

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or about the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000, as amended.

If you have sold or transferred all of your Ordinary Shares in Leo Insurance Services plc, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold part only of your holding of Ordinary Shares in Leo Insurance Services plc, you should retain these documents.

The Existing Directors, whose names appear on page 4 of this document, accept responsibility for all the information contained in this document. The Proposed Directors, whose names appear on page 6 of this document, accept responsibility for the information contained in paragraphs 3 to 6 inclusive of the letter from the Non-Executive Director of the Company included in this document. To the best of the knowledge and belief of the Existing Directors and Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

The definitions set out on page 3 of this document have the same meaning herein.

LEO INSURANCE SERVICES PLC

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

**Proposed
disposal of holding in Grafton Insurance Services Limited,
adoption of Investing Policy,
issue of Convertible Loan Notes,
change of name to Palace Capital plc
and
Notice of General Meeting**

This document should be read as a whole. Your attention is drawn to the letter from the Non-Executive Director of the Company set out in Part I of this document, which recommends that you vote in favour of all the Resolutions to be proposed at the General Meeting referred to below.

A Notice convening a General Meeting of Leo Insurance Services plc to be held at the offices of Hamlins LLP, Roxburghe House, 273/287 Regent Street, London W1B 2AD at 10.15 a.m. on 30 July 2010 (or as soon as the Annual General Meeting of the Company convened for 10.00 a.m. on the same day has been concluded) is set out at the end of this document. Shareholders will find enclosed with this document a Form of Proxy for use in connection with the GM. **To be valid at the GM, the Form of Proxy must be signed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible but in any event by not later than 10.15 a.m. on 28 July 2010.** Completion and return of the Form of Proxy does not prevent a Shareholder from attending and voting in person at the GM.

Arbuthnot Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company in connection with the Disposal and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or any matter, transaction or arrangement referred to herein. The responsibilities of Arbuthnot Securities Limited as the Company's nominated adviser and broker under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director, shareholder or any other person. Arbuthnot Securities Limited is not making any representation or warranty, express or implied, as to the contents of this document.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<u>2010</u>
Last date and time for receipt of Form of Proxy for the General Meeting	10.15 a.m. on 28 July
Annual General Meeting of the Company	10.00 a.m. on 30 July
General Meeting	10.15 a.m. on 30 July
Anticipated date of Completion and changes to the Board	30 July

All references in this document are to London times.

DEFINITIONS

Unless the context otherwise requires, the following meanings apply throughout this document and the Form of Proxy:

"Act"	the Companies Act 2006
"AGM"	the annual general meeting of the Company convened to be held at 10.00 a.m. on 30 July 2010
"AIM"	a market operated by London Stock Exchange plc
"AIM Rules"	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM
"Arbutnot Securities"	Arbutnot Securities Limited, the Company's nominated adviser and broker
"Articles"	the articles of association of the Company
"Board" or "Directors"	the board of directors of the Company
"Company" or "Leo"	Leo Insurance Services plc
"Completion"	completion of the Disposal
"Convertible Loan Notes"	£60,000 of convertible loan notes to be issued by the Company, further details of which are set out in paragraph 6 on page 8 of this document
"Disposal"	the proposed disposal of all the Company's interest in Grafton pursuant to the terms and conditions of the Disposal Agreement, further details of which are set out in this document
"Disposal Agreement"	the conditional sale and purchase agreement dated 6 July 2010 between the Company and Safeland relating to the Disposal
"Disposal Resolution"	the resolution to be proposed at the GM to approve the Disposal
"Existing Directors"	Messrs. Larry Lipman, Errol Lipman, Paul Davis and Edward Young
"Form of Proxy"	the form of proxy enclosed with this document for use by Shareholders in connection with the GM
"General Meeting" or "GM"	the general meeting of the Company, notice of which is set out at the end of this document, convened for 10.15 a.m. on 30 July 2010, and any adjournment thereof
"Grafton"	Grafton Insurance Services Limited, the Company's principal asset
"Group"	the Company and its subsidiaries as at the date of this document
"Investing Policy"	the investing policy as set out in paragraph 4 on page 7 of this document
"Notice of GM"	the notice convening the GM, which is set out at the end of this document
"Ordinary Shares" or "Shares"	ordinary shares of 1p each in the capital of the Company
"Preference Share Purchase Agreement"	the conditional sale and purchase agreement between Andrew Perloff, Stanley Davis and the Preference Shareholder dated 6 July 2010 relating to the Preference Share Purchase
"Preference Share Purchase"	the purchase of 65,000 Preference Shares pursuant to the Preference Share Purchase Agreement
"Preference Shareholder"	the holder of the Preference Shares, being Safeland
"Preference Shares"	65,000 redeemable preference shares of £1 each in the capital of the Company
"Proposed Directors"	Neil Sinclair and Stanley Davis
the "Purchasers"	Neil Sinclair, Stanley Davis, Andrew Perloff, Pamela Sinclair and London Active Management Ltd
"Resolutions"	the resolutions set out in the Notice of GM
"Safeland"	Safeland plc
"Shareholder(s)"	holder(s) of Ordinary Shares

