

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action that you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended).

If you have sold or otherwise transferred all of your existing Ordinary Shares in the capital of the Company, please immediately forward this document together with the accompanying Form of Proxy and Scrip Dividend Mandate as soon as possible to the relevant purchaser or transferee (or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee). However, such documents should not be forwarded to, or transmitted in or into, any jurisdiction where to do so might violate the relevant laws and regulations in that jurisdiction. If you have sold or transferred part only of your holding of Ordinary Shares you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.



PRIVATE & COMMERCIAL FINANCE GROUP PLC

(incorporated and registered in England and Wales with registered number 02863246)

Notice of Annual General Meeting and Recommended proposal for the introduction of a Scrip Dividend Scheme

Notice of an Annual General Meeting of the Company, to be held at Pinners Hall, 105-108 Old Broad Street, London EC2N 1ER on Friday 10 March 2017 at 10.00 a.m. is set out on pages 9 to 11 of this document. Shareholders will find enclosed:

- (i) a Form of Proxy (printed on white paper) for use at the Annual General Meeting. To be valid, the Form of Proxy must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible but in any event no less than 48 hours before the time appointed for the holding of the relevant meeting; and
- (ii) a Scrip Dividend Mandate (printed on yellow paper) to receive, subject to the passing of Resolutions 8 and 12, New Shares under the Scheme in respect of the 2016 Final Dividend and whenever a Scrip Dividend alternative is offered in respect of any Dividends in the future (subject in all cases to the Terms and Conditions of the Scheme set out in this document). The Scrip Dividend Mandate must be returned to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received by not later than 31 March 2017. Shareholders who hold their Ordinary Shares in CREST should ignore the Scrip Dividend Mandate Form and use the CREST Dividend Election Input Message in accordance with the CREST Manual, further details of which are set out in paragraph 4 of the Chairman's Letter.

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DEFINITIONS

"AIM"	the AIM market of the London Stock Exchange plc;
"AGM"	the Annual General Meeting of the Company, notice of which is set out on pages 12 to 15 of this document;
"Articles"	the Articles of Association of the Company;
"Companies Act"	the Companies Act 2006;
"Company"	Private & Commercial Finance Group plc;
"CREST"	a paperless settlement procedure, operated by Euroclear UK & Ireland Limited, enabling system securities to be evidenced otherwise than by written instrument;
"CREST Manual"	the rules governing the operation of CREST;
"Directors"	the board of directors of the Company, currently comprised of the individuals listed on page 5 of this document;
"Dividend"	a dividend declared in respect of Ordinary Shares in the Company;
"Ex-Dividend Date"	the date on which the Ordinary Shares are first quoted ex the relevant Dividend;
"Financial Statements"	the audited financial statements of the Company for the 18 month period ended 30 September 2016;
"Form of Proxy"	the form of proxy (printed on white paper) enclosed with this document for use by Shareholders in connection with the AGM;
"New Share Price"	the price for each New Share, calculated in accordance with paragraph 5 of the Terms and Conditions;
"New Shares"	Ordinary Shares, credited as fully paid and allotted subject to the Terms and Conditions;
"Ordinary Resolution"	a resolution of Shareholders passed by: <ul style="list-style-type: none">(i) on a show of hands, a simple majority of Shareholders who, being entitled to vote, do so in person or by proxy; or(ii) on a poll, Shareholders representing a simple majority of the total voting rights of Shareholders who, being entitled to vote, do so in person or by proxy;
"Ordinary Shares"	fully paid ordinary shares of £0.05 each in the capital of the Company;
"Participant"	a Shareholder who validly elects or has elected to receive New Shares by completing and returning a Scrip Dividend Mandate in the prescribed manner or, if a Shareholder holds their Ordinary Shares in CREST, by using the CREST Dividend Election Input Message in accordance with the CREST Manual;

“Record Date”	the record date for entitlement to participation in a Dividend, as notified to Shareholders from time to time;
“Registrars”	the Company’s Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY;
“Resolutions”	the Ordinary Resolutions and Special Resolutions of the Company to be proposed at the AGM;
“Return Date”	the date by which: <ul style="list-style-type: none"> (i) a completed Scrip Dividend Mandate must be returned to the Registrars in order to participate in the Scheme; or (ii) a written notice of withdrawal must be returned to the Registrars in order to withdraw from the Scheme, in either case in respect of the Dividend next following;
“Scheme”	the Private & Commercial Finance Group plc Scrip Dividend Scheme comprising the Terms and Conditions (as amended or modified from time to time);
“Scrip Dividend”	a Dividend in the form of Ordinary Shares (credited as fully paid) instead of in cash;
“Scrip Dividend Mandate”	a mandate (printed on yellow paper) in the form provided by the Company or the Registrars, validly completed by a Shareholder, comprising an application to participate in the Scheme as operated by the Company from time to time until varied or revoked;
“Shareholder” or	
“Shareholders”	a holder or holders of Ordinary Shares;
“Special Resolution”	a resolution of Shareholders passed by: <ul style="list-style-type: none"> (i) on a show of hands, a majority of at least 75 per cent. of Shareholders who, being entitled to vote, do so in person or by proxy; or (ii) on a poll, Shareholders representing a majority of at least 75 per cent. of the total voting rights of Shareholders who, being entitled to vote, do so in person or by proxy;
“Terms and Conditions”	the Terms and Conditions of the Scheme set out in the Appendix to this document, as amended or modified from time to time; and
“2016 Final Dividend”	the recommended final cash dividend of 0.1 pence per Ordinary Share in respect of the 18 month period ended 30 September 2016.

