Palace Capital plc
("Palace Capital" or the "Company")

Proposed Acquisition, Placing of New Ordinary Shares, publication of Admission Document and Notice of General Meeting

The Board of Palace Capital is pleased to announce the proposed acquisition of the Sequel Portfolio from Quintain Estates & Development PLC (the "Acquisition") and the £23.5 million placing of new ordinary shares (the "Placing").

Highlights

- The Sequel Portfolio consists of 24 mixed use commercial properties in England and Wales.
- Total consideration of £39.25 million[1] being financed by the placing of New Ordinary Shares to raise £23.5 million (before expenses) and a £20.0 million debt facility from Nationwide.
- The Directors and Proposed Director are committing to subscribe for, in aggregate, circa £3 million of Placing Shares in the Placing.
- Current net rent receivable from the Sequel Portfolio is circa £5.2 million, which based on the consideration payable, equates to a yield of approximately 13.2 per cent.
- The individual properties in Sequel Portfolio have been valued by Cushman & Wakefield at an aggregate sum of £44.2 million and at £39.7 million on a portfolio basis.
- The Acquisition constitutes a reverse takeover under the AIM Rules and is conditional upon, inter alia, approval from Shareholders. An admission document containing details of the Acquisition, the Placing, certain other proposals and a notice of General Meeting (the "Admission Document") will be posted to Palace Capital Shareholders today and available to view on the Company's website www.palacecapitalplc.com shortly.
- Management team strengthened with the proposed appointment of Richard Starr as Executive Director.

Neil Sinclair, CEO of Palace Capital, commented *"We are delighted with the support that we have received from both new and existing Shareholders. This portfolio gives us an excellent platform to deliver substantial returns for Shareholders. The team has plans for how we intend to manage all the properties in the portfolio, from which we expect to derive significant value. This marks a major step for Palace Capital, which we plan to be the first of a series. I believe we can grow the scale of the Company significantly and I am very optimistic about the future."*

[1] subject to adjustment in accordance with the Acquisition Agreement

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Expected timetable of principal events

Admission Document published	2 October 2013
Latest time and date for receipt of completed Forms of Proxy	10.00 a.m. on 16 October 2013
General Meeting	10.00 a.m. on 18 October 2013
Reorganisation Record Date	5.30 p.m. on 18 October 2013
Completion of the Acquisition	21 October 2013
Admission of Enlarged Share Capital to AIM	8.00 a.m. on 21 October 2013
CREST accounts credited with Placing Shares	21 October 2013
Certificates for Consolidated Ordinary Shares and New Ordinary Shares despatched (where applicable)	by week commencing 28 October 2013

Extracts from the Admission Document, providing details of the proposed Acquisition are set out below. The same definitions apply throughout this announcement as are applied in the Admission Document.

INTRODUCTION

The Board of Palace Capital announces today that the Company has conditionally agreed to acquire Quintain Signal Member A, the 98.5 per cent. owner of the Sequel Portfolio, a portfolio of 24 mixed use commercial property assets in England and Wales (including the Gelderd Point Acquisition), for an aggregate consideration of £39.05 million (subject to adjustment in accordance with the Acquisition Agreement) from Quintain Estates and Development plc ("Quintain"). Palace Capital has also separately agreed with the shareholders of Buckingham, the entity that owns the remaining 1.5 per cent. of the Sequel Portfolio, to conditionally acquire that interest in the Sequel Portfolio for £200,000. Following the completion of the Acquisition Agreements, which are conditional on, *inter alia*, Admission, the Company will own 100 per cent. of the Sequel Portfolio for a total consideration of £39.25 million.

Based upon information supplied by Quintain, the current net rent receivable from the Sequel Portfolio is circa £5.2 million. Based upon the consideration of £39.25 million, this equates to a yield of approximately 13.2 per cent. As described within the Admission Document, the individual properties in Sequel Portfolio have been valued by Cushman & Wakefield at an aggregate sum of £44.2 million and at £39.7 million on a portfolio basis.