LETTER FROM THE NON-EXECUTIVE DIRECTOR OF THE COMPANY

LEO INSURANCE SERVICES PLC

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

Directors:

Larry Lipman *Managing Director*
Errol Lipman *Executive Director*
Paul Davis *Finance Director*
Edward Young *Non-Executive Director*

Registered Office:

1A Kingsley Way
London
N2 0FW

6 July 2010

To the Shareholders and, for information only, to the Preference Shareholder and holders of options over Ordinary Shares

Dear Shareholder,

**Proposed disposal of holding in Grafton Insurance Services Limited,
adoption of Investing Policy, issue of Convertible Loan Notes,
change of name to Palace Capital plc,
and Notice of General Meeting**

1 Introduction

The Company has today entered into a conditional agreement for the disposal of its principal asset, a 50 per cent. interest in Grafton, to Safeland (a company controlled by Larry Lipman and Errol Lipman, both directors of the Company) for a consideration of £90,000. The consideration is to be settled by way of offset of the outstanding indebtedness owed by the Company to Safeland at Completion (currently totalling approximately £75,000) and the balance in cash.

The proposed Disposal constitutes a fundamental change of business by the Group pursuant to Rule 15 of the AIM Rules and is also subject to the provisions of section 190 of the Act. Accordingly, in accordance with the AIM Rules and the Act, the Company is required to send a circular to Shareholders setting out the reasons for, and principal terms of, the Disposal, and also details of the Company's proposed investing policy following Completion and to seek Shareholders' approval for the Disposal and the proposed Investing Policy. A notice convening a GM of the Company for 10.15 a.m. on 30 July 2010 to consider the Resolutions is accordingly set out at the end of this document.

The Company has been notified that, immediately following Completion which is expected to be on 30 July 2010, Leo Holdings (2008) Corporation (a company controlled by Larry Lipman and Errol Lipman, both directors of the Company) has agreed to sell in aggregate 2,157,570 Ordinary Shares (representing approximately 29.9 per cent. of the issued share capital of the Company) to Neil Sinclair, London Active Management Ltd (a company controlled by Neil and Pamela Sinclair), Stanley Davis, Pamela Sinclair (wife of Neil Sinclair) and Andrew Perloff (the ("Purchasers")) at a price of 2.25 pence per Ordinary Share. The Purchasers have agreed to acquire the Ordinary Shares as follows:

	<i>Ordinary Shares</i>	<i>Percentage of Ordinary Shares in issue</i>
Neil Sinclair	450,000	6.24%
Andrew Perloff	719,190	9.97%
Stanley Davis	719,190	9.97%
London Active Management Ltd	179,190	2.48%
Pamela Sinclair	90,000	1.25%

As a result, the shareholding of Leo Holdings (2008) Corporation will be reduced to 476,356 Ordinary Shares (representing 6.6 per cent. of the issued share capital of the Company). For the avoidance of doubt, after this sale, (i) through the shareholding of Safeland in the Company, Larry Lipman and Errol Lipman will each continue to have an interest in 511,919 Ordinary Shares (representing 7.09 per cent. of the issued share capital of the Company); (ii) Larry Lipman will continue to have a beneficial interest in 65,283 Ordinary Shares (representing 0.09 per cent. of the issued share capital of the Company); and (iii) Errol Lipman will continue to have a beneficial interest in 173,110 Ordinary Shares (representing 2.4 per cent. of the issued share capital of the Company). Paul Davis will continue to have a beneficial interest in 24,346 Ordinary Shares (representing 0.03 per cent. of the issued share capital of the Company).

