
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK YOUR OWN INDEPENDENT FINANCIAL ADVICE FROM A STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER FINANCIAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKET ACT 2000.

PALACE CAPITAL PLC
NOTICE OF ANNUAL GENERAL MEETING 2019
PROPOSAL TO CONVERT TO A REAL ESTATE INVESTMENT TRUST AND PROPOSAL
TO AMEND PALACE CAPITAL PLC'S ARTICLES OF ASSOCIATION
FOR THE PURPOSE OF THE PROPOSED CONVERSION

12 July 2019 at 10.00 a.m. at the offices of
Hamlins LLP,
Roxburghe House,
273–287 Regent Street,
London W1B 2AD

If you have sold or otherwise transferred all of your ordinary shares in Palace Capital plc please send this Notice of Annual General Meeting, together with the accompanying documents, 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 delivery to the purchaser or transferee.

Your attention is drawn to the letter from the Chairman of Palace Capital plc which is set out in Part 1 of this Circular and which contains the Directors' recommendation to you to vote in favour of the Resolutions to be proposed at the Annual General Meeting.

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DEFINITIONS

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

Act	the Companies Act 2006 (as amended);
Annual General Meeting or AGM	the annual general meeting being convened by the Notice (or any adjournment of it);
Annual Remuneration Report	the Directors' remuneration report required to be prepared in accordance with s420 of the Act;
Annual Report	the Company's annual report and financial statements for the year ended 31 March 2019;
Articles of Association	the articles of association of the Company in place on the date of this document;
Audit Committee	the audit committee of the Board;
Business Day	a day (other than a Saturday, Sunday or public holiday) on which pounds sterling deposits may be dealt in on the London inter-bank market and on which commercial banks are open for general business in London;
Company	Palace Capital plc;
CREST	the UK paperless share settlement system of which CRESTCo Limited is the Operator (as defined in the Uncertificated Securities Regulations 2001);
CREST Manual	the manual, as amended from time to time, produced by Euroclear UK & Ireland Limited describing the CREST system and supplied by Euroclear UK & Ireland Limited to users and participants thereof;
CREST member	a person who has been admitted by Euroclear UK & Ireland Limited as a system member (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755));
CREST Proxy Instruction	an instruction whereby CREST members send a CREST message appointing a proxy for a meeting and instructing the proxy on how to vote;
CTA 2009	the UK Corporation Tax Act 2009, as amended from time to time;
CTA 2010	the UK Corporation Tax Act 2010, as amended from time to time;
Directors or the Board	the directors of the Company whose names are set out on page 5 of this Circular;
Distribution	any dividend or other distribution by the Company ("distribution" being construed in accordance with Part 23 of CTA 2010);
Excess Charge	means, in relation to a distribution which is paid or payable to a person, all tax or other amounts which the Directors consider are or may become payable by the Company or any other member of the Group under section 551 CTA 2010 (as such section may be modified, supplemented or replaced from time to time) and any interest, penalties, fines or surcharge attributable or relating to such tax as a result of such distribution being paid to or in respect of that person;
Excessive Shareholder	a company or body corporate that is beneficially entitled, directly or indirectly, to 10 per cent. or more of the Distributions paid by the Company and/or share capital of the Company, or which controls, directly or indirectly, 10 per cent. or more of the voting rights of the Company (referred to in section 553 of CTA 2010 as a "holder of excessive rights");
Excessive Shareholding	an Excessive Shareholder's shareholding;
FA 2006	the Finance Act 2006;
Group	the Company, its wholly owned subsidiaries and its 75 per cent. subsidiaries from time to time (as defined in section 606 of CTA 2010), and "Group members" and "Group Companies" shall be construed accordingly;
Group UK REIT	the meaning ascribed to it by section 523(5) CTA 2010, namely a Group the principal company of which has given a notice under section 523 CTA 2010 specifying a date from which the Group is to be a UK REIT;
HMRC	HM Revenue & Customs;
IAS	International Accounting Standards;
Institutional Investor	a person who qualifies as an institutional investor under section 528(4A) of CTA 2010;
Investment Association	the trade body that represents UK investment managers;

DEFINITIONS continued

Latest Practicable Date	3 June 2019, the latest practicable date prior to publication of this document;
London Stock Exchange or LSE	the London Stock Exchange plc;
New Article	the proposed new article 140 required in connection with the proposed conversion to REIT status to be included in the Articles of Association;
Non-PID Dividend	a dividend paid by the principal company that is not a PID;
Notice	the notice of annual general meeting attached to this document;
Ordinary Shareholders	the holders of Ordinary Shares;
Ordinary Shares	ordinary shares of £0.10 each in the capital of the Company;
Pre-Emption Group	the trade body that provides guidance on the disapplication of pre-emption rights and reports how this guidance can be applied;
Principal company	the parent of a Group UK REIT, and in the case of the Group, the Company;
Property Income Distribution or PID	a Distribution referred to in section 548(1) or 548(3) of CTA 2010, being a dividend or distribution paid by a principal company in respect of profits or gains of the Qualifying Property Rental Business arising at a time when the Group is a REIT insofar as they derive from the Group's Qualifying Property Rental Business;
Property Rental Business	a UK property business within the meaning of section 205 CTA 2009 or an overseas property business within the meaning of section 206 CTA 2009, but, in each case, excluding certain specified types of business referred to in section 519(3) of CTA 2010;
Qualifying Property Rental Business	a Property Rental Business fulfilling conditions A and B of section 529 CTA 2010;
Real Estate Investment Trust or REIT	a Real Estate Investment Trust as defined in Part 12 CTA 2010;
Registrar	the Company's registrar, Link Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
REIT Regime or UK REIT Regime	the tax regime applicable to REITs in the UK comprising provisions contained in Part 12 CTA 2010 and the regulations made thereunder;
Residual Business	the Group's business which is not included in the Qualifying Property Rental Business;
Resolutions	the resolutions to be proposed at the Annual General Meeting;
SDRT	stamp duty reserve tax;
Shareholder(s)	the holder(s) of shares in the Company;
Treasury	the process by which a company holds its own shares within the meaning of Chapter 6 of the Act;
UK	the United Kingdom; and
UK Corporate Governance Code	the United Kingdom corporate governance code produced by the Financial Reporting Council.

PART I – LETTER FROM CHAIRMAN

Palace Capital Plc

(a company incorporated in England and Wales
with registered number 5332938)

Directors:

Stanley Davis
Neil Sinclair FRICS
Stephen Silvester ACA
Richard Starr MRICS
Anthony Dove
Kim Taylor-Smith
Mickola Wilson

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

3 June 2019

Dear Shareholder

NOTICE OF ANNUAL GENERAL MEETING

This document contains the Notice of Annual General Meeting which is to be held at the offices of Hamlins LLP, Roxburghe House, 273–287 Regent Street, London W1B 2AD on 12 July 2019 at 10.00 a.m..

In addition to the usual business to be conducted at the Company's Annual General Meeting, I am writing to you to present proposals for the Company to convert to a REIT and for the purposes of the conversion, to amend its Articles of Association. The Board intends to give written notice to HMRC for the Company to become the principal company of a REIT Group with effect from 1 August 2019.

Part II of this Circular sets out the background to the proposed conversion and the reasons why the Board thinks that the proposals are in the best interests of Shareholders as a whole, Part III includes some further detail on the REIT Regime and Part IV sets out the UK tax treatment of Shareholders after entry into the REIT Regime. Part V details the proposed amendments to the Articles of Association to accommodate the conversion.

At the end of this Circular is a Notice convening the Annual General Meeting. Shareholders who are unable to attend the meeting can appoint proxies electronically via www.signalshares.com. CREST members can also appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the Crest Manual. If you cannot use these services and wish to appoint a proxy, you should contact the Registrar.

RESOLUTIONS TO BE PROPOSED AT THE ANNUAL GENERAL MEETING

Details of the items of business to be proposed at the Annual General Meeting are set out below.

Resolutions 1 to 13 are proposed as ordinary resolutions. This means that for each of those Resolutions to be passed, more than half of the votes cast must be in favour of the Resolution. Resolutions 14 to 18 are proposed as special resolutions. This means that for each of those Resolutions to be passed, at least three-quarters of the votes cast must be in favour of the Resolution.

Resolution 1 – Annual Report

Resolution 1 relates to the approval of the Company's accounts together with the reports of the Directors and the auditors and the strategic report for the year ended 31 March 2019 which the Company is required to put to Shareholders for consideration.

Resolution 2 – Annual Remuneration Report

Resolution 2 is an ordinary resolution to approve the Annual Remuneration Report and states how the Company has remunerated its Directors. Section 439 of the Act requires UK incorporated listed companies to put their Annual Remuneration Report to an advisory vote. As the vote is advisory, it does not affect the actual remuneration paid to any individual Director. The Annual Remuneration Report is set out in full on pages 61 to 67 of the Annual Report.

PART I – LETTER FROM CHAIRMAN CONTINUED

RESOLUTIONS TO BE PROPOSED AT THE ANNUAL GENERAL MEETING CONTINUED

Resolution 3 – Declaration of Dividend

The Directors are recommending a final dividend on the Ordinary Shares of 4.75 pence per Ordinary Share, to be paid on 12 July 2019 to the holders of Ordinary Shares at close of business on 14 June 2019. A final dividend can only be paid after it has been approved by the Shareholders at a general meeting.

Resolutions 4 to 10 – Re-election of Directors

The Articles of Association require only Directors who have been appointed by the Board since the last Annual General Meeting or who were not appointed or re-appointed at one of the preceding annual general meetings, to retire from office and offer themselves for re-appointment. However, in accordance with the recommendations of the Financial Reporting Council as set out in the UK Corporate Governance Code, which the Company is not obliged to follow this year, it has been decided that all the Directors will retire at the AGM. Biographical details of the Directors standing for re-election are set out on pages 46 to 47 of the Annual Report. A performance review of all of the Directors has been carried out in 2019. Following that review the Board considers that all of the Directors continue to make a valuable contribution to the Board's deliberations, and that they continue to demonstrate the required commitment.

Resolution 4 – To elect Mickola Wilson as a Director.

Resolution 5 – To re-elect Stanley Davis as a Director.

Resolution 6 – To re-elect Neil Sinclair as a Director.

Resolution 7 – To re-elect Richard Starr as a Director.

Resolution 8 – To re-elect Stephen Silvester as a Director.

Resolution 9 – To re-elect Anthony Dove as a Director.

Resolution 10 – To re-elect Kim Taylor-Smith as a Director.

Resolution 11 – Reappointment of the auditor

Following the recommendation of the Audit Committee, the Board is proposing the re-appointment of BDO LLP as the Company's auditor to hold office from the conclusion of the Annual General Meeting until the conclusion of the next general meeting of the Company at which accounts are laid.

Resolution 12 – Authority to agree the remuneration of the auditors

This resolution authorises the Directors to determine the remuneration of the auditors. This year we have separated this resolution from the resolution dealing with the re-appointment of the auditors.