The cash required for the Acquisition is to be financed by the Placing and also an amendment to an existing facility with Nationwide, resulting in £20 million of debt finance for the Target Group, further details of which are set out below. Further details of the Acquisition Agreements are set out within the Admission Document. Detailed information on the Sequel Portfolio and a valuation of the portfolio is included in the Admission Document.

The Company is proposing to raise up to £23.5 million (approximately £21.4 million net of expenses) by the issue of 11,750,000 new Ordinary Shares through the Placing at 200p per Placing Share. The Placing Shares will represent approximately 94.4 per cent. of the Enlarged Share Capital. As part of the Proposals, the Board intends to consolidate the Company's Existing Ordinary Shares. The basis of this consolidation and reorganisation is that the Existing Ordinary Shares (31,593,733) will be replaced by 315,937 Ordinary Shares before the issue of the New Ordinary Shares. As at 30 August 2013, the Business Day before the Existing Ordinary Shares were suspended from trading on AIM, the closing mid-market price of an Existing Ordinary Share was 2.125p (equivalent to 212.5p post the Reorganisation). At the Placing Price, the Enlarged Group will be valued at approximately £24.9 million on Admission.

The Company has arranged £20.0 million of secured debt financing for a period of three years through the amendment and restatement of the existing bank facility between Nationwide and Signal Property Investments LLP. Further details of the Facility are set out in the Admission Document.

In view of the size of the Acquisition relative to the Company, it will constitute a reverse takeover of Palace Capital under the AIM Rules for Companies and therefore requires the prior approval of Shareholders which is being sought at the General Meeting, notice of which is set out at the end of the Admission Document. Application will be made for the Consolidated Ordinary Shares to be re-admitted and the New Ordinary Shares to be admitted to trading on AIM, subject to the passing of the Resolutions. Admission is expected to take place on 21 October 2013.

BACKGROUND TO, AND REASONS FOR, THE ACQUISITION

On 4 October 2011, the Company completed the acquisition of Hockenhull Estates via a reverse takeover on AIM. Following this acquisition, the Company's portfolio consisted of nine freehold commercial properties all of which are located in Crewe and Nantwich, Cheshire. As at 31 January 2013, this portfolio was valued in the Group's balance sheet at £2.015 million, with net rental receivable of approximately £200,000 per annum. Following completion of the acquisition of the Hockenhull portfolio, it has remained the Company's intention to focus on the UK secondary property market outside of London, both through its current investment portfolio and by continuing to pursue additional acquisition opportunities in the UK real estate sector.

The Directors believe that the disparity between the yields on prime London property compared to regional and secondary property offers good opportunities for investors. The Directors believe that, together with evidence of improving economic data from the UK economy in general, this supports their view that this is an opportune time to buy such property. The Board also believes that there is scope to acquire property-holding companies rather than the property assets themselves, thus creating a saving in stamp duty land tax. In addition, by acquiring companies that may have existing debt, there may be opportunities for the Company to re-finance transactions with incumbent lenders, as is being demonstrated by the entry into the Facility with Nationwide in order to part finance the Acquisition.

The businesses and properties that the Board has targeted exhibit some or all of the following characteristics:

- good cash flow;
- opportunities to increase rental income through more active property management;
- located outside of London; and

- properties that are preferably freehold or long leasehold.

Since the acquisition of Hockenhull Estates, the Directors have continued to seek a significant high yielding commercial property portfolio in order to grow the size of the Company. The Board has looked at a number of opportunities, but, in its view, most of them did not provide a sufficient return which it could recommend to Shareholders. The Directors believe that the sentiment towards secondary high yielding commercial property, in general, in recent months has become more positive, as demonstrated by a number of recent deals in the sector. Against that background, the Directors are pleased to announce the proposed acquisition of Quintain Signal Member A, as they believe that the Sequel Portfolio fits neatly into the Board's investment criteria, it is being purchased at a reasonable price and that there is significant potential for the creation of additional shareholder value.

STRATEGY FOR THE ENLARGED GROUP

The Board intends initially to focus the resources of the Enlarged Group on improving the returns from the Sequel Portfolio and Hockenhull Estates and will continue to pursue additional acquisition opportunities within the UK real estate sector. Further, the Board believes that the Company has the expertise to manage portfolios owned or controlled by other parties. Following the Acquisition, part of the Company's strategy will include seeking and evaluating such opportunities which would be based on a fee plus participation in any increase in value created by the Company.

