A copy of this Prospectus, which comprises a prospectus relating to Palace Capital plc, prepared in accordance with the Prospectus Rules of the Financial Conduct Authority made pursuant to section 85 of FSMA, has been delivered to the FCA and has been made available to the public in accordance with Rule 3.2 of the Prospectus Rules. The Ordinary Shares are admitted to trading on AIM. Applications will be made to the UK Listing Authority for all of the Ordinary Shares to be admitted to the Official List (premium listing segment), and to the London Stock Exchange plc for all such Ordinary Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities.

It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence, at 8.00 a.m. on 28 March 2018.

The Company and its Directors, whose names appear on page 31 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Investors should read this entire document and in particular, the matters set out under the heading "Risk Factors" on pages 18 to 26 of this Prospectus, when considering an investment in the Company.

Palace Capital plc

(Incorporated in England and Wales with company number 05332938)

Admission to the premium listing segment of the Official List
and to trading on the London Stock Exchange's Main Market
for listed securities of 46,388,515 Ordinary Shares

Sponsor, Financial Adviser and Broker

Arden Partners plc

Arden Partners plc is authorised and regulated in the United Kingdom by the FCA, and is acting exclusively for the Company and is not advising any other person or treating any other person (whether or not a recipient of this Prospectus) as its customer in relation to the matters referred to in this Prospectus and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for affording advice in relation to the contents of this Prospectus, Admission or any other transaction, arrangement or matter referred to in this Prospectus.

Arden does not accept any responsibility whatsoever for the contents of this Prospectus. Arden does not make any representation or warranty, express or implied, for the contents of this Prospectus including its accuracy, completeness or verification or for any other statement made or purported to be made by it or on its behalf in connection with the Company or the Ordinary Shares. Arden accordingly disclaims to the fullest extent permitted by law all and any liability, whether arising in tort or contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement. Nothing in this paragraph shall serve to limit or exclude any of the responsibilities and liabilities, if any, which may be imposed on Arden by FSMA or the regulatory regime established thereunder.

The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, or under the applicable state securities laws of any state or other jurisdiction of the United States and, subject to certain limited exceptions, may not be offered or sold directly or indirectly in or into the United States, or to or for the account or benefit of any U.S. Person (within the meaning of Regulation S under the U.S. Securities Act). In addition, the Company has not been, and will not be, registered under the United States Investment Company Act of 1940, as amended, and investors will not be entitled to the benefits of the U.S. Investment Company Act. No public offering of the Ordinary Shares is being made in the United States. The Ordinary Shares are subject to significant restrictions on transfers within the United States or to any person who is, or acting for the account or benefit of, a U.S. Person.

Date: 27 February 2018

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PART I

SUMMARY

Summaries are made up of disclosure requirements known as "**Elements**". The Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all of the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and warnings		
Element	**Disclosure Requirement**	**Disclosure**
A.1	Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating such prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. No consent has been given by the Group or any person responsible for drawing up this document to the use of this document for subsequent resale or final placement of securities by financial intermediaries.

Section B – Issuer		
Element	**Disclosure Requirement**	**Disclosure**
B.1	Legal and commercial name	The Company's legal and commercial name is Palace Capital plc, ("Palace Capital" or the "Company")
B.2	Domicile and legal form	The Company was incorporated in England and Wales under the Companies Act 1985 as a company limited by shares on 14 January 2005 with company number 5332938. Its registered office is at Lower Ground Floor, One George Yard, London, United Kingdom, EC3V 9DF. The principal legislation under which the Company operates is the CA 2006.

B.3	Issuer's Current Operations & Principal Activities	The principal activity of Palace Capital is to acquire and asset manage investments in UK commercial real estate outside London in order to grow both income and capital value to enhance the net asset value of the Group. The three Executive Directors, Neil Sinclair, Stephen Silvester and Richard Starr have over 100 years of collective experience in the real estate market as well as having management experience in public property companies. The non executive Directors have broad commercial and property experience: the chairman built up and sold a significant share registration business, Anthony Dove was a partner at law firm Simmons & Simmons and Kim Taylor-Smith was Chief Executive at Birkby plc and, following its take-over, at Mentmore plc. The focus is not sector specific but is principally aimed at the office, industrial and leisure sectors in major cities and university towns outside London. The valuation of the Portfolio held as at 30 September 2017 plus those acquired with RT Warren was approximately £275 million of which the residential properties were valued at approximately £23 million. Since that date, the Company has completed the sale of two commercial properties and three residential properties for a total of £4.75 million. The Group currently owns 60 commercial and 62 residential properties. The residential properties are considered by the Directors to be non-core and will be disposed of.
B.4a	Significant recent trends affecting the Company and the industry in which it operates	The Directors believe that a significant opportunity exists in the UK commercial property sector outside London owing to an increasing shortage of both office and industrial properties in many regional towns and cities. Although conditions vary between different towns and cities, the shortage of new office development outside Greater London and in other major cities in the past 5 years and the conversion of offices to residential properties under Permitted Development Rules has reduced supply at a time when occupiers are increasingly reluctant to pay the relatively high rentals in London. Following the turmoil in financial markets in 2007, the property sector suffered from a collapse in confidence amongst investors, uncertainty amongst tenants and an unwillingness by clearing banks to lend. Between June 2007 and June 2009 there was a fall of 44.2 per cent. in the IPD All Property Index according to IPD (now part of MSCI Inc.) from a peak to the low point in the market. There was a subsequent return of confidence aided by the availability of cheap finance to the banking system through Quantitative Easing although lending to property companies remained constrained. From the latter part of 2013, property yields began to reduce as investors sought property investment in order to enhance income due to the low gilt returns and deposit rates available while Bank of England interest rates were maintained at 0.5 per cent.. This recovery was particularly marked in central London but the improved confidence spread to the other major regional cities such as Manchester and Birmingham between 2014 and 2016. This also increased investment values in major cities and university towns up to the

date of the referendum on the UK's continued EU membership held on 23 June 2016 (the "Referendum"). Palace acquired the majority of its portfolio between 2013 and 2016, prior to the acquisition of RT Warren.

The Referendum led to an initial loss of confidence and a number of large insurance company property funds closed their funds to redemptions although this was largely reversed by the first quarter of 2017. The election on 8 June 2017 led to further uncertainty but GDP growth, whilst slower, has continued and employment continued to rise as reflected in the unemployment rate of 4.5 per cent. in May 2017 and 4.1 per cent. in November 2017. The impact of the Referendum on Sterling's exchange rate to the dollar and Euro, leading to falls of up to 15 per cent., has improved the UK manufacturers and exporters competitive position which has led to further confidence in the occupational market.

The property market outside of London is also affected by structural changes and macro economic factors.

Structural Changes

Permitted Development Rules ("PDR")

The implementation of PDR legislation in May 2013 has facilitated the conversion of a number of offices in regional towns and cities to residential use which has resulted in a reduction of office buildings for rental. This has created a letting environment which the Directors believe has the potential for significant growth in rents. Southampton, Winchester and Beaconsfield are examples where the Directors believe this improved letting environment is evident.

Lack of new office building in regional centres

The amount of new build offices in city and town centres has been relatively low in the past 30 years due in part to the move to business parks outside city centres and the relative expense of new building projects. With government departments being encouraged to move to the regions this has led to greater demand for central city office space. The announcement in September 2017 that HMRC is due to take a 25 year lease on 378,000 square feet in Leeds from 2020 and a similar announcement that HMRC has taken a lease on 10 floors of India Buildings in central Liverpool are evidence of this trend which the Directors believe may have a positive impact on rental rates.

Macro Economic Factors

Deposit and gilt returns against cost of borrowing

The impact of Quantitative Easing has been to reduce the returns from the UK Government bond issues (gilts) to historically low levels. This together with the negligible returns from cash deposits has made the margins of rental income over gilts and cash returns attractive. In addition the cost of borrowing to acquire property is relatively low further

<table>
<tr><td></td><td></td><td>supporting the attractiveness of property as an income generating investment.

UK economic outlook
Despite the uncertainty created by the Referendum vote to leave the EU and the minority government elected in the June 2017 election, the UK economy has continued to expand. This, together with low levels of unemployment, which has been more consistent across the regions than in the past, has assisted the growth in occupational demand for the types of property and regions in which the Group operates.</td></tr>
<tr><td>B.5</td><td>Description of the Company’s group and the Company’s position therein</td><td>The Issuer is the holding company of a number of companies through which it has acquired its property portfolio.</td></tr>
<tr><td>B.6</td><td>Major shareholders</td><td>As at 26 February 2018 (being the latest practicable date prior to the publication of this Prospectus), so far as is known to the Company by virtue of notifications made to it pursuant to the Disclosure Guidance and Transparency Rules, the following persons, other than Directors, hold directly or indirectly three per cent. or more of the issued share capital of the Company:
<table>
<tr><th>Shareholder</th><th>Ordinary Shares</th><th>Percentage of existing ordinary share capital</th></tr>
<tr><td>Axa Investment Managers</td><td>3,542,633</td><td>7.73%</td></tr>
<tr><td>Miton Group Plc</td><td>3,397,806</td><td>7.41%</td></tr>
<tr><td>J.O.Hambro</td><td>3,356,810</td><td>7.32%</td></tr>
<tr><td>Polar Capital European Forager Fund Limited</td><td>2,282,637</td><td>4.97%</td></tr>
</table>
As at 26 February 2018 (being the latest practicable date prior to the publication of this Prospectus), the Company is aware of the following interest of the Directors in the issued share capital of the Company:
<table>
<tr><th>Director</th><th>Ordinary Shares</th><th>Percentage of existing ordinary share capital</th></tr>
<tr><td>Stanley Harold Davis</td><td>1,665,287</td><td>3.63%</td></tr>
<tr><td>Ronald Neil Sinclair</td><td>212,761</td><td>0.46%</td></tr>
<tr><td>Richard Paul Starr</td><td>131,575</td><td>0.29%</td></tr>
<tr><td>Stephen John Silvester</td><td>2,148</td><td>0.005%</td></tr>
<tr><td>Anthony Charles Dove</td><td>91,000</td><td>0.20%</td></tr>
<tr><td>Kim David Spencer Taylor-Smith</td><td>10,000</td><td>0.02%</td></tr>
</table>
The Company is not aware of any person who, immediately following Admission could, directly or indirectly, jointly or severally, exercise control over the Company.

All Shareholders have the same rights as regards voting rights in respect of the share capital of the Company.</td></tr>
</table>

B.7 — Key financial information

Selected audited historical key financial information of the Group and RT Warren for the 3 years ended 31 March 2017 and the six months ended 30 September 2017 is set out below. The information has been extracted without material adjustment from the audited financial statements of the Group and RT Warren for these periods.

1. PALACE CAPITAL

(a) Income Statement

	Year ended 31 March 2015 £000's	*Year ended 31 March 2016 £000's*	*Year ended 31 March 2017 £000's*	*6 months ended 30 September 2016 Unaudited £000's*	*6 months ended 30 September 2017 £000's*
Rental and other income	8,637	14,593	14,266	7,076	7,138
Net rental income	7,437	12,969	12,211	5,936	6,463
Admin expenses	(1,439)	(2,048)	(2,915)	(1,369)	(1,487)
Profit/(loss) on disposals	178	290	3,191	873	(159)
Revaluation gains	9,769	3,620	3,101	32	1,396
Cost of acquisitions	(639)	(815)	–	–	–
Operating profit	15,306	14,016	15,588	5,472	6,213
Net interest	(1,398)	(2,264)	(3,011)	(1,562)	(1,354)
Profit before tax	13,908	11,752	12,577	3,910	4,859

(b) Balance Sheet

Investment properties	102,988	174,542	183,916		202,832
Net assets	80,016	106,815	109,559		111,622

The significant changes to the financial condition and operating results of the Group are detailed below:

Review of the year end 31 March 2015

- In August 2014 Palace Capital acquired Property Investment Holdings Limited for £3.6 million and agreed to discharge £27.7 million of liabilities including bank loans and interest rate swaps.
- The Group raised £20.0 million by a placing of Ordinary Shares to partially fund the transaction.
- Operationally, three small properties were sold and progress was made on letting empty properties.
- At the year end the Group had 50 properties valued at £103.0 million with borrowings of approximately £36.2 million (before unamortised lending costs).

Review of the year ended 31 March 2016

- On 1 April 2015, Palace Capital acquired Bank House in central Leeds for £10 million followed by the acquisition in June 2015 of O & H Northampton Limited, the owner of Sol Central for a consideration of £1 and the agreement to discharge liabilities, including bank debt, of £20.7 million.

		• The Sol Central acquisition was funded by a £20 million placing of new equity. • There were two further acquisitions – 249, Midsummer Boulevard Milton Keynes for £7.22 million and that of the company that owned Broad Street Plaza in Halifax for a consideration of £1 and the agreement by Palace Capital to discharge liabilities including bank debt of £24.18 million. Both were paid for from existing cash resources. • During the year, the Group sold certain smaller properties and accepted a one off payment for the surrender of a lease to Gala Casinos on vacant premises at Sol Central for a payment of approximately £4 million, including dilapidations and other costs. • At the year-end, the value of the 54 properties held by the Group was £174.5 million. Following these acquisitions, borrowings were £72.7 million (before unamortised lending costs) which represented a LTV of 37 per cent.. **Review of the year ended 31 March 2017** • As the Group did not wish to buy properties that could not produce the desired returns, the only acquisition was Boulton House, Manchester for £10.5 million. • During the period the Group focused on a number of disposals that were sold at or above book value. As a result, the Group ended the year with 44 properties, with a value of £183.9 million alongside borrowings of £78.7 million (before unamortised lending costs) or 37 per cent. LTV. • The £2 million conversion of 10,000 square foot into 13 residential flats in Dartford was achieved and a letting was concluded to Dartford Borough Council for a period of 10 years with annual increases in rent. • Rental income of the Group reduced as a result of the surrender of a lease at Sol Central in the previous year but benefited from the full year impact of the previous year's acquisitions. This was offset by the Hudson House space where no further lettings could feasibly take place as commencement of demolition was possible within 12 months. **Review of the six months ended 30 September 2017** During the period there were four key events: • The acquisition of a freehold including two office buildings and small retail space in Newcastle, close to the railway station, for a consideration of £4.3 million and the agreement by Palace Capital to discharge liabilities of £15.7 million. These properties have a rent roll of £1.736 million per annum.

- Planning was granted by City of York Council for Hudson House, York allowing for the demolition of Hudson House and the erection of 4 buildings with a total net area of 133,000 square feet. The scheme incorporates 127 apartments, 34,000 square feet of offices and 5,000 square feet of commercial/restaurant space plus car parking.

- Contracts were exchanged on the acquisition of RT Warren although it completed after the period end.

- The Group refinanced £27 million of debt with Santander that matures in 2022.

2. RT WARREN

(a) Income Statement

	Year ended 31 March 2015 £000's	*Year ended 31 March 2016 £000's*	*Year ended 31 March 2017 £000's*	*6 months ended 30 September 2017 £000's*
Revenue	3,553	3,333	3,618	1,738
Net rental income	2,684	2,746	3,108	1,486
Admin expenses	(425)	(463)	(519)	(544)
Operating profit	2,259	2,283	2,589	942
Gains on revaluation	9,988	3,552	2,109	316
Profit on disposals	–	359	–	56
Finance income	3	4	2	–
Finance costs	(352)	(317)	(497)	(318)
Profit before tax	11,898	5,881	4,203	996

(b) Balance Sheet

Investment properties	65,475	67,260	71,373	71,838
Net assets	47,016	51,096	54,112	54,623

A summary of the RT Warren activities over the historic financial period is detailed below:

Review of the year end 31 March 2015

- The most significant event of the year was the purchase of the retail site in Gosport for £4.5 million. The store was purpose built for discount retailers Aldi who had agreed terms for a 15-year lease with the developer at an initial rent of £247,680 per annum.

- The decrease in commercial rents to £2.8 million per annum (2014: £3.1 million per annum) was predominately a result of vacant properties, two of which were undergoing renovation, together with the loss of rent from a property previously sold.

Review of the year end 31 March 2016

- Income decreased by 6.2 per cent. compared to 2015.

- The decrease in commercial rental income was almost entirely due to vacant properties at Kings Park House, Southampton and Regency House, Winchester along with the sale of Beaver Industrial Estate, Liphook which gave rise to a profit of £0.4 million.
- Residential rents benefited from rental increases as each new tenancy was taken on or renewed.
- RT Warren acquired a bungalow in Banbury adjoining the company's retail outlet for £254,000 (including refurbishment). This may be useful for future expansion of the site.

Review of the year end 31 March 2017

- RT Warren renewed its loan facility with Barclays Bank for £14.5 million.
- It received a full year's income from the Aldi Gosport asset, and other rent increases from commercial and residential properties. Gross income increased by £285,000 to £3.6 million per annum.
- Except for the Barclays loan renewal fees and associated fees with advisors and solicitors, general overheads remained broadly in line with prior year.
- RT Warren completed the refurbishment of Kings Park House, Southampton. A floor was let at £20 per square foot.
- RT Warren received planning permission for 8 flats on the top two floors of Regency House, Winchester.
- Hyde Abbey House, Winchester became vacant at the end of March 2017.

Review of the six months ended 30 September 2017

- Activity was focused on preparing the company for sale and negotiating with Palace Capital on the disposal.
- Two further floors at Kings Park House, Southampton were let in August 2017 and September 2017.

On 9 October 2017 the Group acquired RT Warren for £53.4 million and retained debt of £14.5 million. This was financed by a placing and open offer of Ordinary Shares to raise £70 million. The portfolio of commercial and residential properties was valued at £71.8 million by Cushman and Wakefield.

An independent valuation of the Group's investment property portfolio including the RT Warren portfolio was carried out by Cushman & Wakefield and showed a valuation of approximately £275 million as at 30 September 2017.

Save as disclosed in this section, there has been no significant change in the financial condition and operating results of the

		Group during the period of the historical financial information or subsequent to 30 September 2017 (being the date covered by the historical financial information of the Group).
B.8	Key *pro forma* financial information	Selected *pro forma* information illustrating how the acquisition of RT Warren and the related issue of new Ordinary Shares might have affected the income statement of the Group as if this had occurred at the start of the period (1 April 2017) and the net assets as if it had happened at 30 September 2017, is set out below. The pro forma financial information addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results.

1. PRO FORMA INCOME STATEMENT

		Adjustments		
	The Group Six months ended 30 September 2017 (note 1) £000's	*RT Warren Six months ended 30 September 2017 (note 2) £000's*	*Acquisition of RT Warren and placing/ open offer (note 3) £000's*	*Pro forma earnings of the Enlarged Group £000's*
Rental and other income	7,138	1,738	–	8,876
Non recoverable property costs	(675)	(252)	–	(927)
Net rental income	**6,463**	**1,486**	**–**	**7,949**
Administrative expenses	(1,487)	(544)	(1,247)	(3,278)
Operating profit before gains and losses on property assets	**4,976**	**942**	**(1,247)**	**4,671**
Gains on revaluation of investment properties	1,396	316	–	1,712
Profit/(loss) on disposal of non current assets	(159)	56	–	(103)
Operating profit	**6,213**	**1,314**	**(1,247)**	**6,280**
Finance cost	(1,354)	(318)	–	(1,672)
Profit before taxation	**4,859**	**996**	**(1,247)**	**4,608**
Taxation	(507)	(120)	–	(627)
Profit after taxation	**4,352**	**876**	**(1,247)**	**3,981**

Notes:

1. The results of the Group (as defined in Section A of Part VIII of this document) for the six months ended 30 September 2017 have been extracted without material adjustment from the financial statements of the Group for the six months ended 30 September 2017.

Adjustments:

2. The results of RT Warren have been extracted without material adjustment from the financial information on RT Warren for the six months ended 30 September 2017.

3. This adjustment comprises the estimated costs of the RT Warren acquisition and the estimated costs of the placing and open offer that cannot be set off against the share premium account.

4. No account has been taken of the effects of any synergies and of the costs for measures taken to achieve those synergies that may have arisen had the acquisition occurred on 1 April 2017 and that may subsequently have affected the results of the Enlarged Group in the six months ended 30 September 2017.

5. No account has been taken of the trading performance of either the Group or RT Warren since 30 September 2017 nor of any other event save as disclosed above.

6. Save for the costs of the RT Warren acquisition and the placing and open offer, the pro forma income statement adjustments are expected to have a continuing effect on the Enlarged Group.

2. PRO FORMA STATEMENT OF NET ASSETS

		Adjustments		
	The Group As at 30 September 2017 (note 1) £000	*RT Warren As at 30 September 2017 (note 2) £000*	*Acquisition of RT Warren and placing/ open offer (note 3) £000*	*Pro forma net assets of the Enlarged Group £000*
Non-current assets				
Investment properties	202,832	71,838	(1,226)	273,444
Property, plant and equipment	129	–	–	129
	202,961	**71,838**	**(1,226)**	**273,573**
Current assets				
Trade and other receivables	5,018	965	–	5,983
Cash and cash equivalents	8,733	1,316	12,901	22,950
	13,751	**2,281**	**12,901**	**28,933**
Total assets	**216,712**	**74,119**	**11,675**	**302,506**
Current liabilities				
Trade and other payables	(8,353)	(1,210)	–	(9,563)
Borrowings	(2,186)	(14,516)	–	(16,639)
Creditors: amounts falling due within one year	(10,539)	(15,726)	–	(26,265)
Net current assets/ (liabilities)	**3,212**	**(13,445)**	**12,901**	**2,668**
Non-current liabilities				
Borrowings	(90,464)	–	–	(90,464)
Deferred tax	(2,499)	(3,770)	–	(6,269)
Obligations under finance leases	(1,588)	–	–	(1,588)
Net assets	**111,622**	**54,623**	**11,675**	**177,920**

Notes:

1. The net assets of the Group (as defined in Section A of Part VIII of this document) as at 30 September 2017 have been extracted without material adjustment from the financial statements of the Group for the six months ended 30 September 2017.

Adjustments:

2. The net assets of RT Warren have been extracted without material adjustment from the financial information on RT Warren for the six months ended 30 September 2017.

3. The acquisition of RT Warren will be accounted for as an asset acquisition and therefore no goodwill or negative goodwill will arise on acquisition. An adjustment has been made to allocate the difference between the estimated consideration for RT Warren and its net assets within investment properties.

For the purposes of this pro forma information, no adjustment has been made to the separate assets and liabilities of RT Warren to reflect their fair value. The difference between the net assets of R T Warren as stated at their book value at 30 September 2017 and the estimated consideration has therefore

		been allocated as an adjustment to investment properties. The net assets of R T Warren will be subject to a fair value restatement as at the effective date of the transaction. Actual assets and liabilities included in the Group's next published financial statements may therefore be materially different from those included in the pro forma statement of net assets. The consideration for RT Warren is approximately £53.4 million. *£m* Consideration payable in cash 53,397 Book value of net assets of R T Warren as at 30 September 2017 54,623 Difference allocated to investment properties (1,226) To finance this acquisition, the Company undertook a share placing and open offer raising gross proceeds of £70 million. The net cash impact of the fundraising and acquisition of RT Warren is as follows: *£000* Gross proceeds of placing and open offer 70,000 Cash consideration for acquisition of RT Warren (53,397) Costs of placing and open offer and acquisition (3,702) Surplus cash 12,901 The proceeds of the placing and open offer not used for the acquisition of RT Warren have been retained within the business. 4. No account has been taken of the financial performance of the Group or RT Warren since 30 September 2017 nor of any other event save as disclosed above.
B.9	Profit forecast	Not applicable. The Group has not made a profit forecast or estimate.
B.10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. The report from BDO LLP on the historical financial information included in this Prospectus does not contain any qualifications.
B.11	Working capital insufficiency	Not applicable. The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, which is at least for the period of 12 months from the date of this Prospectus.

Section C – Securities		
Element	**Disclosure Requirement**	**Disclosure**
C.1	Type and class of securities being admitted to trading	No securities are being offered pursuant to this Prospectus. The Company's share capital is solely comprised of ordinary shares of 10p each. The ISIN of the existing ordinary shares of 10 pence each is GB00BF5SGF06 and the SEDOL is BF5SGF0. The ticker of the Ordinary Shares on the London Stock Exchange is PCA.
C.2	Currency of the Offer	Not applicable. From the date of Admission the Ordinary Shares will trade in Pounds Sterling.
C.3	Number of securities in issue	As at the date of this Prospectus, there are 46,388,515 ordinary shares of nominal value of 10 pence which are fully paid up, of which 549,587 are held in Treasury.

C.4	Rights attached to the securities	The Ordinary Shares carry the right to receive all dividends declared by the Company. Shareholders are entitled to all dividends paid by the Company and, on a winding up, provided the Group has satisfied all of its liabilities, the Shareholders are entitled to all of the surplus assets of the Company. Shareholders are entitled to attend and vote at all general meetings of the Company and, on a poll, to one vote for each Ordinary Share held.
C.5	Restrictions on the free transferability of the securities	The Ordinary Shares are freely transferable, subject to the Articles under which the Board may, in its absolute discretion, refuse to register any instrument of transfer or other record of transfer as may be prescribed by statute and/or the London Stock Exchange of a certificated share unless: (a) it is in respect of only one class of share a share which is fully paid up; (b) it is duly stamped (if so required); (c) it is in favour of a single transferee or not more than four joint transferees; and (d) it is delivered for registration to the registered office for the time being of the Company or such other place as the Board may from time to time determine, accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution of the transfer by him or, if the transfer is executed by some other person on his behalf, the authority of that person to do so. The Board may refuse to register a transfer of an uncertificated share in such other circumstances as may be permitted or required by the Uncertificated Securities Regulations 2001 (as amended) and the relevant electronic system. Unless the Board otherwise determines, a transfer of shares will not be registered if the transferor or any other person whom the Company reasonably believes to be interested in the transferor's shares has been duly served with a notice pursuant to section 793 CA 2006.
C.6	Admission	The Ordinary Shares are admitted to trading on AIM. Application will be made for admission to trading on AIM of the Ordinary Shares to be cancelled with effect from 8.00 a.m. on 28 March 2018. Application will be made to the UK Listing Authority for the Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the Main Market. It is expected that Admission will become effective and that dealings in the Ordinary Shares, fully paid, will commence at 8.00 a.m. on 28 March 2018.

C.7	Dividend policy	The Directors have stated their intention to pursue a progressive dividend policy and that from 2018 dividends will be paid quarterly with the first dividend being paid in April 2018 in respect of the quarter ending 31 December 2017.

Section D – Risks		
Element	**Disclosure Requirement**	**Disclosure**
D.1	Key information on the risks specific to the Group or its industry	The risks that the Group considers most relevant to its business are: • **Tenancy Risk** As with any property company, rental delays or defaults may occur which would reduce revenues for the Group. Such defaults or, similarly, voids are dealt with by vigorous marketing of the property and eventual sale if necessary. The sale of the property in Exeter in December 2017 in excess of book value was an example of this. The administration had led to a loss of rental income amounting to £282,000 per annum. • **Financing risk** The Group may use, alone or in combination with other funding sources, bank finance to acquire individual properties and portfolios. It maintains close relationships with a range of high quality banks such as Barclays, Santander, Lloyds and NatWest and this helps to mitigate the risk of interest rate rises or short-term revenue reductions. No issues have been encountered during the period of the historical financial record with repayments or maintaining loan covenants. A default or failure to maintain covenants could lead to enforced redemption and consequently credit and cash flow problems. • **Development risk** As part of its business model, the Group engages in development on a selective basis where additional value can be created. These are generally small scale with the largest development to date being £2.5 million. Failure to control development costs would adversely affect the borrowings and the net asset value of the Group. • **Economic and political disruption** The Group is affected, as with all companies, by general economic and political uncertainty. This can affect lettings/rental income or renewals and, ultimately, the Group's ability to pay a dividend. Although this does create issues due to the reluctance of companies to make major financial commitments, it can also provide an opportunity to acquire properties from vendors who may be put under financial pressure or by removing competitive pressures to acquire, as occurred in the aftermath of the Referendum.

		• **Tax and regulatory risks** The Group can be affected by changes in the taxation regime or the regulatory environment in which it operates. Changes could involve increased taxation payments reducing the Group's ability to pay dividends. It engages high quality legal and financial advisors to help plan for known changes and to be made aware of any potential damages that are relevant to the business. • **Operational risk** The Group operates with a relatively small number of personnel but as it grows it has sought to recruit good secondary management to ensure that it has appropriate cover should any of its key personnel be unavailable. It also takes the appropriate insurance cover for business interruptions, loss of rental or risks to computer systems and these are reviewed on a regular basis. However, failure to retain key personnel insurance cover could result in additional recruitment costs at a cost to the Group. No such business interruptions have been encountered during the period of historical financial information provided. The key risk factors relating to the industry in which the Group operates include the following: • A property investment company may not realise the value attributed to an investment on the sale of its properties. • Property valuation is uncertain. • Diligence may not reveal all facts and circumstances that may be relevant in connection with an investment and may not prevent an acquisition being materially overvalued. • The value of a property investment company's portfolio and its revenue, cash flow and profits from renting and/or the sale of properties are dependent on economic conditions in the United Kingdom. • Changes in global market conditions and economic conditions in the United Kingdom and elsewhere may reduce the income available from the Portfolio, the value of the Portfolio, and may reduce liquidity in the real estate market in general. • Any costs associated with potential investments that do not proceed to completion will affect a property investment company's performance. • Any change in the tax status of a property investment company or any of its underlying investments or in tax legislation or practice (including in relation to taxation rates and allowances) or in accounting standards could adversely affect the investment return of a property investment company.