Resolution 13 – Authority to allot

At the 2018 annual general meeting, the Directors were authorised, under section 551 of the Act, to allot Ordinary Shares without the prior consent of Shareholders for a period expiring at the conclusion of the Annual General Meeting to be held in 2019. It is proposed to renew this authority. Paragraph (a)(i) of Resolution 13 will allow the Directors to allot Ordinary Shares up to a maximum nominal amount of £1,512,448 representing approximately one third (33.33 per cent.) of the Company's existing issued share capital and calculated as at the Latest Practicable Date. In accordance with institutional guidelines issued by the Investment Association, paragraph (a)(ii) of Resolution 13 will allow Directors to allot, including the Ordinary Shares referred to in paragraph (a)(i) of Resolution 13, further of the Ordinary Shares in connection with a pre-emptive offer by way of a rights issue to Shareholders up to a maximum nominal amount of £3,025,350 representing approximately two thirds (66.67 per cent.) of the Company's existing issued share capital and calculated as at the Latest Practicable Date.

The Directors have no present intention of exercising this authority. However, if they do exercise the authority, the Directors intend to follow best practice as regards its use, as recommended by the Investment Association.

Resolution 13 will be proposed as an ordinary resolution to renew this authority until the conclusion of the next annual general meeting or, if earlier, the close of business on 11 October 2020.

Resolution 14 – General disapplication of pre-emption rights

Also at the 2018 annual general meeting, a special resolution was passed, under sections 570 to 573 of the Act, empowering the Directors to allot equity securities for cash without first being required to offer such shares to existing Shareholders. It is proposed that this authority also be renewed in line with institutional guidelines. If approved, the resolution will authorise the Directors, in accordance with the Articles of Association, to issue shares in connection with a rights issue or other pre-emptive offer and otherwise to issue shares for cash up to a maximum nominal amount of £226,889 which includes the sale on a non pre-emptive basis of any shares the Company holds in Treasury for cash. The maximum nominal amount of £226,889 of equity securities to which this authority relates represents approximately 5 per cent. of the issued share capital of the Company as at the Latest Practicable Date.

Resolution 14 will be proposed as a special resolution to renew this authority until the conclusion of the next annual general meeting or, if earlier, the close of business on 11 October 2020.

Resolution 15 – Additional authority to dis-apply pre-emption rights

Resolution 15 requests further Shareholder approval, by way of a separate special resolution in line with the best practice guidance issued by the Pre-Emption Group, for the Directors to allot equity securities or sell Treasury shares for cash without first being required to offer such securities to existing Shareholders. The proposed resolution reflects the Pre-emption Group's 2015 Statement of Principles for the disapplication of pre-emption rights (the Statement of Principles) and will expire on 11 October 2020 or at the conclusion of the next annual general meeting, whichever is the earlier.

The authority granted by this Resolution, if passed: (a) will be limited to the allotment of equity securities and sale of Treasury shares for cash up to an aggregate nominal value of £226,889, which represents approximately 5 per cent. of the issued share capital of the Company as at the Latest Practicable Date; and (b) will only be used in connection with an acquisition or other capital investment of a kind contemplated by the Statement of Principles, and which is announced contemporaneously with the allotment, or has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

The authority granted by this Resolution would be in addition to the general authority to disapply pre-emption rights under Resolution 14. The maximum nominal value of equity securities which could be allotted if both authorities were used would be £453,779 which represents approximately 10 per cent. of the issued share capital of the Company as at the Latest Practicable Date.

The Directors do not intend to issue more than 7.5 per cent. of the issued share capital of the Company for cash on a non pre-emptive basis in any rolling three-year period (other than in connection with an acquisition or specified capital investment as described in the Statement of Principles) without prior consultation with Shareholders.

Resolution 16 – Market purchase of own shares

A special resolution is proposed, in line with market practice, to authorise the purchase of the Company's own shares in the market. The power given by the Resolution will only be exercised if the Directors are satisfied that any purchase will increase the earnings per share of the Ordinary Share capital in issue after the purchase and, accordingly, that the purchase is in the best interests of Shareholders. The Directors will also give careful consideration to gearing levels of the Company and its general financial position. The purchase price would be paid out of distributable profits.

The Act permits companies to hold shares in Treasury, as an alternative to cancelling them, following a purchase of own shares by the company. Shares held in Treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under the Company's employee share schemes. Once held in Treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Further, no dividend or other distribution of the company's assets may be made to the Company in respect of the Treasury shares.

If the Directors exercise the authority conferred by this resolution, they may consider holding those shares in Treasury, rather than cancelling them. The Directors believe that holding shares in Treasury would provide the Company with greater flexibility in the management of its share capital. The Directors will also consider using the Treasury shares to satisfy share options and/or awards under the Company's employee share schemes. As at the Latest Practicable Date, the Company held 505,266 Ordinary Shares in Treasury.

The maximum number of shares which may be purchased under the proposed authority will be 4,638,851 Ordinary Shares representing approximately 10 per cent. of the issued Ordinary Share capital of the Company as at 3 June 2019. The price paid for shares will not be less than the nominal value (of 10 pence per share) nor more than the higher of: (a) 5 per cent. above the average of the middle-market quotation of the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five Business Days preceding the day on which the shares are purchased; and (b) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out.

The total number of options to subscribe for Ordinary Shares that were outstanding at the Latest Practicable Date was 651,730. The proportion of issued share capital that they represented at that time was 1.40 per cent. and the proportion of issued share capital that they will represent if the full authority to purchase shares is used is 1.39 per cent..

The authority will expire on 11 October 2020 or, if earlier, at the conclusion of the next year's annual general meeting.

PART I – LETTER FROM CHAIRMAN CONTINUED

RESOLUTIONS TO BE PROPOSED AT THE ANNUAL GENERAL MEETING CONTINUED

Resolution 17 – Notice of General Meeting

Under the Articles of Association, the Company may call a general meeting which is not an annual general meeting on 14 clear days' notice. Section 307A of the Act requires, in addition, the Company to pass a special resolution on an annual basis in order to convene general meetings, other than the Company's annual general meeting, on 14 clear days' notice. The Directors believe that obtaining this authority is desirable and would give the Directors an additional degree of flexibility.

Resolution 18 – Amendment to Articles of Association

The Company is proposing to amend the Articles of Association to accommodate its conversion to REIT status.

Under the REIT Regime, a tax charge may be levied on the Company if it makes a distribution to a company (or an entity which is treated as a body corporate by a jurisdiction which has a double tax treaty with the UK or for the purpose of such a treaty) which is beneficially entitled (directly or indirectly) to 10 per cent. or more of the shares or dividends of the Company or controls (directly or indirectly) 10 per cent. or more of the voting rights of the Company unless the Company has taken reasonable steps to avoid such a distribution being paid. The amendments proposed to be made to the Articles of Association are intended to give the Board the powers it needs in order to be able to demonstrate to HMRC that such "reasonable steps" have been taken. The proposed changes would take effect from the date the Group becomes a REIT which is expected to be 1 August 2019.

A more detailed explanation of the proposed changes to the Articles of Association is set out at Part V of this Circular together with the text of the proposed New Article. The full text of the Articles of Association as amended to include the New Article will be made available for inspection at the Company's registered office and at the Annual General Meeting.

ACTION TO BE TAKEN

Shareholders who are unable to attend the meeting can appoint proxies electronically via www.signalshares.com so that it is received by the Registrar by no later than 10.00 a.m. on 10 July 2019. CREST members can also appoint proxies by using the CREST Electronic Proxy Appointment Service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so it is received by the Registrar by no later than 10.00 a.m. on 10 July 2019. The time of receipt will be taken to be the time from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. If you cannot use either of these services, you should contact the Registrar above who can send you a hard copy form of proxy.

Whether or not you propose to attend the AGM in person, you are requested to appoint a proxy so that it arrives no later than 10.00 a.m. on 10 July 2019. The submission of a proxy appointment, in whichever manner, will not preclude you from attending the AGM and voting in person if you wish to do so.

DOCUMENTS FOR INSPECTION

Copies of the Directors' service contracts and letters of appointment will be available for inspection during normal business hours on any weekday from the date of the Notice until the conclusion of the AGM at Company's registered office. These documents will also be available for inspection at the place of the AGM, for at least 60 minutes prior to, and during, the AGM.

RECOMMENDATION

The Board considers that the proposed conversion to REIT status and the Resolutions to be proposed at the AGM are in the best interests of Shareholders as a whole and unanimously recommends that Shareholders vote in favour of such Resolutions, as the Directors intend to do, or procure to be done, in respect of their own beneficial holdings.

Yours sincerely

Stanley Davis

Chairman

3 June 2019

PART II – BACKGROUND TO THE PROPOSED REIT CONVERSION

A REIT is a company or group that invests in rental investment property and enjoys a measure of shelter from corporation tax in return for an obligation to distribute a significant amount of the REIT's qualifying property rental business profits to Shareholders. In various forms, REITs are increasingly the predominant listed property vehicle in many of the major jurisdictions around the world. The United States, Australia and Holland have long had their own form of REIT and latterly REIT structures have been adopted in both Asia (Japan, Korea, Singapore and Hong Kong) and in Europe (Belgium and France).

The basic structure of a UK REIT is explained in Part III of this document, including the conditions which must be satisfied to be eligible to be a UK REIT. As a UK REIT, the Group will no longer pay UK direct taxes on the income and capital gains from its qualifying property rental business in the UK.

Whilst throughout this document we refer to the "conversion" to a REIT, Shareholders should be aware that "conversion" is actually simply an election by the Company for the Group to be taxed under a particular regime. There will be no change to the Company's legal status or to its current listing on the LSE.

The Board proposes that certain amendments be made to the Articles of Association in order to be confident that the Company will not become subject to certain additional tax charges provided for under the REIT Regime. Further information about the amendments to the Articles of Association is set out in Part V of this Circular. Accordingly, the Company is convening the Annual General Meeting at which, inter alia, Resolution 18 will be proposed to amend the Articles of Association. If Resolution 18 is not passed by the Ordinary Shareholders, the Board will not convert the Group into a UK REIT.

The Board is proposing, subject to the passing of Resolution 18, to make the election to convert to REIT status effective from 1 August 2019.

FINANCIAL IMPLICATIONS FOR THE COMPANY OF CONVERTING TO A REIT

The principle underlying the REIT Regime is that, in return for profits and gains of the Group's Qualifying Property Rental Business not being taxed, a dividend from this business will generally be taxed in the hands of shareholders as if it was rental income. The Group will remain liable for tax on its profits from other activities (its "residual business").

Overall, the amount of tax suffered, both by the Company and the Shareholders, should reduce as a result of the conversion to a UK REIT.

DIVIDENDS

One requirement of the REIT Regime is that a REIT must distribute to shareholders by way of a dividend at least 90 per cent. of the profits from its Qualifying Property Rental Business in the form of a Property Income Distribution. Any further distribution will be as a PID or ordinary dividend depending on its designation at the time of distribution. A PID will generally be subject to withholding tax at the basic rate of UK income tax, currently 20 per cent.. Non-PID Dividends will be taxed in the same way as dividends paid prior to entry into the REIT Regime. Under the REIT Regime, the minimum distribution requirement is determined after taking account of tax deductions such as capital allowances arising from a REIT's capital expenditure.

The Company's final dividend scheduled to be paid on 12 July 2019 will be a Non-PID Dividend.

BENEFITS TO THE COMPANY OF CONVERTING TO A REIT

The principal benefits for the Company of converting to a REIT are:

- tax ceases to be a constraining factor in asset management decisions;
- effective tax transparency for entities within the REIT group and the removal of the tax inefficiencies of the current structure, which particularly disadvantage UK tax exempt institutions; and
- a globally recognised structure as a REIT, which should broaden the potential investor base.