The Company's management have spent considerable time meeting owners and agents, particularly outside London, and this resulted initially in the acquisition of Cheshire based Hockenhull Estates. A number of leases in this investment have been extended, vacant property let and rents increased, thereby achieving a greater return from this acquisition. As sentiment improves and demand from investors increases the Directors believe that there is further growth still to come from this portfolio.

The Board believes that the Sequel Portfolio needs to increase rental income by active management of the portfolio. By filling voids this will increase rents and reduce irrecoverable expenditure such as empty rates and service charge/insurance premium shortfall. The Directors also believe that there are certain opportunities to secure planning permission where there is development potential.

The Enlarged Group will, where appropriate, dispose of a selected number of properties within the Sequel Portfolio where there are significant outgoings such as empty rates, service charge and insurance premium shortfall.

PRINCIPAL TERMS OF THE ACQUISITION AGREEMENTS

The Company has today entered into the Acquisition Agreement to acquire Quintain Signal Member A (the 98.5 per cent. owner of the Sequel Portfolio) and the Gelderd Point Agreement, subject to Admission and certain other conditions. The aggregate consideration payable is £39.05 million (subject to adjustment in accordance with the terms of the Acquisition Agreement), of which £750,000 is to be paid under the Gelderd Point Agreement. The remainder is to be satisfied by the payment of £1 by the Company to the Vendor with a payment in respect of the excess of the net asset value of Quintain Signal Member A which will be calculated based on the balance sheet of Quintain Signal Member A as at the date of completion of the Acquisition. In addition, the Company has agreed to repay, or procure repayment of all of the indebtedness owed by Signal Property Investments LLP to the Lender through a loan to be made by the Company to Signal Property Investments LLP (which will be funded out of the proceeds of the Placing) other than the balance of £20 million which will remain outstanding under the terms of the Facility.

Further, pursuant to the Acquisition, the Vendor has agreed to subscribe £550,000 for the Subscription Shares at the Placing Price and that it will not trade in the Subscription Shares for a period of twelve months following Admission. The Vendor has also agreed to waive the outstanding intra-group indebtedness owed to it by members of the Target Group immediately prior to completion of the Acquisition, to the extent possible to result in Quintain Signal Member A achieving a target net asset value on completion of the Acquisition.

The Company has also agreed to make the Buckingham Acquisition. The consideration for the Buckingham Acquisition is £200,000 in cash. In addition, Buckingham has agreed to subscribe for the Buckingham Shares and to assign to the Company the benefit of approximately £220,000 of indebtedness owed to it by Signal Property Investments LLP. Buckingham has agreed that it will not trade in the Buckingham Shares for a period of twelve months following Admission.

Completion of the Acquisition is conditional, *inter alia*, on (i) the passing of the Resolutions, and (ii) Admission. Further details of the Acquisition Agreements are set out in the Admission Document.

DETAILS OF THE PLACING

The Company is raising £23.5 million (approximately £21.4 million net of expenses) by the conditional placing of 11,750,000 new Ordinary Shares pursuant to the Placing at the Placing Price. The Placing Shares will represent approximately 94.4 per cent. of the Enlarged Share Capital on Admission.

The Placing, which is not underwritten or guaranteed, is conditional, *inter alia*, upon the passing of the Resolutions and Admission. Further details of the Placing Agreement are set out in the Admission Document.

Stanley Davis, Neil Sinclair and Anthony Dove, being the Directors, have agreed to subscribe for £2,602,500, £250,000 and £80,000 of Placing Shares in the Placing at 200 pence per share respectively. In addition, Richard Starr, Proposed Director, has agreed to subscribe for £100,000 of Placing Shares in the Placing at the Placing Price.

The subscriptions for Placing Shares by the Directors and the Proposed Director detailed above are considered to be related party transactions under the AIM Rules. Allenby Capital, the Company's nominated adviser, considers that the subscriptions for Placing Shares by the Directors and the Proposed Director are fair and reasonable insofar as Shareholders are concerned.