D.3	Key information on the risks specific to the securities	The key risk factors relating to the Ordinary Shares include the following: • Although the Ordinary Shares will be listed on the premium segment of the Official List and admitted to trading on the Main Market and will be freely transferable, the ability of Shareholders to sell their Ordinary Shares in the market, and the price which they may receive, will depend on market conditions. • The Ordinary Shares may trade at a discount to Net Asset Value and Shareholders may be unable to realise any of their Ordinary Shares in the secondary market at their Net Asset Value per Share. • The amount of any distributions and any future distribution growth will depend on the Group's underlying investment portfolio. • The performance of the Ordinary Shares will not be covered by the Financial Services Compensation Scheme or by any other compensation scheme, if the value of the Company's shares falls, the loss suffered by the investor (which may be the whole of the investment) will not be recoverable under any compensation scheme. • The Company may issue new equity in the future. Where pre-emption rights in the Articles are disapplied any additional equity finance will be dilutive to those Shareholders who cannot, or choose not to, participate in such financing.

Section E – Offer		
Element	**Disclosure Requirement**	**Disclosure**
E.1	Total net proceeds and estimated total expenses	Not applicable. This Prospectus relates to the application for listing of the Ordinary Shares on the Official List and admission to trading on the regulated market only. No new Ordinary Shares are being issued by the Company in connection with Admission.
E.2a	Reason for offer and use of proceeds	Not applicable.
E.3	Terms and conditions of the offer	Not applicable.
E.4	Material interests	Not applicable.
E.5	Name of person selling securities/lock up agreements	Not applicable.
E.6	Dilution	Not applicable.
E.7	Estimated expenses charged to the investor by the Group	None.

PART II

RISK FACTORS

Investment in the Group is subject to a number of risks, including but not limited to the risks in relation to the Group and the Ordinary Shares referred to below. If any of the risks referred to in this Prospectus were to occur, the financial position and prospects of the Group could be materially and adversely affected. If that were to occur, any of the trading price of the Ordinary Shares, the Net Asset Value, the Net Asset Value per Share or the level of dividends or distributions (if any) received from the Ordinary Shares could decline significantly and investors could lose all or part of their investment.

Prospective investors should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in the section of this Prospectus headed “Summary” are the risks that the Group believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed “Summary” but also, among other things, the risks and uncertainties described below.

The risks referred to below are the risks which are considered to be material but are not the only risks relating to the Group and the Ordinary Shares. There may be additional material risks that the Group does not currently consider to be material or of which the Group is not currently aware.

Potential investors should review this Prospectus carefully and in its entirety and consult with their professional advisers before acquiring any Ordinary Shares.

GENERAL RISKS ASSOCIATED WITH INVESTMENT IN PROPERTY

Risks relating to valuation of properties

The valuation of a property is generally subjective and reflects a specific valuer’s opinion and may fluctuate from time to time. There is no assurance that the valuation of a property will reflect the actual sale price even where such sale occurs shortly after the relevant valuation date.

The performance of any property investment company could be adversely affected in the longer term by downturns in the property market due to capital values weakening, rental values falling, yields increasing and increasing voids. In the event of a default by a tenant or during any other void period, the company would suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor’s costs in re-letting, maintenance costs, insurances, council tax and marketing costs.

Rental income and the market value for properties are generally affected by overall conditions in the economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the demand for premises.

Both rental income and capital values may also be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the insolvency of tenants or otherwise, the periodic need to renovate, repair and re-lease space and the costs thereof, the costs of maintenance and insurance and increased operating costs. Similarly, rent reviews may not result in rental income from any property being received at the expected rental value.

In addition, certain significant expenditures, including operating expenses, must be met by the owner when a property is vacant.

Any change to the laws and regulations relating to the relevant property markets may have an adverse effect on the capital value of a property portfolio and/or the rental income of the property portfolio.

Investments in property are relatively illiquid and more difficult to realise than equities or bonds. Property values may also be adversely affected by illiquidity in the property market.

Economic environment

Changes in global market conditions and economic conditions in the United Kingdom and elsewhere and, in particular, restricted availability of credit may reduce the value of the Portfolio, and may reduce liquidity in the real estate market in general. The performance of the Group would be adversely affected by a downturn in the property market in terms of market value and may adversely affect the Group's business, financial condition, results of operations, Net Asset Value and/or the market price of the Ordinary Shares.

Political landscape

The UK held a referendum on its membership of the European Union on 23 June 2016, the result of which was a majority vote in favour of the UK's exit from the European Union. Following this vote, on 29 March 2017, the UK Government triggered Article 50 of the Lisbon Treaty to commence the process of the UK leaving the European Union. The political, economic, legal and social consequences, the exact timing of the UK's exit from the European Union, as well as the potential ultimate outcome of any agreement between the UK and the European Union, remain uncertain as at the date of this document.

Such potentially prolonged uncertainty and the potential negative economic trends that may follow could have a material adverse effect on the Group's business, financial position and/or results of operations, including the availability and cost of finance for investment and development activity, consumer spending in the Group's shopping centres and other properties, tenants' ability to service rental costs, tenants' willingness to enter into long-term commitments, an increase in construction and other development costs potentially impacting on the viability of development activities, investment flows into real estate and the valuation of real estate in the United Kingdom.

The UK Government held a General Election on 8 June 2017, the result of which was a minority Conservative Government following a hung parliament. Following the election, the Government may introduce or pursue different legal, tax, economic and/or social policies to those pursued previously, which may result in a change of attitude of consumers and consequently investors to retail and leisure property and otherwise have a material adverse effect on the Group's business, financial condition and/or results of operations.

Risks relating to management of and collection of rent

In the case of any property, a property company may engage a third party to provide the day-to-day management and collection of underlying rent. The Group does this in respect of its properties.

Whilst the Group looks to enter into appropriate management agreements with reputable counterparties, there is always the potential risk that the relevant counterparty defaults, becomes insolvent or otherwise breaches its management or rent collection obligations. In the event any management agreement is required to be terminated, the Group's ability to achieve its targeted Shareholder returns may be materially adversely impacted.

Availability of credit and ability to finance investments

Any company that grows by acquisition will generally expect to finance a portion of each investment by way of borrowing through the capital markets or otherwise. Although the Group expects to be able to borrow on suitable terms, there can be no guarantee that this will always be the case, for instance, if another credit crisis occurred similar to that experienced in 2007/2008. Lack of availability of credit or a lack of borrowing on suitable terms may result in the Group not meeting its dividend and total return targets.

Environmental liabilities

Under various environmental laws, a current or previous owner or operator of real estate property may be liable for the cost of removing or remediating hazardous or toxic substances on that property.

Environmental laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws may also impose restrictions on the manner in which property may be used or businesses may be operated. A property owner (or operator) who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, by private parties. In connection with the acquisition and ownership of properties, the Group may be exposed to those remedial costs or restrictions on the usage of the property. The cost of defending against environmental claims or complying with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect the Group's business, assets or results of operations and, consequently, the amount available for dividends to Shareholders.

RISKS ASSOCIATED WITH INVESTING IN THE GROUP

Tenancy Risk

The Group prior to the acquisition of RT Warren had 187 tenants in its 41 properties. It is possible that certain tenants may encounter issues with their business which cause delay or even default in rental payment. The Group suffered a rental default from a property in Exeter in 2017 but was able to mitigate by keeping close contact with the administrator and preparing the property for sale. Palace Capital sold the property at a price in excess of book value in December 2017. This administration led to a rental loss of income amounting to £282,000 per annum, which had little impact on the Group. Should any tenant default on rental payments, the Group will experience a reduction in revenues and this could ultimately impact the Group's ability to pay a dividend to Shareholders.

The Group will be exposed to risks relating to its future indebtedness

The Group expects to generate sufficient cash flow to make payments on its future indebtedness, and will re-finance its indebtedness when due. Average borrowings are currently available for 4.7 years and no problems are envisaged with working capital during the period of the working capital statement. However, the Group's long term, future financial performance may be affected by a range of economic, competitive and business factors, many of which are outside of the Group's control.

The Group's capital structure is such that the net assets attributable to the Ordinary Shares will depend on the underlying performance of the Group's assets and the amount of its future borrowings. Amounts owing under any banking facility will rank ahead of Shareholders' entitlements. A positive Net Asset Value per Share will be dependent upon the Group's assets being sufficient to meet prior entitlements. Borrowings are secured over certain of the Group's property assets. In the event that the Group defaults under the terms of any borrowing agreements entered into, to the extent that the Group cannot remedy any such default or the lender does not agree to waive or suspend any rights in respect of such default, the lender concerned may seize title to such assets by enforcing their security. No such instances have occurred in the period of the issuer's historical financial information.

Repayment of borrowings will rank ahead of Shareholders' entitlements to the return of any capital invested. If in the future the Group's gearing level increases, the volatility of the Group's financial performance may increase and the effect of any change in the valuation of the Group's assets on its financial position and results of operations may be amplified. Prospective investors should be aware that, whilst the use of borrowings should enhance the total return on the Ordinary Shares where the value of the Group's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling.

If the Group's assets do not grow at a rate sufficient to cover the costs of operating the Group and further acquiring assets to add to the Group's property portfolio (including interest and loan repayments, if any), Shareholders may not recover the amount initially invested.

Development Risk

The Group does engage in developments where the Directors believe additional value and rental income can be achieved. The Group has carried out a conversion of approximately 10,000 square feet of vacant office space in Dartford to create 13 residential units at a cost of approximately £2 million, which was successfully let to the local authority for a period of ten years with annual increases in rent. The Group has no contractual obligations in place to develop Hudson House and may simply retain the site once demolition is complete. The Group would not commence development without a joint-venture arrangement or other commercial arrangement to remove financing risk.

In general failure to control development costs would adversely affect the borrowings and the Net Asset Value of the Group.

Dependence on key individuals

Given the small size of the Group, its future success is substantially dependent on a relatively small number of people and the Directors, therefore, view the continued service of certain of its Directors, senior management and other key personnel as important. Whilst the Directors are taking steps to ensure that knowledge, skills and expertise are shared so as to avoid the Group being unduly dependent on individuals, they acknowledge that such measures may prove not to be effective if there were adverse circumstances beyond the Group's control affecting one or more key personnel. In order to be able to develop, support and maintain its business, the Group must also recruit and retain suitably qualified personnel. There is no assurance that it will always be able to do so on a timely basis. Failure to retain key personnel could result in additional recruitment costs at a cost to the Group.

Expansion through acquisitions entails certain risks and possible dilution

Part of the Group's strategy involves expanding its business through acquisitions of other property assets. Such acquisitions will require the integration of new assets into the Group's business. The Group's ability to realise the expected benefits from future acquisitions will depend, in large part, upon its ability to integrate new portfolio assets with existing operations in a timely and effective manner and to manage an increasingly large business. In addition, the Group's acquisition strategy will involve numerous risks, including the potential inability to identify appropriate acquisition opportunities, possible failures of acquisitions to generate anticipated returns and potential difficulties in integrating operations and systems with those of acquired companies. There can be no certainty that the Group will be able to make further acquisitions on acceptable terms or at all. The Group could face competition from other potential acquirers. Competitors may have greater financial resources than the Group and a greater ability to borrow funds to make acquisitions. The anticipated benefits from any acquisition may not be achieved, including because of an inability to implement the anticipated improvements to the assets, such as identifying new tenants or increasing the rental income.

The Group's due diligence on its target acquisitions may not reveal all facts and circumstances that may be relevant in connection with an investment and may not therefore prevent an acquisition being materially overvalued.

To pay for future acquisitions the Group may issue Ordinary Shares, pay cash or use a combination of both. Issues of Ordinary Shares may dilute Shareholders' percentage shareholdings. The use of cash reserves could diminish the Group's ability to respond to other opportunities or challenges but no such risk relates to working capital during the working capital period. Borrowing to fund the cash element of a purchase price will result in increased debt obligations and the terms of any such borrowings could include covenants or other restrictions that may impair the Group's ability to manage its operations in the way it currently does.

Availability of investments

The growth of the Group depends upon the ability of the Group to acquire investments that offer the potential for satisfactory returns and manage such investments satisfactorily. The availability of investment opportunities will depend, in part, upon conditions in the sector and the level of competition for assets in the market. Returns from the Group's investments will be affected by the price at which they are acquired. In the case that the Group is unable to acquire sufficient investments or is unable to acquire sufficient investments that offer the potential for satisfactory returns, there is a material risk that the Group may be unable to achieve its anticipated returns for Shareholders.

Any costs associated with potential investments that do not proceed to completion will affect the Group's performance

The Group expects to incur certain third party costs associated with sourcing of suitable assets. Whilst the Group will always seek to minimise any such costs, it can give no assurances as to the on-going level of these costs or that negotiations to acquire such assets will be successful; the greater number of these deals which do not reach completion, the greater impact of such costs on the Group's performance, financial condition and business prospects. No material costs of this nature have been incurred by Palace to date.

Uninsured losses

The Group will aim to ensure that all of the Group's property assets are adequately insured to cover all appropriate losses. Insurance premiums on properties owned by the Group are recoverable from the tenants in each case. In the event that any of the Group's properties becomes vacant, the Group will be responsible for ensuring payment of premiums for such properties in order to maintain an insurance policy suitable to cover such properties. In the event that any of the properties incur a loss that is not fully covered by insurance, the value of the Group's property assets will be reduced by that uninsured loss. In addition, the Group may have no source of funding to repair or reconstruct the damaged property, and it cannot be certain that any of those sources of funding will be available to it for such purposes in the future. There may be additional risks associated with investments in property including certain types of loss and destruction which may not be insurable.

Fluctuations in financial markets and further global economic downturn could affect the Group's long term ability to refinance any of its obligations.

Global economic turmoil could inhibit the Group's ability to rollover its existing borrowings in the event that the Group is, in the long term, unable to comply with applicable financial covenants or to meet its financial obligations when they fall due. Such turmoil could also affect the Group's long term ability to refinance its obligations or obtain new financing.

Tax risk

Any change in the Group's tax status or in taxation legislation in the UK could affect the Group's ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in shares are based on current law and practice, which is subject to change. The taxation of an investment in the Group depends on the individual circumstances of investors.

The nature and amount of tax which members of the Group expect to pay and the reliefs expected to be available to any member of the Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Group. Any limitation in the availability of relief under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Group.

Law and regulation

Government authorities are actively involved in the application and enforcement of laws and regulations relating to taxation, land use and zoning and planning restrictions, environmental protection and safety and other matters. The institution and enforcement of those laws and regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the Group's property assets. Any change to the laws and regulations relating to the UK property market may have an adverse effect on the capital value of the Group's property assets and/or the rental income derived from them.

Risks relating to the United Kingdom's proposed exit from the European Union

The Group could face significant uncertainty as a result of the United Kingdom's decision to leave the European Union. Whilst the Group will not hold any investments outside of the United Kingdom, the UK's exit from the European Union could create significant UK (and potentially global) stock market uncertainty, which may have a material adverse effect on the total Shareholder returns, the Net Asset Value per Share and the price of the Ordinary Shares.

FINANCING RISKS

Interest rates increases

If long term interest rates increase, the interest payments required to service the Group's debt will increase. As a result, the Group may not be able to meet future expectations of dividends and the level of income or the prospect of income and capital growth will be reduced accordingly.

The availability of debt finance on reasonable terms or at all may adversely affect the Group

The property investment sector is capital-intensive. If difficult financial market conditions persist, in the longer term the Group may have difficulty in renewing, extending or refinancing its existing financing facilities when they mature in accordance with their terms.

If it is unable to do so or the terms of any new facilities entered into by the Group are more onerous than the terms of the Group's existing financing facilities, in the longer term this could limit the Group's ability to develop the business in accordance with its strategy and such consequences would adversely affect in the longer term the Group's business, financial condition and results of operations.

RISKS RELATING TO THE ORDINARY SHARES AND THE STOCK MARKET

Suitability

An investment in the Group is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor should consider with care whether an investment in the Group is suitable for them in the light of their personal circumstances and the financial resources available to them. The potential investment opportunity may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser authorised under FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making their decision to invest. Investment in the Group should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Ordinary Shares will occur or that the commercial objectives of the Group will be achieved. Investors may not get back the full amount initially invested. The prices of Ordinary Shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

No guarantee of return

A prospective investor should be aware that the value of an investment in the Group may fluctuate as it is determined by market pricing and is subject to the risks inherent in investing in equity securities. There is no assurance that any appreciation in the value of the Ordinary Shares will occur or that the investment objectives of the Group will be achieved. The value of investments and the income derived therefrom may fall as well as rise and investors may not recoup the original amount invested in the Group. In the event of a winding-up of the Group, Shareholders will rank behind any creditors of the Group and, therefore, any return of capital for Shareholders will depend on the Group's assets being sufficient to meet the prior entitlements of any creditors.

Trading market for the Ordinary Shares

The share price of small publicly traded companies can be highly volatile and holdings of Ordinary Shares may be illiquid. The market price of the Ordinary Shares will be influenced by a large number of factors, which could include, but not be limited to, the performance of both the Group's and its competitors' businesses, variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, large purchases or sales of Ordinary Shares, legislative changes and general economic, political and regulatory conditions. Prospective investors should be aware that the value of an investment in the Group may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may therefore realise less than, or lose all of, their investment. The volume of Ordinary Shares traded can be limited and this may restrict the ability of Shareholders to dispose of Ordinary Shares at any particular time.

Discount

The Ordinary Shares may trade at a discount to Net Asset Value per Share and Shareholders may be unable to realise any of their Ordinary Shares in the secondary market at Net Asset Value per Share.

The Ordinary Shares may trade at a discount to the Net Asset Value per Share for a variety of reasons, including market conditions or to the extent investors undervalue the management activities of the Directors or discount its valuation methodology and judgments of value.

Dividends

Any future dividends will depend upon a number of factors, including the availability of distributable reserves and capital from which to pay dividends. The generation of profits for distribution depends on the successful management of the Group's investments, the yields on existing and new properties, interest costs, taxes and profits on development and sale of properties. The above circumstances could have a material adverse effect on the business, financial condition or results of the Group.

The level of dividend and dividend growth on the Ordinary Shares will depend principally on growth in rental and other income returns on the properties acquired by the Group, which may fluctuate, as well as capital gains realised on the underlying assets. The level of income of the Group is affected by the level of borrowings incurred by the Group and the amount of income required to service interest payments on external borrowing.

Compensation risk

As the acquisition (by subscription or otherwise) of Ordinary Shares and the performance of the Ordinary Shares will not be covered by the Financial Services Compensation Scheme or by any other compensation scheme, if the value of the Ordinary Shares falls, the loss suffered by the investor (which may be the whole of the investment) will not be recoverable under any compensation scheme.

The Company may, in the future, issue new equity, which may dilute Shareholders' equity

The Company may issue new equity in the future to facilitate further growth. Whilst the Articles and the CA 2006 contain pre-emption rights for Shareholders in relation to issues of Ordinary Shares in consideration for cash or non-cash consideration, such rights can be disapplied in certain circumstances. Where pre-emption rights are disapplied, any additional equity financing will be dilutive to those Shareholders who cannot, or choose not to, participate in such financing.

RISKS RELATING TO REGULATION AND TAXATION

Adverse changes in taxation law and in the tax position of the Group

This Prospectus is prepared in accordance with, and the anticipated taxation impact of the proposed structure of the Group and its underlying investments is based on, current taxation laws in light of their current judicial interpretation in the UK and the published practice of HMRC. UK taxation legislation and interpretation is subject to change, possibly with retrospective effect. The taxation of an investment in the Group depends on the individual circumstances of investors. Any change in the Group's tax position or status or in tax legislation or proposed legislation, or in the interpretation of tax legislation or proposed legislation by tax authorities or courts, or tax rates, could adversely affect the Company's ability to pay dividends, dividend growth and the market value of the Ordinary Shares and thus may alter the net return to investors. In particular, a change in the rates of SDLT could have a material impact on the price at which land can be acquired and, therefore, on asset values.

OECD Base Erosion and Profit Shifting, tax deductibility of corporate interest

Following recommendations from the Organisation for Economic Co-operation and Development (**OECD**) as part of its Base Erosion and Profit Shifting (**BEPS**) project and consultations carried out by the UK Government, new rules restricting the ability of corporation tax payers to deduct interest expense have been announced, which have effect from 1 April 2017. Broadly, the rules seek to restrict the deductibility of net tax interest expense. This is a figure which is the net of interest expense less, broadly, income amounts arising from loan relationships, certain derivatives, finance leases, debt factoring and other deemed financing arrangements. Groups with net tax-interest expense amounts of £2 million or less for a period of account suffer no restriction on deductibility for that period.

The default position is that, for UK corporation tax purposes, a worldwide accounting group’s deductible net tax-interest expense for a period of account (**interest capacity**) is limited to 30 per cent. of, broadly, its “tax-EBITDA” (earnings before interest, tax, depreciation and amortisation). However, a “modified debt cap” ensures that this cannot exceed the group’s net finance-related expense (so, broadly put, it will never be possible to claim an interest deduction for more than the worldwide group’s third party interest cost). A ‘group ratio rule’ allows a ‘group ratio’ to be substituted for the 30 per cent. figure. The group ratio is based on the net interest expense to EBITDA ratio for the worldwide group based on its consolidated accounts. Unused interest allowance can be carried forward for, broadly, five years, and net tax-interest expense amounts for which deductions are denied may be carried forward indefinitely and may attract deductions in future periods if there is sufficient spare interest capacity.

Certain categories of real estate owning company are eligible to make a public benefit infrastructure election, which modifies the application of the new rules. It is not necessarily the case that the Group would have a more favourable tax profile if it made such an election, if it is eligible to do so.

The Group will monitor the impact of these rules on its activities, and will seek to structure its borrowings so as to optimise its overall tax profile, while bearing in mind all other relevant commercial considerations.

Changes in laws or regulations

The Group is subject to laws and regulations enacted by national and local governments. In particular, the Group is subject to, and will be required to comply with, certain legal and regulatory requirements that are applicable to investment companies and real estate investment trusts. In particular, the Group is subject to the continuing obligations imposed by the UK Listing Authority on all investment companies whose shares are listed on the premium segment of the Official List.

The laws and regulations affecting the Group are evolving and any changes in such laws and regulations may have an adverse effect on the ability of the Group to carry on business. Any such changes may also have an adverse effect on the ability of the Group to pursue its investment strategy, and may adversely affect the Group’s business, financial condition, results of operations, Net Asset Value and/or the market price of the Ordinary Shares. In such event, the investment returns of the Group’s may be materially affected.

For regulatory, tax and other purposes, the Group and the Ordinary Shares may potentially be treated in different ways in different jurisdictions. For instance, in certain jurisdictions and for certain purposes, the Ordinary Shares may be treated as akin to holding units in a collective investment scheme, which may have an adverse effect on the taxation of Shareholders in such jurisdictions.

Furthermore, in certain jurisdictions, the treatment of the Group and/or the Ordinary Shares may be uncertain or subject to change, or it may differ depending on the availability of certain information or disclosure by the Group of that information. While it will continue to comply with all regulatory requirements placed upon it, the Group may be constrained from disclosing, or may find it unduly onerous to disclose, any or all of such information or to prepare or disclose such information in a form or manner which satisfies the regulatory, tax or other authorities in certain overseas jurisdictions.

Failure to disclose or make available information in the prescribed manner or format, or at all, may adversely impact the Group in those jurisdictions, and therefore the price of the Ordinary Shares.

Automatic exchange of information (AEOI)

To the extent that the Group may be a Reporting Financial Institution under FATCA and/or the Common Reporting Standard, it may require Shareholders to provide it with certain information in order to comply with its AEOI obligations which information may be provided to the UK tax authorities who may in turn exchange that information with certain other tax authorities.

PART III

IMPORTANT INFORMATION

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company, Arden or any of their respective affiliates, directors, officers, employees or agents or any other person.

Readers of this Prospectus should not treat the contents of this Prospectus or any other communications from the Group, Arden or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

Without prejudice to any obligation of the Company to publish a supplementary prospectus, neither the delivery of this Prospectus nor any purchase of Ordinary Shares arising from reading this Prospectus shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since, or that the information contained herein is correct at any time subsequent to, the date of this Prospectus.

The Company has taken all reasonable care to ensure that the facts stated in this Prospectus are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document whether of facts or of opinion. All the Directors accept responsibility accordingly.

Apart from the liabilities and responsibilities (if any) which may be imposed on Arden by FSMA or the regulatory regime established thereunder, Arden makes no representation or warranty, express or implied, nor accepts any responsibility whatsoever for the contents of this Prospectus including its accuracy, completeness or verification or for any other statement made or purported to be made by it or on its behalf in connection with the Group, Arden, the Ordinary Shares. Arden (and its affiliates, directors, officers or employees) accordingly disclaim all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

Regulatory information

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, Ordinary Shares in any jurisdiction. The issue or circulation of this Prospectus may be prohibited in some countries.

Investment considerations

In general, an investment in any company is suitable only for investors who are capable of evaluating the risks and merits of such investment, who understand the potential risk of capital loss and that there may be limited liquidity in the underlying investments of the Group, for whom an investment would constitute part of a diversified investment portfolio, who fully understand and are willing to assume the risks involved in investing in the company and who have sufficient resources to bear any loss (which may be equal to the whole amount invested) which might result from such investment. Typical investors in the Group are expected to be institutional investors, professionally-advised private investors and highly knowledgeable private investors who understand and are capable of evaluating the risks of such an investment. Investors should consult their stockbroker, bank manager, solicitor, accountant, legal or professional adviser or other financial adviser before making an investment in the Group.

The contents of this Prospectus or any other communications from the Group, Arden and any of their respective affiliates, directors, officers, employees or agents are not to be construed as advice relating to legal, financial, taxation, investment or any other matters.

This Prospectus should be read in its entirety before making any investment in the Ordinary Shares.

All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Group's memorandum of association, the Existing Articles and the New Articles, which investors should review. A summary of the Existing Articles and the New Articles can be found in Part XII of this document.

Forward-looking statements

The Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "forecasts", "projects", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts.

All forward-looking statements address matters that involve risks and uncertainties and are not guarantees of future performance. Accordingly, there are or will be important factors that could cause the Group's actual results of operations, performance or achievement or industry results to differ materially from those indicated in these statements. These factors include, but are not limited to, those described in the part of this Prospectus entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this Prospectus.

Any forward-looking statements in this Prospectus reflect the Group's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy. This does not affect the Group's working capital statement in paragraph 14 of Part XII of this document.

Given these uncertainties, readers are cautioned not to place any undue reliance on such forward-looking statements.

These forward-looking statements apply only as of the date of this Prospectus. Subject to any applicable obligations under the Listing Rules, the Market Abuse Regulations, the Disclosure Guidance and Transparency Rules and the Prospectus Rules, the Company undertakes no obligation publicly to update or review any forward looking statement whether as a result of new information, future developments or otherwise. Prospective investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision.

No incorporation of website

The contents of the Group's website at www.palacecapitalplc.com do not form part of this Prospectus.

Presentation of information

Market, economic and industry data

Market, economic and industry data used throughout this Prospectus is derived from various industry and other independent sources. The Company and the Directors confirm that such data has been accurately reproduced and, so far as they are aware and are able to ascertain from information published from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

In some cases, there may be no readily available or limited external information (whether from trade associations, government bodies or other organisations) to validate market-related analysis and estimates included in the Prospectus, requiring the Company to rely on internally developed estimates and the Directors' knowledge of the UK property markets.

Currency presentation

Unless otherwise indicated, all references in this Prospectus to "**GBP**", "**Sterling**", "**pounds sterling**", "**£**", "**pence**" or "**p**" are to the lawful currency of the United Kingdom.

Latest Practicable Date

Unless otherwise indicated, the latest practicable date for the inclusion of information in this Prospectus is at close of business on 26 February 2018.

Governing law

Unless otherwise stated, statements made in this Prospectus are based on the law and practice currently in force in England and Wales and are subject to changes therein.

PART IV

EXPECTED TIMETABLE AND COMPANY STATISTICS

Expected timetable

Publication of the Prospectus	27 February 2018
Cancellation from trading on AIM	08:00 on 28 March 2018
Admission to the Official List and commencement of dealings on the London Stock Exchange market for premium listed securities	08:00 on 28 March 2018

The dates and times specified above and mentioned throughout this Prospectus are subject to change.

All references to times in this Prospectus are to London times, unless otherwise stated.

Company Statistics

ISIN of the Ordinary Shares	GB00BF5SGF06
SEDOL of the Ordinary Shares	BF5SGF0
Ticker Code	PCA
Number of Ordinary Shares in issue (including those held in treasury)	46,388,515
Number of Ordinary Shares in issue (excluding those held in treasury)	45,838,928
Market capitalisation at the share price at the date prior to publication of the Prospectus	£145.8 million

PART V

DIRECTORS AND ADVISERS

Directors	Stanley Harold Davis, *Non-Executive Chairman* Ronald Neil Sinclair, *Chief Executive* Stephen John Silvester, *Finance Director* Richard Paul Starr, *Executive Director* Anthony Charles Dove, *Non-Executive Director* Kim David Spencer Taylor-Smith, *Non-Executive Director*
Company Secretary	David Kaye
Registered Office	Lower Ground Floor, One George Yard, London EC3V 9DF
Sponsor, Financial Adviser and Broker	**Arden Partners plc** 125 Old Broad Street London EC2N 1AR
Nominated Adviser and Broker	**Allenby Capital Limited** 5 St. Helen's Place London EC3A 6AB
Valuers	**Cushman & Wakefield** 125 Old Broad Street London EC2N 1AR
Auditors and Reporting Accountant	**BDO LLP** 55 Baker Street London W1U 7EU
Legal advisers to the Company	**CMS Cameron McKenna Nabarro Olswang LLP** Cannon Place 78 Cannon Street London EC4N 6AF
Legal advisers to the Sponsor	**Holman Fenwick Willan LLP** Friary Court 65 Crutched Friars London EC3N 2AE
Registrar	**Link Market Services Limited** The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART VI

INFORMATION ON THE GROUP AND ITS BUSINESS

1. INTRODUCTION

Palace Capital is an internally managed property investment company that focuses on commercial property in major cities and university towns in the UK outside London.