EXIT FROM THE REIT REGIME

The Company can give notice to HMRC that it wants the Group to leave the REIT Regime at any time. The Board retains the right to decide that the Group should exit the REIT Regime at any time in the future, without Shareholder consent, if it considers this to be in the best interests of the Group.

If the Group (or a member of the Group) voluntarily leaves the REIT Regime within ten years of joining and disposes of any property that was involved in its Qualifying Property Rental Business within two years of leaving, any uplift in the base cost of the property as a result of the deemed disposals on entry into or exit from the REIT Regime (or as a movement from the Qualifying Property Rental Business to the Residual Business) is disregarded in calculating the gain or loss on the disposal.

PART II – BACKGROUND TO THE PROPOSED REIT CONVERSION CONTINUED

EXIT FROM THE REIT REGIME CONTINUED

It is important to note that the Company or the REIT Group cannot guarantee continued compliance with all of the REIT conditions and that the REIT Regime may cease to apply in some circumstances. HMRC may require the Group to exit the REIT Regime if:

- it regards a breach of the conditions relating to the REIT Regime (including in relation to the Qualifying Property Rental Business) or distribution of profits, or an attempt by the Group to avoid tax, as sufficiently serious;
- the Group or the Company has committed a certain number of breaches of the REIT conditions in a specified period; or
- HMRC has given the Company or other members of the REIT Group two or more notices in relation to the obtaining of a tax advantage within a ten year period of the first notice having been given.

In addition, in the following cases, the Group will automatically lose REIT status if:

- the conditions for REIT status relating to the share capital of the Company or the prohibition on entering into loans with abnormal returns are breached;
- the Company ceases to be resident solely in the UK for tax purposes; or
- the Company becomes an open-ended company.

Shareholders should note that the Group could lose its status as a REIT as a result of the actions of third parties (for example, in the event of a successful takeover by a company that is not a REIT and which does not qualify as an 'institutional investor' for REIT purposes or if the REIT's shares do not continue to be admitted to trading on a recognised stock exchange or are neither listed nor traded) or due to a breach of the close company condition if it is unable to remedy the breach within a specified period.

Where the Group is required to leave the REIT Regime within ten years of joining, or if it automatically loses its REIT status, HMRC has wide powers to direct how it is to be taxed, including in relation to the date on which the Group is treated as exiting the REIT Regime. In certain circumstances, the Group may be disqualified from being a REIT from the end of the accounting period preceding that in which the breach or failure occurred.

PART III – THE UK REIT REGIME

The following paragraphs are intended to be a general guide only and constitute a high-level summary of the Company's understanding of certain aspects of current UK law and HMRC practice relating to the UK REIT Regime, each of which is subject to change, possibly with retrospective effect. It is not an exhaustive summary of all applicable legislation in relation to the REIT Regime.

OVERVIEW

Investing in property through a UK taxable corporate investment vehicle has the disadvantage that, in comparison to a direct investment in property assets, some categories of shareholder may effectively bear tax twice on the same income: first, indirectly, when the corporate investment vehicle pays direct tax on its profits, and secondly, directly (subject to any available exemption or with the benefit of a tax credit) when the shareholder receives a dividend. When investing through a taxable closed-ended corporate vehicle that is not a REIT, UK non-tax paying entities, such as UK pension funds, bear tax indirectly which they would not suffer if they were to invest directly in the property assets.

The UK REIT Regime was originally introduced by FA 2006 and the relevant legislation is now contained in Part 12 CTA 2010.

As part of a Group UK REIT, UK resident Group members would no longer pay UK direct taxes on income and capital gains from their Qualifying Property Rental Businesses in the UK and elsewhere (and non-UK resident Group members with a UK Qualifying Property Rental Business no longer pay UK direct taxes on income and capital gains from their UK Qualifying Property Rental Businesses), provided that certain conditions are satisfied. Instead, distributions in respect of the tax exempt Qualifying Property Rental Businesses will be treated for UK tax purposes as UK property income in the hands of shareholders. Part IV of this Circular contains further detail as to the UK tax treatment of shareholders in a REIT.

Since April 2019 disposals of shares and other interests by UK REITs in UK property-rich companies or deemed companies are exempt from UK tax under the REIT Regime. The resulting gain is subject to UK withholding tax and treated as property rental business profits in the hands of shareholders if distributed (but there is no requirement under the REIT Regime for capital gains to be distributed; the 90 per cent. distribution requirement only applies to income profits).

Whilst within the REIT Regime, the Qualifying Property Rental Business will for corporation tax purposes be treated as a separate business from the Residual Business and a loss incurred by the Qualifying Property Rental Business cannot be set off against profits of the Residual Business (and vice versa).

From April 2019, capital gains tax and corporation tax are chargeable on gains realised by UK non-residents on disposals of all UK real estate, including certain indirect disposals. A non-resident investor is therefore liable to capital gains tax or corporation tax on the disposal of shares in a property rich entity (including a REIT). The 25 per cent. ownership exemption that applies for certain indirect disposals does not apply to disposals of shares in REITs.

A dividend paid by the Company relating to profits or gains of the Qualifying Property Rental Business of the members of the Group is referred to as a Property Income Distribution or PID. Other normal dividends paid by the Company (including dividends relating to the Residual Business) are referred to as Non-PID Dividends. Under the REIT Regime, both PIDs and Non-PID Dividends are capable of being satisfied by stock dividends. Part IV contains further detail as to the UK tax treatment of shareholders in a REIT.

In this document, references to a company's accounting period are to its accounting period for UK corporation tax purposes. This period can in some circumstances differ from a company's accounting period for other purposes.

QUALIFICATION AS A REIT

A group becomes a Group UK REIT by the principal company in the group serving notice on HMRC before the beginning of the first accounting period for which it wishes the group members to become a REIT. In order to qualify as a REIT, the principal company and the REIT Group must satisfy certain conditions set out in Part 12 CTA 2010. A non-exhaustive summary of the material conditions is set out below. Broadly, the principal company must satisfy the conditions set out in paragraphs (A), (B), (C), (D) and (F) below and the Group as a whole must satisfy the conditions set out in paragraph (E).

PART III – THE UK REIT REGIME CONTINUED

QUALIFICATION AS A REIT CONTINUED

(A) Company conditions

The principal company must satisfy the following conditions:

- (a) it must be and remain resident solely in the UK for tax purposes;
- (b) it must be admitted to trading on a recognised stock exchange and it must not be an open-ended investment company;
- (c) throughout each accounting period, its ordinary shares must either be listed on a recognised stock exchange or traded on a recognised stock exchange, such as the London Stock Exchange. This listing or traded requirement is relaxed in the REIT Group's first three accounting periods but the REIT Group can benefit from this relaxation only once; and
- (d) it must not be a "close company" save where this is only the case because it has as a participator an "institutional investor" (as defined in section 528(4A) CTA 2010). For these purposes "close company" is as defined in section 439 CTA 2010 as amended by section 528(5) CTA 2010 (the "close company condition"). In summary, the close company condition amounts to a requirement that the company cannot be under the control of five or fewer participators, or of participators who are Directors, subject to certain exceptions. "Participators" for these purposes is defined in section 454 CTA 2010. This close company condition is relaxed for a REIT Group's first three years.

(B) Share capital restrictions

The principal company must have only one class of ordinary shares in issue and the only other class of shares it may issue are non-voting fixed rate preference shares including shares which would be restricted preference shares but for the fact that they carry a right of conversion into shares or securities in the Company.

(C) Restrictions on types of borrowing

The principal company must not be party to any loan in respect of which the lender is entitled to interest which exceeds a reasonable commercial return on the consideration lent or where the interest depends to any extent on the results of any of the principal company's business or on the value of any of its assets (subject to exceptions). In addition, the amount repayable must either not exceed the amount lent or must be reasonably comparable with the amount generally repayable (in respect of an equal amount lent) under the terms of issue of securities listed on a recognised stock exchange.

(D) Financial statements

The principal company must prepare financial statements (the "Financial Statements") in accordance with statutory requirements set out in sections 532 and 533 CTA 2010 and submit these to HMRC. In particular, the Financial Statements must contain the information about the Qualifying Property Rental Business and the Residual Business separately. The REIT Regime specifies the information to be included and the basis of preparation of these financial statements.

(E) Conditions for the Qualifying Property Rental Business (including the Balance of Business conditions)

The REIT Group must satisfy, amongst other things, the following conditions in respect of each accounting period during which the REIT Group is to be treated as a REIT:

- (a) the Qualifying Property Rental Business must throughout the accounting period involve at least three properties (and for these purposes, the relevant REIT legislation defines a single property as one that is designed, fitted or equipped for the purposes of being rented, and which is rented or available for rent as a separate commercial or residential unit separate from any other unit);
- (b) throughout the accounting period no one property (applying the definition of single property above) may represent more than 40 per cent. of the total value of the properties involved in the Qualifying Property Rental Business. Assets must be valued in accordance with IAS and at fair value when IAS offer a choice between a cost basis and a fair value basis;
- (c) treating all members of the Group as a single company, the Qualifying Property Rental Business must not include any property which is classified as owner-occupied in accordance with Generally Accepted Accounting Practice (subject to certain exceptions);
- (d) the income profits arising from the Qualifying Property Rental Business must represent at least 75 per cent. of the Group's total income profits for the accounting period. Profits for this purpose means profits calculated in accordance with IAS, before deduction of tax and excluding, broadly, gains and losses on the disposal of property and gains and losses on the revaluation of properties, and certain exceptional items; and

(e) at the beginning of the accounting period the value of the assets in the Qualifying Property Rental Business must represent at least 75 per cent. of the total value of assets held by the Group. Cash held on deposit and gilts or relevant UK REIT shares are included in the value of the assets relating to the Qualifying Property Rental Business for the purpose of meeting this condition.

(F) Distribution condition

The principal company of a Group UK REIT (which, for the purposes of this Part, will be the Company) will be required (to the extent permitted by law) to distribute to shareholders (by way of cash or stock dividend), on or before the filing date for the principal company's tax return for the accounting period in question, at least 90 per cent. of the Group's property rental business profits as calculated for tax purposes (broadly, calculated using normal UK corporation tax rules) of the UK resident members of the Group in respect of their Qualifying Property Rental Business and of the non-UK resident members of the Group insofar as they are derived from their UK Qualifying Property Rental Business. Failure to meet this requirement will result in a tax charge calculated by reference to the extent of the failure, although in certain circumstances where the profits of the period are increased from the amount originally shown in the Financial Statements delivered to HMRC, this charge can be mitigated if an additional dividend is paid within a specified period which brings the amount of profits distributed up to the required level. For the purpose of satisfying the distribution condition, any dividend withheld in order to comply with the 10 per cent. rule (as described below) will be treated as having been paid.

INVESTMENT IN OTHER REITS

Finance Act 2013 enacted changes to Part 12 of CTA 2010 in order to facilitate investments by REITs in other REITs. The legislation exempts a distribution of profits or gains of the Qualifying Property Rental Business of one REIT to another REIT. The investing REIT is required to distribute 100 per cent. of the distributions to its shareholders. The investment by one REIT in another REIT will effectively be treated as a Qualifying Property Rental Business asset for the purposes of the 75 per cent. assets condition (see paragraph (E)(e) above).

