

**Marechale Capital Plc**  
New Broad Street House  
46 New Broad Street  
London  
EC2M 1JH  
Tel: +44 (0)20 7628 5582  
[www.marechalecapital.com](http://www.marechalecapital.com)

Dear Shareholder,

24 January 2017

**Explanation of amended resolution for reduction of capital, passed at Annual General Meeting on 14 September 2016**

In carrying out the process of the Capital Reduction, lawyers attending the Companies Court have expressed concern that shareholders may have been confused by the AGM Notices in 2015 and 2016 including similar resolutions and have requested that the Directors provide further explanation which is set out below.

On 14 September 2016, the Company held its Annual General Meeting (AGM) at 46 New Broad Street, London EC2M 1JH. The Chairman sent notice of the meeting to all shareholders under cover of a letter dated 19 August 2016.

Also under cover of the same letter, which explained the reason for the resolutions proposed, was sent a resolution including the reduction of capital was sent to all shareholders. That resolution was passed at the 2016 AGM ("the 2016 Resolution").

That was the second resolution for reduction of capital passed in the last two years. The first resolution was passed at an AGM on 17 September 2015, notice of that resolution having been given in the proper way to all shareholders ("the 2015 Resolution").

The board wishes to ensure that all shareholders are aware of the reason that two resolutions for the reduction of the Company's capital were put to and passed by the shareholders in as many years.

**The 2015 Resolution**

The resolution passed at the AGM on 17 September 2015 was as follows:

"*THAT*  
*(a) the Deferred Shares of £0.01 each be cancelled; and*  
*(b) the Company's share premium account be cancelled.*"

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The reason for the 2015 Resolution, as was explained to shareholders at the time, was that whilst the Company is now hopefully in a position to make a profit on an annual basis, accumulated historic losses on the profit and loss account were delaying, or perhaps preventing the payment of dividends. The intended outcomes of the reduction of capital and cancellation of the share premium account are to eliminate the accumulated deficit on the Company's profit and loss account. This, it is hoped, would bring forward the time when the Company could be able to pay dividends and would achieve better parity between the Company's share capital and its assets.

### **The 2016 resolution**

After the 2015 resolution, an application was made to the court to confirm the reduction of share capital and cancellation of the share premium account, along with ancillary facilitative orders. This is a standard procedure and is required in addition to shareholder approval.

In the course of the application process, it transpired that, whilst an earlier version of the Company's articles of association contained the power to reduce capital, a change to the articles in 2010 had removed that power. In the circumstances, the 2015 Resolution was of no effect and the court proceedings were adjourned generally.

In order to address this, the 2016 Resolution was put to shareholders at the AGM on 14 September 2016. The 2016 Resolution comprised two parts relating to the reduction of capital and cancellation of the Company's share premium account.

The first part dealt with the power to reduce share capital. The relevant resolution was:

*"THAT the Articles of Association be amended by inserting the following clause as clause 9 and renumbering the existing clauses 9 to 179 as clauses 10 to 180:*

**“9. *Reduction of capital and purchase of own shares***

**9.1 *Subject to the provisions of the Companies Act 2006 the Company may from time to time by special resolution reduce its share capital, and capital redemption reserve or any share premium account in any manner authorised, and subject to any restrictions in the Companies Act 2006; and***

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- 9.2 *purchase its own shares (including any redeemable shares) and may hold such shares as treasury shares or cancel them.”*

That resolution was passed, granting the Company the power to put the following resolution to shareholders:

*“THAT, subject to confirmation of the Court*  
*(a) the Deferred Shares of £0.01 each be cancelled;*  
*(b) the Company’s share premium account be cancelled; and*  
*(c) the share capital of the Company be reduced by cancelling and extinguishing 0.2 pence of the amount paid up or credited as paid up on each of the issued Ordinary Shares of 1 pence each in the capital of the Company and reducing the nominal value of each issued Ordinary Share in the capital of the Company to 0.8 pence.”*

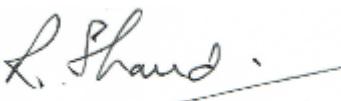
This resolution was also passed at the AGM on 14 September 2016.

Shareholders should also note that the terms of capital reduction in the 2016 Resolution were more extensive than those of the 2015 resolution. In addition to the cancellation of the deferred shares and the share premium account, 0.2 pence of the amount paid up or credited as paid up on issued Ordinary Shares will be cancelled. The reason for this additional aspect of reduction of capital is that the Company made a loss in year-ended 31 March 2016 of £74,500 meaning that the cancellation of the sum of (a) and (b) above would have been insufficient to create positive P&L Reserves.

#### Action to be taken by shareholders

No action is required by shareholders.

Yours faithfully,

  
R.E. Shand  
Company Secretary