2. HISTORY OF THE GROUP

The Group was originally admitted to trading on AIM in January 2006 and predominantly operated in the insurance sector. Neil Sinclair and Stanley Davis were appointed as directors of the Group on 30 July 2010 and subsequently changed the Company's name to Palace Capital plc with the intention of becoming an actively managed property investment company.

On 4 October 2011, the Company completed the acquisition of a company that owned the Hockenhull Portfolio (which comprised 9 properties in Crewe and Nantwich, Cheshire) for a consideration of £1.8 million. All but one of the properties have since been sold. On 21 October 2013, the Company completed the acquisition of the Sequel Portfolio, comprising 24 properties around the UK, from Quintain plc and Buckingham Properties Trading Limited for a consideration of £39.25 million. At the time of this acquisition the properties in the Sequel Portfolio had an aggregate market value of £44.2 million, with a net rent receivable of £5.2 million per annum. The Board has undertaken a programme of active management and as at 31 March 2017 (the Group's last year end) the Group had completed the sale of nine properties for a total consideration of £15.28 million from the Sequel Portfolio, at sale prices either at or above book value.

The Group has remained active in acquiring assets which are in line with the Group's strategy to focus on the UK property market outside London.

On 26 August 2014, the Company completed the acquisition of the PIH Portfolio, for a cash consideration of £3.6 million and the agreement by the Company to discharge £27.7 million of liabilities in the target group. At the time of the acquisition, the PIH Portfolio comprised 17 properties around the UK. Since this acquisition the Group has sold part of two properties for £2.58 million either at or above book value.

In addition, the Group has completed the following acquisitions:

- Bank House, Leeds, for a consideration of £10.0 million (1 April 2015);
- Sol Central, Northampton, for a consideration of £20.7 million (17 June 2015);
- 46-54 High Street, Sutton, for a consideration of £3.9 million (17 August 2015);
- 249 Midsummer Boulevard, Milton Keynes, for a consideration of £7.2 million (29 February 2016);
- Broad Street Plaza, Halifax, for a consideration of £24.18 million (14 March 2016);
- Boulton House, Manchester, for a consideration of £10.5 million (22 August 2016);
- St James Gate, Newcastle, for a consideration of £20.0 million (6 August 2017); and
- RT Warren portfolio, for a consideration of £67.9 million (9 October 2017).

The consideration figures cited above include, in some cases, the amounts retained in respect of or required to repay debt associated with the properties.

3. ACQUISITION OF RT WARREN

RT Warren was established in 1935 to focus on development of commercial assets and residential dwellings in the South East of England. It was originally formed to hold residential houses built by the then construction company but in 1980 RT Warren ceased its construction activities and expanded to hold commercial as well as residential units.

RT Warren owns a portfolio of 21 commercial properties, over 90 per cent. of which are located in the Home Counties of England, and 65 residential properties (now 62 following the January 2018 sale of three properties) predominately located in the London Borough of Hillingdon. The RT Warren portfolio is comprised of 15 office buildings, 4 predominantly retail properties, 2 industrial holdings and 65 residential properties (now 62). The properties in the portfolio were individually valued as at 18 August 2017 at the time of the RT Warren acquisition and fund raising on an open market and fair value basis by Cushman & Wakefield at £71.8 million. This valuation was confirmed as at 30 September 2017 as set out in Part VII of this document.

The initial consideration payable by the Company in cash for all the issued shares of RT Warren was £53.3 million, which was subsequently adjusted to £53.4 million. The Group also retained the existing bank loan from Barclays of approximately £14.5 million.

To finance the RT Warren acquisition and if necessary to provide sufficient funds to repay the Barclays Loan, the Company raised a total of £70.0 million (before expenses) via a placing and open offer.

4. STRATEGY

The principal activity of the Group is to acquire, and asset manage investments in UK commercial real estate outside London in order to generate both income and increase capital value. This is intended to provide an increasing dividend stream and to enhance the net asset value of the Group.

The focus is not sector specific but is opportunistic and has to date principally invested in the office, industrial and leisure sectors in major cities and university towns outside London:

- Corporate purchases are actively sought as they can be more tax efficient.
- Office properties are sought in major towns and cities close to railway stations or where there is an underlying limited supply of office space as a result of permitted development legislation.
- Leisure properties are sought in good locations where they are modern, have long term leases and have been undermanaged.
- At present, there is significant competition for industrial properties which has put pressure on acquisition prices. However, the Group has obtained good quality industrial properties through the acquisition of portfolios and, where possible, this will be the likely route of acquiring more in the short to medium term.
- Properties should be capable of active management which may require capital expenditure on refurbishment or development in order to enhance income and reduce voids.
- The Group seeks to recycle capital by selling non-core properties.

Typically, the Group uses a combination of debt and equity together with recycled capital from disposals to fund acquisitions.

The Group expects to improve each property’s valuation through active asset management by evaluating and implementing individual strategies for each property. The Group maintains regular contact with its tenants by engaging directly with them to ensure each property strategy is up to date, as occupational requirements may change over time.

5. ASSET, PROPERTY AND DEVELOPMENT MANAGEMENT

Asset and Property Management

The Group is an opportunistic and proactive investor. Through its experienced management, it strategically and actively manages its portfolio of assets post acquisition.

Since 2011, the Group has identified and acquired undermanaged portfolios and single assets. The Group's brand of active management has enabled it to increase income and value. When an opportunity is identified a plan is prepared as to how to maximise value and appropriate due diligence is carried out prior to terms being agreed. The Group continues to engage leading consultants to ensure the Board is satisfied as to the income and capital growth prospects when a recommendation to purchase is made.

The Group uses third party managers to collect rents and to deal with day to day issues. This enables the Palace Capital team to focus on active asset management of the Portfolio.

Development Management

The Group undertakes major refurbishments with examples in Milton Keynes, Manchester, Leeds, Northampton and Dartford. Planning consent was recently obtained by the Group for a major mixed-use development at Hudson House, Toft Green, York, a two acre site situated very close to York Railway Station. Following extensive consultations with the local council, the Group submitted a planning application in March 2017 to demolish the existing property and erect four new buildings comprising a total net area of approximately 133,000 square feet. Under the plans, three of the buildings will contain a total of 127 apartments and 5,000 square feet of commercial and restaurant space, whilst the other will comprise 34,000 square feet (net) of Grade A offices. The Group has always adopted a limited risk approach and is exploring a potential joint venture partnership for the redevelopment of this site.

6. CURRENT PORTFOLIO

Current investments

The Group's objective is to acquire investments in UK commercial real estate in towns and cities outside London to generate rental income and capital appreciation in order to grow the net asset value of the Group. These conurbations tend to have well recognised university campuses within reasonable proximity. The Directors consider that city centre living and working will continue to grow in the medium to long term.

As at 30 September 2017, the Portfolio was valued at £202.8 million. Following the interim period ended on 30 September 2017, the Company completed the acquisition of RT Warren on 9 October 2017, with properties valued at approximately £71.8 million.

The valuation of the Group's enlarged portfolio (adjusted to include RT Warren) as at 30 September 2017 was approximately £275 million. The enlarged commercial portfolio comprised a total of 62 buildings across 1.85 million square feet.

Build up of properties in the Portfolio

Since the Company's re-admission to AIM in October 2013 following the acquisition of the Sequel Portfolio, the Group has acquired the following portfolios as well as a number of individual properties:

THE SEQUEL PORTFOLIO

October 2013 – purchase price of £39.25 million
30 September 2017 valuation: £65.39 million. Total sales of Sequel Portfolio properties amount to £17.53 million. Therefore, the Sequel Portfolio value is equivalent to £82.92 million, representing an overall increase of 111.3 per cent. compared to the acquisition purchase price.

Taking into account the acquisition of RT Warren, the Group's remaining properties in the Sequel Portfolio now account for 23.7 per cent. of the current Portfolio by reference to values as at 30 September 2017. Post the period end, the Group sold the former Polestar Building at Marsh Barton, Exeter for £3.28 million and Whittle House, Coventry for £0.88 million.

THE PIH PORTFOLIO

August 2014 – purchase price £32 million

30 September 2017 valuation: £39.54 million. Total sales of PIH Portfolio properties amount to £2.58 million. Therefore, the PIH Portfolio value is equivalent to £42.12 million, representing an overall increase of 31.6 per cent. compared to the valuation on acquisition.

Taking into account the acquisition of RT Warren, the Group's remaining properties in the PIH Portfolio now account for 14.4 per cent. of the current Portfolio by reference to values as at 30 September 2017.

OTHER ACQUISITIONS

- Bank House, Leeds, for £10.0 million on 1 April 2015

  This office building, close to Leeds station, has a net floor area of 88,036 square feet and was originally built for the Bank of England who remain a tenant. Net income on acquisition was £851,580 per annum.

- Sol Central, Northampton, for £20.7 million on 16 June 2015

  A centrally based 190,000 square feet mixed-use leisure centre with anchor tenants of a ten screen Vue cinema and a 151 room Ibis hotel. On acquisition, the net rental income totalled £1.89 million per annum. The Group accepted the surrender of a lease on 28,000 square feet in August 2015 for a total payment of £4 million.

- 46-54 High Street, Sutton, for £3.9 million on 17 August 2015

  The Company acquired this long lease on a fully let office and retail building with 21,248 square feet of space let to a range of tenants for a net rental of £313,093 per annum. The building is in close proximity to the local railway station.

- 249 Midsummer Boulevard, Milton Keynes, for £7.2 million on 29 February 2016

  This 49,000 square feet office building is based a few minutes walk from Milton Keynes station. Substantially let, it produced net income of £550,000 per annum on acquisition.

- Broad Street Plaza, Halifax, for £24.18 million on 14 March 2016

  This 113,000 square foot leisure development in central Halifax was built in 2012 together with a 429 space multi-storey car park. It had net income of £1.78 million per annum on acquisition rising to £1.94 million in 2017. It is within close proximity to the local railway station and has a number of well known restaurant tenants and a multi screen Vue cinema.

- Boulton House, Manchester, for £10.56 million on 22 August 2016

  Boulton House is a 75,000 square feet office property in central Manchester with net rental income of £685,000 per annum rising to £775,000 per annum on expiry of rent free periods. Following a refurbishment, part of the vacant space was let at a significantly higher rental.

- St James Gate, Newcastle, for £20.0 million on 5 August 2017

  The acquisition of a multi-let office building of 82,500 square feet produces a net income of £1.6 million per annum together with £160,000 per annum from the retail element of the next door property. The other three buildings on the site comprise a Jury's Hotel, an office building and residential units which were previously sold on a 999 year lease.

DISPOSALS

Since 2013, the Group has sold a number of the smaller assets that it considered did not match the Group's strategy for a total consideration of £21.94 million.

The Weighted Average Unexpired Lease Term (WAULT) of the Portfolio (prior to the acquisition of RT Warren) at 30 September 2017 was 5.59 years to break and 7.39 years to expiry.

RT WARREN PORTFOLIO

The recent acquisition of a commercial and residential portfolio for £67.9 million (including retained debt) (independently valued at £71.8 million by Cushman and Wakefield) illustrates the Group's continued strategy of acquiring assets which the Directors believe have strong rental growth prospects. The RT Warren Portfolio now accounts for 26.15 per cent. of the current Portfolio (including RT Warren) by reference to value as at 30 September 2017.

The Group has announced its intention to sell the residential properties, which are not core, and to invest the proceeds in commercial assets that will generate increased returns. These residential properties were valued at £23.34 million on acquisition and had a gross rental income on acquisition of approximately £0.9 million per annum. A sale of three residential properties took place in January 2018 and the Directors are expecting this process to continue and to complete before the end of June 2018.

The Directors believe the RT Warren Portfolio acquisition complements the existing holdings of the Group. The 21 commercial properties are predominately located in the south east of England, apart from one mixed retail and office building in the centre of York. The buildings predominately consist of office assets but also includes a supermarket on a long lease with minimum rental increases as well as retail assets in affluent locations and a multi let industrial estate. The overall attraction to Palace Capital was that the office rental values had excellent potential for growth as demand is currently exceeding supply in these locations.

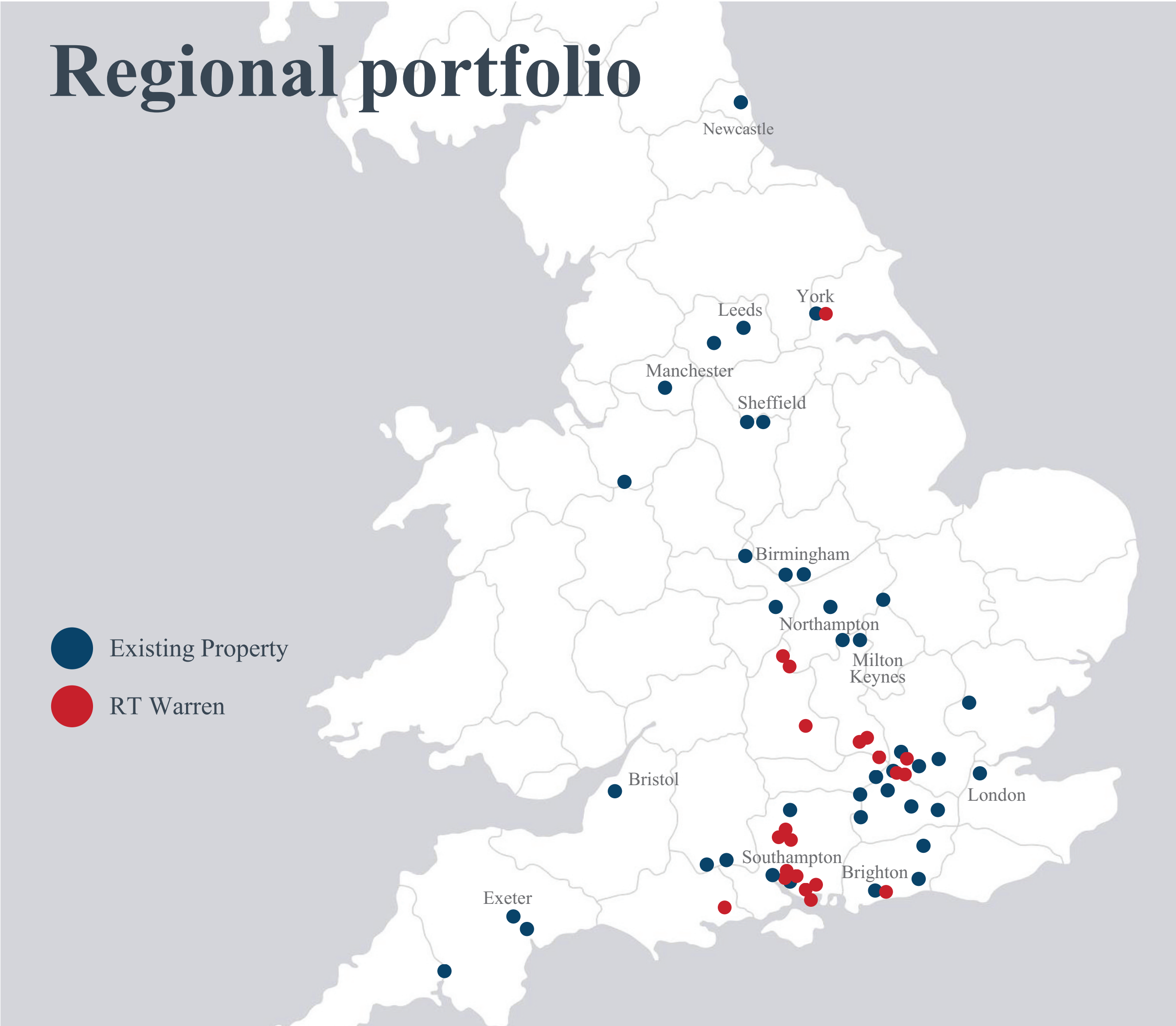
The total floor area of the RT Warren Portfolio is 255,374 square feet of which 37,664 square feet was vacant as at 30 September 2017 representing 14.7 per cent. of the total floor area. Since completing the purchase of RT Warren, the Group has let the vacant office building in London Court, Southampton on a 10 year lease with a 5 year break clause and rent review, at a headline rental of £150,000 per annum exclusive of business rates and insurance. This immediately reduced the Group's holding costs on this property by £96,000 per annum. The Directors have instructed local agents to market the remaining vacant space across the portfolio.

At 30 September 2017, the WAULT on the RT Warren Portfolio was 4.7 years to the next break in the lease and 6.1 years to expiry of the lease.

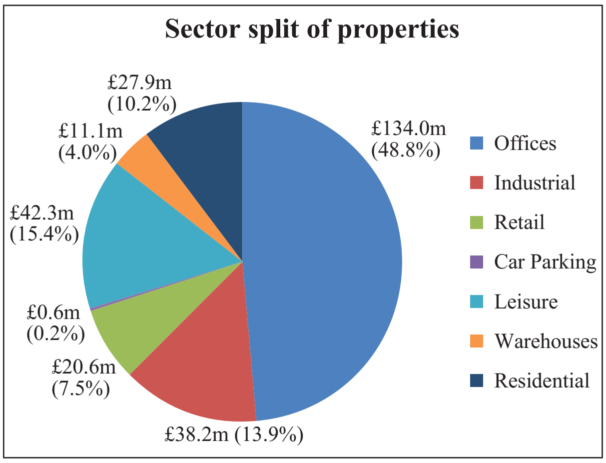
The Portfolio details

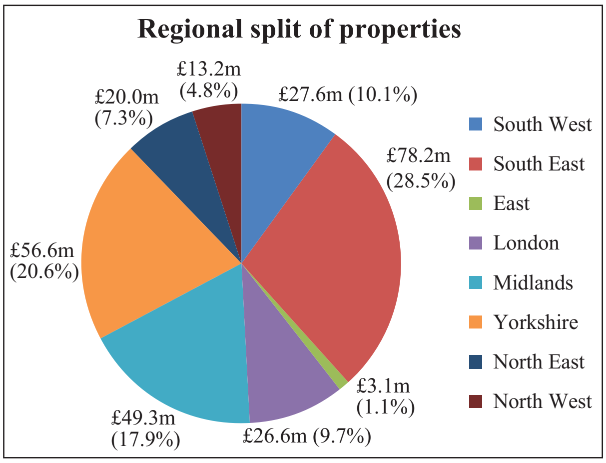
The portfolio is focused on central locations in major cities and university towns outside London. A map of the property locations is set out below:

Map of the Group's properties at 30 September 2017 and the location of the RT Warren portfolio assets



The following charts show the property sector and geographic split of the Group's Portfolio as at 30 September 2017 (including RT Warren):





No one property accounts for more than ten per cent. of the overall Portfolio which is valued at approximately £275 million.

The table below sets out the Group's ten largest properties as at 30 September 2017 (including RT Warren):

Address	*Description & tenure*	*Market Value as at 30 September 2017*
Broad Street Plaza, Halifax	Leisure: 117,767 square feet. Freehold.	£24,000,000
2 St James Gate, Newcastle	Office and retail: 97,695 square feet Freehold.	£20,000,000
Sol Central, Mare Fair, Northampton	Leisure: 129,703 square feet. Freehold.	£18,325,000
Hudson House, York	Office: 101,696 square feet. Freehold.	£16,000,000
Boulton House, 17-21 Chorlton Street, Manchester	Office: 74,712 square feet. Freehold.	£12,900,000
Bank House, 27, King Street, Leeds	Office: 88,036 square feet. Freehold.	£10,710,000
Kiln Farm, 2-4 Pitfield, Milton Keynes	Office: 52,818 square feet. Freehold.	£7,750,000
Units A & B East Grinstead, Unit A & B, Imberhorne Lane	Retail warehouse: 30,672 square feet. Freehold.	£7,620,000
249 Midsummer Boulevard, Milton Keynes	Office: 49,980 square feet. Freehold.	£7,425,000
Point Four Industrial Estate, Avonmouth	Industrial estate: 84,748 square feet. Leasehold – peppercorn rent expiring 20/06/2108.	£6,650,000

The table below sets out the 15 largest rent contributors to the Group as at 30 September 2017 (including RT Warren):

Property	*Tenant/Use*	*Rent passing*	*% of total passing rent*
Broad Street Plaza, Halifax and Sol Central, Northampton	Vue Entertainment Ltd	913,105	5.4%
Sol Central, Northampton	ACCOR UK Economy Hotels Ltd	599,059*	3.6%
2&3 St James Gate, Newcastle	National Lottery Charities Board	595,397	3.5%
2&3 St James Gate, Newcastle	Eldon Insurance Services Ltd	586,440	3.5%
Bank House, Leeds	Walker Morris Solicitors	567,998	3.4%
Units A East Grinstead	Wickes	401,405	2.4%
Kiln Farm, Milton Keynes	Rockwell International	398,916	2.4%
Harbour Court, Portsmouth	Blake Morgan LLP	360,000	2.1%
Broad Street Plaza, Halifax	Apcoa Parking (UK) Ltd	345,000	2.0%
Courtauld House, Coventry	Brose Ltd	325,000	1.9%
Briton House, Southampton	D Young & Co LLP	310,000	1.8%
Sol Central, Northampton	Car Park	295,000	1.7%
Broad Street Plaza, Halifax	Calderdale and Huddersfield NHS	261,500	1.5%
Priory House, Birmingham,	Forensic Science Service Ltd	260,000	1.5%
Aldi Supermarket, Gosport	Aldi Stores Ltd	247,680	1.5%
	Total	£6,466,500	38.3%

*of which £510,000 is the passing rent and £89,059 represents turnover rent.

7. THE REGIONAL PROPERTY SECTOR

Historical background

Since October 2013, the property market has changed considerably. At the time of the Sequel Portfolio purchase the regions were considered by investors as unattractive in terms of demand for vacant space and potential for rental growth. This was mainly due to the London-centric focus of investors. Over the past few years this viewpoint has changed as investors have sought higher returns and the state of the UK economy relative to Europe made UK real estate more attractive to overseas investors. More recently the result of the referendum on EU membership in 2016 has led to a level of uncertainty surrounding the outcome of Brexit but the historically low level of interest rates and a number of banks offering debt, has encouraged investment in property in regional cities and towns to grow.

Demand and supply drivers for office property outside London

There have been two key factors which have driven the market for office space outside London. The ability to convert vacant office space into residential use without requiring planning permission, known as PDR, has fuelled a regional investment drive focused on residential conversions. This arises as the value of residential property per square foot significantly exceeds the value per square foot of office space. Occupationally, the major cities and towns continue to see the supply of office space reduced through the conversion of vacant office space to residential use. In addition, the continued lack of new office development since the financial crisis in 2007 has resulted in a shortage of available space which is having a positive impact on rental growth as demand outstrips the limited supply. This is considered by the Directors to be particularly apparent in the south east of the UK and the acquisition of the RT Warren Portfolio was intended to take advantage of this market situation.

Key drivers of demand for UK regional property

UK consumer confidence witnessed a sharp decrease following the UK general election in June 2017 and remains only marginally above the post-referendum low. Household finances continue to be squeezed by Brexit-linked inflation and poor wage growth. Palace Capital is not sector specific which allows it to be flexible in its investment approach and selective about where it sees the opportunities for rental and capital growth.

- ***Offices*** –Take-up levels are expected to rise slowly as supply continues to fall. Occupational activity in the major regional cities is dominated by the public sector, although generally there are good levels of demand from a broad range of business sectors. The demand and supply dynamics resulted in further rental growth over the quarter in some of the key city centre markets. Once the uncertainty surrounding the transition for leaving the EU has clarity, Cushman and Wakefield report that for the next few years, "businesses may then be more willing to take on new space commitments." The Directors expect that limited new speculative development, particularly in the regional cities, will drive vacancy rates lower resulting in pockets of rental growth being evident.

- ***Retail*** – This sector is expected to face some challenges in the near to medium future, including a weaker economic outlook and the phasing out of transitional rate relief. The retail warehouse sector remains robust with yields reducing.

- ***Industrial*** – logistics market fundamentals remain healthy. Positive rental growth and expanding ecommerce supply chains appear to be providing a counter balance despite uncertainty created by Brexit. The key demand driver is ongoing supply chain in response to online retail requirements. Cushman and Wakefield report that "UK manufacturing should continue to expand with an increasing focus on advanced high value R&D and production." In the short term, a weaker sterling is bolstering exports for these goods and services. Longer term, scarcity of developable land and slowing speculative development will continue to limit supply of class A space.

- ***Leisure*** – the occupational market has been challenging for a couple of years. The squeeze on consumer spending and the general uncertainty following Brexit has compressed the casual dining market. There are new entrants to the market with a general focus on London as a launch location until the brand has developed sufficient traction to expand to other major cities in the UK.

The Group's overall property portfolio, including those recently acquired in the RT Warren Portfolio should benefit from being in locations where office rental growth is expected to continue, through a continued lack of supply. This is particularly relevant in Southampton and Winchester as well as strong tourist locations such as York and Brighton.

Capital value performance

The strength of underlying long-term drivers for key markets has meant demand from foreign investors looking for high quality, long term investment opportunities remains robust. Despite this, overall UK investment volumes remain subdued.

The Directors expect that the UK will likely remain a target destination for overseas capital. While occupier activity is anticipated to remain cautious during the Brexit negotiation period, Cushman and Wakefield report that they "do not expect a material impact on real estate markets in the short-term." While business sentiment is expected to remain positive, the headwinds of political uncertainty, rising inflation and the de-valuation of the pound continues to squeeze consumer driven business.

8. CURRENT TRADING AND PROSPECTS

The following is the Chairman's statement which accompanied Palace Capital's interim results which were announced on 4 December 2017.

"I am pleased to report our interim results for the six months ended 30 September 2017 which shows that the Group has made a profit before tax of £4.9m, up from £3.9m in the comparative period. We have continued to actively manage our portfolio with successful lettings, rent reviews, renewals of leases and asset sales.

At 30 September 2017, our portfolio was valued by Cushman & Wakefield at £202.8m, with a contracted rent roll of £14.1m per annum and a net income after property costs of £12.4m per annum. We are conservatively geared as, although our net loan to value ("LTV") rose after the Newcastle acquisition to 42%, it was subsequently reduced after the half year to 30%. Our EPRA NAV per share has increased by 1.8% to 451p per share (March 2017: 443p), although this has subsequently been affected by the equity raise undertaken by the Company in October of this year. At 30 September 2017 the Company had a net asset value of £111.6m (March 2017: £109.6m). Our net assets have materially increased since the period end with the acquisition of RT Warren and the associated £70m equity raise.

We continue to grow our recurring income which enables us to maintain our progressive dividend policy. This is very important to us in order to reward existing shareholders and attract new ones. For the 6 months to 30 September 2017 rental income, net of non-recoverable costs, totalled £6.5m (up from £5.9m in the comparative period).

Our strategy is to increase shareholder value by making selective acquisitions and taking advantage of opportunities when they arise. Since the management team took control in July 2011, we have made 12 acquisitions of which 8 have been corporate. This has been a tax efficient strategy, saving considerable SDLT and, in some instances, acquiring unutilised tax losses.

We are very selective in the acquisitions we make and prefer to acquire "off-market" – as a result we can go many months before we make an acquisition. In the 6-month period we acquired the corporate entity that owns St James Gate, Newcastle-upon-Tyne (an office, hotel, retail & residential complex situated very close to Newcastle Railway Station) for £20m. Newcastle is a growing city where the Council has ambitious plans for the city centre. With a net initial yield of 8.6% and borrowing costs of under 3%, this investment provides us with very strong cash-flow.

We have added to our highly experienced team in order to service our new acquisitions and to maintain our active management programme. We are very well placed to take advantage of new opportunities as they arise.

Recycling our capital is an integral part of our strategy. We have sold over £3.0m of our smaller or vacant assets during the half year period, releasing cash to reinvest in the income-generating complex at St James Gate, Newcastle-upon-Tyne.

STRATEGIC DEVELOPMENT

We have grown the company by hands on active management of the acquired portfolios and properties financed by equity issues and a conservative level of borrowings. During the half year period we exchanged contracts to acquire RT Warren (Investments) Limited for £68m. This company owns 21 commercial properties in prosperous towns and cities, largely in the South East, together with 65 residential properties. This was the best quality portfolio we had been offered in over two years and fitted our stated strategy well. It was financed by an equity raise of £70m which has had an immediate dilutive effect on net assets per share. I am very confident that we will extract considerable value and I am pleased to report that we have already managed to let the vacant London Court in Southampton for 10 years with a 5 year break at a headline rental of £150,000 per annum. We also have exciting plans for some of our other properties. It will be our intention to sell the low yielding residential element of the Warren Portfolio by the spring of 2018 as it is not core to our business and then reinvest the monies in higher yielding, commercial properties.

Due to the expiry of the lease at our former premises, we moved to new offices in July 2017, which provides us with room for further growth if required.

Our model of outsourcing property management and project management allows us to limit our direct overheads but also to focus on potential acquisitions and our active asset management programme. Following the acquisition of RT Warren we are in the process of rationalising the number of managing agents we use.

PORTFOLIO ACTIVITY

Hudson House, Toft Green, York

We have announced that we secured planning consent to redevelop this site into 127 flats, 5,000 sq. ft. of commercial/restaurant space and an office block of 34,000 sq. ft. of net lettable space. Our Project Managers have invited tenders to demolish the building which we are hopeful will commence in February 2018. This will allow us to save empty rates, service charge shortfall and insurance on an annual basis of approximately £0.5 million. This will have a material and very positive effect on our profitability.

The residential market in York and nearby towns such as Harrogate is still buoyant with a number of developments successfully completed and sold. We are in active talks with a potential joint venture partner to move the project forward and we are working on construction starting in the final quarter of 2018.