EFFECT OF BECOMING A REIT

(A) Tax exemption

As a REIT, the Group will not pay UK corporation tax on profits and gains from the Qualifying Property Rental Business. However, corporation tax will still apply in the normal way in respect of the Residual Business. The Group will also continue to be liable for other applicable taxes such as VAT, stamp duty land tax, stamp duty and national insurance contributions in the normal way.

(B) Dividends

A dividend paid by the principal company of a REIT will be a PID to the extent necessary to satisfy the 90 per cent. distribution condition (and where it relates to profits or gains of the Qualifying Property Rental Business of the members of the Group, other than gains arising to non-UK resident members of the Group). If the dividend exceeds the amount required to satisfy the 90 per cent. test, the REIT may determine that all or part of the balance is a Non-PID Dividend to the extent there are any profits of the current or previous years which derive from activities of a kind in respect of which corporation tax is chargeable in relation to income (e.g. profits of the Residual Business). Any remaining balance of the dividend (or other distribution) will generally be deemed to be a PID, firstly in respect of the remaining income profits of the Qualifying Property Rental Business for the current year or previous years and secondly in respect of capital gains which are exempt from tax by virtue of the REIT Regime (in either case distributed as a PID). Any remaining balance will be attributed to other Non-PID Dividends.

Subject to certain exceptions, PIDs will be subject to withholding tax at the basic rate of income tax (currently 20 per cent.). Further details of the UK tax treatment of certain categories of shareholder while the Group is in the REIT Regime are contained in Part IV.

If the Group ceases to be a REIT, dividends paid by the principal company may nevertheless be PIDs to the extent they are paid in respect of profits and gains of the Qualifying Property Rental Business that arose whilst the Group was within the REIT Regime.

(C) Interest cover ratio

A tax charge will arise if, in respect of any accounting period, the Group's ratio of income profits (before capital allowances) to financing costs (in both cases in respect of its Qualifying Property Rental Business) is less than 1.25:1. The amount (if any) by which the financing costs exceeds the amount of those costs which would cause that ratio to equal 1.25 (subject to a cap of 20 per cent. of the income profits) is chargeable to corporation tax.

PART III – THE UK REIT REGIME CONTINUED

INVESTMENT IN OTHER REITS CONTINUED

(D) The “10 per cent. rule”

The principal company of a REIT may become subject to an additional charge to corporation tax if it pays a dividend to, or in respect of, a person who, directly or indirectly, is beneficially entitled to 10 per cent. or more of the principal company's dividends or share capital or who controls, directly or indirectly, 10 per cent. or more of the voting rights in the principal company. However, this tax charge only applies where a dividend is paid to a person that is a company or is treated as a body corporate in accordance with the laws of an overseas jurisdiction with which the UK has a double taxation agreement, or in accordance with such a double taxation agreement. It does not apply where a nominee has such a 10 per cent. or greater holding unless any person for whom the nominee holds the shares meets the test in its own right. This tax charge should not be incurred if the principal company of the REIT Group has taken reasonable steps to avoid paying dividends to such a person. HMRC guidance describes certain actions that might be taken to show it has taken such “reasonable steps”. One of these actions is to include restrictive provisions in the principal company's articles of association to address this requirement. The New Article (as summarised in Part V of this document) is consistent with the provisions described in the HMRC guidance.

Property development and property trading by a REIT

A property development undertaken by a member of the REIT Group can be within the Qualifying Property Rental Business provided certain conditions are met. However, if the costs of the development exceed 30 per cent. of the fair value of the asset at the later of (a) the date on which the relevant company becomes a member of a REIT, and (b) the date of the acquisition of the development property, and the REIT sells the development property within the three years beginning with the completion of the development, the property will be treated as never having been part of the Qualifying Property Rental Business for the purposes of calculating any gain arising on disposal of the property (and any tax exempt market value deemed disposal of the property or entry to the UK REIT Regime will be ignored). Any gain will be chargeable to corporation tax.

If a member of the REIT Group disposes of a property (whether or not a development property) in the course of a trade, the property will be treated as never having been within the Qualifying Property Rental Business for the purposes of calculating any profit arising on disposal of the property (and any tax exempt market value deemed disposal of the property or entry to the REIT Regime will be ignored). Any profit will be chargeable to corporation tax.

Movement of assets in and out of Qualifying Property Rental Business

In general, where an asset owned by a UK resident member of the REIT Group and used for the Qualifying Property Rental Business begins to be used for the Residual Business, there will be a tax exempt market value disposal of the asset. Where an asset owned by a UK resident member of the REIT Group and used for the Residual Business begins to be used for the Qualifying Property Rental Business, this will generally constitute a taxable market value disposal of the asset for UK corporation tax purposes, except for capital allowances purposes.

Joint ventures

The REIT Regime also makes certain provisions for corporate joint ventures. If one or more members of the REIT Group are beneficially entitled, in aggregate, to at least 40 per cent. of the profits available for distribution to equity holders in a joint venture company and at least 40 per cent. of the assets of the joint venture company available to equity holders in the event of a winding up, that joint venture company (or its subsidiaries) is carrying on a Qualifying Property Rental Business which satisfies the 75 per cent. profits condition and the 75 per cent. assets condition (the JV company) and certain other conditions are satisfied, the principal company may, by giving notice to HMRC, elect for the assets and income of the JV company to be included in the Qualifying Property Rental Business for tax purposes (on a proportionate basis). In such circumstances, the income of the JV company will count towards the 90 per cent. distribution condition and the 75 per cent. profits condition, and its assets will count towards the 75 per cent. assets condition (on a proportionate basis).

Indirect ownership of property: tax transparent vehicles

The REIT Group's share of the underlying income and gains arising from any interest in a tax transparent vehicle carrying on a Qualifying Property Rental Business, including offshore unit trusts or partnerships, should automatically fall within the REIT tax exemption, and will count towards the 75 per cent. profits and assets conditions, provided the REIT Group is entitled to more than 20 per cent. of the profits and assets of the relevant tax transparent vehicle. The REIT Group's share of the Qualifying Property Rental Business profits arising will also count towards the 90 per cent. distribution condition.

Acquisitions and takeovers

If a REIT is taken over by another REIT, the acquired REIT does not necessarily cease to be a REIT and will, provided the conditions are met, continue to enjoy tax exemptions in respect of the profits of its Qualifying Property Rental Business and capital gains on disposal of properties in the Qualifying Property Rental Business.

The position is different where a REIT is taken over by an acquirer which is not a REIT. In these circumstances, the acquired REIT is likely in most cases to fail to meet the requirements for being a REIT (unless the acquirer qualifies as an Institutional Investor and the REIT's shares continue to be admitted to trading on a recognised stock exchange and are either listed or traded) and will therefore be treated as leaving the REIT Regime at the end of its accounting period preceding the takeover and ceasing from the end of that accounting period to benefit from tax exemptions on the profits of its Qualifying Property Rental Business and capital gains on disposal of property forming part of its Qualifying Property Rental Business. The properties in the Qualifying Property Rental Business are treated as having been sold and reacquired at market value for the purposes of corporation tax on chargeable gains immediately before the end of the preceding accounting period. These disposals should be tax exempt as they are deemed to have been made at a time when the acquired REIT was still in the REIT Regime and future capital gains on the relevant assets will therefore be calculated by reference to a base cost equivalent to this market value. If the acquired REIT ends its accounting period immediately prior to the takeover becoming unconditional in all respects, dividends paid as PIDs before that date should not be re-characterised retrospectively as normal dividends.

Certain tax avoidance arrangements

If HMRC thinks that a member of the REIT Group has been involved in certain tax avoidance arrangements, it may cancel the tax advantage obtained and, in addition, impose a tax charge equal to the amount of the tax advantage. These rules apply to both the Residual Business and the Qualifying Property Rental Business. In addition, if HMRC considers that the circumstances are sufficiently serious or if two or more notices in relation to the obtaining of a tax advantage are issued by HMRC in a ten year period, they may require the REIT Group to exit the REIT Regime.

PART IV – UK TAX TREATMENT OF SHAREHOLDERS AFTER ENTRY INTO THE REIT REGIME

INTRODUCTION

The statements set out below are intended only as a general guide to certain aspects of current UK tax law and HMRC published practice as at the date of this document and apply only to certain Shareholders resident for tax purposes in the UK (save where express reference is made to non-UK resident persons). The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding Ordinary Shares. Prospective purchasers of Ordinary Shares are advised to consult their own independent tax advisers concerning the consequences under UK tax law of the acquisition, ownership and disposition of Ordinary Shares.

The following paragraphs relate only to certain limited aspects of the UK taxation treatment of PIDs and Non-PID Dividends paid by the Company, and to disposals of shares in the Company, in each case after the Company becomes a REIT. The statements are not applicable to all categories of Shareholders, and in particular are not addressed to (i) Shareholders who do not hold their Ordinary Shares as capital assets or investments or who are not the absolute beneficial owners of those shares or dividends in respect of those shares, (ii) some Shareholders who own (or are deemed to own) ten per cent. or more of the share capital or of the voting power of the Company or are entitled to ten per cent. or more of the Company's distributions, (iii) special classes of Shareholders such as dealers in securities, broker-dealers, insurance companies, trustees of certain trusts and investment companies, (iv) Shareholders who hold Ordinary Shares as part of hedging or commercial transactions, (v) Shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or otherwise), (vi) Shareholders who hold Ordinary Shares acquired by reason of their employment, (vii) Shareholders who hold Ordinary Shares in a personal equity plan or an individual savings account or (viii) Shareholders who are subject to UK taxation on a remittance basis, or (ix) Shareholders who are not resident in the UK for tax purposes in the UK (save where express reference is made to non-UK resident Shareholders).

Shareholders who are in any doubt about their tax position, or who are subject to tax in a jurisdiction other than the UK, should consult their own appropriate independent professional adviser without delay, particularly concerning their tax liabilities on PIDs, whether they are entitled to claim any repayment of tax, and, if so, the procedure for doing so.

(A) UK Taxation of Non-PID Dividends

Non-PID Dividends are treated in exactly the same way as dividends received from UK companies that are not REITs. The Company is not required to withhold tax when paying a Non-PID Dividend (whether in cash or in the form of a stock dividend).

UK taxation of Shareholders who are individuals

An individual Shareholder who is resident in the UK (for tax purposes) and who receives a Non-PID Dividend from the Company will generally be entitled to a tax credit which such Shareholder may set off against his total income tax liability on the dividend. The tax credit will be equal to ten per cent. of the aggregate of the Non-PID Dividend (the "cash dividend") and the tax credit (the "gross dividend"), which is also equal to one-ninth of the cash dividend received. A UK resident individual Shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of ten per cent. of the gross dividend, so that the tax credit will satisfy in full such Shareholder's liability to income tax on the cash dividend.

A UK resident individual Shareholder who is liable to income tax at the higher rate will be liable to tax on the gross dividend at the current rate of 32.5 per cent. A UK resident individual Shareholder who is liable to tax at the "additional" rate will be liable to tax on the gross dividend at the rate of 37.5 per cent. The gross dividend will generally be regarded as the top slice of the Shareholder's income. After taking into account the 10 per cent. tax credit, a higher rate tax payer will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash dividend received). An individual paying "additional" rate income tax will have to account, after taking into account the 10 per cent. tax credit, for additional tax equal to 27.5 per cent. of the gross dividend (which is also equal to approximately 30.56 per cent. of the cash dividend received). It will not be possible for UK resident Shareholders to claim repayment of the tax credit in respect of Non-PID Dividends.

