do if I live outside the United Kingdom?

Your ability to apply to acquire Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located in the United States or any Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 of Part IV of this document.

20. Further assistance

Should you require further assistance please call Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

NOTICE OF GENERAL MEETING OF 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 CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF on 6 October 2017 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions. Resolutions 1 and 2 will be proposed as ordinary resolutions and Resolutions 3 and 4 will be proposed as special resolutions:

ORDINARY RESOLUTIONS

1. THAT, in accordance with section 551 of the Companies Act 2006, the directors of the Company are generally and unconditionally authorised, and in substitution for any previous authority, to allot Relevant Securities (as defined in this resolution) comprising equity securities (as defined in section 560 of the Companies Act 2006) up to an aggregate nominal amount of £2,058,823.60 in respect of the Placing and Open Offer, such authority, unless previously renewed, revoked or varied by the Company in general meeting, to expire at the close of the Company's next annual general meeting, except that the directors of the Company may allot Relevant Securities pursuant to an offer or agreement made before the expiry of the authority notwithstanding that the authority conferred by this resolution has expired. In this notice, Relevant Securities means any shares in the capital of the Company and the grant of any right to subscribe for, or convert any security into, shares in the capital of the Company.
2. THAT if resolution 1 is passed, in accordance with section 551 of the Companies Act 2006, the directors of the Company are generally and unconditionally authorised, in addition to any authority granted under resolution 1 but in substitution for any other previous authority, to allot Relevant Securities comprising equity securities up to an aggregate nominal amount of £1,546,283.80, such authority, unless previously renewed, revoked or varied by the Company in general meeting, to expire at the close of the Company's next annual general meeting, except that the directors of the Company may allot Relevant Securities pursuant to an offer or agreement made before the expiry of the authority notwithstanding that the authority conferred by this resolution has expired.

SPECIAL RESOLUTIONS

3. THAT if resolution 1 is passed, the Board be authorised to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £2,058,823.60, such authority to expire at the end of the next AGM of the Company (or, if earlier, at the close of business on the date falling 15 months after the date of the General Meeting) but prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.
4. THAT if resolution 2 is passed, the Board be authorised in addition to any authority granted under resolution 3 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:
 - 4.1. to the allotment of equity securities for rights issues and other pre-emptive issues in favour of ordinary shareholders where their holdings are proportionate, as nearly as possible to the respective number of shares held, or deemed to be held by them, but subject to any exclusions or arrangements the directors think necessary or expedient for dealing with fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory; and

- 4.2. to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 4.1 above) up to a nominal amount of £463,885.20,

such authority to expire at the end of the next AGM of the Company (or, if earlier, at the close of business on the date falling 15 months after the date of the General Meeting) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

Resolutions 3 and 4 revoke and replace 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 19 September 2017.

By Order of the Board
David Kaye
Company Secretary

Registered office:
Lower Ground Floor
One George Yard
London
EC3V 9DF

Dated: 19 September 2017

Notes to the Notice of General Meeting

Notes:

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B of the Companies Act 2006, the Company specifies that in order to have the right to attend and vote at the General Meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company by close of business on 4 October 2017 or, in the event of any adjournment, by close of business on the date which is two days before the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2. A member is entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, to speak and to vote at the General Meeting. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a member of the Company. A form of proxy for the meeting is enclosed.

To be valid any proxy form or other instrument appointing a proxy must be received by post or by hand (during normal business hours only) by our registrar Capita Asset Services PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF or at the electronic address provided in the form of proxy, in each case no later than 10.00 a.m. on 4 October 2017. If you are a CREST member, see note 3 below.

Completion of a form of proxy, or other instrument appointing a proxy or any CREST Proxy Instruction will not preclude a member attending and voting in person at the meeting if he/she wishes to do so.

3. Alternatively, if you are a member of CREST, you may register the appointment of a proxy by using the CREST electronic proxy appointment service. Further details are contained below.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures, and to the address, described in the CREST Manual (available via www.euroclear.com/CREST) subject to the provisions of the Company's articles of association. 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 or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (RA10) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp 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. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear 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 provider(s) 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.

4. In the case of joint holders of a share, the vote of the senior holder who votes, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the share.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may have a right, under an agreement between him/her and the member by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right, under such an agreement, to give instructions to the member as to the exercise of voting rights.
The statement of the above rights of the members in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by members of the Company.
6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
7. Any member attending the General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
8. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.palacecapitalplc.com.
9. As at on 18 September 2017 (being the last practicable Business Day before publication of this document), the Company's issued share capital consists of 25,150,692 ordinary shares (excluding treasury shares), carrying one vote each. Therefore, the total voting rights in the Company as at that date are 25,150,692.
10. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice of Meeting (or in any related documents including this prospectus and proxy form) to communicate with the Company for any purposes other than those expressly stated.