We believe that this is the finest development site in the fast-growing city of York situated only one minute's walk from the railway station.

Broad Street Plaza, Halifax

This 5-year-old leisure scheme is providing exceptional returns for us. In August, fixed rental increases totalling £154,000 per annum from Vue, Apcoa, JD Wetherspoon, TGI Fridays & Pure Gym came into effect so this property now produces £1.95m per annum. As interest on our loan from Scottish Widows of £14.7m is at the low fixed rate of 2.9%, our interest payments are £426,000 per annum so our current net income is £1,524,000 per annum. On an equity investment of £9m made in March 2016 this represents a 17% return. In addition, Calderdale Council have made a huge investment in the historic Piece Hall which has increased the number of visitors to Halifax and early indications are that it has added to footfall and turnover at Broad Street Plaza.

Sol Central, Mare Fair, Northampton

The leisure occupational market has slowed but as we seek new tenants for the vacant space, our existing quality tenants still provide us with a return of circa 14.5% on our initial investment. We have taken the opportunity of renewing the roof and external lighting system as well as appointing additional letting agents.

Boulton House, Chorlton Street, Manchester

We took advantage of buying this 75,000 sq. feet office building when many competitors withdrew from the market following the Government announcement of the date of the EU Referendum. Passing rents were in the region of £12.50-£13.00 per sq. ft.. We have carried out a limited refurbishment to the vacant space and revitalised the entrance which has enabled us to complete lettings of 6,500 sq. feet at a headline rental of £17.25 per sq. feet. Notwithstanding market sentiment, the letting market in Manchester is reasonably buoyant and we are confident of agreeing to let the remaining space in the months ahead.

Bridge House, 41-45, High Street, Weybridge

This prime retail and office building is due to fall vacant during the course of next year. As part of our active management strategy we have commenced initial discussions with the Local Planning Authority with a view to the redevelopment of the site in this high value location.

A&B Bridge Park, Imberhorne Lane, East Grinstead

This retail warehouse is one of our core assets which was built in 2012 and is let to Wickes & Pets at Home. Wickes hold a lease until August 2027 and at the rent review in August we achieved a £50,000 per annum increase to £401,405 per annum. Pets at Home hold a lease until July 2027 at a rental of £112,613 per annum but with an option on their part to terminate in July 2022. Post the end of the half year we paid £30,000 to them to remove that break so we now have continuity of income of at least £514,018 per annum until 2027.

Stratton House, Cater Road, Bristol

This leasehold property acquired as part of the Sequel Portfolio in 2013 has required a large amount of management effort relative to its size and location. This was sold in August of this year for £2.25m which equated to book value.

Princeton House, 1-5 Victoria Road, Farnborough

This property was acquired as part of the Property Investment Holdings portfolio in 2014. It comprises an office building of approximately 8,300 sq. feet used as a Job Centre and is let to Trillium (Prime) Property Group until April 2018 at a rental of £75,299 per annum. Since the end of the half year, this lease has been extended for a further 10 years with a break at the 5th year at a rental of £93,344 per annum rising to £140,000 per annum in April 2019. The tenant will be the Secretary of State for Communities & Local Government.

Other disposals since the period end

As active managers, we seek to solve issues at the earliest opportunity. The former Polestar Building at Marsh Barton, Exeter is a case in point. This 113,000 sq. ft. freehold and leasehold industrial property was old and in poor condition which was let to a printing company that went into administration. We subsequently relet the property to another printing company who also went into administration. The potential for the site included redevelopment for a retail warehouse and we are delighted that contracts have now been exchanged for the sale of the site to an operator for £3.29m which is in excess of its book value

Finally, Whittle House in Coventry is a long leasehold office building of 17,800 sq. ft. which was refurbished by the previous occupier. Despite every effort to effect a letting, the interest was not great, so we took the decision to sell at book value. This relieves us from empty rates and running costs and will complete after the half year-end.

CONCLUSION

Our active management strategy has focused on selling smaller properties and those that have limited or no possibility of further growth. This has naturally increased the quality of the portfolio. With the acquisition of RT Warren now completed we believe that we have the finest portfolio in our peer group which the market will slowly but surely grow to appreciate.

BORROWINGS

We continue to have very close relationships with our lenders. During the half year we concluded a new 5-year facility for £27 million from Santander UK which is secured on our Manchester, Northampton and Newcastle properties at a margin of 2.5% above 3-month LIBOR.

At the end of the half year we had borrowings of £95.3m. Subsequently, with the acquisition of the Warren Portfolio, we assumed their loan from Barclays Bank of £14.5m which expires in January 2018. In negotiation with Barclays we took the opportunity of discussing with them not only a new, increased, 5-year facility on Warren but also refinancing our facility with Nationwide, who are withdrawing from commercial property lending, which expires in 2021.

We have now agreed terms on a new £40m facility with Barclays at a margin of 1.95% over Libor and expect to conclude this before the end of the calendar year.

DIVIDEND

We have previously announced an interim dividend of 9.5p (2017: 9p) which will be paid on 29th December 2017 to shareholders on the register as at 8th December 2017 in line with our stated policy to pursue a progressive dividend policy. At the time of the recent fundraising, we announced that in 2018 we will move to a quarterly dividend policy, further enhancing returns to our investors.

OUTLOOK

I have been in business for many years and Palace Capital is the most exciting company with which I have been associated and privileged to chair. My thanks go to my dedicated Executive Team, fellow Non-Executive Directors and staff as well as our loyal and trusted advisers. From a company with a market capitalisation of only £108,000 in 2010 we have come a long way. I am in no doubt that with our quality portfolio, selective stock acquisition and active management strategy. I have every reason to be optimistic about our future."

Since the interim announcement on 4 December 2017, Palace Capital has completed the sale of properties at Exeter and Coventry referred to above under "other disposals since the period end". The other significant event has been the renegotiation of the Barclay's facility which was taken on when RT Warren was acquired. The facility has been increased to £40 million which has allowed the repayment of the Nationwide facility of £12.7 million. The term of the new loan is five years and it has a margin over LIBOR of 1.95 per cent.. On 31 January 2018, the Group sold three residential units for an aggregate sum of £1.23 million.

As announced on 12 February 2018, the demolition of the Hudson House building in York has commenced which will take seven months to complete and will save the Group approximately £750,000 per annum in empty rates and service charges. Discussions are continuing with regard to the future of the Hudson House site in York but the Group has no contracted obligation to develop the site and would not commence without a joint-venture arrangement or other commercial arrangement to remove financing risk.

9. DIRECTORS AND SENIOR MANAGEMENT

Directors

The Board currently comprises six Directors, three of whom are non-executive. The Executive Directors are a team of property and finance professionals who along with Senior Management have over 100 years of collective experience in the real estate market and with experience as directors of public companies.

Stanley Davis, *aged 79, Non-Executive Chairman*

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

Neil Sinclair, *aged 74, Chief Executive*

Neil Sinclair has over 55 years' experience in the property sector. He was a founder of Sinclair Goldsmith, Chartered Surveyors, which was admitted to the Official List in 1987 and subsequently merged with Conrad Ritblat in 1993, when he became Executive Deputy Chairman. Neil was appointed Non-Executive Chairman of Baker Lorenz, surveyors in 1999, which was sold to Hercules Property Services plc in 2001. He was appointed a non-executive Director of Tops Estates plc, a fully listed company, in 2003 and remained so until Tops Estates was sold to Land Securities plc in 2005.

Stephen Silvester, *aged 36, Finance Director*

Stephen Silvester, a Chartered Accountant, joined Palace Capital in 2015 and brings over 10 years' experience as a finance professional, with a background across a range of markets, including real estate. Prior to joining Palace Capital he served for three years as Group Financial Controller at NewRiver REIT plc and before that was Financial Controller at St Hilliers, a private construction and property development business in Sydney, Australia. He has been involved in debt restructuring, numerous property portfolio acquisitions across the UK, capital raising and securing credit facilities from major institutions.

Richard Starr, *aged 44, Executive Director – Head of Property*

Richard is a Chartered Surveyor and has over 20 years' experience working in the property industry. He was appointed to the Board in October 2013. Prior to this appointment, he had founded his own boutique consultancy, having qualified as a Chartered Surveyor in 2000 and subsequently gaining a wide range of experience at three advisory firms. His extensive property knowledge allows him to identify and subsequently implement asset management initiatives to enhance value across all sectors.

Anthony Dove, *aged 72, Non-executive Director*

Anthony has over 30 years experience in the corporate sector. He was a partner at the international law firm Simmons & Simmons from 1977 until 1999. In 1998 he joined the board of Tops Estates plc, a listed company, and remained so until 2005 when that company was acquired by Land Securities plc. From 2004 to 2013 as a Managing Director of Locate Continental Properties Kft a private Hungarian company, he undertook a number of property renovations in Budapest for investment purposes and was a trustee of the Gynaecology Cancer Research Fund from 2002 to 2009.

Kim Taylor-Smith, *aged 61, Non-executive Director*

Kim, a Chartered Accountant, brings to Palace Capital over 30 years' experience as a company director for a range of businesses, with a particular background in property management, investment and development. He was Finance Director and latterly Chief Executive of Birkby plc, a manager of serviced workspace (IMEX) and indoor markets (Inshops), between 1983 and 1999 and continued as Chief Executive of the enlarged group after the agreed takeover by Mentmore plc, at that time Europe's leading records management and self storage company where he remained until 2001. Kim was elected a Councillor of the Royal Borough of Kensington and Chelsea in 2015 and, following the tragedy of the Grenfell Tower fire, was appointed Deputy Leader of the Council with specific responsibility for the Grenfell Tower inquiry, Property and Housing.

Senior Management

David Kaye, *aged 66, Company Secretary*

David Kaye is Company Secretary to the Group. David is a Chartered Secretary with over 40 years post qualification experience. He has been a Director of Stanley Davis Group Limited, one of the leading formation agents and provider of services to lawyers and accountants, for the past 17 years. David was previously Chief Executive of Capita Registrars (now Link Group), the largest share registration business in the UK and Company Secretary of a number of Stock Exchange listed and formerly listed companies including Aggregate Industries plc, Cluff Oil plc and Strategic Global Investments plc.

Andrew Thomas, *aged 34, Investment Manager*

Andrew is a Chartered Surveyor who joined Palace Capital as an Investment Manager in June 2016. He has more than 10 years of asset and investment management experience most recently at Orchard Street Investment Management, where he spent four years managing over £1 billion of assets. Prior to this, he spent 3 years at Quintain plc, where he was responsible for a number of assets in the Sequel Portfolio. He is a member of the Investment Property Forum as well as being IMC accredited.

Matthew Simpson, *aged 33, Financial Controller*

Matthew Simpson, ACCA qualified, assists in the financial management processes at Palace Capital since he joined in January 2016. Previously part of the financial management team at CIT Group Partners LLP, Matthew is focused on detail and enhancing the structures to ensure the business manages its finances as proactively and effectively as possible. Matthew has an extensive understanding of commercial property transactions in both Central London and across the different regions in England.

10. HISTORICAL FINANCIAL INFORMATION

Part VIII, Section B of this document contains the audited financial information of the Group for the three years ended 31 March 2017, together with the audited financial information for the six months to 30 September 2017.

Part VIII, Section D of this document contains the audited financial information for the Company's subsidiary, RT Warren, for the three years ended 31 March 2017, together with the audited financial information for the six months ended 30 September 2017.

A. The following information has been extracted from the audited consolidated financial information of the Group and RT Warren without alteration and should be considered only as a summary of the information contained therein pursuant to Annex I item 3 of Appendix 3 of the Prospectus Rules. Current and prospective Shareholders should read the audited financial information set out in Part VIII, Section B of this document in full and not rely on this summary information.

PALACE CAPITAL – SUMMARY INCOME STATEMENT

	Year ended 31 March 2015 £'000	*Year ended 31 March 2016 £'000*	*Year ended 31 March 2017 £'000*	*Six months ended 30 September 2016 £'000*	*Six months ended 30 September 2017 £'000*
Net rental income	8,637	14,593	14,266	7,076	7,138
Operating profit before gains and losses on property assets and cost of acquisitions	5,998	10,921	9,296	4,567	4,976
Operating profit	15,306	14,016	15,588	5,472	6,213
Profit after taxation	14,015	10,799	9,386	3,446	4,352

PALACE CAPITAL – SUMMARY BALANCE SHEET

Assets					
Investment properties	102,988	174,542	183,916		202,832
Goodwill	6	–	–		–
Property, plant and equipment	52	37	43		129
Deferred tax	500	334	–		–
Cash at bank and in hand	12,278	8,576	11,181		8,733
Trade and other receivables	4,299	4,152	2,511		5,018
Total assets	**120,123**	**187,641**	**197,651**		**216,712**

	Year ended 31 March 2015 £'000	*Year ended 31 March 2016 £'000*	*Year ended 31 March 2017 £'000*	*Six months ended 30 September 2016 £'000*	*Six months ended 30 September 2017 £'000*
Liabilities					
Non-current loans and borrowings	(35,406)	(69,711)	(75,758)		(90,464)
Current loans and borrowings	(400)	(2,233)	(2,036)		(2,186)
Trade and other payables	(3,087)	(6,815)	(6,161)		(8,353)
Deferred tax	–	–	(2,187)		(2,499)
Obligations under finance leases	(1,214)	(2,067)	(1,950)		(1,588)
Total liabilities	**(40,107)**	**(80,826)**	**(88,092)**		**(105,090)**
Net assets	**80,816**	**106,815**	**109,559**		**111,622**

B. The following information has been extracted from the audited accounts of the consolidated accounts of RT Warren without alteration and should be considered only as a summary of the information contained therein. Current and prospective Shareholders should read the audited accounts set out in Part VIII, Section D of this document in full and not rely on this summary information.

RT WARREN – SUMMARY INCOME STATEMENT

	Year ended 31 March 2015 £'000	*Year ended 31 March 2016 £'000*	*Year ended 31 March 2017 £'000*	*Six months ended 30 September 2017 £'000*
Revenue	3,553	3,333	3,618	1,738
Operating profit before gains and losses on property assets	2,259	2,283	2,589	942
Operating profit	12,247	6,194	4,698	1,314
Profit after taxation	10,708	4,795	3,738	876

RT WARREN – SUMMARY BALANCE SHEET

Assets				
Investment properties	65,475	67,260	71,373	71,838
Property, plant and equipment	42	22	2	–
Cash at bank and in hand	1,657	2,622	1,224	1,316
Trade and other receivables	715	424	719	965
Total assets	**67,889**	**70,328**	**73,318**	**74,119**
Liabilities				
Non-current loans and borrowings	(11,610)	–	–	–
Current loans and borrowings	(766)	(14,516)	(14,516)	(14,516)
Trade and other payables	(5,399)	(952)	(882)	(1,210)
Current tax payable	(87)	(66)	(46)	–
Deferred tax	(3,011)	(3,698)	(3,762)	(3,770)
Total liabilities	**(20,873)**	**(19,232)**	**(19,206)**	**(19,496)**
Net assets	**47,016**	**51,096**	**54,112**	**54,623**

11. OPERATING AND FINANCIAL REVIEW

The scale of the Group's activities substantially increased following the acquisition of the Sequel Portfolio in October 2013 from Quintain Estates and Development plc and Buckingham Properties Trading Limited for £39.25 million. This added 24 commercial mixed use properties to the 9 smaller properties already owned by Palace Capital. The Company raised £23.5 million by the issue of shares to partially fund the transaction and appointed Richard Starr to the Board.

A. *Review of the year end 31 March 2015*

The Group continued with its growth strategy during the year. In August 2014 Palace Capital acquired Property Investment Holdings Limited for £3.6 million and agreed to discharge £27.7 million of liabilities including bank loans and interest rate swaps. The 17 properties acquired were valued at £32.0 million and were primarily located in the South East of England. The Company raised £20.0 million by the issue of ordinary shares to partially fund the transaction.

Operationally, management continued to work on the assets acquired as part of the Sequel Portfolio whilst integrating the new PIH Portfolio. Three small properties were disposed of and progress was made on letting empty properties. Key areas of focus included preparation for a planning application for Hudson House in York, a 103,000 square foot office building, refurbishment of two properties at Milton Keynes and a residential conversion under permitted development at Dartford. At the year end the Group had 50 properties valued at £103.0 million with borrowings of approximately £36.2 million (before unamortised lending costs). This value represented a £9.8 million uplift in valuation.

The Group reported a NAV figure of £80.0 million and a basic NAV per Ordinary Share of 396 pence at the year end.

A summary of the movements in assets over the financial year are covered in the table below:

Year end 31 March 2015 (£m)

Opening position	Disposals	Acquisitions	Revaluation	Capital expenditure (Investment/ refurb)	Closing position at year end
£59.4	(£0.8)	£32.0	£9.9	£2.5	£103.0

B. *Review of the year ended 31 March 2016*

On 1 April 2015, Palace Capital acquired Bank House in central Leeds for £10 million which was followed by the acquisition of O & H Northampton Limited, the ultimate owner of a mixed use leisure scheme in Central Northampton for £20.7 million called Sol Central. The acquisition was funded by a £20 million placing of ordinary shares. Later in the year there were two further significant acquisitions – 249, Midsummer Boulevard Milton Keynes for £7.2 million and Broad Street Plaza in Halifax for £24.18 million – both paid for with cash. At the year-end, the value of the 54 properties held by the Group was £174.5 million, following £66 million of acquisitions and borrowings were at £72.7 million (before unamortised lending costs) which represented a LTV of 37 per cent..

During the year, the Group sold certain smaller properties as well as those management felt were not likely to provide future growth. Management continued to create additional value at Hudson House, York where planning consent was granted for 139 apartments by way of conversion of the existing buildings. At Sol Central, the Group accepted a one off surrender of a lease to Gala Casinos on vacant premises for a premium of £4 million, including dilapidations and other costs.

During the year the Group appointed Stephen Silvester as Finance Director and Richard Starr became a full time Director. In addition, Mathew Simpson joined the Group as Financial Controller and Andrew Thomas was appointed as Investment Manager.

The Group reported a NAV figure of £106.8 million and a basic NAV per Ordinary Share of 414 pence at the year end.

A summary of the movements in assets over the financial year are covered in the table below:

Year end 31 March 2016 (£m)

Opening position	Disposals	Acquisitions	Revaluation	Capital expenditure (Investment/ refurb)	Closing position at year end
£103.0	(£1.7)	£68.4	£3.6	£1.2	£174.5

C. ***Review of the year ended 31 March 2017***

Following the significant number of acquisitions in the previous year, 2016/17 was a year of consolidation with a focus on asset management while disposing of a number of properties. The only acquisition was Boulton House in Manchester for £10.5 million. 13 smaller properties were sold at or above book value. As a result at year end, the Group ended the year with 44 properties, with a value of £183.9 million alongside borrowings of £78.7 million (before unamortised lending costs) or 37 per cent. LTV.

While attention was focused on disposals, the active management approach again sought to maximise returns. Hudson House development plans continued to take shape with a new application for 127 residential apartments, 34,000 square feet offices and 5,000 square feet of ground floor commercial space. The conversion of space at Dartford was achieved and a letting was concluded to the Dartford Borough Council for a period of 10 years with annual increases in rent. At Leeds, the refurbishment was completed and marketing for letting commenced. 14,500 square feet (approximately 25 per cent.) of office space at Milton Keynes was also renovated.

The rental income of the year reduced as a result of the surrender of a lease at Sol Central in the previous year but the Group benefited from the full year impact of the previous year's acquisitions, offset by the Hudson House space which had been deliberately left vacant pending development.

The Group reported a NAV figure of £109.6 million and a basic NAV per Ordinary Share of 436 pence at the year end.

A summary of the movements in assets over the financial year are covered in the table below:

Year end 31 March 2017 (£m)

Opening position	Disposals	Acquisitions	Revaluation	Capital expenditure (Investment/ refurb)	Closing position at year end
£174.5	(£9.3)	£11.0	£3.1	£4.6	£183.9

D. ***Review of the six months ended 30 September 2017***

During the period there were four key events:

- The acquisition of the freehold of a large hotel, two office buildings, retail and residential complex in Newcastle, close to the railway station, for £20 million. The property has a rent roll of £1.756 million per annum.
- Planning was granted by City of York Council for the enhanced scheme at the Group's city centre site in York, Hudson House. The consent allows for the demolition of Hudson House (103,000 square feet) and the erection of 4 buildings with a total net area of 133,000 square feet. The scheme will incorporate 127 apartments, 34,000 square feet of offices and 5,000 square feet of commercial/restaurant space plus car parking.

- Contracts were exchanged on the acquisition of RT Warren although it completed after the period end.
- The Group refinanced £27m of debt with Santander for a further five years which matures in 2022.

The purchase at Newcastle utilised much of the funding released from sales of properties in the prior financial period. In addition several floors at Boulton House, Manchester were renovated and made available for letting.

The Group reported a NAV figure of £111.6 million and a basic NAV per Ordinary Share of 442 pence at the half year.

A summary of the movements in assets over the six month period to 30 September 2017 are covered in the table below:

Six months ended 30 September 2017 (£m)

Opening position	**Disposals**	**Acquisitions**	**Revaluation**	**Capital expenditure (Investment/ refurb)**	**Closing position at year end**
£183.9	(£3.4)	£20.0	£1.4	£0.9	£202.8

12. FINANCING OF THE GROUP

Where relevant, the Group uses or assumes existing bank finance to allow it to acquire individual properties or portfolios. This reflects the fact that bank rates are significantly lower than the yield on the assets being acquired. Typically the Group will limit its borrowings to a maximum of 40 per cent. LTV, net of cash. The average rate of interest on the Group's borrowings is 2.9 per cent. while the yield on the existing Portfolio is approximately 6.5 per cent..

The Group's borrowings as at 30 September 2017 were:

Secured balance sheet borrowings	*Loan outstanding at 30 Sep 2017 £000s*	*Maturity Date*	*LTV covenant %*	*LTV Actual %*	*Interest cover covenant*	*Interest cover actual*
Nationwide	16,755	11/11/2020	65%	44%	n/a	522%
NatWest	31,250	11/03/2021	60%	50%	225%	447%
Santander	27,000	03/08/2022	60%	53%	250%	470%
Lloyds	3,938	28/04/2019	55%	37%	200%	627%
Scottish Widows	14,814	06/07/2026	68%	62%	200%	400%
TOTAL	**93,757**	–	–	–	–	–
Less: unamortised borrowing fees	(1,107)	–	–	–	–	–
BALANCE	**92,650**	–	–	–	–	–
Average debt maturity:		4.6 years	–	–	–	–
Average debt maturity post Barclays refinance:		4.7 years	–	–	–	–

On 25 January 2018, the Barclays facility of £14.5 million which was assumed with the RT Warren Portfolio acquisition was increased to £40 million and the Nationwide facility was repaid. This new facility is for 5 years with a margin over LIBOR of 1.95 per cent..

At 30 September 2017, 26 per cent. of the total indebtedness has been the subject of interest rate hedging to offset in part the effect of any rise in interest rates. The effect of a 1 per cent. increase in interest rates would reduce profits by £0.7 million.

13. ADMISSION TO THE OFFICIAL LIST AND CANCELLATION FROM TRADING ON AIM

The Ordinary Shares are admitted to trading on the AIM market of the London Stock Exchange. It is expected the Ordinary Shares will be cancelled from trading on AIM and be admitted to the Official List (premium listing segment) and to trading on the London Stock Exchange's Main Market for listed securities on 28 March 2018.

14. SETTLEMENT AND CREST

The Ordinary Shares will be enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions and holdings in Ordinary Shares following Admission may take place within CREST if Shareholders so wish.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

15. THE TAKEOVER CODE ON TAKEOVERS AND MERGERS

The Takeover Code is issued and administered by the Takeover Panel. The Company is a company to which the Takeover Code applies and its shareholders are entitled to the protection afforded by the Takeover Code. Under Rule 9 of the Takeover Code ("Rule 9"), where any person acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Takeover Code) in shares which (taken together with shares in which he is already interested and in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company that is subject to the Takeover Code, that person is normally required by the Takeover Panel to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, where any person or persons acting in concert already is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such company but does not hold shares carrying more than 50 per cent. of the voting rights of such a company, a general offer will normally be required if any further interests in shares are acquired by any such person. An offer under Rule 9 must be in cash and at the highest price paid within 12 months prior to the announcement of the offer for any interest in shares of that class in the company by the person required to make the offer or any person acting in concert with him in the previous 12 months.

Under the Takeover Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of that company.

Control means an interest or interests in shares carrying an aggregate of 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give de facto control.

16. PROPERTY VALUATION

The Group's existing Portfolio has been valued on an Open Market Value basis as at 30 September 2017 by an independent valuation firm, Cushman & Wakefield, in accordance with the RICS Red Book. A summary valuation is set out below and the valuation report is set out in Part VII of this document.

	Value (£m)
The Group's portfolio	202.8
RT Warren portfolio	71.8
TOTAL	274.6

The Portfolio is valued semi-annually based on such valuation methodology and are used to generate Net Asset Value per share figures in accordance with IFRS as calculated by the Auditors and in accordance with EPRA standards.

17. DIVIDEND POLICY

The Directors have stated their intention to pursue a progressive dividend policy and that from 2018 dividends will be paid quarterly with the first dividend being paid in April 2018 in respect of the quarter ending 31 December 2017. In respect of the year ended 31 March 2017, the Directors paid dividends totalling 18.5p, being an interim dividend of 9.0p and a final dividend of 9.5p. The Directors recommended the payment of an interim dividend of 9.5p in respect of the year ending 31 March 2018 which was paid on 29 December 2017. A summary of the progressive dividend policy is highlighted in the table below:

Year end 31 March	**2015 (pence per Share)**	**2016 (pence per Share)**	**2017 (pence per Share)**
Dividend announced	13	16	18.5

Further details of the Group's historical dividend payments are set out in note 10 in part VIII of this document.

18. MANAGEMENT INCENTIVES

The Remuneration Committee's overall approach is focused on ensuring the Group's remuneration policy is aligned with shareholders' interests while also enabling the Group to attract, retain and motivate high quality executive management. The key elements of the remuneration package for Executive Directors are as follows:

Base salary

Base salary for each Executive Director is reviewed annually by the Remuneration Committee, taking account of the Director's performance, experience and responsibilities. The Remuneration Committee has regard to salary levels paid by UK listed companies of a similar size and nature. This approach ensures that the appropriate benchmark data is used. When determining Executive Directors' base salaries, the Remuneration Committee also considers wider economic factors and the performance of the Group as a whole.

Annual bonus

The Group's remuneration policy caps bonus payments to the Executive Directors at 100 per cent. of salary. In determining bonuses, the Executive Directors are measured against specific criteria. Bonuses are awarded at levels of 20/60/80/100 per cent. of the maximum depending on whether performance achieves threshold, target, stretch and super stretch of the relevant criterion except that 25 per cent. of the bonus is awarded on performance measured by the achievement of specific letting and development targets.

Long-term incentives

The Group operates the Palace Capital Long-Term Incentive Plan. The purpose of the plan is to motivate key individuals and to reward them for exceptional performance. Under the plan each participant is allocated a number of shares. The vesting of shares under the plan is subject to the achievement of performance targets and typically over a three-year period.

Pension provision

The Group operates a defined contribution pension scheme to which the Company contributes 5 per cent. of basic salary.

Benefits

The Group operates a policy whereby Executive Directors are provided with health insurance, life assurance and cash alternatives to company cars.

19. CORPORATE GOVERNANCE

The Company is currently admitted to trading on AIM. The UK Corporate Governance Code applies to companies quoted on the Official List and not to companies admitted to AIM. The Group is required to comply with the code or explain any non-compliance in its annual reports and accounts. Presently, the Group complies with the provisions of the UK Corporate Governance Code for Small and Mid-Size Quoted Companies 2013, as published by the Quoted Companies Alliance, insofar as they are appropriate given the Group's size, nature and stage of development.

The Group has an Audit Committee, a Remuneration Committee and a Nomination Committee and takes all reasonable steps to ensure compliance by the Directors and any relevant employees of the Group with the provisions of the AIM Rules for Companies relating to dealings in securities of the Company. It has adopted a share-dealing code for this purpose. The Group intends to comply with the provisions of the UK Corporate Governance Code other than those relating to:

1. Board composition

Currently, there are three executive and three non-executive directors, two of whom are independent, on the Board. The Company intends to appoint an additional non-executive director within the next 12 months to ensure the Company has a majority of non-executive directors on the Board.

2. Independence of the Chairman

Stanley Davis was closely involved with the formation of the Group's business and has been an important supporter of its early fundraisings. Based on the UK Corporate Governance Code he cannot be treated as independent and therefore the Board has appointed Anthony Dove to the position of Senior Independent Director.

Audit Committee

An Audit Committee has been established. From Admission, the Audit Committee will continue to comprise Kim Taylor-Smith (Chair), Stanley Davis and Anthony Dove.

The responsibilities of the Audit Committee include monitoring, in discussion with the auditor, the integrity of the financial statements of the Group and reviewing the Group's internal financial controls and risk management systems. The Audit Committee shall also make recommendations to the Board (for submission to shareholders for their approval in a general meeting) on the appointment of the auditor and shall approve the terms of engagement and remuneration of the auditor.

The Audit Committee is required to meet with the auditor at least once a year without any Executive Director present.

Given the group's size and the nature of its business, the Board does not consider that it would be appropriate to have its own internal audit function. An internal audit function will be established as and when the Group is considered to be of an appropriate size. Meanwhile, the audit of internal financial controls forms part of the responsibilities of the Group's finance function.

Remuneration Committee

A Remuneration Committee has been established. From Admission, the Remuneration Committee will continue to comprise Anthony Dove (Chair), Stanley Davis and Kim Taylor-Smith.