UK taxation of UK resident corporate Shareholders

Shareholders who are within the charge to UK corporation tax will be subject to corporation tax on Non-PID Dividends paid by the Company, unless the Non-PID Dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular Shareholder, although it is expected that the Non-PID Dividends paid by the Company would normally be exempt. Shareholders within the charge to UK corporation tax will not be able to claim repayment of tax credits attaching to Non-PID Dividends.

UK taxation of other UK tax resident Shareholders

Other UK resident Shareholders who are not liable to UK tax on Non-PID Dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit.

Taxation of Shareholders who are not resident in the UK for tax purposes

Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to Non-PID Dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice concerning their tax position on Non-PID Dividends received from the Company.

(B) UK Taxation of PIDs**(i) UK taxation of Shareholders who are UK tax resident individuals**

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are individuals as the profit of a single UK property business (as defined in Part 3 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any property income distribution from any other company to which Part 12 of CTA 2010 applies, treated as a separate UK property business. Income from any other UK property business (a "different UK property business") carried on by the relevant Shareholder must be accounted for separately. This means that any surplus expenses from a Shareholder's different UK property business cannot be offset against a PID as part of a single calculation of the profits of the Shareholder's UK property business. A shareholder who is subject to income tax at the basic rate will be liable to pay income tax at 20 per cent. on the PID. Higher rate taxpayers will be subject to tax at 40 per cent. and additional rate taxpayers at 45 per cent.

No dividend tax credit will be available in respect of PIDs. However, credit will be available in respect of the basic rate tax withheld by the Company (where required) on the PID.

Please see also paragraph B(iv) (Withholding tax), below.

(ii) UK taxation of UK tax resident corporate Shareholders

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are within the charge to corporation tax as profit of a property business (as defined in Part 4 of CTA 2009) ("Part 4 property business"). A PID is, together with any property income distribution from any other company to which Part 12 of CTA 2010 applies, treated as a separate Part 4 property business. Income from any other Part 4 property business (a "different Part 4 property business") carried on by the relevant Shareholder must be accounted for separately. This means that any surplus expenses from a Shareholder's different Part 4 property businesses cannot be offset against a PID as part of a single calculation of the Shareholder's property business profits.

Please see also paragraph B(iv) (Withholding tax) below.

(iii) UK taxation of Shareholders who are not resident for tax purposes in the UK

Where a Shareholder who is not resident for tax purposes in the UK receives a PID, the PID will generally be chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of a withholding tax. Under Section 548(7) of CTA 2010, this income is expressly not non-resident landlord income for the purposes of regulations under section 971 of the Income Tax Act 2007.

Prospective non-UK tax resident Shareholders should consult their own professional advisers on the implications in the relevant jurisdictions of any non-UK implications of receiving PIDs.

Please see also paragraph B(iv) (Withholding tax) below.

PART IV – UK TAX TREATMENT OF SHAREHOLDERS AFTER ENTRY INTO THE REIT REGIME CONTINUED

(B) UK Taxation of PIDs continued

(iv) Withholding tax

(a) General

Subject to certain exceptions summarised at paragraph B(iv)(d) below, the Company is required to withhold income tax at source at the basic rate (currently 20 per cent.) from its PIDs (whether paid in cash or in the form of a stock dividend). The Company will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld, and the net amount of the PID.

(b) Shareholders solely resident in the UK

Where tax has been withheld at source, Shareholders who are individuals may, depending on their particular circumstances, be liable to further tax on their PID at their applicable marginal rate, incur no further liability on their PID, or be entitled to claim repayment of some or all of the tax withheld on their PID. Shareholders who are corporate entities will generally be liable to pay corporation tax on their PID (see paragraph B(ii) above) and if (exceptionally) income tax is withheld at source, the tax withheld can be set against their liability to corporation tax or income tax which they are required to withhold in the accounting period in which the PID is received.

(c) Shareholders who are not resident for tax purposes in the UK

It is not possible for a Shareholder to make a claim under a double taxation convention for a PID to be paid by the Company gross or at a reduced rate. The right of a shareholder to claim repayment of any part of the tax withheld from a PID will depend on the existence and terms of any double taxation convention between the UK and the country in which the Shareholder is resident. Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice concerning tax liabilities on PIDs received from the Company.

(d) Exceptions to requirement to withhold income tax

As indicated above, in certain circumstances the Company is not required to withhold income tax at source from a PID. These include where the Company reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the UK, or a company resident for tax purposes outside the UK with a permanent establishment in the UK and which is required to bring the PID into account in computing its chargeable profits or certain charities. They also include where the Company reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, the sub-scheme administrator of certain pension sub-schemes, the account manager of an Individual Savings Account (ISA), the plan manager of a Personal Equity Plan (PEP), or the account provider for a child trust fund, in each case, provided the Company reasonably believes that the PID will be applied for the purposes of the relevant scheme, account, plan or fund.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose the Company will require such Shareholder to submit a valid claim form (copies of which will be available on the Company's website following conversion to a REIT (www.palacecapitalplc.com)). Shareholders should note that the Company may seek recovery from Shareholders if the statements made in their claim form are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of the Shareholder turns out to have been mistaken.

(C) UK taxation of chargeable gains, stamp duty and stamp duty reserve tax in respect of Shares

(i) UK taxation of chargeable gains

Chargeable gains arising on the disposal of shares in the Company following its entry into the REIT Regime should be taxed in the same way as previously. The entry of the Group into the REIT Regime will not cause a disposal of shares in the Company by shareholders for UK chargeable gains purposes.

(ii) UK stamp duty and UK stamp duty reserve tax (SDRT)

No UK stamp duty or stamp duty reserve tax will generally be payable on the issue, allotment and registration of the Ordinary Shares. UK legislation provides for a 1.5 per cent. stamp duty or SDRT charge where Shares are transferred (in the case of stamp duty) or issued or transferred (in the case of SDRT) (i) to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts. However, following litigation, HMRC have confirmed that they will no longer seek to apply the 1.5 per cent. SDRT charge on an issue of shares or securities into a clearance service or depository receipt arrangement on the basis that the charge is not compatible with EU law. The 1.5 per cent. SDRT or stamp duty charge will continue to apply to transfers of shares or securities into a clearance service or depository receipt arrangement unless they are an integral part of an issue of share capital. Accordingly, it may be appropriate to seek specific professional advice before incurring a 1.5 per cent. stamp duty or SDRT charge.

Clearance services may opt, under certain conditions, for the normal rates of stamp duty or SDRT (being 0.5 per cent. of the amount or value of the consideration for the transfer rounded up in the case of stamp duty to the nearest £5.00) to apply to a transfer of shares into, and to transactions within, the service instead of the higher rate of 1.5 per cent. referred to above.

Transfers on sale of Ordinary Shares will generally be subject to UK stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration given for the transfer rounded up to the next £5.00. The purchaser is liable for the stamp duty. An exemption from stamp duty will be available on an instrument transferring the Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. An agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional), any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.

Agreements to transfer Ordinary Shares within the CREST system will generally be liable to SDRT (rather than stamp duty) at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of Ordinary Shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration in money or money's worth.

Prospective purchasers of Ordinary Shares should consult their own tax advisers with respect to the tax consequences to them of acquiring, holding and disposing of Ordinary Shares.

PART V – DETAILS OF PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

1. UK REIT REQUIREMENTS

If a distribution is paid to an Excessive Shareholder and the Company has not taken reasonable steps to avoid doing so, the Company will become subject to a tax charge.

In order to enable the Company to demonstrate to HMRC that it has taken reasonable steps to avoid paying a dividend (or making any other distribution) to an Excessive Shareholder, it is proposed that the Articles of Association should be amended to include the New Article. The text of the New Article is as set out below and full text of the Articles of Association as amended to include the New Article will be made available for inspection at the registered office of the Company from the date of this Circular until the start of the Annual General Meeting and at the Annual General Meeting.

For these purposes, an “Excessive Shareholder” is a company that:

- is beneficially entitled, directly or indirectly, to at least 10 per cent. of the Company’s distributions;
- is beneficially entitled, directly or indirectly, to at least 10 per cent. of the Company’s share capital; or
- controls, directly or indirectly, at least 10 per cent. of the voting rights of the Company.

A nominee holding the bare legal interest in respect of any shares will not be an Excessive Shareholder for these purposes in respect of or by virtue of those shares.

For these purposes, a “company” includes certain entities which are treated as bodies corporate under the laws of an overseas jurisdiction with which the UK has a double taxation agreement or for the purposes of such a double tax agreement.

2. SUMMARY OF AMENDMENTS

Excessive Shareholders

The Articles contain provisions relating to Excessive Shareholders in line with HMRC guidance and recommendations. Under the REIT Regime a tax charge may be levied on the Company if it makes a distribution (whether in cash or by way of stock dividend) to a company (or certain bodies corporate) beneficially entitled (directly or indirectly) to 10 per cent. or more of the Ordinary Shares or dividends of the Company or which controls (directly or indirectly) 10 per cent. or more of the voting rights of the Company. If, however, the Company has taken “reasonable steps” to prevent the possibility of such a distribution being made, then this tax charge may not arise. The Articles:

- (i) provide the Directors with powers to identify Excessive Shareholders (including giving notice to a Shareholder requiring him to provide such information as the Directors may require to establish whether or not he is an Excessive Shareholder);
- (ii) provide the Directors with powers to prohibit the payment of dividends on Ordinary Shares that form part of an Excessive Shareholding, unless certain conditions are met;
- (iii) allow dividends to be paid on Ordinary Shares that form part of an Excessive Shareholding where the Shareholder has disposed of its rights to dividends on its Ordinary Shares;
- (iv) seek to ensure that if a dividend is paid on Ordinary Shares that form part of an Excessive Shareholding and arrangements of the kind referred to in (iii) above are not met, the Excessive Shareholder concerned does not become beneficially entitled to that dividend; and
- (v) provide the Directors with powers if certain conditions are met, to require (A) an Excessive Shareholder; or (B) a Shareholder who has not complied with a notice served in accordance with the power referred to in (i); or (C) a Shareholder who has provided materially inaccurate or misleading information in relation to the Excessive Shareholder provisions of the Articles, to dispose of such number of their shares as the Directors may specify, or to take such other steps as will cause the Directors to believe the Shareholder is no longer an Excessive Shareholder.

Ordinary Shares held as nominee are disregarded for these purposes.

References in this Part to a “Substantial Shareholding” are to the Ordinary Shares in respect of which a person is an Excessive Shareholder. References in this Part to dividends include other distributions.

The New Article is consistent with the provisions described in current HMRC published guidance in relation to what constitutes “reasonable steps” for these purposes.

The effects of these changes are explained in further detail below.

3. IDENTIFICATION OF EXCESSIVE SHAREHOLDERS

The share register of the Company records the legal owners of Ordinary Shares and the number of Ordinary Shares that they own in the Company but does not identify the persons who are beneficial owners of the Ordinary Shares or are entitled to control the voting rights attached to the Ordinary Shares or are beneficially entitled to dividends.