Immediately following Admission, the Board (including the Proposed Director) and their immediate families are expected to hold in aggregate approximately 1,649,411 Ordinary Shares amounting to approximately 13.3 per cent. of the Enlarged Share Capital.

The Directors had considered whether the Company would be able to extend the ability to subscribe for the Placing Shares to all existing Shareholders but, having discussed this with its professional advisers, decided that the expense of doing so could not be justified and would not be in the best interests of the Company.

As a consequence of the Acquisition constituting a reverse takeover, the Company is required to apply for re-admission to AIM as the Enlarged Group. Therefore, application will be made for the Consolidated Ordinary Shares to be re-admitted and the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on AIM at 8.00 a.m. on 21 October 2013. The New Ordinary Shares will rank *pari passu* including all rights to receive dividends made, paid or declared hereafter in all respects with the Consolidated Ordinary Shares.

SUMMARY DETAILS OF THE FACILITY

In order to part finance the Acquisition, the Company has agreed that Signal Property Investments LLP will amend and restate its current loan facility with Nationwide Building Society and reduce the level of indebtedness to £20 million on the terms of the Facility.

The Facility is a three year £20 million term loan facility under which Signal Property Investments LLP agrees to pay interest at a rate of 3.75 per cent. over 3 month LIBOR (which is currently

0.5 per cent.) plus Nationwide's cost of compliance with the Bank of England or FCA requirements (which is likely to be circa 0.0101 per cent. but is subject to change in line with FCA requirements). Therefore, based on current rates of interest, the current aggregate rate of interest payable under the Facility is approximately 4.26 per cent.

The Facility provides for interest only payments to be made on a quarterly basis. A final capital payment is to be made by Signal Property Investments LLP at the end of the three year period from the date of drawdown or on a refinancing of the Facility or a disposal of the Sequel Portfolio, whichever is the sooner.

If a disposal of a property is made during the term of the Facility, Signal Property Investments LLP is required to prepay part of the Facility. The amount to be prepaid is 100 per cent. of the sale proceeds if the total loan to aggregate market value ratio (the ''ratio'') is 45 per cent. or more immediately prior to such disposal, 75 per cent. of the sale proceeds if the ratio is less than 45 per cent. but more than 40 per cent. and to prepay 50 per cent. of the sale proceeds if the ratio is less than 40 per cent.

Signal Property Investments LLP is also required to operate a number of bank accounts with Nationwide. One such account is a Deposit Account into which £1,000,000 is to be placed and held until such time, but within 12 months of drawdown, as the loan to value of the Sequel Portfolio is 45 per cent. or less, as a result of property sales.

The Facility also provides for certain covenants to be tested quarterly and to prevail during the term of the Facility. These relate to (i) loan to value (to not exceed 55 per cent.) and (ii) interest cover (to be not less than 200 per cent.).

Further details of the Facility are set out within the Admission Document.

INFORMATION ON THE COMPANY

The Company was originally admitted to trading on AIM in March 2005 under its former name Libra Retail plc.

On 6 July 2010, 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 (collectively the ''Purchasers'') entered into a conditional agreement to acquire a 29.9 per cent. stake in the ordinary share capital of the Company from existing shareholders. Subsequently, on 30 July 2010, Neil Sinclair and Stanley Davis were appointed as directors of the Company and the then existing directors of the Company resigned immediately from the board.

On 4 October 2011, the Company completed the acquisition of Hockenhull Estates for a consideration of approximately £1.82 million, funded via a £1.2m loan from Close Property Finance, a mezzanine loan from Stanley Davis and a placing of Ordinary Shares. The acquisition constituted a reverse takeover and resulted in the successful implementation of the Company's investment strategy in accordance with Rule 15 of the AIM Rules for Companies.

Following the acquisition of Hockenhull Estates, the Company owned the freehold interest in nine commercial properties located in Crewe and Nantwich, Cheshire, which are let under fourteen individual leases. The Company's property portfolio had an aggregate value as at 31 January 2013 of £2.015 million.