PRIVATE & COMMERCIAL FINANCE GROUP PLC

(Incorporated and registered in England and Wales with registered number 02863246)

Directors

Timothy Franklin (Non-Executive Chairman)
David Morgan (Non-Executive Director)
Anthony Nelson (Non-Executive Director)
Mark Brown (Non-Executive Director)
Andrew Brook (Non-Executive Director)
Scott Maybury (Chief Executive)
Robert Murray (Managing Director)
David Bull (Finance Director)

Registered Office

Pinners Hall
105-108 Old Broad Street
London
EC2N 1ER

25 January 2017

Dear Shareholder

Notice of Annual General Meeting and recommended proposals for the introduction of a Scrip Dividend Scheme

1. Introduction

- 1.1 You will find set out on pages 9 to 11 of this document notice of the AGM to be held at Pinners Hall, 105-108 Old Broad Street, London EC2N 1ER on Friday 10 March 2017 at 10.00 a.m.
- 1.2 The usual business to be transacted at the AGM is contained in Resolutions 1 to 11 set out in the notice of AGM and the explanatory notes to those Resolutions are set out in paragraph 2 below.
- 1.3 Paragraphs 3 to 6 of this document provide Shareholders with further details of, and the reasons for, the Scheme. Resolution 12 set out in the notice of AGM relates to the Scheme.
- 1.4 Paragraph 7 details the action to be taken by Shareholders and paragraph 8 contains a timetable for the 2016 Final Dividend and Scrip Dividend. Paragraph 9 contains the Directors' recommendation.
- 1.5 The Terms and Conditions of the Scheme are set out in the Appendix to this document.

2. Explanatory notes to the usual business to be transacted at the AGM

2.1 Resolution 1

Under the provisions of the Companies Act, the Directors are required to lay before the Company in general meeting copies of the Company's audited financial statements before the end of the relevant period for filing those statements. Resolution 1 seeks Shareholder approval of the Financial Statements.

2.2 Resolution 2

Resolution 2 is an advisory vote by Shareholders on the Directors' remuneration as set out in the Financial Statements.

2.3 Resolution 3

The Articles provide that any Director who has not been appointed or re-appointed at one of the preceding two annual general meetings of the Company shall retire and make himself eligible for re-appointment. Accordingly, Robert Murray will retire and will make himself eligible for re-appointment.

A biography for Robert is contained on page 4 of the Financial Statements.

2.4 Resolutions 4 to 6

The Articles provide that the Directors may appoint any person as a Director, but any person so appointed shall hold office only until the next annual general meeting, at which time he shall make himself eligible for re-appointment.

The Directors appointed Mark Brown and Andrew Brook as Non-Executive Directors on 1 December 2015 and myself as Non-Executive Chairman on 6 December 2016. Accordingly, Mark Brown, Andrew Brook and I will make ourselves eligible for re-appointment.

Biographies for each of Mark, Andrew and myself are contained on page 4 of the Financial Statements.

2.5 Resolution 7

The provisions of the Companies Act require auditors to be appointed for each financial year of the Company. Resolution 7 provides for the re-appointment of Ernst & Young LLP as auditors of the Company to hold office from the conclusion of the AGM until the conclusion of the next meeting at which financial statements are laid before the Company and seeks authorisation for the Directors to determine the auditors' remuneration.

2.6 Resolution 8

The Directors recommend that the 2016 Final Dividend is paid. If approved by Shareholders (and subject to any election by Shareholders to receive a Scrip Dividend instead of cash as further described below), the 2016 Final Dividend will be paid on Thursday 13 April 2017 to Ordinary Shareholders on the register of members at 5.00 p.m. on Friday 24 March 2017.

2.7 Resolution 9

Resolution 9 authorises the Directors to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to a maximum nominal amount of £2,500,000. The authority granted by Resolution 9 will, unless previously renewed, revoked or varied, expire at the conclusion of the next annual general meeting of the Company.