The Remuneration Committee has responsibility for setting the remuneration policy for all Executive Directors and shall recommend and monitor the level and structure of remuneration for senior management. The particular responsibilities of the Remuneration Committee include determining the total individual remuneration package of each Executive Director and other designated senior executives, approving the design of and targets for any performance-related pay schemes operated by the Group and reviewing the design of all share-incentive plans.

In determining the remuneration policy for Executive Directors, the Remuneration Committee may take into account all factors that it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations (insofar as is appropriate having regard to the size and nature of the Company and group) of the UK Corporate Governance Code and the QCA Code.

A member of the Remuneration Committee shall not be entitled to vote on any matter where such member has, either directly or indirectly, a personal, financial or other interest or a potential conflict of interest.

The Board shall determine the remuneration of the non-executive Directors within the limits prescribed by the Articles.

Nomination Committee

A Nomination Committee has been established. The Nomination Committee will continue to comprise Neil Sinclair, Anthony Dove and Kim Taylor-Smith and Stanley Davis who also chairs the committee. The key responsibility of the Nomination Committee is to ensure that the Group has in place at all times sufficient procedures, resources and controls with regard to the recruitment of senior personnel/Board members.

The Articles require that Directors submit themselves for re-election at least every three years.

Independence

From Admission the Board will consist of three Executive Directors and three non-executive Directors with Stanley Davis as non-executive Chairman. The non-executive Directors, other than Stanley Davis, are considered by the Board to be independent. It is the Board's intention to appoint a new independent non-executive Director. It may take time to identify the appropriate candidate with the relevant skills. This will be announced when appropriate.

The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Group's Directors, including the Chairman, has been imposed. New Directors will receive an induction from David Kaye, the Company Secretary on joining the Board, and all Directors will receive other relevant training as necessary.

Senior Independent Director

Anthony Dove acts as the Group's Senior Independent Director.

Board and Directors' performance appraisal

The performance of the Board committees and individual Directors is evaluated through an assessment process, led by the Chairman. The performance of the Chairman is evaluated by the other Directors.

20. ANTI-BRIBERY LEGISLATION

The Bribery Act 2010 prescribes criminal offences for businesses engaged or allowing others to engage in bribery or corrupt practices. The Directors have regard to the impact of such legislation and have established appropriate procedures for the Group to ensure compliance. The Board has adopted an anti-bribery and corruption policy to implement the Group's commitment to carrying out its business fairly, openly and honestly and to prevent bribery and corruption by persons associated with the Group.

21. TAXATION

Information regarding taxation is set out in Part XI of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law.

PART VII

VALUATION REPORT

To:	Palace Capital plc 4th Floor, 25 Bury St London SW1Y 6AL	Arden Partners 125 Old Broad St London EC2N 1AR
	("you" or the "Addressee")	
Property:	The address, tenure and property type of the property or each of the properties (the "Property") is included in the Property Record section.	
Report date:	27 February 2018	
Valuation date:	30/09/2017 **("Valuation Date")**	
Client reference:		
Our reference:		

1. Instructions

1.1. Appointment

We are pleased to submit our report and valuation (the "Valuation Report"), which has been prepared in accordance with the engagement letter entered into between us dated 21 November 2017 (the "Engagement Letter"). This Engagement Letter and the terms set out therein, together with our Terms of Business, which were sent to you with our Engagement Letter, constitute the "**Engagement**".

Included in the Engagement is the Valuation Services Schedule, the form of which is set out as Appendix B (save for Appendix 2 – Forms of Prospectus Letters) ("**VSS**"). It is essential to understand that the contents of this Valuation Report are subject to the various matters we have assumed, which are referred to and confirmed as Assumptions in the VSS. Unless otherwise defined, all capitalised terms herein shall be as defined in the VSS.

We have valued the property interests in the above Property.

A list of the addresses of each of the buildings which comprise the Property, together with a note of their tenure, is included in Appendix A.

1.2. Compliance with RICS Valuation – Global Standards

We confirm that the valuation and Valuation Report have been prepared in accordance with the RICS Valuation – Global Standards which incorporate the international Valuation Standards ("IVS") and the RICS UK Valuation Standards (the "RICS Red Book") edition current at the Valuation Date. It follows that the valuation is compliant with "IVS".

1.3. Status of Valuer and Conflicts of Interest

We confirm that all valuers who have contributed to the valuation have complied with the requirements of PS 1 of the RICS Red Book. We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake the valuation competently. We confirm that Daniel Pearce and Roger Young have overall responsibility for the valuation and are in a position to provide an objective and unbiased valuation and are competent to undertake the valuation. Finally, we confirm that we have undertaken the valuation acting as External Valuer as defined in the RICS Red Book.

As you are aware, Cushman and Wakefield have previous involvement with the separate properties which comprise the Property in that Cushman and Wakefield have valued them for the purposes of company accounts on behalf of Palace Capital plc (the "**Company**") since 2014. C&W have previously undertaken valuations of the Properties on behalf of lenders to the Company. C&W have also undertaken ad hoc professional and agency advice in respect of certain properties (but not the subject Property). C&W are retained as property managers in respect of 3-7 Lendal & 5-13 Museum Street, York.

1.4. Purpose of Valuation

The purpose of this Valuation Report is for inclusion in a prospectus (the "**Prospectus**") in connection with a proposed listing as a result of which shares of the Company will be transferred from the AIM to the Main Market (the "**Listing**") (the "**Purpose of Valuation**"). The valuation is to be relied upon only by the addressees of the Valuation Report and investors (the "**Investors**"), only in connection with this purpose.

Therefore, in accordance with PS 2.5 and UKVS 4 we have made certain disclosures in connection with this valuation instruction and our relationship with you. These are included in item 1.5 below.

1.5. Disclosures required under the provisions of PS 2.5 and UKVS 4

Daniel Pearce and Roger Young

Daniel Pearce and Roger Young have been the signatories of Valuation Reports provided to the Company for the same purpose as the purpose of this Valuation Report for a continuous period since 31 March 2016. Cushman & Wakefield Debenham Tie Leung and Cushman & Wakefield LLP have been carrying out this valuation instruction for the Company for a continuous period since 2014.

C&W endorses the RICS view that it is good practice to rotate the valuer responsible for Regulated Purpose Valuations at internals not exceeding seven years. C&W's policy in this regard is explained in the VSS.

C&W's relationship with the client

Other than detailed in Section 1.3, there is no fee-earning relationship between the Company other than this and other valuation instructions.

Fee income from the Company

On 1 September 2015, DTZ acquired Cushman & Wakefield and the combined group now trades under the Cushman & Wakefield brand. Cushman & Wakefield's financial year end is 31 December. We confirm that the proportion of fees payable by the Company/Fund to C&W in the financial year to 31 December 2017 was less than 5% of total fees. We anticipate that the proportion of fees for the financial year to 31 December 2018 will remain at less than 5%.

1.6. Inspection

The Properties were all inspected on acquisition and are part of an annual inspection on a rolling basis. The RT Warren portfolio of commercial properties were all inspected in August 2017 together with all the residential properties (although 15 residential properties were not inspected internally where access was not possible).

In accordance with the Terms of Business, we undertake inspections of the Property on an annual basis. The Company have not advised us of any material changes to the physical attributes of the Property or the areas in which they are situated and, therefore, as agreed, we have made an Assumption that there are none.

1.7. Floor areas

Unless specified otherwise, floor areas and analysis in this Valuation Report are based on the following bases of measurement, as defined in RICS Property Measurement (the edition current at the Valuation Date) (the "**Code**"):

Office	NIA
Industrial	GIA
Retail	NIA/GIA
Residential	GIA

1.8. Accommodation

Source of Floor Areas

C&W shall apply floor areas from previous C&W measured surveys on site or, where C&W have not been previously instructed to measure, shall adopt floor areas provided to C&W by the Client for the purpose of the Valuation (supported by check measurements on site).

1.9. Sources of Information

In addition to information established by us, we have relied on the information obtained from you and others as referred to in this Valuation Report.

We have made the Assumption that the information provided by you and your professional advisers in respect of the Property we have valued is both full and correct. We have made the further Assumption that details of all matters relevant to value within your and their collective knowledge, such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to us, and that such information is up to date.

2. Basis of valuation

Our opinion of the Market Value of the Property has been primarily derived using comparable recent market transactions on arm's length terms.

Market Value – IFRS

The value of the Property has been assessed in accordance with the relevant parts of the current RICS Red Book. In particular, we have assessed Market Value as referred to in VPS 4 item 4 of the RICS Red Book and applying the conceptual framework which is set out in IVS 104. Under these provisions, the term "Market Value" means "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

3. Taxation and costs

We have not made any adjustment to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposal incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

We have made a deduction to reflect a purchaser's acquisition costs.

4. VAT

The Company has not advised us whether the Company has exercised its option to tax.

The capital valuations and rentals included in this Valuation Report are net of value added tax at the prevailing rate.

5. Property information

5.1. Enquires

We have undertaken and completed the various matters referred to in the “Scope of Services” section of the VSS.

The results of our enquiries and inspections do not contradict the Assumptions which we have made and are referred to in the VSS.

6. Valuation

We are of the opinion that the aggregate of the Market Values of each of the freehold/leasehold interests in the above Property, subject to the existing tenancies, as at the Valuation Date subject to the Assumptions and comments in this Report and the Appendices was:

£274,677,500 (Two hundred and seventy four million six hundred and seventy seven thousand five hundred pounds)

Tenure	Aggregate Market Values (MV)	% of total MV
Freehold	£254,962,500	92.82%
Leasehold	£19,715,000	7.18%
Total	£274,677,500	100%

There are no negative values to report.

7. Portfolio lotting

In arriving at our opinion of Market Value of the aggregate of the interests of the above properties of the portfolio, we have valued each property individually. As such, we have assumed that the properties would be marketed in an orderly way and not all placed on the market at the same time.

Residential properties

The aggregate value reported above does not reflect any portfolio discount which we believe would be required by a prudent purchaser should the units be sold as a single lot to reflect the bulk nature of the transaction, holding costs and acquisition costs and profit on any of the units sold.

It also assumes that all units are sold individually over a reasonable time period to avoid flooding the market. As such the aggregate value reflects a somewhat artificial total as, if all properties were brought to market at the same time (ie: at the valuation date), this would inevitably have an impact on the price that could be achieved for each unit even if sold individually, either with vacant possession or subject to the existing tenancies. We consider that it would take a period of up to 3 years to sell the residential units within the RT Warren portfolio on a piecemeal/individual basis. Any sales programme would have to be carefully planned with a limited number of units being offered for sale at any one time and the remaining units being rented out.

8. Modification And Alterations

This Valuation Report or any part of it may not be modified, altered (including altering the context in which the Valuation Report is displayed) or reproduced without our prior written consent. Any person who breaches this provision shall indemnify us against all claims, costs, losses and expenses that we may suffer as a result of such breach.

To the fullest extent permitted by law, we hereby exclude all liability arising from use of and/or reliance on this Valuation Report by any person or persons except as otherwise set out herein or in the VSS.

9. Reliance

For the purposes of Prospectus Rule 5.5.3 (R)(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with Rule 5.6.5G of the Prospectus Rules and paragraphs 128 to 130 of CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses no. 809/2004.

Signed for and on behalf of Cushman & Wakefield Debenham Tie Leung Limited.

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APPENDIX A: PORTFOLIO OVERVIEW

Property Schedule

Sequel	
Meadow Ct Phase I ,1, 2, 7, 8, Amos Street, Sheffield	
Meadow Ct Phase III, Unit A, Hayland Street, Sheffield	
Priory House, Birmingham, Gooch Street North*	
Whittle House, Foleshill Enterprise Park, Coventry*	
Courtauld House, Coventry	
Imperial Court & Imperial House, Holly Walk, Leamington Spa	
Plot 24, Blackwater Way, Aldershot*	
Sandringham House, Sandringham Avenue,Harlow	
2-5 Devonshire Row Mews, Devonshire Street, London*	
Kiln Farm, 2-4 Pitfield, Milton Keynes	
127 Above Bar, Southampton, Civic Centre Road*	
BPC Building , Hennock Road North, Marsh Barton Trading Estate	
The Forum, Barnfield Road, Exeter	
Point Four Industrial Estate, Avonmouth*	
Copperfield Centre, Dartford	
Hudson House, Toft Green, York	
124-126 Above Bar Street, Southampton*	
	£65,390,000

PIH	
Ovest House, 58 West Street,Brighton	
Clayton Industrial Estate, Victoria Gardens, Burgess Hill	
Unit A & B, Imberhorne Lane, East Grinstead	
Princeton House ,1-5 Victoria Road ,Farnborough	
Saxon House, Henson Way, Kettering	
5 Bone Lane, Newbury	
Unit H2, St Modwen Road, Plymouth	
61 Albert Road North, 61 Albert Road North, Reigate	
Unit 2 Rustington, Brookside Avenue, Rustington	
Unit 5 Harnham Business Park, Netherhampton Road, Salisbury	
Winchester Street,1-11, Winchester Street, Salisbury	
Fraser House, 56 Kingston Road, Staines-upon-Thames	
Russell House, Molesey Road, Walton-on-Thames	
138 Molesey Avenue, 138 Molesey Avenue, West Molesey	
Bridge House, 41 – 45 High Street, Weybridge	
The Old House & Rathbone House, 4 Heath Street, Weybridge	
	£39,540,000

Hockenhull Bridgewater House,1 Wistatston Road, Crewe	£310,000
Bank House Bank House, 27 King Street, Leeds	£10,710,000
Sol Central Sol Central, MareFair, Northampton	£18,325,000
Sutton 46-54 High Street, Sutton*	£4,240,000
Milton Keynes 249 Midsummer Boulevard, Milton Keynes	£7,425,000
Halifax Broad Street Plaza, Halifax	£24,000,000
Manchester Boulton House, 17-21 Chorlton Street, Manchester	£12,900,000
Newcastle 2 St James Gate, Newcastle	£20,000,000

RT Warren – Commercial	
Queensway Shopping Centre, Banbury	
Units 1-2 Thorpe Drive, Banbury	
Old Post House, Beaconsfield	
Millbarn Medical, Beaconsfield	
Pelham House, Brighton	
Admiral House, 43 High Street, Fareham	
Westminster House, Gerrards Cross	
Aldi, Gosport	
2-4 High Rd, Ickenham	
Harbour Court, Portsmouth	
Briton House, Southampton	
Kings Park House, Southampton	
London Court, Southampton	
Warren House, Thame	
122-123 High Street, Uxbridge	
Old School House, Uxbridge	
Ebblake Industrial Estate, Verwood	
Hyde Abbey House, Winchester	
Regency House, Winchester	
Staple House, Winchester	
3-7 Lendal/5-13 Museum Street, York	
	£48,495,000

RT Warren – Residential	
65 residential properties**	£23,342,500
Total	£274,677,500

* Leasehold Property

** 4 Leasehold Properties

Top 10 assets by Value

Address	Description & tenure	Occupational tenancies	Market Value 30 September 2017
Broad Street Plaza, Halifax	Leisure: 10,941 sq m (117,767 sq ft). Freehold.	Let to 13 tenants with 3 vacant units; contracted rent of £1,948,979 per annum.	£24,000,000
2 St James Gate, Newcastle	Office and retail: 9,076 sq m (97,695 sq ft) Freehold.	Let to 10 tenants with no vacant units; contracted rent of £1,704,944 per annum (excluding car parking).	£20,000,000
Sol Central, MareFair, Northampton	Leisure: 12,050 sq m (129,703 sq ft). Freehold.	Let to 8 tenants with ancillary mall and car parking income with 3 vacant units; contracted rent (including car parking, mall income and turnover rent) of £1,763,721 per annum.	£18,325,000
Hudson House, York	Office: 9,448 sq m (101,696 sq ft). Freehold.	Planning consent for 127 apartments, 34,000 sq ft of offices and 5,000 sq ft of retail accommodation.	£16,000,000
Boulton House, 17-21 Chorlton Street, Manchester	Office: 6,941 sq m (74,712 sq ft). Freehold,	Let to 16 tenants with 5 vacant units; contracted rent of £758,548 per annum.	£12,900,000
Bank House, 27 King Street, Leeds	Office: 8,179 sq m (88,036 sq ft). Freehold.	Let to 2 tenants across 5 leases with 2 vacant units; contracted rent of £699,594 per annum.	£10,710,000
Kiln Farm, 2-4 Pitfield, Milton Keynes	Office: 4,907 sq m (52,818 sq ft). Freehold.	Let to 2 tenants with 1 vacant unit; contracted rent of £398,916 per annum.	£7,750,000
Units A & B East Grinstead, Unit A & B, Imberhorne Lane	Retail warehouse: 2,849 sq m (30,672 sq ft). Freehold.	Let to 2 tenants; contracted rent of £514,018 per annum.	£7,620,000
249 Midsummer Boulevard, Milton Keynes	Office: 4,643 sq m (49,980 sq ft). Freehold.	Multi let to 5 tenants across 10 leases with one vacant unit; contracted rent of £525,143 per annum.	£7,425,000
Point Four Industrial Estate, Avonmouth	Industrial estate: 7,873 sq m (84,748 sq ft). Leasehold – peppercorn rent expiring 20/06/2108.	Multi let estate let to 7 tenants with 1 vacant unit; contracted rent of £352,851 per annum.	£6,650,000

Portfolio analysis

				No. of Properties	
Tenure Split	Freehold	£254,762,500	92.75%	115	90.55%
	Leasehold	£19,915,000	7.25%	12	9.45%
	Total	**£274,677,500**	**100.00%**	**127**	**100.00%**
Yields	Net Initial Yield		5.84%		
	Reversionary Yield		7.98%		
Regional Split	South West	£27,620,000	10.06%		
	South East	£78,160,000	28.46%		
	East	£3,120,000	1.14%		
	London	£26,642,500	9.70%		
	Midlands	£49,280,000	17.94%		
	Yorkshire	£56,645,000	20.62%		
	North East	£20,000,000	7.28%		
	North West	£13,210,000	4.81%		
	Total	**£274,677,500**	**100.00%**		
Sector Split	Offices	£134,040,000	48.80%		
	Industrial	£38,165,000	13.89%		
	Retail	£20,590,000	7.50%		
	Car Parking	£585,000	0.21%		
	Leisure	£42,325,000	15.41%		
	Retail Warehouses	£11,050,000	4.02%		
	Residential	£27,922,500	10.17%		
	Total	**£274,677,500**	**100.00%**		

APPENDIX B: VALUATION SERVICES SCHEDULE ("VSS")

Services Schedule – Valuation & Advisory

Type of Instructions:	Valuation and Advisory
Property Details:	Appendix A includes the address, tenure and property type of the property or each of the properties ("**Property**") to be valued ("**Property Schedule**"). The Property is held by Palace Capital plc ("**Company**").
Client Instructions:	The Client has instructed C&W to: a. Undertake a valuation of the legal interests in the Property described in the Property Schedule ("**Valuation**") as at 30 September 2017 (the "**Valuation Date**"). b. Provide a valuation report in the format referred to in the 'Scope of Services' section below ("**Valuation Report**") for the following purpose of valuation ("**Purpose of Valuation**"): • for inclusion in a prospectus which is to be published by Palace Capital plc, in connection with which the Valuation Report is required in respect of the proposed transfer in listing from AIM to the Main Market by the Company (the "**Purpose of the Valuation Report**"). The Valuation is to be relied upon only by the Addressees of the Valuation Report and the investors ("**Investors**"), only in connection with this purpose.
Addressee:	The Valuation Report will be addressed to the Client and Arden Partners (the "**Addressees**") and may be relied on only by the Addressees and the Investors, only for the Purpose of Valuation (as defined). We will not have any duty, obligation or liability, whether in terms of amount, nature or scope, to the Addressees which is greater than that which we have to the Client if the Addressees had together been the Client. Our total aggregate liability to the Client and the Addressees shall be limited to a maximum of 25% of the Market Value of the Property as detailed in the “Special and Additional Terms” below. In accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any parts of its contents unless expressly provided for in the Valuation Report or the Engagement Letter.
Timetable:	C&W will provide a final Valuation Report in time for inclusion in the Prospectus (unless otherwise agreed with the Client).
Period of Appointment:	N/A

Scope of Services:	Included in the Services are: **a. Valuation Report** Providing a Valuation Report that will be prepared in English. C&W will provide one electronic copy of the Valuation Report and, if requested, one signed hard copy. As agreed, C&W will not provide full details of the valuation approach and reasoning in the Valuation Report but will provide a Valuation Report in a similarly condensed format to that provided for the purposes of the accounts of Palace Capital plc as at 30 September 2017. The Valuation Report will incorporate a schedule summarising brief details of the Property and its Market Value as at 30 September 2017 (the "**Valuation Date**"). For the purposes of the valuation, we will group together the properties which comprise the Property as a single lot, and summarize: i) the top 10 assets by value ii) % of portfolio value by sector iii) % of portfolio value by region **b. Currency** Providing a Valuation in UK pounds sterling (£). **c. Inspections** Those parts of the Property which have not been inspected within the last 12 months, in connection with the rolling programme of inspections which we undertake for the purposes of the valuations for accounts purposes, will be re-inspected. For the purposes of any revaluation, unless the Client advises C&W in writing in advance, C&W will make an Assumption that no material changes to the physical attributes of the Property and the areas in which the Property is situated have occurred since the Property was last inspected by C&W. **d. Floor Areas** C&W shall apply floor areas from previous C&W measured surveys on site or, where C&W have not been previously instructed to measure, shall adopt floor areas provided to C&W by the Client for the purpose of the Valuation, (subject to the provisions of item 3 of the Assumptions). Where the Client's professional advisers are unable to provide floor areas or the Client is unable to identify the source of floor areas, we will measure the relevant parts of the Property (or parts thereof) from scaled floor plans or on site and calculate such areas in accordance with the Code. The RICS Practice Statement "RICS Property Measurement" requires office buildings to be measured in accordance with International Property Measurement Standards ("**IPMS**"), unless the client confirms in writing that alternative methodology be used. However, in accordance with your previous request, we will not measure in accordance with IPMS, as you have no use for such data given that at present it is rare for market activity to be based on IPMS measurements.

	e. Tenancies & Leasing Relying on tenancy information provided by the Client, subject to the provisions of item 4 of the Assumptions. For the avoidance of doubt, C&W will not read copy leases. **f. Environmental Matters (including Flooding)** Reviewing the relevant Local Authority websites regarding environmental matters, including contamination and flooding (subject to the provisions of item 5 of the Assumptions). For the avoidance of doubt, C&W will not undertake an environmental assessment or prepare a land quality statement, which would be the responsibility of an environmental consultant or chartered environmental surveyor. In this respect, C&W will have regard to any environmental reports provided to C&W by (subject to the provisions of item 5 of the Assumptions). **g. Title** Reading a Certificate of Title where this is provided to C&W and C&W will reflect its contents in the Valuation (subject to the provisions of item 7 of the Assumptions). C&W will not inspect the title deeds of the Property. Unless agreed in writing in advance with the Client, C&W will not obtain information from the Land Registry. **h. Condition of Structure & Services, Deleterious Materials and Ground Conditions** Taking into account the general condition of the Property as observed from the inspection (subject to item 8 of the Assumptions). Where a separate condition or structural survey has been undertaken and made available to C&W, C&W will reflect the contents of the survey or condition report in the Valuation Report, but may need to discuss the survey or condition report with the originating surveyor. **i. Statutory Requirements and Planning** Making verbal or electronic enquiries of the relevant planning authorities as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values. C&W will also seek to ascertain whether any outstanding planning applications exist which may affect the Property, and whether the Property is listed or included in a Conservation Area. C&W will also attempt to verify the existing permitted use of the Property, and endeavour to have sight of any copies of planning permissions. For the avoidance of doubt, C&W will not undertake formal searches. Where C&W is engaged to prepare a Valuation Report in connection with a proposed transaction in respect of the Property, expressly excluded from the Services is the provision of any recommendation or otherwise by C&W as to whether to proceed with such a proposed transaction. Accordingly the Client must not in any circumstances construe the Valuation Report as a recommendation whether or not to proceed with such a proposed transaction.

Basis of Appointment:	C&W confirms that: **a.** The Valuation and Valuation Report will be undertaken in accordance with the appropriate sections of the current edition of the RICS Valuation – Global Standards which incorporate the International Valuation Standards ("**IVS**") and the RICS UK Valuation Standards (the "**RICS Red Book**"). In this context "current edition" means the version in force at the Valuation Date. **b.** The Valuation will be undertaken by a suitably qualified valuer, or valuers, who has or have the knowledge, skills and understanding to undertake the Valuation competently and who will act as "**External Valuer(s)**" (as defined in the RICS Red Book) qualified for the Purpose of Valuation. C&W does not (and any affiliates of C&W do not) act as external valuers as defined under the Alternative Investment Fund Manager's Directive ("**AIFMD**") legislation, or its equivalent under local law. C&W expressly disclaims any responsibility or obligations under AIFMD and/or its equivalent unless expressly agreed in writing in advance by C&W. **c.** C&W have carried out valuation instructions for the Client, including valuations of parts of the subject Property, since 2014. C&W have previously undertaken valuations of the Properties on behalf of lenders to the Client. C&W have also undertaken ad hoc professional and agency advice in respect of certain properties (but not the subject Property). C&W are retained as property managers in respect of 3-7 Lendal & 5-13 Museum Street, York. These previous instructions have been discussed with the Client and you confirm you have agreed for C&W to act. We do not consider that this involvement gives rise to a conflict of interest in connection with the current exercise. **d.** The proposed Valuation is a "**Regulated Purpose Valuation**" (as defined in RICS UK Valuation Standard ("**UKVS**") 4). C&W confirms that the Property does not include any interests which have been acquired by the Client within the 12 months preceding the Valuation Date and in respect of which C&W has either received an introductory fee or negotiated that purchase on behalf of the Client. In accordance with the provisions of UKVS 4.2, in terms of any future acquisitions, C&W would be unable to undertake a valuation of a property acquired by a C&W client within the twelve months preceding the Valuation Date if, in relation to that property, C&W received an introductory fee or negotiated the purchase on behalf of that client unless another firm, unconnected with C&W, has provided a valuation of that property for the client at the time of or since the transaction was agreed. In accordance with PS 2.5 of the RICS Red Book and UKVS 4, the Valuation Report will set out the length of time Daniel Pearce and Roger Young have been the signatory to valuations provided to the Client for the same purpose as the Valuation Report, the length of time C&W has continuously been carrying out that valuation instruction for the Client, the extent and duration of C&W's relationship with the Client and the proportion of C&W's total fee income made up by the fees payable by the Client (to the nearest five percentage points). C&W will require these disclosures to be made in any published references to the Valuation Report.

Inclusion in a Prospectus:	**a.**	The Valuation Report is required for inclusion in a prospectus (the "**Prospectus**") in connection with a proposed listing as a result of which shares of the Company will be transferred from the AIM to the Main Market (the "**Listing**").
	b.	C&W understands that the final Prospectus, containing the final Valuation Report, will be approved by the FCA. C&W will therefore provide a final copy of the Valuation Report to be incorporated into the Prospectus, together with a consent letter (in the form set out in Part A of Appendix 2, the "**Prospectus Consent Letter**") by which C&W consents to the inclusion of the Valuation Report within the Prospectus and any supplementary prospectus provided that (i) C&W has first approved the form in which the Valuation Report is to appear within the Prospectus and (ii) the consent letter is factually correct.
	c.	In addition, C&W will provide a bringdown letter in the form set out in Part B of Appendix 2 (the "**Bringdown Letter**"), on: i) the date of publication of each of the Prospectus and any supplementary prospectus; ii) the date of admission to trading of the shares allocated in connection with the Listing, such date to be notified to C&W by the Addressees, and address it to the Client and any person who we have allowed to rely on the Valuation Report for the Purpose of Valuation (excluding members of the general public). If necessary, and subject to agreement as to any additional fees, C&W will update and re-issue the Valuation Report to the Client.
	d.	C&W will include the following confirmation in the Valuation Report: *"For the purposes of Prospectus Rule 5.5.3(R)(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Report complies with Rule 5.6.5G of the Prospectus Rules and paragraphs 128 to 130 of CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses no. 809/2004."*
	e.	In addition to reproduction of the full text, other sections of the Prospectus may contain certain information extracted from the Valuation Report. If so, C&W will confirm in a letter whether such information has been properly and accurately extracted or computed from the Valuation Report (in the form set out in Part C of Appendix 2, the "**Correct Extraction Letter**").
	f.	Except for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent provided under the Prospectus Rules, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with the Valuation Report or our statement set out above required by and given solely for the purposes of complying with Annex 1, item 23.1 of Commission Regulation (EC) No 809/2004.

Fees and Expenses:	C&W's fee for undertaking the Services has been confirmed in separate correspondence.
Special and Additional Terms:	1. **Basis of Valuation** In accordance with the Client's instructions, C&W will undertake the Valuation on the following basis: **Market Value** 2. **Special Assumptions** N/A 3. **Use of Valuation Report** The Valuation Report may be used only for the Purpose of Valuation referred to in item (b) of 'Client Instructions' in this Services Schedule. 4. **Areas** Where C&W measures and calculates the floor areas, measurement will be in accordance with the Code. The RICS Practice Statement "RICS Property Measurement" (effective from 1 January 2016) requires office buildings to be measured in accordance with International Property Measurement Standards ("**IPMS**"), unless the Client confirms in writing that alternative methodology should be used. Unless the Client so instructs C&W otherwise in writing, C&W will assume that the Client does not require C&W to measure office buildings in accordance with IPMS on the basis that the Client has no use for such data given that at present it is rare for market activity to be based on IPMS measurements. The areas C&W report will be appropriate for the Purpose of the Valuation, but should not be relied upon for any other purpose. 5. **Group of Properties/Lotting** Unless C&W has confirmed otherwise in this Services Schedule, each property will be valued individually; in the case of a portfolio, C&W will assume that each of the properties would be marketed in an orderly way and not placed on the market at the same time. 6. **Limitations** N/A 7. **Limitation of Liability** C&W's total aggregate liability to the Addressees of the Valuation Report (including the Client), arising out of, under or in connection with this Engagement shall be limited to a maximum of 25% of the Market Value of the Property. Where more than one value basis is adopted, the Market Value of the Property shall be the Market Value without Special Assumptions; or, if this basis is not included in the Valuation Report, the value basis most similar to the Market Value without Special Assumptions, as referred to in the Definitions Schedule. Where the Services relate to more than one property, C&W's maximum liability in respect of an individual property shall be in the same proportion to the total aggregate liability as such individual property's reported value is to the aggregate reported value.