In addition, Andrew Perloff and Stanley Davis have entered into an agreement with Safeland to acquire all the Preference Shares in issue for a total consideration not exceeding £15,000.

As part of these arrangements, on the date of Completion (i) Neil Sinclair and Stanley Davis (the "Proposed Directors") will be appointed as Directors of the Company; and (ii) all the Existing Directors of the Company will then resign immediately from the Board.

Details of the Disposal (which is conditional, inter alia, on Shareholder approval) and the Proposed Directors' proposals in relation to the Investing Policy and the short term financing of the Company following Completion are set out below. It is also proposed that, subject to Completion, the Company's name be changed to "Palace Capital plc" as the Proposed Directors do not consider that the current name reflects the proposed Investing Policy.

2 Background to and reasons for the Disposal

Leo was admitted to trading on AIM in March 2005, having been demerged from Safeland. Leo subsequently acquired an effective 50 per cent. interest in Grafton in December 2005. The other shares in Grafton are owned by members of the executive management team of Grafton and a third party investor.

Grafton is a brokerage specialising in property insurance whose main asset is a long term contract for the provision of property insurance services with Safeland which expires in December 2013. This long term contract was entered into in December 2005, when the initial stake was taken by the Company in Grafton.

It was intended that the Board of Leo would source a number of potential businesses that would be suitable for acquisition and to inject substantial third party business into Grafton. As Shareholders know, unfortunately, none has been completed.

Whilst Grafton itself has been profitable (the Company's share of the results of its interest in Grafton in the year ended 31 January 2010 was a post-tax profit of £34,061), the costs of running Leo as a public company (£79,051 in the same period) are in excess of the share of profits from Grafton attributable to Leo. Leo reported a consolidated loss after tax for the year ended 31 January 2010 of £50,840. The Group's net liabilities as at 31 January 2010 were £95,968, whilst the Company's interest in Grafton was carried as a non-current asset of £20,237. *Source: Leo's Annual Report for the year ended 31 January 2010.*

In order to ensure that Leo has been able to continue as a going concern, Safeland has for a number of years been supporting Leo financially. However, without the prospect of an improvement in the financial position or trading performance of Leo in the short term, Safeland is unwilling to continue that support and therefore the Existing Directors have sought alternative options.

An approach was received by the Existing Directors from the Purchasers to acquire a 29.9 per cent. stake in the ordinary share capital of the Company from existing Shareholders, subject to the Company selling its 50 per cent. interest in Grafton.

The Existing Directors commissioned a "fair market valuation" of the Company's interest in Grafton (being "the price at which such property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant fact") from an independent third party, Fisher Corporate PLC.

The Company has agreed to dispose of its effective 50 per cent. interest in Grafton (being 100 per cent of the "B" shares in Grafton) to Safeland for £90,000, which is in line with the "fair market valuation" provided to the Board. The consideration of £90,000 is to be settled by way of offset of the outstanding indebtedness

owed by the Company to Safeland at Completion (currently totalling approximately £75,000) and the balance in cash.

Assuming the Disposal is approved by the Company's shareholders, the Proposed Directors will be appointed to the Board and all the Existing Directors will step down from the Board. At the time of Completion, Safeland will also withdraw its financial support for the Company.

In addition and subject to Completion (i) Safeland has also agreed to sell to Andrew Perloff and Stanley Davis all of the Preference Shares for up to £15,000; and (ii) Messrs. Larry Lipman, Errol Lipman and Paul Davis have each agreed with the Company to waive, for nil consideration, all of the outstanding options (being in respect of 911,458 Ordinary Shares each and in aggregate outstanding unexpired options over 2,734,374 Ordinary Shares) that have been issued over Ordinary Shares in Leo.