Shareholders last granted such general authority to the Directors at the annual general meeting of the Company held on 18 September 2015. Resolution 9 seeks to renew this authority.

Resolutions 1 to 9 will all be proposed as Ordinary Resolutions.

2.8 Resolution 10

Resolution 10 seeks to provide the Directors with authority to allot equity securities for cash without first offering them to existing Shareholders in proportion to their shareholdings up to an aggregate nominal amount of £500,000. There may be occasions when the Directors will need the flexibility to finance business opportunities by the issue of equity securities of the Company without a pre-emptive offer to existing Shareholders.

Shareholders last granted authority to the Directors to dis-apply pre-emption rights at the annual general meeting of the Company held on 18 September 2015. This authority expires at the conclusion of the AGM. Resolution 10 seeks to renew this authority.

2.9 Resolution 11

Section 307A of the Companies Act provides for the minimum notice period for general meetings of a company to be 21 days but with the ability for companies to reduce this period to 14 days (other than for annual general meetings) provided that two conditions are met. The first condition is that the Company offers a facility for Shareholders to vote by electronic means, which the Company already does. The second condition is that there is an annual resolution of Shareholders approving the reduction of the minimum notice period from 21 days to 14 days. Resolution 11 seeks that approval. The approval will be effective until the next annual general meeting of the Company when, it is intended, a similar resolution will be proposed. The Directors confirm that a general meeting would only be called on a minimum of 14 days' notice in limited circumstances where the proposals in question are time sensitive and the short notice would clearly be to the advantage of Shareholders as a whole.

Resolutions 10 and 11 will both be proposed as Special Resolutions.

3. Resolution 12 – The Private & Commercial Finance Group plc Scrip Dividend Scheme

- 3.1 The Directors are seeking authority at the AGM to offer Shareholders the opportunity to elect to receive Dividends in the form of New Shares. Such authority, if granted, shall be valid for any Dividend (or part thereof) (including interim dividends) declared in respect of each financial year from and including the 18 month period ended 30 September 2016 up to and including the financial year ending 30 September 2021 and including the 2016 Final Dividend.
- 3.2 The Directors believe that the Scheme is advantageous to Shareholders as it enables Shareholders to increase their shareholding in the Company in a simple manner, without paying dealing costs or stamp duty. However, any decision by Shareholders to participate in the Scheme will depend on their own circumstances, and paragraph 11 of the attached Terms and Conditions sets out some of the factors that Shareholders may wish to consider when making such decision. The Scheme is also advantageous to the Company (and therefore to its Shareholders in general) since cash that would otherwise be paid out in Dividends is retained within the business.
- 3.3 The Directors will retain discretion to decide whether to offer a Scrip Dividend alternative in respect of each future Dividend. The Directors will also retain discretion to withdraw the offer of a Scrip Dividend alternative should they feel it is in the best interests of Shareholders to do so.
- 3.4 Shareholders who are considering electing to receive Dividends in the form of New Shares should bear in mind that the price of Ordinary Shares fluctuates, as with all listed securities.

4. Scrip Dividend Mandate

- 4.1 Shareholders may implement a Scrip Dividend Mandate to receive New Shares instead of cash in respect of their holding of Ordinary Shares at any time on-line at www.investorcentre.co.uk or by completing the Scrip Dividend Mandate enclosed and returning it to the Registrars. Shareholders' attention is drawn to the Terms and Conditions of the Scheme which are set out in the Appendix to this document.
- 4.2 Shareholders who hold their Ordinary Shares in uncertificated form in CREST and will continue to do so at the Record Date for the relevant Dividend can elect to participate in the Scheme by means of the CREST procedures to effect such an election. Shareholders who are a CREST Personal Member, or other CREST Sponsored Member, should consult their CREST sponsor who will be able to take the appropriate action on their behalf. Shareholders are advised to consult their CREST Manual for instructions on how to use the Dividend Election Input Message.
- 4.3 If a Shareholder's Ordinary Shares are held in a CREST stock account and they have implemented a Scrip Dividend Mandate, their CREST stock account will be credited with the relevant number of New Shares instead of cash. Shareholders who hold Ordinary Shares in certificated form and have implemented a Scrip Dividend Mandate will receive a share certificate in respect of any New Shares issued and allotted under the Scheme.

5. Shareholders outside the United Kingdom

- 5.1 Legal requirements in jurisdictions outside the United Kingdom can impose onerous and costly obligations on the Company. Consequently, the right to participate in the Scheme is not available to any person in the United States of America, Canada, Japan, South Africa, New Zealand, Australia or the Republic of Ireland or their respective territories or possessions. The right to participate is also not available to any person in any other jurisdiction outside the United Kingdom where such an offer requires compliance by the Company with any governmental or regulatory or any other similar formalities. Your attention is drawn to paragraph 6 of the attached Terms and Conditions.