INFORMATION ON THE SEQUEL PORTFOLIO

The Sequel Portfolio (including Gelderd Point) comprises 24 properties, all of which other than Gelderd Point are income producing. The Directors have been informed that there has not been any significant change with regard to the tenants in the Sequel Portfolio since 31 March 2013 save for Plot 24, Blackwater Way, Aldershot which has recently been let and is referred to below. The income and irrecoverable expenditure position for the year end 31 March 2013 and the Directors' current pro forma estimate is as follows:

	Directors Estimate Pro forma £'000	Year Ended 31 March 2013 £'000
Gross Rental and Other Income	6,450	6,769
Irrecoverable Expenses	(1,250)	(1,728)
Net Rental Income	5,200	5,040

The Sequel Portfolio (including the property at Gelderd Road, Leeds) has, under its ownership by Quintain, been managed using agents and it is anticipated that this will continue in the near term following Completion. The high level of irrecoverable costs includes void rates, uncollected insurance and service charges and it is in this area the Company will focus initially. Since the date of the last accounts, a new lease has been entered into at Blackwater Way, Aldershot for £181,475 per annum.

Valuation

As set out in the Admission Document, a valuation of the Sequel Portfolio has been carried out by Cushman & Wakefield which ascribes an aggregate value of £44.2 million.

As is standard practice, Cushman & Wakefield have valued each property within the portfolio as a stand-alone asset on the basis of market value. The reported market value of £44.2 million in the Valuation Report is an aggregate of the individual valuations. In the event of a transaction involving the acquisition or sale of the entire portfolio, given the nature of some of the assets within the portfolio, a discount would be expected from the sum of the parts valuation of circa 10 per cent., giving a value of £39.7 million.

Further details on the properties in the Sequel Portfolio are set out in the Valuation Report, included in the Admission Document.

PROPOSED DIRECTOR AND NON-EXECUTIVE DIRECTOR

It is proposed that Richard Starr, aged 39, will join the Board on Admission and will work with Neil Sinclair, Managing Director, in managing the properties in the group and looking for new opportunities.

Richard obtained a degree in Surveying and Valuation Development before qualifying as a Chartered Surveyor and becoming a member of the RICS in 2000. He has worked as a senior team member of three established Central London firms of commercial property surveyors including Millar Kitching and CBGA and in the Corporate Real Estate division of what is now CBRE Global Investors, before setting up his own property consultancy in 2011. He has extensive experience of sourcing commercial investments throughout the UK.

Richard Starr is a director of Acorn2Oak Property Advisors Ltd and has not been a director or partner of any other company or partnership within the last five years. There are no other disclosures required to be made in respect of him pursuant to of Schedule 2, paragraph (g) of the AIM Rules for Companies.

It is the Board's intention to appoint a fully independent non-executive director, preferably with financial and quoted company experience, in the near term following Admission. This will bring the number of independent Non-executive Directors to two, which is considered appropriate for a company of this size.

CURRENT TRADING AND PROSPECTS

Your attention is drawn to the interim results for the six months ended 31 July 2013 which have been released today.

Palace Capital

Since 01 August 2013 the nine properties in Hockenhull Estates have remained fully let and income producing. These properties, which were bought in October 2011, are in the county of Cheshire which the Directors consider to be one of the more prosperous areas in the North of England. The Directors have confidence in the positive outlook for Hockenhull Estates and believe there are opportunities for further growth in value and income which could be generated from these properties.

Sequel Portfolio

Since 01 April 2013, considerable effort has been made to effect lettings of the vacant space in the Sequel Portfolio. This is important as not only does it increase portfolio revenue but it also reduces the irrecoverable expenditure such as empty rates, service charge and insurance shortfall.

In June 2013, a letting was concluded of Plot 24, Blackwater Way Aldershot, a 26,000 sq. ft. industrial property, to BHW Automotive Ltd, which signed a new lease for a term of ten years with a right to break after five years at an initial rental of £181,475 per annum, with a rent free period until March 2014.

Following completion of the Acquisition, it is the Directors' intention to continue to reduce the void space in order to increase income and reduce irrecoverable expenditure.