At Completion and prior to the subscription of the Convertible Loan Notes referred to below, the Company is expected to have approximately £85,000 of net liabilities. Accordingly, following Completion, the Company will be wholly dependent on the Proposed Directors providing or procuring adequate financial support to the Group to enable it to meet its liabilities as they fall due. Shareholders' attention is therefore drawn to paragraphs 5 and 6 below.

The value of the Company's net assets has reached a level that is less than half of its called-up share capital. In such circumstances, the Directors are required under section 656 of the Act to convene a general meeting of the Company for the purpose of considering whether any, and if so what, steps should be taken to deal with the situation. This matter will be considered at the GM. The steps which are recommended by the Directors are set out below; if the steps as further described in this paragraph 2 and in paragraphs 5 and 6 of this letter are implemented, the Proposed Directors do not consider that any additional action needs to be taken to deal with this situation.

3 Proposed Directors

Details of the Proposed Directors are as follows:

Ronald Neil Sinclair, aged 67

Neil has nearly 50 years' experience in the property sector. He was a founder of Sinclair Goldsmith Chartered Surveyors which was admitted to the Official List in 1987 and subsequently merged with Conrad Ritblat in 1993, when he became Executive Deputy Chairman. Neil was appointed Non-Executive Chairman of Baker Lorenz, surveyors in 1999 and which was sold to Hercules Property Services plc in 2001. He was appointed a Non-Executive Director of Tops Estates plc, a fully listed company, in 2003 and remained so until it was sold to Land Securities plc in 2005. He was one of the founders of Mission Capital plc, which was admitted to AIM in 2005, and was Executive Chairman until February 2008. He was also featured in "Top 100 Property People in Property Week" in 2003.

He was elected Chief Barker (Chairman) for 1991 for the Variety Club Children's Charity one of the country's premier charities and is still a Trustee. He co-founded "the PROPS", one of the industry's leading events which has raised in excess of £6 million for the Variety Club's Easy Riders Wheelchair Programme. He is also a Director and a Vice President of Variety International, the Children's Charity based in Los Angeles which raises in excess of £30m per annum for sick, disabled and disadvantaged children.

Stanley Davis, aged 72

Stanley is a successful serial entrepreneur who has been involved in the City of London since 1977. His founding company was company registration agents Stanley Davis Company Services Limited which he sold in 1988. In 1990 he became Chief Executive of a small share registration company which became known as IRG plc and acquired a number of businesses including Barclays Bank Registrars and was sold for a substantial sum to The Capita Group plc. He is Chairman of Stanley Davis Group Limited specialising in company formations, property and company searches. He is also Chairman of Strategic Global Investments Limited and Tadsec Advanced Homeland Security Technologies Ltd, Israel.

Service Contracts

The Proposed Directors will not have service contracts and will not receive any fees or salary until the Company has completed an acquisition.

Board Composition

In addition, the Company has been notified that it is the intention of the Proposed Directors that in due course following Completion, a new independent non-executive director will be appointed to the Board.

4 Proposed investing policy

If the Disposal is completed, the Company will be required under AIM Rules to adopt an investing policy which must also be approved by Shareholders at the GM.

The objective will be to create shareholder value through making property related investments. The intention is to build the Company by selected acquisitions using its Ordinary Shares where appropriate to fund acquisitions. It is intended that the Company will take an active role in managing the investments by integrating them into the Group.

Initial focus by the Proposed Directors will be investment opportunities relating to car parks, outdoor advertising and billboarding and care homes. The Proposed Directors consider that car parking is a recession resistant business and that shortage of capacity in many towns is a significant issue. Therefore the Proposed Directors will initially focus on acquiring companies that manage car parks for third parties or car parks themselves or available vacant development sites which are unlikely to be built upon for some time. The Proposed Directors are aware of a number of sites which might provide car parking opportunities. The Proposed Directors believe that car parks also have considerable synergy with the billboard and outdoor advertising industries.

The proposed Investing Policy, following Completion, will be for the Company to seek to make property related acquisitions or investments which may include:

- (i) freehold or long leasehold property or asset backed businesses owning freehold or long leasehold property;
- (ii) property-related businesses which manage asset backed businesses;
- (iii) distressed properties, in partnership with others, where the Company would manage the asset(s) for a fee and participate in any potential upside;
- (iv) private property companies; and
- (v) property services businesses where the majority of the income is effectively recurring, such as property management, rating and utility brokerage.