6. The Annual General Meeting

- 6.1 To implement the Scheme, the approval of Shareholders is required.
- 6.2 The notice convening the AGM contains a resolution to be proposed in relation to the Scheme, being Resolution 12, which is to be proposed as a single Special Resolution.

7. **Action to be taken**

7.1 Shareholders will find enclosed a Form of Proxy (printed on white paper) for use in connection with the AGM. Whether or not Shareholders intend to be present at the AGM, they are requested to complete the Form of Proxy in accordance with the instructions printed thereon and return it so as to be received by the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible but in any event, in order to be valid, no later than 10.00 a.m. on 8 March 2017. Completion and return of a Form of Proxy will not preclude a Shareholder from attending, speaking and voting in person at the AGM, should they so wish.

7.2 The Terms and Conditions of the Scheme, including an outline of the taxation consequences, are set out in the Appendix to this document which should be read carefully. A Scrip Dividend Mandate (printed on yellow paper) also accompanies this document. If, after reading this letter and the Scrip Dividend Mandate, you are in any doubt about what course of action to take in relation to your shareholding, you should consult an independent financial advisor.

8. **Timetable in respect of the 2016 Final Dividend and Scrip Dividend**

8.1 A timetable in respect of the payment of the 2016 Final Dividend and the Scrip Dividend is set out below. The payment of the 2016 Final Dividend is subject to Shareholder approval of Resolution 8 and the Scrip Dividend is subject to Shareholder approval of Resolutions 8 and 12.

Friday	10 March 2017	AGM
Thursday	23 March 2017	Ex-Dividend Date
Friday	24 March 2017	Record Date
Wednesday	29 March 2017	Scrip reference share price set
Friday	31 March 2017	Return Date
Thursday	13 April 2017 ²	Dividend payment date/first day of dealing in New Shares

9. **Recommendation**

9.1 Your Directors consider that all the Resolutions are in the best interests of the Company and its Shareholders as a whole. Accordingly, your Directors recommend that all Shareholders vote in favour of the Resolutions, as they intend to do in respect of their own beneficial shareholdings.

Yours faithfully

Tim Franklin

Non-executive Chairman

NOTICE OF ANNUAL GENERAL MEETING

Private & Commercial Finance Group plc

(Incorporated and registered in England and Wales with registered number 02863246)

Notice is hereby given that the Annual General Meeting of Private & Commercial Finance Group plc (the “**Company**”) will be held at Pinners Hall, 105-108 Old Broad Street, London EC2N 1ER on Friday 10 March 2017 at 10.00 a.m. to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 9 will be proposed as Ordinary Resolutions and resolutions 10 to 12 as Special Resolutions.

Ordinary Business

1. To receive and approve the Report of the Directors and the audited Financial Statements of the Company for the 18 month period ended 30 September 2016.
2. To receive and approve the Report on the Directors’ Remuneration as set out in the audited Financial Statements for the 18 month period ended 30 September 2016.
3. To re-elect R Murray, who is retiring as a director by rotation pursuant to Article 91 of the Company’s Articles of Association, as a director of the Company.
4. To elect M Brown, who was appointed as a director pursuant to Article 93 of the Company’s Articles of Association, as a director of the Company.
5. To elect A Brook, who was appointed as a director pursuant to Article 93 of the Company’s Articles of Association, as a director of the Company.
6. To elect T Franklin, who was appointed as a director pursuant to Article 93 of the Company’s Articles of Association, as a director of the Company.
7. To re-appoint Ernst & Young LLP as auditors of the Company and to authorise the directors to determine their remuneration.
8. To declare a final dividend of 0.1 pence per ordinary share in respect of the 18 month period ended 30 September 2016.

Special Business

9. To consider and, if thought fit, pass the following as an Ordinary Resolution:
“That the directors be and are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the “**Act**”) to exercise all the powers of the Company to allot shares and grant rights to subscribe for or to convert into shares in the Company (“**relevant securities**”) up to an aggregate nominal amount of £2,500,000 provided that such authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company, save that the Company may prior to the expiry of such authority make an offer, agreement or other arrangement under which the relevant securities would be or might fall to be allotted after such expiry and the directors may allot such relevant securities pursuant to any such offer, agreement or other arrangement as if the authority conferred by this resolution had not expired.”
10. To consider and, if thought fit, pass the following as a Special Resolution:
“That the directors be and are hereby empowered, pursuant to Section 571 of the Companies Act 2006 (the “**Act**”), to allot equity securities for cash pursuant to the authority conferred by Resolution 9 set out in the notice of annual general meeting of the Company dated 25 January 2017, as if Section 561 (1) of the Act did not apply to such allotment, provided that any such allotment shall be limited to:

- (a) the allotment of equity securities for cash where such securities have been offered (by rights issue, open offer or otherwise) to holders of equity securities in proportion (as nearly as may be) to their holdings of ordinary shares of 5 pence each of the Company but subject to the directors having the right to make such exclusions or other arrangements in connection with such offer as they deem necessary or expedient to deal with fractional entitlements and legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange or otherwise; and
- (b) any allotment (otherwise than pursuant to sub-paragraph (a) of this resolution) of equity securities up to an aggregate nominal value of £500,000,

and shall expire (unless previously renewed, varied or revoked) at the conclusion of the next annual general meeting of the Company but so that the directors shall be entitled to make, at any time prior to the expiry of the power hereby conferred, any offer, agreement or other arrangement under which the relevant securities would be or might fall to be allotted after such expiry and the directors may allot securities pursuant to such offer, agreement or other arrangement as if the powers conferred by this resolution had not expired”.

11. To consider and, if thought fit, pass the following as a Special Resolution:

“That a general meeting of the Company, other than an annual general meeting, may be called on not less than 14 clear days’ notice, provided that the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company”.

12. To consider and, if thought fit, pass the following as a Special Resolution:

“That the directors be generally and unconditionally authorised to exercise the power contained in Article 112 of the Company’s Articles of Association so that, to the extent and on such terms and conditions as may be determined by the directors, the holders of ordinary shares be permitted to elect to receive new ordinary shares credited as fully paid instead of cash in respect of all or part of any dividend (including any interim dividend), declared or paid by the directors or declared by the Company in a general meeting (as the case may be) and, subject to the passing of Resolution 8 set out in the notice of annual general meeting of the Company dated 25 January 2017, in relation to the final dividend of 0.1 pence per ordinary share in respect of the 18 month period ended 30 September 2016, and the price of such new ordinary shares for this purpose will be the average of the middle market quotations for an ordinary share as derived from the Daily Official List of the London Stock Exchange plc during the period of five dealing days commencing on the date on which the ordinary shares are first quoted ex the relevant dividend. Such authority to be valid in respect of each financial year from and including the 18 month period ended 30 September 2016 up to and including the financial year ended 30 September 2021, to the extent that the directors decide, at their discretion, to offer a scrip dividend alternative in respect of such dividend”.

By order of the Board

R J Murray
Secretary

25 January 2017

Registered Office
Pinners Hall
105-108 Old Broad Street
London
EC2N 1ER

Notes

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on their behalf. Members may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different shares. A proxy need not be a member of the Company.
2. A white Form of Proxy is enclosed. To be valid, the Form of Proxy must be lodged with the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not less than 48 hours before the time appointed for the holding of the Annual General Meeting.
3. Completion of a Form of Proxy will not prevent a member from attending and voting in person at the Annual General Meeting, if the member so wishes.
4. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the Register of Members of the Company at 10.00 a.m. on Wednesday 8 March 2017 shall be entitled to vote at the meeting in respect of the number of ordinary shares registered in their name at the relevant time. Changes to entries in the Register of Members after 10.00 a.m. on Wednesday 8 March 2017 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed (a) voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.
6. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**EUI**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
7. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
8. 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.

APPENDIX : TERMS AND CONDITIONS OF THE SCRIP DIVIDEND SCHEME

1. The Scheme

- 1.1 For Dividends in respect of which the Scheme operates, each Shareholder who has completed and not revoked a Scrip Dividend Mandate will receive New Shares in lieu of a cash dividend in respect of their holding of Ordinary Shares recorded in the register of members of the Company on the relevant Record Date.
- 1.2 The operation of the Scheme is subject to:
 - 1.2.1 the Directors being granted authority by the Shareholders to introduce the Scheme at the Annual General Meeting of the Company to be held on Friday 10 March 2017 and at any further general meeting of the Company where renewal of the Scheme is required; and
 - 1.2.2 the approval of the Directors from time to time.
- 1.3 If the Scheme is to be operated in relation to any Dividend, Shareholders will be notified by means of a statement in the Company's Annual Report and Financial Statements, or in the Company's Interim Report, or by means of a separate letter to Shareholders which will include details of the basis of entitlement to New Shares.
- 1.4 The operation of the Scheme is conditional on the middle market quotation for an Ordinary Share (as derived from the Daily Official List of the London Stock Exchange plc) on the Return Date exceeding a price which is 15 per cent below the price calculated for a New Share, as set out in paragraph 5 of these Terms and Conditions. The operation of the Scheme in relation to any Dividend is also conditional on the New Shares to be issued under the Scheme in relation to that Dividend being admitted to AIM and admitted to trading on or before the date (as notified by the Company) on which dealings in those New Shares are expected to commence.
- 1.5 If the operation of the Scheme is not approved as required, or if the conditions are not satisfied, the relevant Dividend will be paid in cash.