	8. **Disclosure and Syndication** C&W will not consent to publication or disclosure of the Valuation report unless, where relevant, it incorporates adequate references to the Special Assumptions and/or Departures from the RICS Red Book referred to in this Services Schedule. Clause 8 of the Terms of Business states that the provision of the services is for the Client's benefit only. If C&W is subsequently asked to extend responsibility to other parties, then there will be an additional fee payable, to be agreed, to cover C&W's additional time costs, indemnity and insurance liabilities subject to a minimum of £500, plus VAT. 9. **Age of Building** If C&W states the age of a building in the Valuation Report, this will be an estimate and for guidance only. 10. **Condition of Structure, Foundations, Soil & Services** It is a condition of C&W or any related entity, or any qualified employee, providing advice and opinions as to value, that the Client and/or third parties (whether notified to C&W or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services. 11. **Plant & Machinery** No allowance will made by C&W for any items of plant or machinery not forming part of the service installations of the building(s). C&W will specifically exclude all items of plant, machinery and equipment installed wholly or primarily in connection with any of the occupants' businesses. C&W will also exclude furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools, except where such items would ordinarily transfer to a prospective purchaser in the sale of a trading business as a going concern in accordance with VPGA4 of the RICS Red Book. 12. **Goodwill** No account will be taken by C&W in the Valuation of any business goodwill that may arise from the present occupation of the Property, except where such business goodwill (excluding any personal goodwill) would ordinarily transfer to a prospective purchaser in the sale of a trading business as a going concern in accordance with VPGA4 of the RICS Red Book. 13. **Statutory Requirements & Planning** Please note the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required. Where a Client needs to rely upon the information given about town planning matters, the Client's legal advisers must be instructed to institute such formal searches. C&W recommends that the Client requests C&W to review its comments and Valuation in light of any resultant findings. 14. **Defective Premises Act 1972** No allowance will be made by C&W for rights, obligations or liabilities arising under the Defective Premises Act 1972.

15. **Legal Issues**

Legal issues, and in particular the interpretation of matters relating to title and leases, may have a significant bearing on the value of an interest in property. No responsibility or liability will be accepted by C&W for the true interpretation of the legal position of the Client or any other parties in respect of the Valuation. Where C&W expresses an opinion on legal issues affecting the Valuation, then such opinion is subject to verification by the Client with a suitable qualified legal adviser.

16. **Deduction of Notional Purchaser's Costs**

The opinion of value which C&W will attribute to the Property will be the figure C&W considers would appear in a contract for sale, subject to the appropriate assumptions for the Basis of Value reported. Where appropriate, C&W will make an allowance in respect of stamp duty and purchaser's costs.

The Client's attention is drawn to the fact that when assessing Market Value, Fair Value or Existing Use Value for balance sheet purposes, C&W will not include directly attributable acquisition or disposal costs in the Valuation. Where C&W is requested to reflect these costs, they will be stated separately.

17. **Taxation & Disposal Costs**

No adjustment will be made by C&W to reflect any liability to taxation that may arise on disposal, or development of the Property nor for any costs associated with disposal incurred by the Owner. Furthermore, no allowance will be made by C&W to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

C&W's valuation figure for the Property will be that receivable by a willing seller excluding VAT, if applicable.

18. **Building Society Act 1986**

C&W confirms that it is not disqualified under Section 13 of the Building Societies Act 1986 from reporting to the Client.

19. **Properties to be Developed or in the Course of Development or Requiring Repair/Refurbishment and Recently Completed Developments**

Unless specifically agreed in writing to the contrary, C&W's fee assumes that C&W will be provided with a specification and floor plans of the proposed / ongoing development as well as information relating to construction and associated costs in respect of both the work completed and the work necessary for completion, together with a completion date or dates. Normally such figures, dates and information will be provided by the professional advisers involved in the construction programme. Unless specifically instructed to the contrary in writing, C&W will rely on such figures, dates and information and the Client should make this fact known to such advisers. Alternatively, on request, C&W can arrange for independent quantity surveyors to provide an assessment of costs and dates at an additional fee charge. If the Valuation is for lending purposes, the Client is advised to seek independent advice and to consider the appointment of a project monitoring surveyor.

	20. **Monitoring** The compliance of the valuations undertaken in accordance with the RICS Red Book may be subject to monitoring by the RICS under its conduct and disciplinary regulations. 21. **Valuation Components** The components of C&W's valuation calculations (such as future rental values, cost allowances, or void periods) may only be appropriate as part of the valuation calculations and should not be taken as a forecast or prediction of a future outcome. The Client should not rely on any component of the valuation calculations for any other purpose.
Assumptions:	1. **Assumptions** The RICS Red Book contains a glossary that defines various terms used in the RICS Red Book that have a special or restricted meaning. One such term is an assumption which is defined as "A supposition taken to be true" ("**Assumption**"). Accordingly in this context, C&W will make certain Assumptions in relation to facts, conditions or situations affecting the subject of, or approach to, the Valuation that C&W will not verify as part of the valuation process but rather, in accordance with the definition in the RICS Red Book, will treat as true because it is agreed that specific investigation by C&W is not required. In the event that any of these Assumptions prove to be incorrect then the Valuation will need to be reviewed. 2. **Confirmation of Assumptions** The Client's counter-signature of the Engagement Letter represents confirmation that all of the Assumptions referenced below, are correct. The Client must promptly notify C&W in writing if any of the Assumptions are incorrect. Should any amendment to the Assumptions set out in the Services Schedule result in an increase in the scope of the Engagement this may result in an appropriate increase in C&W's fees and expenses due under the Engagement. 3. **Areas** Where C&W is provided with floor areas, C&W will make an Assumption that the areas have been measured and calculated in accordance with the Code. 4. **Tenancies and Leasing** C&W's opinion of the Market Value or Fair Value will be subject to existing leases of which the Client or its advisors have made C&W aware but otherwise will reflect an Assumption of vacant possession. Where C&W has undertaken to read the leases and related documents provided to it, C&W will make an Assumption that copies of all relevant documents will be sent to C&W and that they are complete and up to date. Where C&W relies on tenancy and lease information provided to it, unless such information reveals otherwise, C&W will make the Assumption that all occupational leases are on full repairing and insuring terms, with no unusual or onerous provisions or covenants that would affect value.

C&W will make an Assumption that vacant possession can be given of all accommodation which is unlet or occupied by the entity/borrower or its employees on service tenancies. C&W will not take account of any leases between subsidiaries unless C&W states otherwise in the Services Schedule.

C&W will not undertake investigations into the financial strength of any tenants unless otherwise referred to in the Valuation Report. Unless C&W has become aware by general knowledge, or has been specifically advised to the contrary, C&W will make an Assumption that:

a. where a Property is occupied under leases then the tenants are financially in a position to meet their obligations, and

b. there are no material arrears of rent or service charges, breaches of covenant, current or anticipated tenant disputes.

However, the Valuation will reflect a potential purchaser's likely opinion of the credit worthiness of the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation.

C&W will take into account any information the Client or its advisors provide concerning tenants' improvements. Otherwise, if the extent of tenants' alterations or improvements cannot be confirmed, C&W will make an Assumption that the Property was let with all alterations and improvements evident during C&W's inspection (or, in the case of a Valuation without internal inspection, as described within the information provided by the Client).

C&W will also make an Assumption that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary changes, all notices have been served validly within the appropriate time limits.

5. **Environmental Matters**

If C&W's enquiries or any reports supplied to C&W indicate the existence of environmental problems without providing method statements and costings for remedial works, then C&W may not be able to issue a Valuation Report except on the Special Assumption that the subject property is assumed **NOT** to be affected by such environmental matters. In certain circumstances, the making of such a Special Assumption may be unrealistic and may be a Departure from the requirements of the RICS Red Book. In these circumstances, the Valuation Report may include a recommendation that an investigation should be undertaken to quantify the costs and that subsequently the Valuation should be reviewed.

Where C&W's enquiries lead C&W to believe that the Property is unaffected by contamination or other adverse environmental problems, including the risk of flooding, then, unless the Client instructs C&W otherwise, the Valuation will be based on an Assumption that no contamination or other adverse environmental matters exist in relation to the Property sufficient to affect value.

If the Property lies within or close to a flood plain, or has a history of flooding, C&W will make the Assumption that building insurance is in place and available to be renewed to the current or any subsequent owner of the Property, without payment of an excessive premium or excess.

Depending on the nature of the investigations made and the information revealed, the Valuation Report may include a statement that, in practice, a purchaser might undertake further investigations and that if these revealed contamination or other adverse environmental problems, then this might reduce the value reported.

6. **Mineral Rights**

C&W will make an Assumption that any mineral rights are excluded from the Property.

7. **Title**

Save as disclosed either in any Certificate of Title or unless specifically advised to the contrary by the Client or its legal advisers and as referred to in the Valuation Report, C&W will make the Assumption that there is good and marketable title in all cases and that the Property is free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings. C&W will also make an assumption that the Property is free from mortgages, charges or other encumbrances.

If verification of the accuracy of any site plans contained in the Valuation Report is required, the matter must be referred to the Client's legal advisers.

C&W will make the Assumption that roads and sewers serving the Property have been adopted and that the Property has all necessary rights of access over common estate roads, paths, corridors and stairways, and rights to use common parking areas, loading areas and other facilities.

In addition, similarly, where the title is leasehold, C&W will make the Assumption that both landlord and tenant have abided by the terms of the lease and that the layout of the accommodation is in accordance with that permitted in the lease. C&W will make a further Assumption that the lease contains no option for the landlord to obtain possession of the Property if they intend to redevelop the Property or a substantial part of the premises in which the Property is situated.

8. **Condition of Structure and Services, Deleterious Materials and Ground Conditions**

Due regard will be paid by C&W to the apparent general state of repair and condition of the Property, but a condition or structural survey will not be undertaken, nor will woodwork or other parts of the structure which are covered, unexposed or inaccessible, be inspected. Therefore, C&W will be unable to report that the Property is structurally sound or is free from any defects. C&W will make an Assumption that the Property is free from any rot, infestation, adverse toxic chemical treatments, and structural, design or any other defects other than such as may be mentioned in the Valuation Report.

	C&W will not arrange for investigations to be made to determine whether any deleterious, hazardous or harmful materials (including but not limited to high alumina cement concrete or calcium chloride additive) have been used in the construction or any alterations, and therefore C&W will not be able to confirm that the Property is free from risk in this regard. For the purposes of the Valuation, C&W will make an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition. C&W will not carry out an asbestos inspection and will not act as an asbestos inspector in completing the valuation inspection of Property that may fall within the Control of the Asbestos at Work Regulations 2012. C&W will not make an enquiry of the duty holder (as defined in the Control of Asbestos of Work Regulations 2012), of an existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, C&W will make an Assumption that there is a duty holder, as defined in the Control of Asbestos of Work Regulations 2012 and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the HSE regulations. C&W recommends that such enquiries be undertaken by the Client's legal advisers during normal pre-contract or pre-loan enquiries. No mining, geological or other investigations will be undertaken by C&W to certify that the sites are free from any defect as to foundations. C&W will make an Assumption that all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual or adverse effect on building costs, property values or viability of any development or existing buildings. C&W will make the Assumptions that there are no services on, or crossing the site in a position which would inhibit development or make it unduly expensive, and that the site has no archaeological significance, which might adversely affect the present or future occupation, development or value of the Property. No tests will be carried out by C&W as to electrical, electronic, heating, plant and machinery equipment or any other services nor will the drains be tested. However, C&W will make an Assumption that all building services (including, but not limited to lifts, electrical, electronic, gas, plumbing, heating, drainage, sprinklers, ventilation, air conditioning and security systems) and property services (such as incoming mains, waste, drains, utility supplies etc.) are in good working order and without any defect whatsoever. 9. **Statutory Requirements and Planning** Save as disclosed in a Certificate of Title, or unless otherwise advised, C&W shall make the Assumption that all of the buildings have been constructed in full compliance with valid town planning and building regulations approvals and that where necessary, they have the benefit of current Fire Risk Assessments compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005. Similarly, C&W shall also make the Assumption that the Property is not subject to any outstanding statutory notices as to construction, use or

occupation and that all existing uses of the Property are duly authorised or established and that no adverse planning conditions or restrictions apply.

C&W shall make the Assumption that the Property complies with all relevant statutory requirements.

Energy Performance Certificates ("**EPC**") must be made available for all properties, when bought or sold, subject to certain exemptions. If the Property is not exempt from the requirements of this Directive C&W shall make an Assumption that an EPC is made available, free of charge, to a purchaser of all the interests which are the subject of the Valuation.

In addition, in England and Wales the Minimum Energy Efficiency Standards Regulations come into force in April 2018 and their effect will be to make it unlawful to rent out a premises with an EPC rating which, according to Government proposals issued in February 2015, falls below an E rating. C&W will ask the Client or its advisors for information relating to the EPC ratings of the Property if the Property is not exempt from these requirements. In any instance where C&W is not provided with an up to date EPC rating C&W will make the Assumption that the subject property meets the minimum requirements to enable it to be let after April 2018.

In Scotland, the Energy Performance of Non-Domestic Buildings (Scotland) Regulation 2016 (the "**Regulation**") requires that qualifying properties have an energy assessment completed and an action plan prepared prior to sale or leasing. If the Property is not exempt from the requirements of the Regulation C&W shall make an Assumption that an energy assessment and action plan is made available, free of charge, to a purchaser of the interests which are the subject of the Valuation and that there is no capital expenditure required in order to comply with the requirements of the Regulation.

In any instance where C&W is to value Property with the benefit of a recently granted planning consent, or on the Special Assumption that planning consent is granted, C&W will make an Assumption that it will not be challenged under Judicial Review. Such a challenge can be brought by anyone (even those with only a tenuous connection with the Property, or the area in which it is located) within a period of three months of the granting of a planning consent. When a planning consent is granted subject to a Section 106 Agreement, the three month period commences when the Section 106 Agreement is signed by all parties.

If a planning consent is subject to Judicial Review, the Client must inform C&W and request C&W to reconsider its opinion of value. Advice would be required from the Client's legal advisers and a town planner, to obtain their opinion of the potential outcomes of such a Judicial Review, which C&W will reflect in its reconsideration of value.

10. **Information**

Notwithstanding the Terms of Business, C&W will make an Assumption that the information provided by the Client and/or its professional advisers and/or by the Borrower and/or its professional advisers in respect of the Property to be valued is both full and correct. C&W will make an Assumption that details of all matters relevant to value within their collective knowledge, including but not limited to matters such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to it, and that such information is up to date.

If the Valuation is required for the purpose of purchase, loan security or other financial transaction, the Client accepts that full investigation of the legal title and any leases is the responsibility of its legal advisers.

Where comparable evidence is included in the Valuation Report, this information is often based on C&W's verbal enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where C&W had reason to believe its general accuracy or where it was in accordance with expectation. It is unlikely that C&W will have inspected comparable properties.

11. **Landlord and Tenant Act 1987**

The Landlord and Tenant Act 1987 (the "**Act**") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in a building where more than 50% of the floor space is in residential use. Where this is applicable, C&W will make an Assumption that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold or head leasehold interest, and therefore disposal into the open market is unrestricted.

12. **Leasehold Reform Housing and Urban Development Act 1993 and Leasehold Reform Act 1967**

If C&W value the freehold or leasehold interest in either blocks of flats or in houses, the following will apply. The Leasehold Reform Housing and Urban Development Act 1993, as amended by the Commonhold and Leasehold Reform Act 2002, or The Leasehold Reform Act 1967 (collectively the "Act") give certain rights to residential tenants to acquire either the freehold/leasehold interest in any building which qualifies under the Act, or the right to lease extension. If this is applicable, C&W shall make an Assumption that no residential tenants have elected under the provisions of that Act to acquire the freehold or head leasehold interests, nor have they elected to acquire a lease extension, unless the Client and/or its advisers specifically inform C&W to the contrary.

13. **Properties to be Developed or in the Course of Development or Requiring Repair / Refurbishment and Recently Completed Developments**

Where C&W undertake a Valuation of the completed Property this will be based on an Assumption that all works of construction have been satisfactorily carried out in accordance with the building contract and specification, current British Standards and any relevant codes of practice. C&W will also make an Assumption that a duty of care and all appropriate warranties will be available from the professional team and contractors, which will be assignable to third parties.

APPENDIX 1 – DEFINITIONS SCHEDULE

1. Bases of Valuation:

Market Value	Market Value as referred to in VPS4, Item 4 of the current edition of the RICS Valuation - Global Standards which incorporate the International Valuation Standards ("**IVS**") and the RICS UK Valuation Standards (the "**RICS Red Book**"), and applying the conceptual framework which is sect out in IVS104: *"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"*
Market Rent	Market Rent as referred to in VPS 4 Item 5 of the RICS Red Book. Under VPS 4 Item 5 the term "**Market Rent**" is defined in IVS104 as: "The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". Whenever Market Rent is provided the "appropriate lease terms" which it reflects should also be stated. The commentary from VPS4 Item 5 of the RICS Red Book is reproduced below: *"5.1 **Market rent** will vary significantly according to the terms of the assumed lease contract. The appropriate lease terms will normally reflect current practice in the market in which the property is situated, although for certain purposes unusual terms may need to be stipulated. Matters such as the duration of the lease, the frequency of rent reviews and the responsibilities of the parties for maintenance and outgoings will all impact the **market rent**. In certain countries or states, statutory factors may either restrict the terms that may be agreed, or influence the impact of terms in the contract. These need to be taken into account were appropriate.* *5.2. **Market rent** will normally be used to indicate the amount for which a vacant property may be let, or for which a let property be may re-let when the existing lease terminates. **Market rent** is not a suitable basis for settling the amount of rent payable under a rent review provision in a lease, where the definitions and assumptions specified in the lease have to be used.* *5.3 Valuers must therefore take care to set out clearly the principal lease terms that are assumed when providing an opinion of **market rent**. If it is the market norm for lettings to include a payment or concession by one party to the other as an incentive to enter into a lease, and this is reflected in the general level of rents agreed, the **market rent** should also be expressed on this basis. The nature of the incentive assumed must be stated by the valuer, along with the assumed lease terms."*

2. Special Assumptions:

Special Assumptions	The Glossary of the RICS Red Book states that an Assumption *"that either assumes facts that differ from the actual facts existing at the valuation date, or that would not be made by a typical market participant in a transaction on the valuation date"* is a Special Assumption.

PART VIII

HISTORICAL FINANCIAL INFORMATION

Section A: Accountant's report on the historical financial information of Palace Capital plc

BDO LLP
55 Baker Street
London
W1U 7EU

27 February 2018

The Directors
Palace Capital plc
Lower Ground Floor
One George Yard
London
EC3V 9DF

Arden Partners plc
125 Old Broad Street
London
EC2N 1AR

Dear Sirs

Palace Capital plc (the "Company") and its subsidiary undertakings (together, the "Group")

Introduction

We report on the financial information prepared for inclusion and set out in Section B of Part VIII. This financial information has been prepared for inclusion in the prospectus dated 27 February 2018 of Palace Capital plc (the "Prospectus") on the basis of the accounting policies set out in the financial information. This report is required by item 20.1 of annex I of the Commission Regulation (EC) No. 809/2004 (the "PD Regulation") and is given for the purpose of complying with that item and for no other purpose. We have not audited or reviewed the financial information for the six months ended 30 September 2016 which has been included for comparative purposes only and accordingly do not express an opinion thereon.

Responsibilities

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of annex I of the PD Regulation consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of Palace Capital plc as at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017 and of its profits, cash flows and changes in equity for the years ended 31 March 2015, 31 March 2016 and 31 March 2017 and for the six months ended 30 September 2017 in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of annex I of the PD Regulation.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Section B: Historical financial information of Palace Capital plc

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	*Year ended 31 March 2015 £000*	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Rental and other income	1	8,637	14,593	14,266	7,076	7,138
Non recoverable property costs	5b	(1,200)	(1,624)	(2,055)	(1,140)	(675)
Net rental income		**7,437**	**12,969**	**12,211**	**5,936**	**6,463**
Administrative expenses	5c	(1,439)	(2,048)	(2,915)	(1,369)	(1,487)
Operating profit before gains and losses on property assets and cost of acquisitions		**5,998**	**10,921**	**9,296**	**4,567**	**4,976**
Gains on revaluation of investment property portfolios		9,769	3,620	3,101	32	1,396
Profit/(loss) on disposal of investment properties		178	290	3,191	873	(159)
Cost of acquisitions		(639)	(815)	–	–	–
Operating profit		**15,306**	**14,016**	**15,588**	**5,472**	**6,213**
Finance income	3	18	34	3	–	–
Finance expense	4	(1,416)	(2,298)	(3,014)	(1,562)	(1,354)
Profit before taxation		13,908	11,752	12,577	3,910	4,859
Taxation	7	107	(953)	(3,191)	(464)	(507)
Profit after taxation for the year attributable to owners of the parent		**14,015**	**10,799**	**9,386**	**3,446**	**4,352**
Other comprehensive income for the year		–	–	–	–	–
Total comprehensive income for the year		**14,015**	**10,799**	**9,386**	**3,446**	**4,352**
Attributable to: Equity holders of the parent		**14,015**	**10,799**	**9,386**	**3,446**	**4,352**
EARNINGS PER ORDINARY SHARE						
Basic	8	82.4p	43.9p	36.6p	13.4p	17.3p
Diluted	8	82.0p	43.9p	36.5p	13.4p	17.3p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	*As at 31 March 2015 £000*	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Non-current assets					
Goodwill	11	6	–	–	–
Investment properties	13	102,988	174,542	183,916	202,832
Property, plant and equipment	14	52	37	43	129
Deferred tax	7	500	334	–	–
Trade and other receivables	16	924	825	–	–
		104,470	**175,738**	**183,959**	**202,961**
Current assets					
Trade and other receivables	16	3,375	3,327	2,511	5,018
Cash at bank and in hand	17	12,278	8,576	11,181	8,733
		15,653	**11,903**	**13,692**	**13,751**
Total assets		**120,123**	**187,641**	**197,651**	**216,712**
Current liabilities					
Trade and other payables	18	(3,087)	(6,815)	(6,161)	(8,353)
Borrowings	19	(400)	(2,233)	(2,036)	(2,186)
Creditors: amounts falling due within one year		**(3,487)**	**(9,048)**	**(8,197)**	**(10,539)**
Net current assets		**12,166**	**2,855**	**5,495**	**3,212**
Non-current liabilities					
Borrowings	19	(35,406)	(69,711)	(75,758)	(90,464)
Deferred tax	7	–	–	(2,187)	(2,499)
Obligations under finance leases	21	(1,214)	(2,067)	(1,950)	(1,588)
Net assets		**80,016**	**106,815**	**109,559**	**111,622**
Equity					
Called up share capital	22	2,307	2,862	2,580	2,580
Share premium account		40,852	59,408	59,444	59,444
Treasury shares		–	–	(2,250)	(2,250)
Merger reserve		3,503	3,503	3,503	3,503
Capital redemption reserve		65	65	340	340
Retained earnings		33,289	40,977	45,942	48,005
Equity – attributable to the owners of the parent		**80,016**	**106,815**	**109,559**	**111,622**
Basic NAV per ordinary share		396p	414p	436p	442p
Diluted NAV per ordinary share		396p	414p	434p	441p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £000	*Share Premium £000*	*Treasury Share Reserve £000*	*Merger Reserve £000*	*Capital Redemption Reserve £000*	*Retained Earnings £000*	*Consolidated Loan Notes £000*	*Total Equity £000*
At 31 March 2014	1,529	21,856	–	–	65	20,898	28	**44,376**
Total comprehensive income for the year	–	–	–	–	–	14,015	–	**14,015**
Issue of ordinary share capital net of expenses	778	18,996	–	–	–	–	–	**23,277**
Share based payments	–	–	–	–	–	114	–	**114**
Dividends	–	–	–	–	–	(1,766)	–	**(1,766)**
Transfer on repayment of loan	–	–	–	–	–	28	(28)	**–**
At 31 March 2015	**2,307**	**40,852**	**–**	**3,503**	**65**	**33,289**	**–**	**80,016**
Total comprehensive income for the year	–	–	–	–	–	10,799	–	**10,799**
Issue of ordinary share capital net of expenses	555	18,556	–	–	–	–	–	**19,111**
Share based payments	–	–	–	–	–	110	–	**110**
Dividends	–	–	–	–	–	(3,221)	–	**(3,221)**
At 31 March 2016	**2,862**	**59,408**	**–**	**3,503**	**65**	**40,977**	**–**	**106,815**
Total comprehensive income for the year	–	–	–	–	–	9,386	–	**9,386**
Redemption of shares	–	–	(2,357)	–	–	–	–	**(2,357)**
Issue of ordinary share capital net of expenses	2	36	107	–	–	–	–	**145**
Redemption of deferred shares	(284)	–	–	–	275	–	–	**(9)**
Share based payments	–	–	–	–	–	237	–	**237**
Exercise of share options	–	–	–	–	–	(41)	–	**(41)**
Dividends	–	–	–	–	–	(4,617)	–	**(4,617)**
At 31 March 2017	**2,580**	**59,444**	**(2,250)**	**3,503**	**340**	**45,942**	**–**	**109,559**
Total comprehensive income for the period	–	–	–	–	–	4,352	–	**4,352**
Share based payments	–	–	–	–	–	100	–	**100**
Exercise of share options	–	–	–	–	–	–	–	**–**
Dividends	–	–	–	–	–	(2,389)	–	**(2,389)**
At 30 September 2017	**2,580**	**59,444**	**(2,250)**	**3,503**	**340**	**48,005**	**–**	**111,622**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Operating activities					
Net cash generated in operations (note 2)	4,388	12,287	10,294	5,148	4,259
Interest received	18	34	–	–	–
Interest and other finance charges paid	(1,611)	(3,455)	(2,516)	(1,269)	(913)
Corporation tax paid in respect of operating activities	(14)	(158)	(1,047)	10	(111)
Net cash flows from operating activities	**2,781**	**8,708**	**6,731**	**3,889**	**3,235**
Investing activities					
Deposit paid on purchase of investment property	(1,000)	–	–	–	–
Purchase of investment property	(305)	(21,689)	(10,950)	(10,950)	(20,000)
Payments to acquire subsidiary undertakings	–	(28,656)	–	–	–
Capital expenditure on refurbishment of investment property	(2,508)	(1,182)	(4,579)	(2,187)	(925)
Proceeds from disposal of investment property	952	1,957	12,447	3,797	3,246
Purchases of property, plant and equipment	(61)	(3)	(26)	(8)	(117)
Net cash flow (used in)/from investing activities	**(2,922)**	**(49,573)**	**(3,108)**	**(9,348)**	**(17,796)**
Financing activities					
Other Loans repaid	(300)	–	–	–	–
Bank loans repaid	(28,800)	(17,010)	(19,952)	(16,031)	(2,682)
Proceeds from new bank loans	18,500	38,282	25,813	25,082	17,545
Issue of new share capital	19,664	19,114	29	29	–
Dividends paid	(1,766)	(3,221)	(4,617)	(2,308)	(2,389)
Purchase of Treasury shares	–	–	(2,250)	(541)	–
Capital element of finance lease rental payments	(2)	(2)	–	(1)	(361)
Payment of share options exercised	–	–	(41)	–	–
Net cash flow from financing activities	**7,296**	**37,163**	**(1,018)**	**6,230**	**12,113**
Net increase/(decrease) in cash and cash equivalents	7,155	(3,702)	2,605	771	(2,448)
Cash and cash equivalents at beginning of the year	5,123	12,278	8,576	8,576	11,181
Cash and cash equivalents at the end of the year	**12,278**	**8,576**	**11,181**	**9,347**	**8,733**

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

BASIS OF ACCOUNTING

The consolidated financial information of the Group comprises the results of Palace Capital plc ("the Company") and its subsidiary undertakings.

The Company is quoted on the AIM market of the London Stock Exchange and is domiciled and registered in England and Wales and incorporated under the Companies Act 1985. The address of its registered office is Lower Ground Floor, One George Yard, London, United Kingdom, EC3V 9DF.

BASIS OF PREPARATION

The Group financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

The financial information is for three years ended 31 March 2017 and the six months ended 30 September 2016 and 2017 and has been prepared on a historical cost basis, except for investment properties which have been measured at fair value. The consolidated financial information is presented in pounds sterling ("GBP") which is also the Group's functional currency.

The principal accounting policies adopted are set out below.

GOING CONCERN

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in this financial information. In addition, note 27 to the financial information includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

The Group has reasonable financial resources together with long-term contracts with a wide range of tenants. As a consequence, the Directors believe that the Group is well placed to manage its business risk successfully.

After making enquiries, and in accordance with the FRC's Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial information. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

NEW STANDARDS ADOPTED DURING THE YEAR

At the date of authorisation of this financial information, the following accounting standards had been issued which are not yet applicable to the Group:

Mandatory for accounting periods beginning on or after 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 2 Classification and Measurement of Share-based Payment Transactions

Mandatory for accounting periods beginning on or after 1 January 2019:

- IFRS 16 'Leases'

The Group has carried out an initial assessment of the impact of the adoption of the standards above. Based on this, the Directors do not anticipate that these will have a material impact on the financial information of the Group in future periods, although it is noted that additional disclosures may be required. A detailed review of the impact of these standards will be undertaken in advance of their mandatory adoption.