Accordingly, the New Article requires an Excessive Shareholder and any registered Shareholder holding Ordinary Shares on behalf of an Excessive Shareholder to notify the Company if its Ordinary Shares form part of an Excessive Shareholding. Such a notice must be given within two Business Days.

If a person is an Excessive Shareholder at the date the New Article is adopted, that Excessive Shareholder (and any registered Shareholder holding Ordinary Shares on its behalf) must give such a notice within two Business Days after the date the New Article is adopted.

The New Article gives the Board the right to require any person to provide information in relation to any Ordinary Shares in order to determine whether the Ordinary Shares form part of an Excessive Shareholding. If the required information is not provided within the time specified (which is seven days after a request is made or such other period as the Board may specify in the notice), the Board is entitled to impose sanctions, including withholding dividends (as described in paragraph 4 below).

4. PREVENTING PAYMENT OF A DIVIDEND TO AN EXCESSIVE SHAREHOLDER

The New Article provides that a dividend will not be paid in respect of any Ordinary Shares that the Board believes may form part of an Excessive Shareholding unless the Board is satisfied that the Excessive Shareholder is not beneficially entitled to the dividend.

If, in these circumstances, payment of a dividend is withheld, the dividend will be paid subsequently if the Board is satisfied that:

- (i) the Excessive Shareholder concerned is not beneficially entitled to the dividends (see also paragraph 5 below);
- (ii) the shareholding is not part of an Excessive Shareholding;
- (iii) all or some of the Ordinary Shares and the right to the dividend have been transferred to a person who is not, and does not thereby become, a Excessive Shareholder (in which case the dividends will be paid to the transferee); or
- (iv) sufficient Ordinary Shares have been transferred (together with the right to the dividends) such that the Ordinary Shares retained are no longer part of an Excessive Shareholding (in which case the dividends will be paid in respect of the retained Ordinary Shares).

For this purpose, references to the "transfer" of an Ordinary Share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that Ordinary Share.

5. PAYMENT OF A DIVIDEND WHERE RIGHTS TO IT HAVE BEEN TRANSFERRED

The New Article provides that dividends may be paid in respect of Ordinary Shares that form part of an Excessive Shareholding if the Board is satisfied that the right to the dividend has been transferred to a person who is not, and does not thereby become, an Excessive Shareholder and the Board may be satisfied that the right to the dividend has been transferred if it receives a certificate containing appropriate confirmations and assurances from the Excessive Shareholder. Such a certificate may apply to a particular dividend (or dividends) or to all future dividends in respect of Ordinary Shares forming part of a specified Excessive Shareholding, until notice rescinding the certificate is received by the Company. A certificate that deals with future dividends will include undertakings by the person providing the certificate to inform the Company immediately if the information in the certificate becomes, or will become, incorrect.

The Directors may require that any such certificate is copied or provided to such persons as they may determine, including HMRC, and contains such legally binding representations and obligations as the Directors may determine.

If the Board believes a certificate given in these circumstances is or has become inaccurate, then it will have the power to withhold payment of future dividends (as described in paragraph 4 above).

In addition, the Board may require an Excessive Shareholder to indemnify the Company on an after tax basis in respect of any tax payable (and other costs incurred) as a result of a dividend having been paid to an Excessive Shareholder. The Board may (in the circumstances described in paragraph 7 below) arrange for the sale of the relevant Ordinary Shares and retain any such amount from the proceeds. Any such amount may also be recovered out of dividends to which the Excessive Shareholder concerned may become entitled in the future.

Certificates provided in the circumstances described above will be of considerable importance to the Company in determining whether dividends can be paid. If the Company suffers loss as a result of any misrepresentation or breach of undertaking given in such a certificate, it may seek to recover damages directly from the person who has provided it.

The effect of these provisions is that there is no restriction on a person becoming or remaining a Excessive Shareholder provided that the person who does so makes appropriate arrangements to divest itself of sufficient of its entitlement to dividends.

PART V – DETAILS OF PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION CONTINUED

6. TRUST ARRANGEMENTS WHERE RIGHTS TO DIVIDENDS HAVE NOT BEEN DISPOSED OF BY A EXCESSIVE SHAREHOLDER

The New Article provides that if a dividend is, in fact, paid in respect of Ordinary Shares forming part of an Excessive Shareholding (which might occur, for example, if an Excessive Shareholding is split among a number of nominees and the Company is not notified of this prior to a dividend payment date) the dividends so paid are to be held on trust by the recipient for any person (who is not an Excessive Shareholder) nominated by the Excessive Shareholder concerned. The person nominated as the beneficiary could, for example, be the purchaser of the Ordinary Shares if the Excessive Shareholder is in the process of selling down its holding so as not to cause the Company to breach the Excessive Shareholder rule. If the Excessive Shareholder does not nominate anyone within 12 years, the dividend concerned will be held on trust for the Company or any other person nominated by the Board.

If the recipient of the dividend passes it on to another without being aware that the Ordinary Shares in respect of which the dividend was paid were part of an Excessive Shareholding, the recipient will have no liability as a result.

However, the Excessive Shareholder who receives the dividend would do so subject to the terms of the trust and as a result could not validly claim to be beneficially entitled to those dividends.

7. POWER OF SALE IN RESPECT OF SUBSTANTIAL SHAREHOLDINGS

Where:

- (i) in respect of any distribution declared or announced which is to be paid or made or in respect of shares which comprise all or part of an Excessive Shareholding and the Directors are not satisfied that such Excessive Shareholder would not be beneficially entitled to the distribution if it was paid;
- (ii) any information provided by any person in relation to the Ordinary Shares proves materially inaccurate or misleading; or
- (iii) any person fails to provide information in relation to the Ordinary Shares or fails to give notice in respect of the Ordinary Shares;

the Directors may give notice in writing to any persons they believe are Relevant Registered Shareholders requiring them to dispose of such number of shares within 21 days.

If:

- (i) the requirements of a notice from the Directors are not complied with to the satisfaction of the Directors within the period specified and the notice has not been withdrawn; or
- (ii) a distribution is paid on an Excessive Shareholding and an Excess Charge becomes payable;

the Directors may arrange for the Company to sell all or some of the shares to which the notice relates.

8. TAKEOVERS

The New Articles do not prevent a person from acquiring control of the Company through a takeover or otherwise, although, as explained above, such an event may cause the Group to cease to qualify as a UK REIT.

9. OTHER

The New Article also gives the Company power to require any Shareholder who applies to be paid dividends without any tax withheld to provide such certificate as the Board may require to establish the Shareholder's entitlement to that treatment. The New Article also confirms that the relevant sections may be amended by special resolution passed by Shareholders in the future, including to give powers to the Directors to ensure that the Company can comply with the close company condition, described in Part III of this Circular, which powers may include the ability to arrange for the sale of shares on behalf of Shareholders.

10. TEXT OF NEW ARTICLE 140

Set out below is the text of the New Article:

- 140. Real Estate Investment Trust
- 140.1 "It is a cardinal principle that, for so long as the Company is the principal company in a group UK real estate investment trust ("REIT"), for the purposes of Part 12 CTA 2010, as such Part may be modified, supplemented or replaced from time to time, no member of the group should be liable to pay tax under section 551 CTA 2010 (as such section may be modified, supplemented or replaced from time to time) on or in connection with the making of a Distribution.
- 140.2 This article supports such cardinal principle by, among other things, imposing restrictions and obligations on the shareholders of the Company and, indirectly, certain other persons who may have an interest in the Company, and shall be construed accordingly so as to give effect to such cardinal principle from, and at all times after, the date the Company becomes the principal company in a group REIT for the purposes of the Corporation Tax Act 2010, as such Part may be modified, supplemented or replaced from time to time.

Definitions and interpretation

140.3 For the purposes of this article only, the following words and expressions shall bear the following meanings (notwithstanding that a different meaning may be given to any such word or expression in another provision of these Articles):

"CTA 2010" means the UK Corporation Tax Act 2010 (as such legislation may be modified, supplemented or replaced from time to time);

"Distribution" means any dividend or other distribution on or in respect of the shares of the Company and references to a Distribution being paid include a distribution made which does not involve a cash payment being made;

"Distribution Transfer" means a disposal or transfer (however effected) by a person of his rights to a Distribution from the Company such that he is not beneficially entitled (directly or indirectly) to such a Distribution and no person who is so entitled subsequent to such disposal or transfer (whether the immediate transferee or not and whether as a result of the transfer or not) is an Excessive Shareholder;

"Distribution Transfer Certificate" means a certificate in such form as the directors may specify from time to time to the effect that a relevant person has made a Distribution Transfer, which certificate may be required by the directors to satisfy them that an Excessive Shareholder is not beneficially entitled (directly or indirectly) to a Distribution;

"Excess Charge" means, in relation to a Distribution which is paid or payable to a person, all tax or other amounts which the directors consider are or may become payable by the Company or any other member of the Group under section 551 CTA 2010 (as such section may be modified, supplemented or replaced from time to time) and any interest, penalties, fines or surcharges attributable or relating to such tax as a result of such Distribution being paid to or in respect of that person;

"Excessive Shareholding" means the shares in the Company in relation to which or by virtue of which (in whole or in part) a person is an excessive shareholder;

"Excessive Shareholder" means any person whose interest in the Company, whether legal or beneficial, direct or indirect, may cause any member of the group to be liable to pay tax under section 551 of the Corporation Tax Act 2010 (as such section may be modified, supplemented or replaced from time to time) on or in connection with the making of a distribution to or in respect of such person including, at the date of adoption of this article, any holder of excessive rights as defined in section 553 of the Corporation Tax Act 2010;

"Group" means the Company and the other companies in its group for the purposes of section 606 CTA 2010 (as such section may be modified, supplemented or replaced from time to time);

"HMRC" means HM Revenue & Customs;

"interest in the Company" includes, without limitation, an interest in a Distribution made or to be made by the Company;

"person" includes a body of persons, corporate or unincorporated, wherever resident or domiciled;

"Relevant Registered Shareholder" means a shareholder who holds all or some of the shares in the Company that comprise an Excessive Shareholding (whether or not the shareholder is an Excessive Shareholder); and

"Reporting Obligation" means any obligation from time to time of the Company to provide information or reports to HMRC as a result of or in connection with the Company's status as a REIT or the principal company in a group REIT.

140.4 Where under this article any certificate or declaration may be or is required to be provided by any person (including, without limitation, a Distribution Transfer Certificate), such certificate or declaration may be required by the directors (without limitation) to:

140.4.1 be addressed to the Company, the directors or such other persons as the directors may, in their absolute discretion, determine (including HMRC);

140.4.2 include such information as the directors consider, in their absolute discretion, is required for the Company to comply with any Reporting Obligation;

140.4.3 contain such legally binding representations and obligations as the directors may, in their absolute discretion, determine;

PART V – DETAILS OF PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION CONTINUED

Definitions and interpretation continued

- 140.4.4 include an undertaking to notify the Company if the information in the certificate or declaration is or becomes incorrect, including prior to such change;
- 140.4.5 be copied or provided to such persons as the directors may, in their absolute discretion, determine (including HMRC); and
- 140.4.6 be executed in such form (including as a deed or deed poll) as the directors may, in their absolute discretion, determine.
- 140.5 This article shall apply notwithstanding any provisions to the contrary in any other article.