There will be no maximum exposure limit to any single investment nor restriction on gearing or cross holdings. However, it is currently expected that, at least, the first acquisition would constitute a Reverse Takeover for the purposes of the AIM Rules which would be conditional, inter alia, on the consent of Shareholders in General Meeting and require the publication of a new Admission Document. The nature of the returns to Shareholders will be dependent on the assets acquired. After an acquisition has been made, it is expected that returns to Shareholders would be initially in the form of capital appreciation but the Proposed Directors will consider the payment of dividends if and when the Company has sufficient cash resources and retained reserves.

The Proposed Directors consider that this is an appropriate time in the property and economic cycle to implement this strategy.

As a result of the Disposal and in accordance with AIM Rule 15, the Investing Policy must be approved by Shareholders in general meeting and the Company must implement the Investing Policy within 12 months of Completion, otherwise trading in the Company's Ordinary Shares on AIM will be suspended in accordance with AIM Rule 40. If following suspension of the Ordinary Shares in accordance with AIM Rule 40, the Ordinary Shares have not been re-admitted to trading on AIM within six months, the admission of the Ordinary Shares to trading on AIM will be cancelled.

5 Financing of Company post Completion

As Shareholders are aware, the Company has been dependent on the financial support of Safeland for a number of years to enable it and the Group to continue trading. Upon completion of the Disposal and the withdrawal of Safeland's financial support for the Company, the Company is expected to have approximately £85,000 of net liabilities (including in respect of the Preference Shares) and will be wholly dependent on the Proposed Directors providing or procuring adequate financial support to the Company to enable it to meet its liabilities as and when they fall due.

Andrew Perloff and Stanley Davis, who have entered into an agreement to purchase the Preference Shares, have therefore given an irrevocable undertaking to the Company that the Preference Shares will only be redeemed if the Company has sufficient distributable reserves to effect the redemption and the Directors of the Company unanimously decide that there is adequate cash resources within the Company to enable the Company and the Group to meet their liabilities as they fall due for at least 12 months from the date of any such redemption.

The Company has also agreed, conditional on the appointment of the Proposed Directors to the Board, to issue the Convertible Loan Notes which will be subscribed for by the Purchasers (as described in more detail in paragraph 6 below). The issue of the Convertible Loan Notes will provide a further injection of £60,000 into the Company which will be used to pay for professional costs incurred in connection with the Disposal and to fund working capital in the short term.

The Proposed Directors believe that the funds immediately available to the Group, which the Proposed Directors expect to be approximately £75,000 after Completion and subscription of the Convertible Loan Notes, will only be sufficient to cover the costs of the Company and the Group for six months and Shareholders should therefore note that the Company will be dependent on raising an alternative source of funding within that time period, probably through a placing, in order to enable the Company to continue as a going concern and to redeem the Preference Shares.

Implementation of the Investing Policy by the Proposed directors is therefore wholly dependent on the Company raising further capital or using its Ordinary Shares to fund acquisitions.

6 Convertible Loan Notes

The Company has agreed to issue £60,000 of Convertible Loan Notes for which the Purchasers have undertaken to subscribe, conditional upon, *inter alia*, the passing of the Resolutions, the completion of the Disposal and the appointment of the Proposed Directors to the Board.

Unless converted into Ordinary Shares, the Convertible Loan Notes are required to be repaid in cash on or before 31 July 2012. No coupon will be payable on the outstanding Convertible Loan Notes.

The Convertible Loan Notes are convertible on or before 31 July 2012 at 2.25 pence per Ordinary Share. Assuming full conversion of the Convertible Loan Notes, 2,666,667 Ordinary Shares would be issued (equating to 27.0 per cent. of the current issued Ordinary Shares as enlarged by the Ordinary Shares to be issued on such conversion).