The Directors believe that the acquisition of the Sequel Portfolio for £39.25 million represents an attractive proposition for investors. The current net yield at the acquisition cost will be in excess of 13% and although central overheads and management fees are likely to increase costs by £625,000, the net income generated will be significant and allow the commencement of dividend payments. The management team expect to focus on those properties with voids or short- term renewals to maximise income and, as importantly, reduce the level of void or 'empty rates'. Some properties will be disposed of, where advantageous prices can be achieved and in other cases the development potential will be explored. Over the next three years the Directors expect to reduce the level of borrowings significantly so that the residual portfolio can be refinanced on improved terms, depending on progress on any further acquisitions made in the period.

ACCOUNTING YEAR END

It is intended, following completion of the Acquisition, to change the Company's year end to 31 March in order to align it with the current year end of Quintain Signal Member A, the owner of the majority of the Sequel Portfolio, which will constitute the vast majority of the Enlarged Group's assets and revenue immediately following completion of the Acquisition. Therefore the Directors expect that the next results to be announced will be in respect of the 14 month period ending 31 March 2014 which the Board expects will be announced by 30 June 2014.

DIVIDEND POLICY

It is the Directors' intention to commence the payments of dividends following completion of the Acquisition given the returns that are anticipated. Although it will only be part of the Group for a short period in the current financial year, the Directors would expect in its first full financial year, to pay a dividend of approximately 12 pence per Ordinary Share which represents a yield of 6 per cent. at the Placing Price.

It is intended that a first dividend of 4 pence per Ordinary Share will be paid in respect of the period from completion of the Acquisition to 31 March 2014, reflecting the period of ownership. This dividend is expected to be paid in July 2014. Thereafter, dividends are expected to be paid in equal proportions in December (in respect of interim dividends) and July (in respect of final dividends). The Board expects to pursue a progressive dividend policy over time, driven primarily by enhancements made to the returns from the Sequel Portfolio and any future material acquisitions.

REORGANISATION

It is proposed, in order to increase the Company's share price to a level that is more attractive to investors, to undertake the Reorganisation. Pursuant to the Reorganisation and upon the Reorganisation Record Date, each 100 of the Existing Ordinary Shares are to be consolidated and divided into 1 Ordinary Share of 10 pence and 1 Deferred Share of 90 pence having the rights and being subject to the respective restrictions set out in the New Articles which, it is proposed, will be adopted pursuant to the Resolutions. The Deferred Shares will carry negligible value and will not be admitted to trading. Fractional entitlements to Consolidated Ordinary Shares will not be issued but will be consolidated and sold for the benefit of the Company.

The Resolution to carry out the Reorganisation is to be put to Shareholders at the General Meeting convened by the notice at the end of this document.

Following the Reorganisation, share certificates in respect of Existing Ordinary Shares will no longer be valid. New share certificates for Ordinary Shares will be issued following the Reorganisation representing the Consolidated Ordinary Shares and any other New Ordinary Shares issued pursuant to the Placing, the Subscription and Buckingham Subscription, or in the case of uncertificated holders, Euroclear will be instructed to credit CREST participants' accounts with New Ordinary Shares. No certificates will be issued in respect of the Deferred Shares.

In respect of the 2010 Convertible Loan Notes, the 2011 Convertible Loan Notes and the Share Options, the respective conversion, exercise and/or subscription rights will adjusted accordingly.

GENERAL MEETING

A notice convening a general meeting of the Company, to be held at 10.00 a.m. on 18 October 2013 at Hamlins LLP, Roxburghe House, 273/287 Regent Street, London W1B 2AD, is set out at the end of the Admission Document. At that meeting a resolution will be proposed in order to obtain Shareholder approval for the Acquisition. In addition, resolutions will be proposed at the General Meeting granting powers of allotment and disapplying of pre-emption rights in respect of the Placing.

IRREVOCABLE UNDERTAKINGS

The Company has received irrevocable undertakings from the Directors and Barrie Tankel, Nigel Lindsay-Fynn, Andrew Perloff and Harold Perloff to vote in favour of the Resolutions in respect of, in aggregate, 22,729,792 Existing Ordinary Shares representing approximately 71.9 per cent. of the Existing Ordinary Shares. Further details of these irrevocable undertakings are set out in the Admission Document.