Notification of Excessive Shareholder and other status

- 140.6 Each shareholder and any other relevant person shall serve notice in writing on the Company at its registered office on:
- 140.6.1 his becoming a Excessive Shareholder or his being a Excessive Shareholder on the date this article comes into effect (together with the percentage of voting rights, share capital or dividends he controls or is beneficially entitled to, details of the identity of the shareholder(s) who hold(s) the relevant excessive shareholding and such other information, certificates or declarations as the directors may require from time to time), such information, certificates or declarations to be provided as soon as reasonably practicable;
- 140.6.2 his becoming a Relevant Registered Shareholder or being a Relevant Registered Shareholder on the date this article comes into effect (together with such details of the relevant Excessive Shareholder and such other information, certificates or declarations as the directors may require from time to time, including as to the beneficial ownership of the shares or entitlement to dividends to which the shares relate), such information, certificates or declarations to be provided as soon as reasonably practicable; and
- 140.6.3 any change to the particulars contained in any such notice, including on the relevant person ceasing to be an excessive shareholder or a relevant registered shareholder, such change to be notified as soon as reasonably practicable.

Any such notice shall be delivered by the end of the second working day after (i) the day on which the person becomes a Excessive Shareholder or a Relevant Registered Shareholder, (ii) the date this article comes into effect, as the case may be, or (iii) after the change in relevant particulars occurs, or in each case within such shorter or longer period as the directors may, in their absolute discretion, specify from time to time.

- 140.7 The directors may, in their absolute discretion, at any time give notice in writing to any person requiring him, within such period as may be specified in the notice (being seven days from the date of service of the notice or such shorter or longer period as the directors may specify in the notice), to deliver to the Company at its registered office such information, certificates and declarations as the directors may require to establish whether or not he is a Excessive Shareholder or a Relevant Registered Shareholder or to comply with any Reporting Obligation. Each such person shall deliver such information, certificates and declarations within the period specified in such notice.

Distributions in respect of Substantial Shareholdings

- 140.8 In respect of any Distribution, the directors may, in their absolute discretion, if the directors determine that the condition set out in article 140.9 is satisfied in relation to any shares in the Company, withhold payment of such Distribution on or in respect of such shares. Any Distribution so withheld shall be paid as provided for in article 140.10 and until such payment the persons who would otherwise be entitled to the Distribution shall have no right to or beneficial interest in the Distribution or its payment.
- 140.9 The condition referred to in article 140.8 is that, in relation to any shares in the Company and any Distribution to be paid or made on and in respect of such shares:
- 140.9.1 the directors believe that such shares comprise all or part of an Excessive Shareholding of an Excessive Shareholder; and
- 140.9.2 the directors are not satisfied that such Excessive Shareholder would not be beneficially entitled to the Distribution if it was paid; and

- 140.9.3 the directors are not satisfied that no member of the Group will be liable to an Excess Charge on, or in connection with, the making of the Distribution to, or in respect of, the Excessive Shareholder and, for the avoidance of doubt, if the shares comprise all or part of an Excessive Shareholding in respect of more than one Excessive Shareholder this condition is not satisfied unless it is satisfied in respect of all such Excessive Shareholders. In considering whether no Excess Charge will arise, the directors may rely on written clearances received from HMRC.
- 140.10 If a Distribution has been withheld on or in respect of any shares in the Company in accordance with article 140.8, it shall be paid as follows:
- 140.10.1 if it is established to the satisfaction of the directors that the condition in article 140.9 is not satisfied in relation to such shares, in which case the whole amount of the Distribution withheld shall be paid;
- 140.10.2 if the directors are satisfied that sufficient interests in all or some of the shares concerned have been transferred to a third party so that such transferred shares no longer form part of the Excessive Shareholding, the Distribution attributable to such transferred shares shall be paid to such third party (provided the directors are satisfied that following such transfer such transferred shares concerned do not form part of an Excessive Shareholding); and
- 140.10.3 if the directors are satisfied that as a result of a transfer of interests in shares referred to in article 140.10.2 above the remaining shares no longer form part of an Excessive Shareholding, the Distribution attributable to such shares shall be paid.
- 140.11 An Excessive Shareholder may satisfy the directors that he is not beneficially entitled to a Distribution by providing a Distribution Transfer Certificate. The directors shall, in their absolute discretion, be entitled to (but shall not be bound to) accept a Distribution Transfer Certificate as evidence of the matters therein stated and the directors shall be entitled to require such other information, certifications or declarations as they think fit.
- 140.12 The directors may withhold payment of a Distribution in respect of any shares in the Company if any notice given by the directors pursuant to article 140.7 in relation to such shares shall not have been complied with to the satisfaction of the directors within the period specified in such notice. Any Distribution so withheld will be paid when the notice is complied with to the satisfaction of the directors unless the directors withhold payment pursuant to article 140.8 and until such payment the persons who would otherwise be entitled to the Distribution shall have no right to or beneficial interest in the Distribution or its payment.
- 140.13 If the directors decide that payment of a Distribution should be withheld under article 140.8 or article 140.12 they shall within five business days give notice in writing of that decision to the Relevant Registered Shareholder.
- 140.14 If any Distribution shall be paid in respect of an Excessive Shareholding and an Excess Charge becomes payable, the Excessive Shareholder shall indemnify the Company on demand on an after tax basis in respect of such Excess Charge and all costs and expenses incurred by the Company in connection with the recovery of such amount (including the expenses of a sale pursuant to article 140.20). Without prejudice to the right of the Company to claim such amount from the Excessive Shareholder, such recovery may be made out of the proceeds of any disposal pursuant to article 140.20 or out of any subsequent Distribution in respect of the shares to such person or to the holders of shares in relation to or by virtue of which the directors believe that person has an interest in the Company (whether that person is at that time a Excessive Shareholder or not).

In this article 140.10, references to the "transfer" of a share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that share.

PART V – DETAILS OF PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION CONTINUED

DISTRIBUTION TRUST

140.15 If an Excessive Shareholding (which, for the avoidance of doubt, shall not include a distribution paid in circumstances where the Excessive Shareholder is not beneficially entitled to the distribution or where the directors are satisfied that no member of the Group will be liable to an Excess Charge on, or in connection with, the making of the Distribution to, or in respect of, the Excessive Shareholder) the Distribution and any income arising from it shall be held by the payee or other person to whom the Distribution or the right to it is transferred by the payee on trust absolutely for the persons nominated by the relevant Excessive Shareholder under article 140.16 in such proportions as the Excessive Shareholder shall in the nomination direct or, in default of such nomination being validly made within 12 years after the date the Distribution is made, for the Company or such other persons as may be nominated by the directors from time to time.

140.16 The relevant Excessive Shareholder of shares in the Company in respect of which a Distribution referred to in article 140.15 is paid shall be entitled to nominate in writing any two or more persons (not being Excessive Shareholders) to be the beneficiaries of the trust on which the Distribution is held under article 140.15, and the Excessive Shareholder may in any such nomination state the proportions in which the Distribution is to be so held on trust for the nominated persons (failing which the Distribution shall be held on trust for the nominated persons in equal proportions). No person may be nominated under this article who is or would, on becoming a beneficiary in accordance with the nomination, become an Excessive Shareholder. If the Excessive Shareholder making the nomination is not by virtue of article 140.15 the trustee of the trust, the nomination shall not take effect until it is delivered to the person who is the trustee.

140.17 Any income arising from a Distribution which is held on trust under article 140.15 shall, until the earlier of (i) the making of a valid nomination under article 140.16 and (ii) the expiry of the period of 12 years from the date when the Distribution is paid, be accumulated as an accretion to the Distribution. Income shall be treated as arising when payable, and so no apportionment shall take place. The Company shall be entitled to deduct and pay to HMRC any tax due on the income arising for which it or any group company is liable.

140.18 No person who by virtue of article 140.15 holds a Distribution on trust shall be under any obligation to invest the Distribution or to deposit it in an interest-bearing account.

140.19 No person who by virtue of article 140.15 holds a Distribution on trust shall be liable for any breach of trust unless due to his own fraud or wilful wrongdoing or, in the case of an incorporated person, the fraud or wilful wrongdoing of its directors, officers or employees.

OBLIGATION TO DISPOSE

140.20 If, at any time, the directors believe that:

140.20.1 in respect of any Distribution declared or announced, the condition set out in article 140.9 is satisfied in respect of any shares in the Company in relation to that Distribution;

140.20.2 a notice given by the directors pursuant to article 140.7 in relation to any shares in the Company has not been complied with to the satisfaction of the directors within the period specified in such notice; or

140.20.3 any information, certificate or declaration provided by a person in relation to any shares in the Company for the purposes of the preceding provisions of this article 140 (Real estate investment trust) was materially inaccurate or misleading,

the directors may give notice in writing (a "Disposal Notice") to any persons they believe are Relevant Registered Shareholders in respect of the relevant shares requiring such Relevant Registered Shareholders within 21 days of the date of service of the notice (or such longer or shorter time as the directors consider to be appropriate in the circumstances) to dispose of such number of shares as the directors may in such notice specify or to take such other steps as will cause the condition set out in article 140.9 no longer to be satisfied. The directors may, if they think fit, withdraw a Disposal Notice.

140.21 If:

140.21.1 the requirements of a Disposal Notice are not complied with to the satisfaction of the directors within the period specified in the relevant notice and the relevant Disposal Notice is not withdrawn; or

140.21.2 a Distribution is paid on an Excessive Shareholding and an Excess Charge becomes payable;

140.21.3 the directors may arrange for the Company to sell all or some of the shares to which the Disposal Notice relates or, as the case may be, that form part of the Excessive Shareholding concerned. For this purpose, the directors may make such arrangements as they deem appropriate.

In particular, without limitation, they may authorise any officer or employee of the Company to execute any transfer or other document on behalf of the holder or holders of the relevant share and, in the case of a share in uncertificated form, may make such arrangements as they think fit on behalf of the relevant holder or holders to transfer title to the relevant share through the Relevant System.

- 140.22 Any sale pursuant to article 140.21 above shall be at the price which the directors consider is the best price reasonably obtainable and the directors shall not be liable to the holder or holders of the relevant share for any alleged deficiency in the amount of the sale proceeds or any other matter relating to the sale.
- 140.23 The net proceeds of the sale of any share under article 140.21 (less any amount to be retained pursuant to article 140.14 and the expenses of sale) shall be paid over by the Company to the former holder or holders of the relevant share upon surrender of any certificate or other evidence of title relating to it, without interest. The receipt of the Company shall be a good discharge for the purchase money.
- 140.24 The title of any transferee of share shall not be affected by any irregularity or invalidity of any actions purportedly taken pursuant to this article 140 (Real estate investment trust).
- 140.28 The directors shall not be obliged to serve any notice required under this article upon any person if they do not know either his identity or his address. The absence of service of such a notice in such circumstances or any accidental error in or failure to give any notice to any person upon whom notice is required to be served under this article shall not prevent the implementation of or invalidate any procedure under this article.
- 140.29 The provisions of articles 133 to 137 shall apply to the service upon any person of any notice required by this article. Any notice required by this article to be served upon a person who is not a shareholder or upon a person who is a shareholder but whose address is not within the UK and who has failed to supply to the company an address within the UK pursuant to these articles, shall be deemed validly served if such notice is sent through the post in a pre-paid cover addressed to that person or shareholder at the address if any, at which the directors believe him to be resident or carrying on business or, in the case of a holder of depository receipts or similar securities, to the address, if any, in the register of holders of the relevant securities. Service shall, in such a case be deemed to be effected on the day of posting and it shall be sufficient proof of service if that notice was properly addressed, stamped and posted.
- 140.30 Any notice required or permitted to be given pursuant to this article may relate to more than one share and shall specify the share or shares to which it relates.