The following have agreed to subscribe for Convertible Loan Notes, which would if converted, require the issue to them of the following Ordinary Shares:

	<i>Convertible Loan Notes</i>	<i>Ordinary Shares required to be issued upon conversion</i>
Neil Sinclair	£2,000	88,889
Andrew Perloff	£24,500	1,088,889
Stanley Davis	£31,500	1,400,000
London Active Management Ltd	£2,000	88,889

No waiver of any obligation to each, or any, of the Purchasers to make a mandatory offer to Shareholders under Rule 9 of the City Code on conversion of the Convertible Loan Notes has been sought.

7 General Meeting

Set out at the end of this document is a notice convening the GM of the Company for 10.15 a.m. on 30 July 2010 to be held at the offices of Hamblins LLP, Roxburghe House, 273/287 Regent Street, London W1B 2AD.

As set out in paragraph 2 above, Shareholders will be able to consider, in accordance section 656 of the Act, at the GM whether any, and if so what, steps should be taken to deal with the reduction in net assets.

The following resolutions will be proposed at the GM:

- Resolution 1 is an ordinary resolution to authorise the Directors to sell the Company's interest in Grafton. The Disposal constitutes a transaction by the Company resulting in a fundamental change of business for the purpose of Rule 15 of the AIM Rules and a substantial property transaction for the purposes of section 190 of the Act, and accordingly the completion of the Disposal and the adoption of the proposed Investing Policy require the approval of Shareholders in a general meeting;
- Resolution 2 is an ordinary resolution to authorise the Directors to approve and implement the Investing Policy;
- Resolution 3 is an ordinary resolution to authorise the Directors under section 551 of the Act to issue Ordinary Shares. With respect to the Convertible Loan Notes, the Act requires that the authority of Directors to allot relevant securities should be subject to the approval of Shareholders in general meeting or to an authority set out in the Company's Articles of Association. Resolution 3 will be proposed at the General Meeting as an ordinary resolution to authorise the Directors to issue the Convertible Loan Notes up to a total nominal value of £60,000 representing 2,666,667 new Ordinary Shares on conversion. This authority will expire 15 months after the passing of the Resolution;
- Resolution 4 is a special resolution conditional upon the completion of the Disposal to change the name of the Company to "Palace Capital plc"; and
- Resolution 5 is a special resolution to disapply statutory pre-emption rights under section 571 of the Act in respect of the issue of the Convertible Loan Notes which are convertible into Ordinary Shares. The Act requires that any equity securities issued wholly for cash must be offered to existing Shareholders in proportion to their existing holdings unless otherwise approved by Shareholders in general meeting or accepted under the Company's Articles of Association. Accordingly, a special resolution will be proposed at the GM to vary the Directors' authority to issue Convertible Loan Notes for cash other than on a pro-rata basis. This authority will expire 15 months after the passing of the Resolution.

8 Action to be taken

A Form of Proxy is enclosed for use at the GM. **Whether or not you intend to be present at the meeting you are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed thereon to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible but in any event so as to arrive not later than 10.15 a.m. on 28 July 2010.** The completion and return of the Form of Proxy will not preclude Shareholders from attending the GM and voting in person should you subsequently wish to do so.

9 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 Arbutnot Securities at Arbutnot House, 20 Ropemaker Street, London EC2Y 9AR 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.leoinsurance.co.uk.

10 Related party transactions

As the Existing Directors are all directors of Safeland and themselves comprise a majority of the directors of Safeland, (i) the Disposal is deemed a related party transaction pursuant to Rule 13 of the AIM Rules; and (ii) all of the Existing Directors are considered to be involved in the Disposal as a related party for the purposes of Rule 13 of the AIM Rules.

Accordingly Arbutnot Securities, in its role as nominated adviser to the Company, has confirmed to the Board of the Company that it considers that the terms of the Disposal are fair and reasonable insofar as Shareholders are concerned.

Recommendation

The Directors consider that the Disposal and, subject to Completion, the adoption of the proposed Investing Policy, the issue of the Convertible Loan Notes and proposed change of name are in the best interests of the Company and its Shareholders as a whole, and therefore unanimously recommend that Shareholders vote in favour of all the Resolutions to be proposed at the GM as they intend to do in respect of their beneficial holdings, which in aggregate amount to 262,739 Ordinary Shares, representing approximately 3.65 per cent. of the Company's issued share capital.