2. Extent of the operation of the Scheme

- 2.1 Each Shareholder may elect to receive New Shares under the Scheme in respect of the whole of their shareholding.
- 2.2 If a Shareholder wishes to receive a Dividend in the form of New Shares in respect of part of their shareholding and to receive cash in respect of the remaining part of their shareholding, they should give notice in writing to the Registrars, which notice must be received prior to the relevant Return Date, specifying the number of Ordinary Shares held by them in respect of which they wish to receive New Shares. Any residual entitlement in relation to any New Shares issued will be paid out together with the cash dividend in respect of the Ordinary Shares for which no election has been made.
- 2.3 Any such partial election shall have effect only in respect of the Dividend to which it relates. Subsequent dividends will be paid in accordance with the Terms and Conditions of the Scheme, unless notice of withdrawal is given in accordance with paragraph 4 of these Terms and Conditions.

3. Accumulation of residual entitlements

- 3.1 No Participant can receive a fraction of a New Share. Where a Participant has made an election to participate in the Scheme, which would otherwise give rise to an entitlement to a fraction of a New Share, any residual entitlement which is less than the price of one New Share (as calculated in accordance with paragraph 5 of these Terms and Conditions) will not be paid. Instead, that sum will be credited to the account of the Participant, carried forward (without interest) and added to the next Dividend payable to that Participant in the form of New Shares under the Scheme.

- 3.2 The Company will pay cash to a Shareholder (without interest) in respect of any fractional entitlement carried forward:
- 3.2.1 on the disposal of the Shareholder's entire shareholding; or
- 3.2.2 on the death or liquidation of a sole Shareholder; or
- 3.2.3 upon written request of the Shareholder.
- 3.3 If a notice of withdrawal in writing is lodged by the Return Date specified in the Company's Annual Report and Financial Statements, or in the Company's Interim Report, or by means of a separate letter to Shareholders, the residual amount being carried forward will be paid (without interest) together with the relevant Dividend payment. However, for any notice of withdrawal received after the Return Date, the residual amount will be carried forward and, providing a new Scrip Dividend Mandate is not submitted at that time, will be included with the following Dividend payment.
- 3.4 Additional copies of these Terms and Conditions and the Scrip Dividend Mandate will be available from the Registrars.

4. **Withdrawal**

- 4.1 A Participant may withdraw from the Scheme at any time by giving notice of withdrawal to the Registrars in writing. For a withdrawal to be effective in respect of the next Dividend, a notice to that effect must be received by the Registrars on or before the relevant Return Date. Any Participant withdrawing from the Scheme in respect of future Dividends will receive cash Dividends. Receipt by the Company of notice of the death of a sole Shareholder will cancel participation in the Scheme. If the deceased was a joint Shareholder, the participation of the survivor within the Scheme will continue. Receipt by the Company of notice that a Shareholder which is a corporation has been placed in liquidation will also cancel participation in the Scheme.
- 4.2 Completion of a Scrip Dividend Mandate will not revoke any existing order under which cash Dividends are paid directly to a bank. However, whilst a Shareholder participates in the Scheme, any such order will be deemed to have been suspended. Following withdrawal from the Scheme, such an order will ordinarily take effect again automatically.

5. **Basis of entitlement to New Shares**

- 5.1 The entitlement of a Participant to New Shares will be calculated on:
- 5.1.1 the number of Ordinary Shares held by that Participant on the Record Date in the case of elections made in respect of the whole of their shareholding; or
- 5.1.2 that number of Ordinary Shares specified by that Participant in the case of elections made in respect of part of their shareholding in accordance with paragraph 2.2 above,
- in each case multiplied by the amount of the Dividend declared, and then divided by the New Share Price.
- 5.2 The New Share Price for this purpose will be the average of the middle market quotations for an Ordinary Share as derived from the Daily Official List of the London Stock Exchange plc during the period of five dealing days commencing on the Ex-Dividend Date.
- 5.3 Example: On the assumption of a 0.1 pence dividend, a holding of 100,000 shares and an average middle market price of 30 pence:

Full Cash Dividend on 100,000 shares at 0.1 pence	£100.00
£100 ÷ 30 pence =	
333.0 shares rounded down =	
333 new shares received (at 30 pence)	£99.90
Cash carried forward	£0.10

N.B. The figures in this example are purely hypothetical and are for explanatory purposes only.

- 5.4 Where the operation of the Scheme would result in a Participant being entitled to less than one New Share (for example where that Participant held a very small number of Ordinary Shares) no fraction of a New Share will be issued, and the relevant amount of Dividend will be carried forward as if it were a residual entitlement and dealt with in the manner provided at paragraph 3 of these Terms and Conditions.