GENERAL

- 140.25 The directors shall be entitled to presume, without enquiry, unless any director has reason to believe otherwise, that a person is not a Excessive Shareholder or a Relevant Registered Shareholder.
- 140.26 The directors shall not be required to give any reasons for any decision or determination (including any decision or determination not to take action in respect of a particular person) pursuant to this article and any such determination or decision shall be final and binding on all persons unless and until it is revoked or changed by the directors. Any disposal or transfer made or other thing done by or on behalf of the board or any director pursuant to this article shall be binding on all persons and shall not be open to challenge on any ground whatsoever.
- 140.27 Without limiting their liability to the Company, the directors shall be under no liability to any person, and the Company shall be under no liability to any shareholder or any other person, for identifying or failing to identify any person as a Excessive Shareholder or a Relevant Registered Shareholder.
- 140.31 The directors may, in their absolute discretion, require from time to time any person who is or claims to be a person to whom a Distribution may be paid without deduction of tax under Regulation 7 of The Real Estate Investment Trusts (Assessment and Recovery of Tax) Regulations 2006 (as such regulations may be modified, supplemented or replaced from time to time) to provide such information, certificates or declarations as they may require from time to time.

This article may be amended by Special Resolution from time to time, including to give powers to the directors to take such steps as they may require in order to ensure that the Company can satisfy Section 528(4) CTA 2010, which relates to close company status, which powers may include the ability to arrange for the sale of shares on behalf of Shareholders.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (**AGM**) of Palace Capital plc (**Company**) will be held at the offices of Hamlins LLP, Roxburghe House, 273–287 Regent Street, London, W1B 2AD at 10.00 a.m. on Friday 12 July 2019.

You will be asked to consider and vote on the Resolutions below. Resolutions 1 to 13 will be proposed as ordinary resolutions and Resolutions 14 to 18 will be proposed as special resolutions.

ORDINARY RESOLUTIONS

1. To receive and approve the Company's accounts together with the reports of the Directors and the auditors and the strategic report for the year ended 31 March 2019 (**Annual Report**).
2. To receive and approve the Directors' Remuneration Report for the year ended 31 March 2019 contained within the Annual Report on pages 61 to 67.
3. To declare a final dividend of 4.75 pence per ordinary share in respect of the year ended 31 March 2019, to be paid on 12 July 2019 to the holders of ordinary shares at close of business on 14 June 2019.
4. To elect **MICKOLA WILSON** as a Director of the Company.
5. To re-elect **STANLEY DAVIS** as a Director of the Company.
6. To re-elect **NEIL SINCLAIR** as a Director of the Company.
7. To re-elect **RICHARD STARR** as a Director of the Company.
8. To re-elect **STEPHEN SILVESTER** as a Director of the Company.
9. To re-elect **ANTHONY DOVE** as a Director of the Company.
10. To re-elect **KIM TAYLOR-SMITH** as a Director of the Company.
11. To re-appoint **BDO LLP** as auditors of the Company.
12. To authorise the Directors to agree the remuneration of the auditors.
13. In accordance with section 551, the Companies Act 2006 (the **Act**):
 - (a) the Directors be authorised to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company:
 - (i) up to a maximum nominal amount of £1,512,448 (such amount to be reduced by the nominal amount of any equity securities (as defined in section 560(1) of the Act) allotted under paragraph (ii) below in excess of £3,025,350); and
 - (ii) comprising equity securities up to a maximum nominal amount of £3,025,350 (such amount to be reduced by any shares allotted or rights granted under paragraph (i) above) in connection with an offer by way of a rights issue to holders of ordinary shares of 10 pence each in the capital of the Company (**Ordinary Shares**) on the register of shareholders of the Company at such record date as the Directors may determine where the equity securities respectively attributable to the interests of the Ordinary Shares are proportionate (as nearly as practicable) to the numbers of Ordinary Shares held or deemed to be held by them on any such record date and to the other holders of equity securities (if any), subject to such exclusions or other arrangements the Directors may deem necessary or expedient for dealing with Treasury shares, fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory;
 - (b) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, or, if earlier, at the close of business on 11 October 2020; and
 - (c) all previous unutilised authorities under section 551 of the Act shall cease to have effect (save to the extent that the same are exercisable pursuant to section 551(7) of the Act by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date).

SPECIAL RESOLUTIONS

14. That, subject to and conditional on the passing of the resolution 13, the Directors be authorised pursuant to sections 570 and 573 of the Act to allot equity securities (as defined in section 560(1) of the Act) for cash under the authority given by resolution 13 and/or to sell Ordinary Shares held by the Company as Treasury shares for cash as if section 561(1) of the Act did not apply to any such allotment or sale, such authority to be limited:

- (a) to allotments of equity securities, or sales of Treasury shares, in connection with a rights issue, open offer or other pre-emptive issue to existing ordinary shareholders (other than holders of Treasury shares) in proportion (as nearly as practicable) to their respective holdings and holders (excluding any holding of shares as Treasury shares) of any other class of equity securities in existence with a right to participate in allotments of such class of equity securities, subject to such exclusions or other arrangements the Directors may deem necessary or expedient for dealing with Treasury shares, fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory; and
- (b) to the allotment of equity securities or sale of Treasury shares (otherwise than under paragraph (a) of this resolution 14 up to a nominal value of £226,889,

such authority to expire at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on 11 October 2020) 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.

15. That, subject to and conditional on the passing of resolution 13, the Directors be authorised, in addition to any authority granted under resolution 13 or resolution 14, pursuant to sections 570 and 573 of the Act, to allot equity securities (as defined in section 560(1) of the Act) for cash under the authority given by resolution 13 and/or to sell Ordinary Shares held by the Company as Treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be:

- (a) limited to the allotment of equity securities or sale of Treasury shares up to a nominal amount of £226,889; and
- (b) used only for the purposes of financing (or refinancing, if the authority is to be used within 6 months after the original transaction) a transaction which the board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such authority to expire at the end of the next annual general meeting (or, if earlier, at the close of business on 11 October 2020) 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 Directors may allot securities (and sell Treasury shares) under any such offer or agreement as if the authority had not expired.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

SPECIAL RESOLUTIONS CONTINUED

16. That the Company be, and it is hereby, generally and unconditionally authorised for the purpose of sections 693 and 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares upon such terms and in such manner as the Directors shall determine, provided that:
- (a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 4,638,851 (representing approximately 10 per cent. of the Company's total issued ordinary share capital);
 - (b) the minimum price which may be paid for each such Ordinary Share is 10 pence (exclusive of expenses);
 - (c) the maximum price (exclusive of expenses) which may be paid for each such Ordinary Share is an amount equal to the higher of:
 - (i) an amount equal to 105 per cent. of the average of the closing middle market price for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the day the purchase is made; and
 - (ii) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out;
 - (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, on 11 October 2020; and
 - (e) the Company may make a contract to purchase Ordinary Shares under this authority prior to its expiry which will or may be executed wholly or partly after such expiry and may make a purchase of Ordinary Shares in pursuance of any such contract.
17. That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.
18. That with effect from, and subject to and conditional on, the Company's group becoming a real estate investment trust (expected to be on or around 1 August 2019) pursuant to the terms of the notice given to HM Revenue and Customs in accordance with Part 12 of the Corporation Tax Act 2010, the draft articles of association produced to the meeting and, for the purposes of identification, initialled by the Chairman, be approved in substitution for and to the exclusion of, the existing articles of association of the Company.

By order of the Board

David M Kaye
Company Secretary

Date: 3 June 2019

Registered Office
Lower Ground Floor
One George Yard
London
EC3V 9DF

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

The following notes explain your general rights as a shareholder and your right to attend and vote at this Annual General Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the register of members of the Company at close of trading on 10 July 2019, or, if the Annual General Meeting is adjourned, at 48 hours (excluding any part of a day that is not a working day) prior to the adjourned Annual General Meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.
2. Shareholders, or their proxies, intending to attend the Annual General Meeting in person are requested, if possible, to arrive at the Meeting venue at least 20 minutes prior to the commencement of the Meeting at 10.00 a.m. (UK time) on 12 July 2019 so that their shareholding may be checked against the Company's register of members and attendances recorded. The Annual General Meeting will be held at the offices of Hamlins LLP, Roxburghe House, 273-287 Regent Street, London W1B 2AD (the nearest underground station is Oxford Circus). Please bring this Notice with you. Representatives of corporate shareholders will have to produce evidence of their proper appointment when attending the Annual General Meeting. Please contact the Company's Registrar, Link Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU, if you require further guidance on this.
3. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Annual General Meeting. A Shareholder 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 Ordinary Share or Ordinary Shares held by that Shareholder. A proxy need not be a Shareholder of the Company.
4. 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).
5. 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 Annual General Meeting.
6. You can appoint a proxy either:
 - by logging on to www.signalshares.com and following the instructions; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

The appointment of a proxy in each case must be received by 10.00 a.m. on 10 July 2019.

If you need help with voting online, please contact our Registrar, Link Asset Services, on 0871 664 0300 from the UK (Calls cost 12p per minute plus network extras) or +44 371 664 0391 from outside the UK (calls chargeable at the applicable international rate) or email [Link at enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk).

If you cannot use either of the above services, you should contact the Registrar who can send you a hard copy form of proxy. In the case of a Shareholder which is a company delivering a hard copy form of proxy, such form of proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the form of proxy is signed (or a duly certified copy of such power or authority) must be included with the form of proxy.
7. To change your proxy instructions simply submit a new proxy appointment using any of the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any attempt to terminate or amend a proxy appointment received after the relevant cut-off time will be disregarded.
8. If you return more than one proxy appointment, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all Shareholders and those who use them will not be disadvantaged.
9. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note 11 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting (and any adjournment of the Annual General Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a 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.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING CONTINUED

11. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10.00 a.m. on 10 July 2019. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application 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.
12. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
13. Any corporation which is a Shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.
14. As at 3 June 2019 (being the latest practicable Business Day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 45,883,249 Ordinary Shares, of which 505,266 Ordinary Shares are held in Treasury. Therefore, the total voting rights in the Company as at 3 June 2019 are 45,377,983.
15. Under Section 527 of the Act, Shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the Auditor's Report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Act (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Act to publish on a website.
16. Any Shareholder attending the 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 Annual General 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 Annual General Meeting that the question be answered.
17. The following documents are available for inspection during normal business hours at the registered office of the Company on any Business Day from the date of this Notice until the time of the Annual General Meeting and may also be inspected at the Annual General Meeting venue, as specified in this Notice, from 09:00 a.m. on the day of the Meeting until the conclusion of the Annual General Meeting:
 - copies of the Directors' letters of appointment or service contracts; and
 - a copy of the proposed new articles of association of the Company.
18. You may not use any electronic address (within the meaning of Section 333(4) of the Act) provided in either this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by Section 311A of the Act, can be found on the Company's website at <https://www.palacecapitalplc.com>