Additionally, amendments to the existing standards issued by the IASB below became effective on 1 January 2017:

- IAS 7 (amendments) ‘Statement of Cash Flows’
- IAS 12 (amendments) ‘Recognition of Deferred Tax Assets for Unrealised Losses’

The Directors do not consider that these amendments have materially impacted the financial information.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial information incorporates the financial information of Palace Capital plc and its subsidiaries as at the period ended 30 September 2017.

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls an entity when the Group is exposed to, or has variable returns from, its involvement with the entity and has the ability to affect those returns through its power over the entity. Where necessary, adjustments have been made to the financial information of subsidiaries, associates and joint ventures to bring the accounting policies used and accounting periods into line with those of the Group. Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the Consolidated Financial information.

The results of subsidiaries acquired during the year are included from the effective date of acquisition, being the date on which the Group obtains control. They are de-consolidated on the date that control ceases.

Business combinations are accounted for under the acquisition method. Any excess of the consideration paid for the business combination over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. This fair value includes any contingent consideration. Acquisition-related costs are expensed as incurred.

If the consideration is less than the fair value of the assets and liabilities acquired, the difference is recognised directly in the Statement of Comprehensive Income.

Where an acquired subsidiary does not meet the definition of a business, it is accounted for as an asset acquisition rather than a business combination.

Revenue

Revenue is derived from property income and represents the value of accrued charges under operating leases for rental of the Group’s investment properties. Revenue is measured at fair value of the consideration received. All income is derived in the United Kingdom.

Rental income from investment properties leased out under operating leases is recognised in the Income Statement on a straight-line basis over the term of the lease. Contingent rent reviews are recognised when such reviews have been agreed with tenants. Lease incentives and guaranteed rent review amounts are recognised as an integral part of the net consideration for use of the property and amortised on a straight-line basis over the term of lease.

Other income comprises insurance commission, property management fees and miscellaneous income and is accounted for on an accruals basis.

OPERATING PROFIT

Operating profit is stated before interest and tax.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provision of the instrument.

CONTRIBUTIONS TO PENSION SCHEMES

The Company operates a defined contribution pension scheme. The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

INVESTMENT PROPERTIES

Investment properties are those properties that are held either to earn rental income or for capital appreciation or both.

Investment properties are measured initially at cost including transaction costs and thereafter are stated at fair value, which reflects market conditions at the balance sheet date. Surpluses and deficits arising from changes in the fair value of investment properties are recognised in the Statement of Comprehensive Income in the year in which they arise.

Investment properties are stated at fair value as determined by the independent valuers. The fair value of the Group's property portfolio is based upon independent valuations and is inherently subjective. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms-length transaction at the date of valuation, in accordance with International Valuation Standards. In determining the fair value of investment properties, the independent valuers make use of historical and current market data as well as existing lease agreements.

Additions and disposals of investment properties are recognised in the accounts when contracts are completed.

The Group recognises investment property as an asset when it is probable that the economic benefits that are associated with the investment property will flow to the company and the Group can measure the cost of the investment reliably.

The Group evaluates all its investment property costs at the time they are incurred. These costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property. Any costs deemed as repairs and maintenance or any costs associated with the day-to-day running of the property will be recognised in the profit and loss account as they are incurred.

OBLIGATIONS UNDER FINANCE LEASES

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Investment properties classified as held under finance leases are subsequently carried at their fair value.

OPERATING LEASES

Amounts payable under operating leases are charged directly to the Statement of Comprehensive Income on a straight line basis over the period of the lease. The aggregate costs of operating lease incentives provided by the Group are recognised as a reduction in rental income on a straight line basis over the lease term.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful economic lives. The rates generally applicable are:

Fixtures, fittings and equipment	25% – 33% straight line

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised and carried at the original transaction value. A provision for impairment is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

TRADE PAYABLES

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

EQUITY INSTRUMENTS

Equity instruments issued by the Company are recorded at the fair value of proceeds received, net of direct issue costs.

CURRENT TAXATION

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted, by the balance sheet date.

DEFERRED TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to other comprehensive income or to equity, in which case the deferred tax is also dealt with in other comprehensive income.

The government announced in the summer 2015 budget the reduction in the corporation tax rate from the 20% main rate in the tax year 2016 to 19% with effect from 1st April 2017 and to 17% from 1st April 2020.

DIVIDENDS TO EQUITY HOLDERS OF THE PARENT

Interim ordinary dividends are recognised when paid and final ordinary dividends are recognised as a liability in the period in which they are approved by the shareholders.

SHARE BASED PAYMENTS

The Group has applied the requirements of IFRS 2 Share based payment to share options. The fair value of the share options are determined at the grant date and are expensed on a straight line basis over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that ultimately the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair values of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

COMMITMENTS AND CONTINGENCIES

Commitments and contingent liabilities are disclosed in the financial information. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial information but disclosed when an inflow of economic benefits is probable.

EVENTS AFTER THE BALANCE SHEET DATE

Post year-end events that provide additional information about a company's position at the balance sheet date and are adjusting events are reflected in the financial information. Post year-end events that are not adjusting events are disclosed in the notes when material.

EQUITY

For the purpose of preparing the consolidated financial information of the Group, the share capital represents the nominal value of the issued share capital of Palace Capital plc.

Share premium represents the excess over nominal value of the fair value consideration received for equity shares net of expenses of the share issue.

The merger reserve represents the excess over nominal value of the fair value consideration for the acquisition of subsidiaries satisfied by the issue of shares in accordance with S612 of the Companies Act 2006.

Treasury shares represent the consideration paid for shares bought back from the market.

The capital redemption reserve represents the nominal value of cancelled preference share capital redeemed.

The convertible loan note equity reserve represents the difference between the proceeds from issuing the convertible loan notes and the fair value assigned to the liability component at the date of issue.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of the financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimation is contained in the accounting policies or the notes to the accounts, and the key areas are summarised below.

Investment properties

The key source of estimation uncertainty rests in the values of property assets, which significantly affects the value of investment properties in the Statement of Financial Position. The investment property portfolio is carried at fair value, which requires a number of judgements and estimates in assessing the qualities of the Group's assets relative to market transactions. The approach to this valuation and the amounts affected are set out in the accounting policies and note 13.

The Group has valued the investment properties at fair value. To the extent that any future valuation affects the fair value of the investment properties, this will impact on the Group's results in the period in which this determination is made.

Deferred tax

In determining the quantum of deferred tax assets to be recognised, judgement is required in assessing the extent to which it is probable that future taxable profit will arise in the companies concerned. Management use forecasts of future taxable profits and make assumptions on growth rates for each entity in assessing the recoverability of assets recognised.

Business combinations

In determining whether to account for a property acquisition in a special purpose vehicle as a business combination or as an acquisition of an investment property, management make an assessment based on the application of the IFRS 3 Business Combinations standard. Management make a professional judgement on the inputs, processes and outputs of the property prior to acquisition and whether these elements represent an acquisition of a fully functioning business or whether these are limited and represent solely an asset purchase.

Share based payments

Equity-settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of option valuation models – which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life – and is expensed over the vesting period. Some of the inputs used are not market observable and are based on estimates derived from available data. The models utilised are intended to value options traded in active markets. The share options issued by the Group, however, have a number of features that make them incomparable to such traded options. Using different input estimates or models could produce different option values, which would result in the recognition of a higher or lower expense. Judgement is also exercised in assessing the number of options subject to non-market vesting conditions that will vest.

1. SEGMENTAL REPORTING

For the purpose of IFRS 8, the chief operating decision maker ("CODM") takes the form of the three executive Directors (the Group's Executive Committee). The Group's Executive Committee are of the opinion that the business of the Group is as follows.

The principal activity of the Group was to invest in commercial real estate in the UK.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the chief operating decision maker (which in the Group's case is its Group's Executive Committee).

The internal financial reports received by the Group's Executive Committee contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the financial information. Additionally, information is provided to the Group's Executive Committee showing gross property income and property valuation by individual property. Therefore, for the purposes of IFRS 8, each individual property is considered to be a separate operating segment in that its performance is monitored individually.

The Group's property portfolio includes investment properties located throughout England, predominantly regional investments outside London and comprises a diverse portfolio of commercial buildings. The Directors consider that these properties have similar economic characteristics. Therefore, these individual properties have been aggregated into a single operating segment. In the view of the Directors, there is one reportable segment under the provisions of IFRS 8.

All of the Group's properties are based in the UK. No geographical grouping is contained in any of the internal financial reports provided to the Group's Executive Committee and, therefore, no geographical segmental analysis is required by IFRS 8.

Revenue type

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Rents received from investment properties	8,181	11,375	13,809	7,014	7,138
Management fees & other income	456	46	457	62	–
Surrender premium	–	3,172	–	–	–
Total revenue	**8,637**	**14,593**	**14,266**	**7,076**	**7,138**

No single tenant accounts for more than 10% of the Groups total rents received from investment properties.

The surrender premium in the year ended 31 March 2016 resulted from the surrender of a lease by Gala (part of the Gala Coral Group) who held a lease until March 2028 on 28,000 square feet at Sol Central, Northampton at a rental payable of £312,852 per annum. Gala paid to Palace Capital a cash sum of £3.0 million plus a proportion of a rates refund due to them to be relieved of any further liability for rent, service charge and rates.

2. RECONCILIATION OF OPERATING PROFIT

Reconciliation of operating profit to cash utilised in operations

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Profit before taxation	13,908	11,752	12,577	3,910	4,859
Finance income	(18)	(34)	(3)	–	–
Finance costs	1,416	2,298	3,014	1,562	1,354
Gains on revaluation of investment property portfolio	(9,769)	(3,620)	(3,101)	(32)	(1,396)
Profit on disposal of investment properties	(178)	(290)	(3,191)	(873)	159
Goodwill write off	–	6	–	–	–
Depreciation	10	18	20	10	30
Share based payments	114	110	237	95	100
Decrease/(Increase) in receivables	(281)	(399)	1,681	174	(2,547)
(Decrease)/Increase in payables	(814)	2,446	(940)	302	1,700
Net cash generated in operations	**4,388**	**12,287**	**10,294**	**5,148**	**4,259**

3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Bank interest received	18	34	3	–	–
	18	**34**	**3**	**–**	**–**

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Interest on bank loans	1,117	1,652	2,452	1,219	1,151
Loan arrangement fees	167	502	249	232	138
Debt termination cost	12	–	155	25	–
Interest on finance leases	120	144	158	86	65
	1,416	**2,298**	**3,014**	**1,562**	**1,354**

5. PROFIT FOR THE PERIOD

a) The Group's profit for the period is stated after charging the following:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Depreciation of tangible fixed assets	10	18	20	10	30
Auditor's remuneration:					
Fees payable to the auditor for the audit of the Group's annual accounts	28	42	50	–	–
Fees payable to the auditor for the audit of the subsidiaries annual accounts	10	15	21	–	–
Fees payable to the auditor and its related entities for other services:					
Corporate advisory services	50	98	–	17	36
Audit related assurance services	–	17	8	–	–
Tax services	–	13	18	–	13
	88	**185**	**97**	**17**	**49**

Amounts payable to BDO LLP in respect of audit and non-audit services are disclosed in the table above.

b) The Group's property costs comprise the following:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Void investment property costs	614	1,236	1,010	447	322
Void development property costs	–	275	1,045	693	353
Repairs and maintenance expenses	404	90	–	–	–
Service Charge expense	137	–	–	–	–
Legal and consultancy	45	23	–	–	–
	1,200	**1,624**	**2,055**	**1,140**	**675**

c) The Group's administrative expenses comprise the following:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Staff costs	508	803	1,413	516	718
Legal & professional fees	177	269	393	211	127
Share based payments	114	110	237	95	100
PR and marketing costs	113	201	197	80	109
Property management fees	163	122	178	98	48
Accounting and audit fees	86	133	141	86	46
Consultancy and recruitment fees	8	84	93	50	33
Stock Exchange costs	91	88	86	43	51
Rent, rates and other office costs	87	79	80	40	99
Other overheads	82	135	77	140	126
Depreciation	10	18	20	10	30
Write-off of goodwill	–	6	–	–	–
	1,439	**2,048**	**2,915**	**1,369**	**1,487**

6. EMPLOYEES' AND DIRECTORS' REMUNERATION

Staff costs during the period were as follows:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Non-Executive Directors' fees	68	80	84	40	47
Wages and salaries	368	640	1,150	505	539
Pensions	24	14	55	22	35
Social security costs	48	69	124	65	95
Share based payments	114	110	237	95	100
	622	**913**	**1,650**	**727**	**816**

The average number of employees of the Group and the company during the period was:

	Year ended 31 March 2015	*Year ended 31 March 2016*	*Year ended 31 March 2017*	*Six months ended 30 September 2016 Unaudited*	*Six months ended 30 September 2017*
Directors and management	6	7	6	6	6
Administration	–	2	5	5	7
	6	**9**	**11**	**11**	**13**

Key management are the Group's Directors. Remuneration in respect of key management was as follows:

	Year ended 31 March 2015	*Year ended 31 March 2016*	*Year ended 31 March 2017*	*Six months ended 30 September 2016 Unaudited*	*Six months ended 30 September 2017*
Short-term employee benefits:					
Emoluments for qualifying services	342	610	992	298	337
Social security costs	41	76	132	36	34
Pension	–	13	37	15	22
	383	**699**	**1,161**	**349**	**393**
Share based payments	102	99	198	50	100
Gain on share options exercised	–	–	30	–	–
	485	**798**	**1,389**	**399**	**493**

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Short-term employee benefits:					
Emoluments for qualifying services	194	299	413	127	131
Share based payments	68	64	120	–	–
Gain on share options exercised	–	–	20	–	–
	262	**363**	**553**	**127**	**131**

7. TAXATION

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Current income tax charge	20	726	683	295	455
Tax (over)/underprovided in prior year	—	6	(13)	–	–
Deferred tax	(127)	221	2,521	169	52
Tax charge	**(107)**	**953**	**3,191**	**464**	**507**

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Profit on ordinary activities before tax	13,908	11,752	12,577	3,910	4,859
Based on profit for the period:					
Tax at 19% (March 2017: 20%; March 2016: 20%; March 2015: 21%)	2,921	2,350	2,515	782	923
Effect of:					
Expenses not deductible for tax purposes	134	163	–	–	–
Capital losses and indexation used in the period	(2,090)	(1,416)	(1,260)	(175)	(235)
Capital allowances in excess of depreciation	(253)	(89)	–	(142)	(145)
Other adjustments	40	59	52	(1)	(10)
Tax under/over provided in prior years	–	6	(13)	–	–
Deferred tax not previously recognised	(127)	(120)	1,897	–	(26)
Utilisation of losses bought forward	–	–	–	–	–
Trading losses used in the period	(732)	–	–	–	–
Tax charge for the period	**(107)**	**953**	**3,191**	**464**	**507**

Deferred taxes relate to the following:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Deferred tax (liability)/asset – brought forward	100	500	334	334	(2,187)
Losses used in the year	127	(221)	(321)	(169)	–
Deferred tax liability on accelerated capital allowances	–	–	(2,142)	–	–
Deferred tax on fair value of investment property	–	–	(58)	–	–
Deferred tax recognised on acquisition	273	55	–	–	(312)
Deferred tax (liability)/asset – carried forward	**500**	**334**	**(2,187)**	**165**	**(2,499)**

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Accelerated capital allowances	–	–	(2,142)	–	(2,499)
Investment property unrealised valuation gains	–	–	(58)	–	–
Losses carried forward	500	334	13	165	–
Deferred tax (liability)/asset	**500**	**334**	**(2,187)**	**165**	**(2,499)**

At 30 September 2017, the Group had tax losses of £nil (March 2017: £67,211; March 2016: £1,681,228; March 2015: £3,110,762) available to carry forward to future periods.

Capital allowances have been claimed on improvements to investments properties amounting to £14,499,653 (March 2017: £12,908,312; March 2016: £13,846,721; March 2015: £8,676,012). A deferred tax liability amounting to £2,499,279 (March 2017: £2,141,760) has been recognised in the financial information, although it is expected that they will not reverse when the properties are disposed of. At 31 March 2016, a deferred tax asset of £334,000 (March 2015: £500,000) was recognised as it was expected to be utilised in the foreseeable future.

A deferred tax liability on the revaluation of investment properties to fair value has been provided totalling £58,000 as once the availability of capital losses, indexation allowances and the 1982 valuations for certain properties have been taken into account it is anticipated that capital gains tax would be payable if the properties were disposed of at their fair value. As at 30 September 2017 the Group had approximately £6,261,452 (March 2017: £6,500,000; March 2016: £1,872,057; March 2015: £1,735,202) of realised capital losses to carry forward.

At 30 September 2017 there has been no deferred tax asset recognised in the financial statements (March 2017: £334,000; March 2016: £500,000; March 2015: £100,000). The Company has capital losses brought forward which relate to pre-acquisition of Property Investment Holding Limited and cannot be used by the Group. All other losses have been utilised in the financial period.

Finance Act 2015 sets the main rate of UK corporation tax at 20 per cent. with effect on 1 April 2015. The enactment of Finance (No. 2) Act 2015 and Finance Act 2016 reduces the main rate of corporation tax to 19 per cent. from April 2017 and 17 per cent. from April 2020. The deferred tax liability has been calculated on the basis of 17 per cent. due to the expectation that all properties are retained through April 2020.

8. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share and Diluted earnings per share have been calculated on profit after tax attributable to ordinary shareholders for the period (as shown on the Consolidated Statement of Comprehensive Income) and for the Earnings per share, the weighted average number of ordinary shares in issue during the period (see below table) and for Diluted weighted average number of ordinary shares in issue during the period (see below table).

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Profit after tax attributable to ordinary shareholders for the period	14,015	10,799	9,386	3,446	4,352

	Year ended 31 March 2015 No. of shares	*Year ended 31 March 2016 No. of shares*	*Year ended 31 March 2017 No. of shares*	*Six months ended 30 September 2016 Unaudited No. of shares*	*Six months ended 30 September 2017 No. of shares*
Weighted average number of shares for basic earnings per share	17,010,762	24,597,258	25,650,141	25,706,969	25,156,703
Dilutive effect of share options	80,082	20,730	87,584	10,514	36,322
Weighted average number of shares for diluted earnings per share	**17,090,844**	**24,617,988**	**25,737,725**	**25,717,483**	**25,193,025**
Earnings per ordinary share:					
Basic	82.4p	43.9p	36.6p	13.4p	17.3p
Diluted	82.0p	43.9p	36.5p	13.4p	17.3p

Key Performance Measures

The Group financial information is prepared under IFRS which incorporates non-realised fair value measures and non-recurring items. Alternative Performance Measures ('APMs'), being financial measures which are not specified under IFRS are also used by Management to assess the Group's performance. These include a number of European Public Real Estate Association ('EPRA') measures, prepared in accordance with the EPRA Best Practice Recommendations (BPR) reporting framework the latest update of which was issued in November 2016. We report a number of these measures (detailed in the glossary of terms) because Management considers them to improve the transparency and relevance of our published results as well as the comparability with other listed European real estate companies.

EPRA EPS and EPRA Diluted EPS

EPRA Earnings is a measure of operational performance and represents the net income generated from the operational activities. It is intended to provide an indicator of the underlying income performance generated from the leasing and management of the property portfolio. EPRA earnings are calculated taking the profit after tax excluding investment property revaluations and gains and losses on disposals, changes in fair value of financial instruments, associated close-out costs, one-off finance termination costs, share based-payments and other one-off exceptional items. EPRA earnings is calculated on the basis of the basic number of shares in line with IFRS earnings as the dividends to which they give rise accrue to current shareholders and therefore it is more appropriate to use the basic number of shares. The EPRA diluted earnings per share also takes into account the dilution of share options and warrants if exercised.

Adjusted profit before tax and Adjusted EPS

Palace Capital also reports an adjusted earnings measure which is based on recurring earnings before tax and on the basis of the basic number of shares. This takes profit before tax as the starting point and then adds back any fair value movements or one-off items that were included in EPRA earnings. This provides the underlying income performance of the company and therefore the basis for the dividend policy. The corporation tax charge (excluding deferred tax movements) is deducted in order to calculate the adjusted earnings per share and dividend cover is based on this calculation.

The EPRA and adjusted earnings per share for the period are calculated based upon the following information:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Profit before tax	14,015	11,752	12,577	3,910	4,859
Adjustments:					
Costs of acquisition	639	815	–	–	–
Gains on revaluation of investment property portfolio	(9,769)	(3,620)	(3,101)	(32)	(1,396)
Profit on disposal of investment properties	(178)	(290)	(3,191)	(873)	159
Debt termination cost	–	–	155	143	–
Surrender Premium	–	(3,172)	–	–	–
Share based payment	114	110	237	95	100
Adjusted profit before tax for the period	**4,821**	**5,595**	**6,677**	**3,243**	**3,722**
Tax charge for the year	–	(953)	(3,191)	(464)	(507)
Deferred tax charge on revaluation gains and capital allowances reversed	–	–	2,200	–	–
Adjusted profit after tax for the period	**4,821**	**4,642**	**5,686**	**2,779**	**3,215**
Share based payment	(114)	(110)	(237)	(95)	(100)
Surrender premium	–	3,172	–	–	–
EPRA earnings for the period	**4,707**	**7,704**	**5,449**	**2,684**	**3,115**
EPRA AND ADJUSTED EARNINGS PER ORDINARY SHARE:					
EPRA Basic	27.7p	31.3p	21.2p	10.4p	12.4p
EPRA Diluted	27.5p	31.3p	21.2p	10.4p	12.4p
Adjusted EPS	28.3p	18.9p	22.2p	10.8p	12.8p

9. NET ASSETS VALUE PER SHARE

EPRA NAV calculation makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy. EPRA NAV is adjusted to take effect of the exercise options, convertibles and other equity interests and excludes the fair value of financial instruments and deferred tax on latent gains. EPRA NNNAV measure is to report net asset value including fair values of financial instruments and deferred tax on latent gains.

The diluted net assets and the number of diluted ordinary issued shares at the end of the period assumes that all the outstanding options that are exercisable at the period end are exercised at the option price.

Net asset value is calculated using the following information:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Net assets at the end of the period	80,016	106,815	109,559	107,536	111,622
Effect of exercise of share options	109	109	–	71	–
Diluted net assets at end of the period	**80,125**	**106,924**	**109,559**	**107,607**	**111,622**
Exclude fair value of financial instruments & exclude deferred tax on latent capital gains	–	–	2,200	–	2,499
EPRA NAV	80,125	106,924	111,759	107,607	114,121
Include fair value of financial instruments & include deferred tax on latent capital gains	–	–	(2,200)	–	(2,499)
EPRA NNNAV	**80,125**	**106,924**	**109,559**	**107,607**	**111,622**

	Year ended 31 March 2015 No. of shares	*Year ended 31 March 2016 No. of shares*	*Year ended 31 March 2017 No. of shares*	*Six months ended 30 September 2016 Unaudited No. of shares*	*Six months ended 30 September 2017 No. of shares*
Number of ordinary shares issued at the end of the period (excluding treasury shares)	20,225,673	25,781,229	25,150,692	25,650,692	25,250,692
Dilutive effect of share options	16,308	20,730	87,584	10,514	36,322
Number of ordinary shares issued for diluted and EPRA net assets per share	**20,241,981**	**25,801,959**	**25,238,276**	**25,661,206**	**25,287,014**
Net assets per ordinary share					
Basic	396p	414p	436p	419p	442p
Diluted	396p	414p	434p	419p	441p
EPRA NAV	396p	414p	443p	419p	451p
EPRA NNNAV	396p	414p	434p	419p	441p

10. DIVIDENDS

	Payment date	Dividend per share	September 2017 £'000	March 2017 £'000	March 2016 £'000	March 2015 £'000
March 2018						
Interim dividend proposed	29 December 2017	9.50	–	–	–	–
		9.50	**–**	**–**	**–**	**–**
September 2017						
Final dividend	28 July 2017	9.50	2,389	–	–	–
		9.50	**2,389**	**–**	**–**	**–**
March 2017						
Final dividend proposed	28 July 2017	9.50	–	–	–	–
Interim dividend	30 December 2016	9.00	–	2,309	–	–
Distribution of current year profit		**18.50**	**–**	**2,309**	**–**	**–**
March 2016						–
Final dividend	29 July 2016	9.00	–	2,308	–	–
Interim dividend	30 December 2015	7.00	–	–	1,805	–
Distribution of prior year profit		**16.00**	**–**	**2,308**	**1,805**	**–**
March 2015						
Final dividend	31 July 2015	7.00		–	1,416	–
Interim dividend	30 December 2014	6.00	–	–	–	1,204
		13.00	**–**	**–**	**1,416**	**1,204**
March 2014						
Final dividend	31 July 2014	2.50	–	–	–	313
Interim dividend	7 May 2014	2.00	–	–	–	249
		4.50	–	–	–	**562**
Dividends reported in the Group statement of changes in equity			**2,389**	**4,617**	**3,221**	**1,766**

Proposed Dividends

	September 2017 £000	March 2017 £000	March 2016 £000	March 2015 £000
2018 interim dividend: 9.50p (2017: 9.00p; 2016: 7.00p; 2015: 6.00p)				
2017 final dividend : 9.50p (2016: 9.00p; 2015: 7.00p)	**4,355**	**2,389**	**2,320**	**1,416**

Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at 30 September 2017.

11. INTANGIBLE FIXED ASSETS

	Goodwill
	£000
Cost	
At 1 March 2014 and 31 March 2015	6
Additions	–
At 31 March 2016, 31 March 2017 and 30 September 2017	**6**
Provision for diminution in value	
At 1 March 2014 and 31 March 2015	–
Provided in the year	6
At 31 March 2016, 31 March 2017 and 30 September 2017	**6**
Carrying value at 31 March 2016, 31 March 2017 and 30 September 2017	–
Carrying value at 31 March 2015	6

12. BUSINESS COMBINATIONS

Acquisition in year ended 31 March 2016

O&H Northampton Limited

On 17 June 2015 the Group acquired 100% of the share capital of O&H Northampton Limited (O&H) for a consideration of £1. O&H is a property investment company owning Sol Central, a leisure complex in Northampton, which was acquired to expand the Group's property portfolio. Following the acquisition O&H changed its name to Palace Capital (Northampton) Limited.

	Carrying value at acquisition date	*Adjustments*	*Fair value at acquisition date*
	£000	*£000*	*£000*
Investment properties	20,700	–	20,700
Receivables and prepayment	389	–	389
Deferred tax asset	55	–	55
Cash at bank and in hand	228	–	228
Payables and other creditors	(344)	–	(344)
Corporation tax	(128)	–	(128)
Accrued interest	(822)	–	(822)
Other loans	(3,441)	–	(3,441)
Bank loans	(16,637)	–	(16,637)
Net assets	–	–	–
Consideration			20,078
Payments of other loans and bank loans on acquisition			(20,078)
Net consideration			–
Goodwill on acquisition			–

The acquired subsidiary contributed £1,597,000 to the profit before tax of the Group.

The deferred tax asset represents tax losses incurred in the period prior to our acquisition. No deferred tax has been recognised on the adjustments to fair value as a result of the historical cost of the investment properties exceeding their fair value.

The fair value of the investment properties at acquisition was based on a valuation performed at the time of the acquisition amounting to £20,700,000 obtained from DTZ Debenham Tie Leung Limited.

Acquisition related costs

The Group incurred acquisition related costs in respect of this transaction amounting to £413,115 related to professional fees paid for due diligence, general professional fees and legal related costs. These costs have been included in administrative expenses in the Group's consolidated income statement.

Gregory Projects (Halifax) Limited

On 11 March 2016 the Group acquired 100% of the share capital of Gregory Projects (Halifax) Limited (GPH) for a consideration of £1. GPH is a property investment company owning Broad Street Plaza, a leisure complex in Halifax, which was acquired to expand the Group's property portfolio. Following the acquisition GPH changed its name to Palace Capital (Halifax) Limited.

	Carrying value at acquisition date £000	*Adjustments £000*	*Fair value at acquisition date £000*
Investment properties	–	24,180	24,180
Receivables and prepayment	144	–	144
Work in progress	24,180	(24,180)	–
Cash at bank and in hand	213	–	213
Payables and other creditors	(231)	–	(231)
Accrued interest	(84)	–	(84)
Other loans	(9,017)	–	(9,017)
Bank loans	(15,201)	–	(15,201)
Net assets	–	–	–
Consideration			9,017
Payments of other loans and bank loans on acquisition			(9,017)
Net consideration			–
Goodwill on acquisition			–

The acquired subsidiary contributed a loss of £121,000 to the profit before tax of the Group. The fair value of the investment properties at acquisition was based on the purchase price of the property as a result of the valuers having no clear comparable alternatives. The valuation performed at the year-end amounted to £24,000,000 and was obtained from Knight Frank. The fall in the value of the property in this period related to the increased stamp duty rates introduced by the government in its budget on 16 March 2016.

The fair value adjustment reclassifies the property as an investment property rather than a property held for resale following the change in management of the property.

Acquisition related costs

The Group incurred acquisition related costs of £401,491 related to professional fees paid for due diligence, general professional fees and legal related costs. These costs have been included in administrative expenses in the Group's consolidated income statement.

Effect on Group results of the acquisitions

If both these acquisitions had occurred on 1 April 2015, Group revenue would have been an estimated £16.7m and Group profit before tax would have been an estimated £13.0m. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2015.

Dering Properties (Sutton) Limited

The acquisition of Dering Properties (Sutton) Limited was made on 17 August 2015. The Directors have taken the view that this acquisition had similar attributes to that of an asset purchase rather than a business combination and therefore the value of the asset at the acquisition date amounting to £3,925,000 has been added to the additions within investment properties together with the costs of the acquisition amounting to £104,684.