Yours sincerely

Edward Young
Non-executive Director

NOTICE OF GENERAL MEETING

LEO INSURANCE SERVICES PLC

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

NOTICE IS HEREBY GIVEN that a general meeting of the above named company (the "**Company**") will be held at the offices of Hamlins LLP, Roxburghe House, 273/287 Regent Street, London W1B 2AD on 30 July 2010 at 10.15 a.m. (or as soon as the Annual General Meeting of the Company convened for 10.00 a.m. on the same day has been concluded) for the purposes of considering the matter described below under the heading Section 656, Companies Act 2006 and considering and, if thought fit, passing the following resolutions, which will be proposed as indicated:

Section 656, Companies Act 2006

Whether any and if so what steps should be taken to deal with the fact that the Company's net assets are less than half of the called up share capital.

Ordinary Resolutions

1. THAT the conditional sale agreement between the Company and Safeland plc for the sale of the Company's interest in Grafton Insurance Services Limited as summarised in the circular to shareholders dated 6 July 2010 (the "**Circular**") be and they are hereby approved and the directors of the Company be empowered to carry the same into effect.
2. THAT, conditional upon the passing of the resolution numbered 1 above, the Investing Policy set out in the Circular be and it is hereby approved and the directors of the Company be empowered to carry the same into effect.
3. THAT the Directors be generally and unconditionally authorised to allot Relevant Securities (as defined in section 551, Companies Act 2006 in respect of the issue of the Convertible Loan Notes (as such term is defined in the Circular), provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date which is 15 months after the date of this resolution save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Special Resolutions

4. THAT, conditional upon completion of the sale of the Company's interest in Grafton Insurance Services Limited above, the name of the Company be changed to Palace Capital plc.
5. THAT the Directors be given the general power to allot equity securities (as defined by Section 560 of the Companies Act 2006) for cash, either pursuant to the authority conferred by resolution 3 or by way of a sale of treasury shares, as if section 561(1) of the Companies Act 2006 did not apply to such allotment, provided that this power shall be limited to the issue of the Convertible Loan Notes.

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

By Order of the Board

Paul Malcolm Davis
Company Secretary

6 July 2010

Registered office:

1A Kingsley Way
London
N2 0FW

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general Meeting of the Company ("Meeting"). You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy need not be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy are set out below and in the notes to the proxy form.
3. To be valid, a form of proxy and the power of attorney or other written authority, if any, under which it is signed, or an office or notarially certified copy in accordance with the Powers of Attorney Act 1971 of such power and written authority must be delivered to the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU ("Registrars"), no later than 10.15 am on 28 July 2010 (or 48 hours before the time fixed for any adjourned Meeting or in the case of a poll 48 hours before the time appointed for taking the poll at which the proxy is to attend, speak and to vote provided that in calculating such periods no account shall be taken of any part of a day that is not a working day).
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered on the Company's register of members at 10.15 am on 28 July 2010 (or in the case of adjournment forty-eight hours before the time of the adjourned meeting) will be entitled to attend and vote at the meeting. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy complete and submit more than one proxy form and make it clear how many shares the proxy has voting rights over. Failure to specify the number of shares each proxy appointment relates to or specifying a number of shares in excess of those held by the member on the record date will result in the proxy appointment being invalid.
6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

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

- completed and signed;
 - sent or delivered to the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
 - received by the Registrars no later than 10.15 am on 28 July 2010.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
 8. Use of the proxy form does not preclude a member attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.
 9. 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) of the meeting by using the procedures described in the CREST Manual. 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.
 10. 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 & Ireland Limited's 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 Company's agent (RA10) no later than 48 hours before the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company'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.
 11. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
 12. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Registrars, in the case of a member which is a company, the revocation notice must be executed in accordance with note 13 below. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Registrars not less than 48 hours before the time fixed for the holding of the Meeting or any adjourned Meeting (or in the case of a poll before the time appointed for taking the poll) at which the proxy is to attend, speak and to vote provided that in calculating such periods no account shall be taken of any part of a day that is not a working day. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
 13. A corporation's form of proxy must be executed pursuant to the terms of section 44 of the Companies Act 2006 or under the hand of a duly authorised officer or attorney.
 14. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.