6. Eligibility

- 6.1 The Scheme is not available to any person who is, or whom the Company believes is, resident in the United States of America, Canada, Japan, South Africa, New Zealand, Australia or the Republic of Ireland or their respective territories or possessions (subject to applicable exemptions) or in any jurisdiction outside the United Kingdom where the offer requires compliance by the Company with any governmental or regulatory procedures or any similar formalities. No person receiving a copy of these documents in any such country or jurisdiction may treat them as offering a right to elect unless such an offer could lawfully be made without any such compliance. Any Shareholder resident outside the United Kingdom wishing to receive New Shares instead of a cash dividend is responsible for ensuring that such an election can be validly and lawfully made and for observing all governmental or regulatory procedures or any similar formalities and paying any issue, transfer or other taxes in the applicable jurisdiction.
- 6.2 The Ordinary Shares have not been, and the New Shares will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or registered or qualified under the securities laws of any state of the United States and, accordingly, may not be offered, sold, pledged, taken up, resold, transferred or delivered, directly or indirectly, in the United States or to or for the account or benefit of a US person, each as defined in Regulation S under the Securities Act, at any time, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and in compliance with any applicable state securities laws of any state or other jurisdiction in the United States and as may be agreed by the Company in writing.
- 6.3 Any Shareholder resident outside the United Kingdom who receives this circular and/or these Terms and Conditions and/or the Scrip Dividend Mandate should obtain advice as to whether any governmental and/or legal consent is required and/or any other formality must be observed to enable such Shareholder to participate in the Scheme.
- 6.4 The right to participate in the Scheme does not constitute an offer of securities in any jurisdiction outside the United Kingdom in which it is unlawful to make such an offer and the circular, these Terms and Conditions and the Scrip Dividend Mandate should not be forwarded by recipients thereof to any person in any territory other than where it is lawful to make such an offer.
- 6.5 For the purposes of these Terms and Conditions, a “**person**” outside the United Kingdom shall include any person so resident, any corporation, partnership or other entity created, organised or incorporated outside the United Kingdom and any estate of which any executor or administrator or any trust of which any beneficiary or trustee is a person outside the United Kingdom. “**United States**” shall mean the United States of America, its territories and possessions, any state of the United States, and the District of Columbia. “**US person**” includes any natural person resident in the United States, any partnership or corporation organised or incorporated under the laws of the United States, any estate of which any executor or administrator is a US person and any trust of which any trustee is a US person. References to Canada include its territories, possessions and all areas subject to its jurisdiction and any political subdivision thereof.

7. Election to participate in the Scheme

Shareholders who are eligible and have not previously elected to do so may participate in the Scheme by completing, signing and dating the attached Scrip Dividend Mandate in accordance with the instructions set out on that form. If the Scrip Dividend Mandate is not received by the time and date set out on the form, the election will be effective in respect of future Dividends in respect of which the Scheme is operated. No acknowledgement of receipt of a Scrip Dividend Mandate will be given.

8. Issue and admission to trading of New Shares

- 8.1 Application will be made to the Financial Conduct Authority and/or the London Stock Exchange plc (as appropriate) for admission to AIM and admission to trading of all New Shares. Subject to such admission, share certificates for New Shares will be issued and posted to Participants eligible thereto, at their risk, at or about the same time as the dividend warrants in respect of cash dividends are sent to eligible Shareholders.

- 8.2 Where the New Shares are issued as uncertificated shares, the Company will instruct Euroclear UK & Ireland Limited to credit the Shareholder's stock account in CREST (being the account under the same participation ID and member account ID as the Ordinary Shares from which the New Shares are derived) with the appropriate entitlement of New Shares.
- 8.3 The New Shares will, on issue, rank equally in all respects with existing issued Ordinary Shares and will carry the right to all Dividends subsequently declared.
9. **Accounting statements**
- 9.1 To assist Participants with their tax returns, a statement will be sent with each certificate for New Shares, setting out the following information:
- 9.1.1 the total number of Ordinary Shares held by the Participant on the relevant Record Date;
- 9.1.2 Dividend entitlement;
- 9.1.3 cash balance brought forward from the last Dividend (if any);
- 9.1.4 total funds available to purchase New Shares;
- 9.1.5 the number of New Shares allotted to the Participant;
- 9.1.6 cash equivalent of New Shares allotted;
- 9.1.7 the residual entitlement (if any) of the Participant (as described in paragraph 3 of these Terms and Conditions) to be carried forward and added to the next applicable Dividend; and
- 9.1.8 the cash equivalent for tax purposes of the New Shares allotted and issued to the Participant.
- 9.2 A Participant who has elected to participate in the Scheme, but whose entitlement is not sufficient for them to qualify for any New Shares, will receive a notification at or about the same time as those Participants who receive statements with their share certificates.
10. **Modification and termination**
- 10.1 The Scheme can be modified, suspended or terminated by the Directors at any time without notice to Participants individually. In the case of a modification, Participants will be deemed to have elected to continue under the modified Scheme unless the Registrars are notified to the contrary in writing. The Directors also have the power, after an offer of New Shares under the Scheme is made, to revoke the offer generally at any time prior to the allotment of the New Shares.
- 10.2 A Scrip Dividend Mandate may be modified, suspended or terminated by giving written notice to the Registrars, so as to be received before the final time and date for receipt of a Scrip Dividend Mandate in respect of the relevant Dividend.
- 10.3 The Company will use its reasonable endeavours to circulate updated versions of these Terms and Conditions if significant alterations are required or made pursuant to changes in tax or other legislation or regulation. However, it is the responsibility of each Participant to assess, with their appropriate professional adviser, the effect of any such change to their individual circumstances.
11. **Taxation**
- Under current United Kingdom legislation and current HM Revenue & Customs practice, it is believed that the taxation consequences for Shareholders resident in the United Kingdom for taxation purposes of electing to receive New Shares instead of a full cash dividend are broadly as outlined below. Shareholders should note that the summary is a general guide to the UK tax regime currently in force and is not exhaustive.
- 11.1 **UK resident individuals**
- 11.1.1 Individuals who elect to receive New Shares instead of a cash dividend will be treated as having received income of an amount which is equal to the "**Cash Equivalent**" of the New Shares. The Cash Equivalent of each New Share will be the New Share Price calculated in accordance with paragraph 5 of these Terms and Conditions, unless the market value of a New Share on the first day of dealing on the London Stock Exchange (the "**opening value**") differs by 15 per cent or more from the New Share Price, in which case the Cash Equivalent of one New Share will be the opening value.

- 11.1.2 With effect from 6 April 2016, each individual is entitled to an annual tax-free dividend allowance of £5,000. If the amount of income which an individual Shareholder is treated as having received (as mentioned above), when added to other dividend income received by the individual in the tax year in which the New Shares are issued, is less than or equal to £5,000, the individual will have no liability for income tax in respect of the receipt of the New Shares.
- 11.1.3 If the amount of income which an individual Shareholder is treated as having received (as mentioned above), when added to other dividend income received by the individual in the tax year in which the New Shares are issued, exceeds £5,000, the excess amount (“**the excess amount of income**”) will be subject to income tax in accordance with the following provisions.
- 11.1.4 Individuals who (after taking account of the amount of income which they are treated as having received, as mentioned above) pay income tax only at the basic rate (currently 20 per cent), but not the higher rate, will be liable to income tax at the dividend ordinary rate (currently 7.5 per cent) on the excess amount of income.
- 11.1.5 Individuals whose total income for tax purposes (after taking into account the amount of income which they are treated as having received as mentioned above) exceeds the threshold for higher rate income tax (“**the higher rate threshold**”) will be liable to income tax at the dividend upper rate (currently 32.5 per cent) on the excess amount of income to the extent that such income exceeds the higher rate threshold.
- 11.1.6 Individuals whose total income for tax purposes (after taking into account the amount of income which they are treated as having received as mentioned above) exceeds the threshold for additional rate income tax (“**the additional rate threshold**”) will be liable to income tax at the dividend additional rate (currently 38.1 per cent) on the excess amount of income to the extent that such income exceeds the additional rate threshold.

For capital gains tax purposes, the amount of the Cash Equivalent will be treated as consideration given for the New Shares.

11.2 **UK resident trustees**

- 11.2.1 Trustees who are liable to tax on dividend income at the dividend trust rate (currently 38.1 per cent) and who elect to receive New Shares instead of a cash dividend will, for the purposes of computing the tax payable, be treated as having received income of an amount which is equal to the Cash Equivalent.
- 11.2.2 For capital gains tax purposes, the amount of the Cash Equivalent will be treated as consideration given for the New Share.

11.3 **UK resident corporate shareholders**

New Shares received by a corporate Shareholder which is resident in the United Kingdom will not, subject to the enactment of The Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) (Amendment) Regulations 2016, be treated as qualifying investment income. Corporation tax will not be charged in respect of the issue of New Shares. For the purposes of corporation tax on chargeable gains, no consideration will be treated as having been given for the New Shares.

11.4 **UK resident gross funds, charities, heritage bodies and scientific research organisations**

No tax credit will attach to the New Shares and no repayment claim can be made in respect of a receipt of New Shares.

This summary of the likely tax treatment is based on current United Kingdom law, and is not exhaustive. Although this summary is believed to be correct at the time of preparation of these Terms and Conditions, the decision whether to participate in the Scheme or not, or whether to terminate any existing participation in the Scheme, is the sole responsibility of each Shareholder. If you are not sure how you will be affected, you should consult your professional adviser before deciding how to proceed.