Acquisition in year ended 31 March 2015

Property Investment Holdings Limited

On 26 August 2014 the Group acquired 100% of the share capital of Property Investment Holdings Limited (PIH) for a consideration of £3,613,828. The consideration was satisfied by issuing 1,103,459 ordinary 10p shares at a fair value price of £3.275. PIH is a property investment company which was acquired to expand the Group's property portfolio.

	Carrying value at acquisition date £000	*Adjustments £000*	*Fair value at acquisition date £000*
Investment properties	29,385	2,356	31,741
Tangible fixed assets	–	–	–
Deferred tax asset	–	273	273
Receivables and prepayment	26	279	305
Cash at bank and in hand	–	–	–
Payables and other creditors	(732)	–	(732)
Bank loans and overdraft	(27,973)	–	(27,973)
Deferred tax	(401)	401	–
Net assets	305	3,309	3,614
Consideration			3,614
Goodwill on acquisition			–

The acquired subsidiary contributed £4,102,851 to the profit before tax of the Group. If this acquisition had occurred on 1 April 2014, Group revenue would have been an estimated £9.7m and Group profit before tax would have been an estimated £14.4m. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2014.

Deferred tax asset amounting to £273,029 was recognised as a fair value adjustment at the acquisition date being management's estimate, based on budgets and forecasts, of the future utilisation of tax losses of approximately £9m that were available to carry forward following the refinancing of the bank loans of the PIH which took place at acquisition. The deferred tax asset was increased to £500,000 at 31 March 2015 as a result of the restructuring of PIH and the repayment of £10m of intra group loans which has resulted in increasing the anticipated future annual profits of PIH.

No deferred tax has been recognised on the adjustments to fair value as a result of the historical cost of the investment properties exceeding their fair value.

The fair value of the investment properties at acquisition was based on a valuation performed at the time of the acquisition amounting to £32,020,000 obtained from DTZ Debenham Tie Leung Limited less a lease incentive balance which has been included in prepayments amounting to £278,901.

A fair value adjustment to prepayments amounting to £278,901 was made to bring the revenue recognition policy of PIH into line with that of the Group so that the rental income from investment properties leased out under operating leases is recognised in the Income Statement on a straight-line basis over the term of the lease.

Acquisition related costs

The Group incurred acquisition related costs of £638,668 related to professional fees paid for due diligence, general professional fees and legal related costs. These costs have been included in administrative expenses in the Group's consolidated income statement.

13. INVESTMENT PROPERTIES

	Freehold Investment properties £000	*Leasehold Investment properties £000*	*Total £000*
At 1 April 2014	41,620	17,820	59,440
Arising on acquisition of subsidiary undertaking	31,741	–	31,741
Additions – refurbishment	2,497	11	2,508
Additions – new properties	305	–	305
Gains on revaluation of investment property	9,180	589	9,769
Disposals	(775)	–	(775)
At 1 April 2015	**84,568**	**18,420**	**102,988**
Arising on acquisition of subsidiary undertakings	44,880	–	44,880
Additions – refurbishment	1,149	33	1,182
Additions – new properties	18,653	4,886	23,539
Gains on revaluation of investment properties	1,840	1,780	3,620
Disposals	(1,667)	–	(1,667)
At 1 April 2016	**149,423**	**25,119**	**174,542**
Additions – refurbishment	4,505	74	4,579
Additions – new properties	10,950	–	10,950
Gains on revaluation of investment properties	3,090	11	3,101
Disposals	(7,740)	(1,516)	(9,256)
At 31 March 2017	**160,228**	**23,688**	**183,916**
Additions – refurbishment	891	34	925
Additions – new properties	20,000	–	20,000
Gains on revaluation of investment properties	1,155	241	1,396
Disposals	(795)	(2,610)	(3,405)
At 30 September 2017	**181,496**	**21,336**	**202,832**

Investment properties are stated at fair value as determined by independent valuers who make use of historical and current market data as well as existing lease agreements. The fair value of the Group's property portfolio is based upon independent valuations and is inherently subjective. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms-length transaction at the date of valuation, in accordance with International Financial Reporting Standard. The fair value of each of the properties has been assessed by the independent valuers.

As a result of the level of judgement used in arriving at the market valuations, the amounts which may ultimately be realised in respect of any given property may differ from the valuations shown in the Statement of Financial Position.

In addition to the gain on revaluation of investment properties included in the table above, realised losses of £159,169 (March 2017: gain of £3,191,417; March 2016: gain of £290,525; March 2015: gain of £177,698) relating to investment properties disposed of during the year were recognised in profit or loss.

A reconciliation of the valuations carried out by the independent valuers to the carrying values shown in the Statement of Financial Position was as follows:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2016 Unaudited £000*	*Six months ended 30 September 2017 £000*
Scanlans Consultant Surveyors LLP	2,260	2,017	–	–	–
Cushman & Wakefield LLP	65,215	147,174	183,175	183,650	**202,840**
DTZ Debenham Tie Leung Limited	35,280	–		–	–
Knight Frank	–	24,000	–	–	–
Directors valuation	–	250	–	–	–
Fair value	**102,755**	**173,441**	**183,175**	**183,650**	**202,840**
Adjustment in respect of minimum payment under head leases	1,220	2,076	1,959	2,076	1,600
Less lease incentive balance included in prepayments	(987)	(975)	(1,218)	(939)	(1,608)
Carrying value	**102,988**	**174,542**	**183,916**	**184,787**	**202,832**

The valuations of all the investment properties held by the Group is classified as Level 3 in the IFRS 13 fair value hierarchy as they are based on unobservable inputs. There have been no transfers between levels of the fair value hierarchy during the year.

Valuation process

The valuation reports produced by the independent valuers are based on information provided by the Group such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the Group's financial and property management systems and is subject to the Group's overall control environment.

In addition, the valuation reports are based on assumptions and valuation models used by the independent valuers. The assumptions are typically market related, such as yields and discount rates, and are based on their professional judgment and market observations. Each property is considered a separate asset, based on its unique nature, characteristics and the risks of the property.

The Executive Director responsible for the valuation process verifies all major inputs to the external valuation reports, assesses the individual property valuation changes from the prior year valuation report and holds discussions with the external valuers. When this process is complete, the valuation report is recommended to the Audit Committee, which considers it as part of its overall responsibilities.

The key assumptions made in the valuation of the Group's investment properties are:

- The amount and timing of future income streams;
- Anticipated maintenance costs and other landlord's liabilities; and
- An appropriate yield.

Valuation technique

The valuations reflect the tenancy data supplied by the Group along with associated revenue costs and capital expenditure. The fair value of the commercial investment portfolio has been derived from capitalising the future estimated net income receipts at capitalisation rates reflected by recent arm's length sales transactions.

30 September 2017	*Significant unobservable inputs Cushman & Wakefield*
Value of investment properties	£202,840,000
Area (sq. ft.)	1,598,782
Gross Estimated Rental Value	£16,479,754
Net Initial Yield	
Minimum	(7.5%)
Maximum	18.7%
Weighted average	5.8%
Reversionary Yield	
Minimum	5.3%
Maximum	15.2%
Weighted average	7.0%
Equivalent Yield	
Minimum	0.68%
Maximum	11.8%
Weighted average	7.1%

Negative Net Initial Yields arise where properties are vacant or partially vacant and void costs exceed rental income.

31 March 2017	*Significant unobservable inputs Cushman & Wakefield*
Value of investment properties	£183,175,000
Area (sq. ft.)	1,576,206
Gross Estimated Rental Value	£15,892,432
Net Initial Yield	
Minimum	0.9%
Maximum	9.2%
Weighted average	5.9%
Reversionary Yield	
Minimum	5.5%
Maximum	18.7%
Weighted average	6.9%
Equivalent Yield	
Minimum	3.2%
Maximum	11.7%
Weighted average	7.6%

Negative Net Initial Yields arise where properties are vacant or partially vacant and void costs exceed rental income.

31 March 2016	*Significant unobservable inputs* Cushman & Wakefield	Knight Frank	Scanlans
Value of investment properties	£147,174,000	£24,000,000	£2,017,000
Area (sq ft)	1,710,355	114,274	22,820
Gross Estimated Rental Value	£12,559,734	£1,775,104	£196,910
Net Initial Yield			
Minimum	(6.9%)	6.3%	8.3%
Maximum	13.4%	31.0%	10.5%
Weighted average	6.1%	7.0%	9.8%
Reversionary Yield			
Minimum	5.5%	6.9%	8.3%
Maximum	15.8%	6.9%	10.5%
Weighted average	6.7%	6.9%	9.8%
Equivalent Yield			
Minimum	3.2%	6.3%	8.3%
Maximum	12.1%	17.5%	10.5%
Weighted average	8.0%	7.5%	9.8%

Negative Net Initial Yields arise where properties are vacant or partially vacant and void costs exceed rental income.

31 March 2015	*Significant unobservable inputs* Cushman & Wakefield	DTZ	Scanlans
Value of investment properties	£65,215,000	£35,280,000	£2,260,000
Area (sq ft)	1,095,327	301,392	22,820
Gross Estimated Rental Value	£6,703,332	£2,740,900	£195,653
Net Initial Yield			
Minimum	(6.4%)	3.2%	7.5%
Maximum	13.8%	10.8%	10.0%
Weighted average	7.6%	6.5%	8.5%
Reversionary Yield			
Minimum	6.0%	5.9%	7.5%
Maximum	16.3%	9.6%	10.0%
Weighted average	6.4%	7.0%	8.5%
Equivalent Yield			
Minimum	0.9%	6.0%	7.5%
Maximum	13.5%	9.0%	10.0%
Weighted average	9.0%	7.2%	8.5%

Sensitivity of measurement to variations in the significant unobservable inputs.

Unobservable input	*Impact on fair value measurement of significant increase in input*	*Impact on fair value measurement of significant decrease in input*
Gross Estimated Rental Value	Increase	Decrease
Net Initial Yield	Decrease	Increase
Reversionary Yield	Decrease	Increase
Equivalent Yield	Decrease	Increase

The relationship between the unobservable inputs and their impact on the fair value measurement is not certain. Changes to the tenancies and/or income profile of an investment asset may also impact the fair value outside one or more of the above inter-relationships according to individual circumstances

14. PROPERTY, PLANT AND EQUIPMENT

	IT, fixtures and fittings £000
At 1 April 2014	1
Assets acquired	–
Additions	62
At 1 April 2015	**63**
Assets acquired	–
Additions	3
At 1 April 2016	**66**
Assets acquired	–
Additions	26
At 31 March 2017	**92**
Assets acquired	–
Additions	133
Disposals	(17)
At 30 September 2017	**208**
Depreciation	
At 1 April 2014	–
Provided during the year	11
At 1 April 2015	**11**
Provided during the year	18
At 1 April 2016	**29**
Provided during the year	20
At 31 March 2017	**49**
Provided during the year	30
At 30 September 2017	**79**
Net book value at 30 September 2017	129
Net book value at 31 March 2017	43
Net book value at 31 March 2016	37
Net book value at 31 March 2015	52

15. INVESTMENT IN SUBSIDIARIES

Year ended 30 September 2017

On 4 August 2017 the Company acquired 100% of the share capital of SM Newcastle OB Limited for £20.0m. Following the acquisition, the subsidiary changed its name to Palace Capital (Newcastle) Limited. The Company purchased 5,000,000 ordinary £1 shares in Palace Capital (Newcastle) Limited.

Year ended 31 March 2017

On 19 August 2016 the Company acquired Boulton House, Manchester. Following the acquisition, the name of Palace Capital (Milton Keynes) Limited was changed to Palace Capital (Manchester) Limited. The Company purchased £3,200,000 ordinary £1 share at Palace Capital (Manchester) Limited.

The Company owns 100% of Palace Capital (Properties) Limited which acquired 100% of shares in Palace Capital (Dartford) Limited.

Year ended 31 March 2016

On 17 June 2015 the Company acquired 100% of the share capital of O&H Northampton Limited for a cash consideration of £1. Following the acquisition the subsidiary changed its name to Palace Capital (Northampton) Limited.

On 17 August 2015 the Company acquired 100% of the share capital of Dering Properties (Sutton) Limited for a cash consideration of £902,619. Following the acquisition the subsidiary changed its name to Palace Capital (Sutton) Limited. On 26 January 2016 the subsidiary changed its name to Palace Capital (Properties) Limited.

On 11 March 2016 the Company acquired 100% of the share capital of Gregory Projects (Halifax) Limited for a cash consideration of £1. Following the acquisition the subsidiary changed its name to Palace Capital (Halifax) Limited. Costs associated with this acquisition amounting to £401,491 were capitalised.

On 31 March 2016 the Company purchased an additional 3,000,000 ordinary £1 shares at par in Palace Capital (Leeds) Limited in order to refinance the subsidiary.

On 31 March 2016 the Company purchased an additional 4,000,000 ordinary £1 shares at par in Palace Capital (Northampton) Limited in order to refinance the subsidiary.

On 31 March 2016 the Company purchased an additional 4,000,000 ordinary £1 shares at par in Palace Capital (Properties) Limited in order to refinance the subsidiary.

On 31 March 2016 the Company purchased an additional 6,500,000 ordinary £1 shares at par in Palace Capital (Halifax) Limited in order to refinance the subsidiary.

On 31 March 2016 the Company purchased an additional 5,000,000 ordinary £1 shares at par in Palace Capital (Developments) Limited in order to refinance the subsidiary.

Year ended 31 March 2015

On 26 August 2014 the Company acquired 100% of the share capital of Property Investment Holdings Limited for a consideration of £3,613,828. The consideration was satisfied by issuing 1,103,459 ordinary 10p shares in the Company at a fair value price of £3.275 per share.

On 31 March 2015 the Company purchased an additional 10,000,000 ordinary £1 shares at par in Property Investment Holdings Limited in order to refinance the subsidiary.

During the year ended 31 March 2015, Equalgold Limited ceased to become a dormant company and commenced trade as a property investment company. On 19 January 2015 it changed its name to Palace Capital (Leeds) Limited.

The Company owns more than 20% of the following undertakings, all of which are held directly and incorporated in the United Kingdom, with registered address, Lower Ground Floor, One George Yard, London, EC3V 9DF, unless shown otherwise:

Subsidiary undertaking	*Class of share held*	*% shareholding*	*Principal activity*
Palace Capital (Leeds) Limited	Ordinary	100	Property investments
Palace Capital (Northampton) Limited	Ordinary	100	Property investments
Palace Capital (Properties) Limited	Ordinary	100	Property investments
Palace Capital (Developments) Limited	Ordinary	100	Property investments
Palace Capital (Halifax) Limited	Ordinary	100	Property investments
Palace Capital (Manchester) Limited	Ordinary	100	Property investments
Hockenhull Estates Limited**	Ordinary	100	Property investments
Palace Capital (Signal) Limited	Ordinary	100	Holding
Quintain (Signal) Member B Limited*	Ordinary	100	Holding
Signal Property Investments LLP*	Member	100	Property investments
Signal Investments LLP*	Member	100	Holding
Property Investment Holdings Limited	Ordinary	100	Property investments
Meadowcourt Management (Meadowhall) Limited*	Ordinary	50	Property management
Palace Capital (Dartford) Limited*	Ordinary	100	Property management
Palace Capital (Newcastle) Limited	Ordinary	100	Property investments
Associate Company			
HBP Services Limited*	Ordinary	21.4	Property management
Clubcourt Limited*	Ordinary	40	Property management

* held indirectly

** Incorporated in Isle of Man – registered address: 68 Athol Street, Douglas, Isle of Man, IM1 1JE

16. TRADE AND OTHER RECEIVABLES

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Current				
Gross amounts receivable from tenants	1,938	2,727	1,090	2,471
Less: provision for impairment	(90)	(243)	(139)	(186)
Net amount receivable from tenants	**1,848**	**2,484**	**951**	**2,285**
Other taxes	5	68	–	359
Other debtors	27	37	61	144
Accrued income	63	150	1,218	1,506
Prepayments	432	588	281	724
Deposit on purchase of property	1,000	–	–	–
	3,375	**3,327**	**2,511**	**5,018**
Non-Current				
Accrued Income	924	825	–	–
	924	**825**	**–**	**–**

Accrued income amounting to £1,506,000 (March 2017: £1,218,000; March 2016: £975,000; March 2015: £986,892) relates to rents recognised in advance as a result of spreading the effect of rent free and reduced rent periods, capital contributions in lieu of rent free periods and contracted rent uplifts over the expected terms of their respective leases.

Movements in the provision for impairment of trade receivables were as follows:

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Brought forward	89	90	243	139
Utilised in the period	(33)	(11)	(182)	–
Provisions increased	24	164	78	47
Arising on acquisition	10	–	–	–
	90	**243**	**139**	**186**

The analysis of trade receivables that were past due but not impaired is as follows:

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
0 – 30 days	1,599	2,106	630	1,671
31 – 60 days	(34)	95	92	112
61 – 90 days	52	66	21	132
91 – 120 days	204	46	78	72
More than 120 days	27	171	130	298
	1,848	**2,484**	**951**	**2,285**

17. CASH AND CASH EQUIVALENTS

All of the Group's cash and cash equivalents at 30 September 2017, 31 March 2017, 31 March 2016 and March 2015 are in sterling and held at floating interest rates.

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Cash and cash equivalents	**12,278**	**8,576**	**11,181**	**8,733**

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

18. TRADE AND OTHER PAYABLES

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Trade payables	242	638	570	875
Corporation tax	–	662	564	659
Other taxes	587	1,036	844	1,193
Other payables	21	67	6	7
Deferred rental income	1,843	2,605	2,860	4,273
Accruals	394	1,807	1,317	1,346
	3,087	**6,815**	**6,161**	**8,353**

19. BORROWINGS

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Current				
Bank loans	400	2,233	2,036	2,186
Non-current liabilities				
Bank loans	35,406	69,711	75,758	90,464
Total borrowings	**35,806**	**71,944**	**77,794**	**92,650**
Non-current liabilities				
Secured Bank loans drawn	35,806	70,445	76,694	91,571
Unamortised lending costs	(400)	(734)	(936)	(1,107)
	35,406	**69,711**	**75,758**	**90,464**

The maturity profile of the Group's debt was as follows:

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Within one year	400	2,233	2,036	2,186
From one to two years	20,003	17,068	2,036	2,186
From two to five years	15,803	53,377	61,806	76,751
After 5 years	–	–	12,852	12,634
	36,206	**72,678**	**78,730**	**93,757**

Facility and arrangement fees

As at 30 September 2017

Secured Borrowings	*All in cost* *£000*	*Maturity date* *£000*	*Loan Balance* *£000*	*Unamortised facility fees* *£000*	*Facility drawn* *£000*
Santander Bank PLC	2.84%	August 2022	26,581	(419)	27,000
Lloyds Bank PLC	2.44%	May 2019	3,905	(33)	3,938
National Westminster Bank PLC	2.84%	Mar 2021	30,945	(305)	31,250
Nationwide Building Society	3.12%	Nov 2020	16,617	(138)	16,755
Scottish Widows	2.90%	Jul 2026	14,602	(212)	14,814
	2.90%		**92,650**	**(1,107)**	**93,757**

Investment properties with a carrying value of £186,180,000 (March 2017: £162,320,000; March 2016: £151,065,990; March 2015: £101,768,108) are subject to a first charge to secure the Group's bank loans amounting to £93,757,000 (March 2017: £78,730,000; March 2016: £72,678,233; March 2015: £36,205,461).

The Group has an unused loan facility amounting to £nil (March 2017: £3,582,000; March 2016: £8,000,000; March 2015: £nil). Interest is charged on the unused portion of this facility at a rate of 1.25% and is payable quarterly. This facility is secured on the investment properties held by Property Investment Holdings Limited and Palace Capital (Properties) Limited.

The Group constantly monitors its approach to managing interest rate risk. The Group has fixed £24,814,000 (March 2017: £25,032,000; March 2016: £nil; March 2015: £nil) of its debt in order to provide surety of its interest cost and to mitigate interest rate risk. The remaining debt in place at year end is subject to floating rate in order to take advantage of the historically low interest rate environment.

The Group has been in compliance with all financial covenants of the above facilities applicable throughout the period.

As at 31 March 2017

Secured Borrowings	*All in cost* *£000*	*Maturity date* *£000*	*Loan Balance* *£000*	*Unamortised facility fees* *£000*	*Facility drawn* *£000*
Santander Bank PLC	2.59%	Jun 2020	15,512	(200)	15,712
Lloyds Bank PLC	2.44%	May 2019	4,018	(45)	4,063
National Westminster Bank PLC	2.84%	Mar 2021	25,360	(308)	25,668
Nationwide Building Society	3.12%	Nov 2020	18,096	(159)	18,255
Scottish Widows	2.90%	Jul 2026	14,808	(224)	15,032
	2.90%		**77,794**	**(936)**	**78,730**

As at 31 March 2016

Secured Borrowings	*Margin over LIBOR %*	*Maturity date*	*Loan Balance £'000*	*Unamortised facility fees £'000*	*Facility drawn £'000*
Santander Bank Plc	2.25%	Jun 2020	9,815	(150)	9,965
Lloyds Bank Plc	2.10%	May 2019	4,246	(66)	4,312
National Westminster Bank plc	2.50%	Mar 2021	21,734	(266)	22,000
Nationwide Building Society	2.45%	Nov 2020	19,796	(204)	20,000
Close Brothers Group plc	4.00%	Sep 2017	1,193	(7)	1,200
Barclays Bank plc	2.75%	Jul 2017	15,160	(41)	15,201
	3.10%		**71,944**	**(734)**	**72,678**

As at 31 March 2015

Secured Borrowings	*All in cost*	*Maturity date*	*Loan Balance £'000*	*Unamortised facility fees £'000*	*Facility drawn £'000*
National Westminster Bank plc	2.75%	Aug 2019	15,195	(208)	15,403
Nationwide Building Society	3.75%	Oct 2016	19,424	(179)	19,603
Close Brothers Group plc	4.00%	Sep 2017	1,188	(12)	1,200
	3.90%		**35,807**	**(399)**	**36,206**

20. GEARING AND LOAN TO VALUE RATIO

The calculation of gearing is based on the following calculations of net assets and net debt:

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
EPRA Net asset value	**80,016**	**106,815**	**111,759**	**111,662**
Borrowings net of issue costs	35,806	71,944	77,794	92,650
Obligations under finance leases	1,214	2,067	1,950	1,588
Cash and cash equivalents	(12,278)	(8,576)	(11,181)	(8,733)
Net Debt	**24,742**	**65,435**	**68,563**	**85,505**
EPRA NAV Gearing	**31%**	**61%**	**61%**	**77%**

The calculation of bank loan to property value is calculated as follows:

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Fair value of Property portfolio	**102,755**	**173,441**	**183,175**	**202,832**
Borrowings	36,205	72,678	78,730	93,757
Cash at bank	(12,278)	(8,576)	(11,181)	(8,733)
Net bank borrowings	**23,927**	**64,102**	**67,549**	**85,024**
Loan to value ratio	35%	42%	43%	46%
Net Loan to value ratio	23%	37%	37%	42%

21. LEASES

Operating lease receipts in respect of rents on investment properties are receivable as follows:

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Within one year	8,269	12,165	13,204	14,110
From one to two years	6,984	10,734	10,882	10,448
From two to five years	12,999	24,987	22,810	23,409
From five to 25 years	12,139	44,204	41,001	35,940
After 25 years	693	685	–	–
	41,084	**92,775**	**87,897**	**83,907**

Operating lease payments in respect of rents on leasehold properties occupied by the Group are payable as follows:

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Within one year	45	45	13	178
From one to two years	45	12	–	178
From two to five years	12	–	–	434
	102	**57**	**13**	**790**

Finance lease obligations in respect of rents payable on leasehold properties were payable as follows:

At 30 September 2017

	Minimum lease payments £000	*Interest £000*	*Present value of minimum lease payments £000*
Within one year	96	(94)	2
From one to two years	96	(94)	2
From two to five years	289	(282)	7
From five to 25 years	1,883	(1,824)	59
After 25 years	8,032	(6,514)	1,518
	10,396	**(8,808)**	**1,588**

The net carrying amount of the leasehold properties is shown in note 13.

The Group has over 200 leases (March 2017: 150; March 2016: 200; March 2015: 150) granted to its tenants. These vary dependent on the individual tenant and the respective property and demise and vary considerably from short-term leases of less than one year to longer term leases of over 10 years. A number of these leases contain rent free periods. Standard lease provisions include service charge payments and recovery of other direct costs. All investment properties in the Group's portfolio generated rental income during the three year and six month period ended 30 September 2017, except for one property at 31 March 2016, with an investment value of £1.5m, which was vacant throughout the year ended 31 March 2016 but had some rental income in the year ended 31 March 2015. The direct operating costs for this property during the year ended 31 March 2016 amounted to £163,000.

At 31 March 2017

	Minimum lease payments £000	*Interest £000*	*Present value of minimum lease payments £000*
Within one year	122	(120)	2
From one to two years	122	(120)	2
From two to five years	366	(358)	8
From five to 25 years	2,392	(2,329)	63
After 25 years	9,739	(7,864)	1,875
	12,741	**(10,791)**	**1,950**

The net carrying amount of the leasehold properties is shown in note 13.

At 31 March 2016

	Minimum lease payments £000	*Interest £000*	*Present value of minimum lease payments £000*
Within one year	130	(128)	2
From one to two years	130	(128)	2
From two to five years	386	(380)	6
From five to 25 years	2,515	(2,447)	68
After 25 years	10,316	(8,327)	1,989
	13,477	**(11,410)**	**2,067**

The net carrying amount of the leasehold properties is shown in note 13.

As at 31 March, 2015

	Minimum lease payments £000	*Interest £000*	*Present value of minimum lease payments £000*
Within one year	87	(85)	2
From one to two years	87	(85)	2
From two to five years	261	(255)	6
From five to 25 years	1,707	(1,643)	64
After 25 years	6,316	(5,176)	1,140
	8,458	**(7,244)**	**1,214**

The net carrying amount of the leasehold properties is shown in note 13.

22. SHARE CAPITAL

Authorised, issued and fully paid share capital is as follows:

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
25,800,279 Ordinary Shares of 10p each (March 2017: 25,800,279; March 2016: 25,781,229; March 2015 20,225,673)	2,023	2,578	2,580	2,580
Nil Deferred Shares of 90p each (March 2017: nil; March 2016: 315,937, March 2015: 315,937)	284	284	–	–
	2,307	**2,862**	**2,580**	**2,580**

Reconciliation of movement in ordinary share capital

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
At start of year	1,244	2,023	2,578	2,580
Issued in the year	779	555	2	–
At end of year	**2,023**	**2,578**	**2,580**	**2,580**

Movement in ordinary authorised share capital

		Price per share pence	*Number of ordinary shares issued 000s*	*Total number of shares 000s*
As at 1 April 2014				12,440,937
Exercise of warrants	23 June 2014	200	79,665	
Equity issue	27 August 2014	310	6,451,612	
Equity issue	27 August 2014	328	1,103,459	
Exercise of warrants	17 February 2015	200	150,000	
As at 31 March 2015				20,225,673
Equity issue	17 June 2015	360	5,555,556	
As at 31 March 2016				25,781,229
Exercise of warrants	15 June 2016	200	19,050	
As at 30 September 2016, 31 March 2017 and 30 September 2017				**25,800,279**

Six months ended 30 September 2017

On 19 September 2017 the Company transferred 100,000 ordinary 10p shares to the Palace Capital Employee Benefit Trust.

Year ended 31 March 2017

On 14 June 2016 the Company issued 19,050 ordinary 10p shares. The issue costs amounting to £36,195 have been deducted from the share premium account.

On 17 June 2016 the Company purchased 91,587 ordinary 10p shares at a price of £3.60. All these purchased shares are held as treasury shares.

On 20 June 2016 the Company purchased 58,000 ordinary 10p shares at a price of £3.60. All these purchased shares are held as treasury shares.

On 10 March 2017 the Company issued 31,593 ordinary 10p shares from treasury at a price of £3.40

On 10 March 2017 the Company purchased 531,593 ordinary 10p shares at a price of £3.40. All these purchased shares are held as treasury shares.

A reduction of the Company's share capital by way of cancellation of the Deferred Shares was carried out and completed on 31 August 2016. The Company's issued share capital included 315,938 Deferred Shares as at 31 March 2016. The nominal value of the Deferred Shares was part of the capital of the Company and therefore not distributable. The Deferred Shares were created as a result of the reorganisation of the Company's share capital on 18 October 2013 when each 100 issued ordinary shares of £0.01 were consolidated in to ordinary shares of £1 each and then converted into one new Ordinary Share of £0.10 and one Deferred Share of £0.90. The Deferred Shares carried no voting or dividend rights and only very limited rights to participate in the capital of the Company upon a winding-up. These rights are such as to make the Deferred Shares virtually worthless in the hand of the holder.

In the Company's books the capital paid up on the Deferred Shares represented £284,244, being the aggregate nominal value of all the Deferred Shares. Cancelling the Deferred Shares with the prior approval of Shareholders by way of a special resolution and the subsequent approval of the Court has resulted in the removal of them from the Company's balance sheet and permitted an amount of £284,244 to be released to the Capital Redemption Reserve, which may be used to reduce or eliminate losses (if any) arising on the profit and loss account, and will also be retained for the protection of the Company's creditors that are in existence as at the date of the Capital Reduction. Additional fees of £8,786 were incurred as a result of the cancellation of the Deferred Shares and have been recognised as a debit against the Capital Redemption Reserve.

Year ended 31 March 2016

On 17 June 2015 the Company issued 5,555,556 ordinary 10p shares at a price of £3.60. Issue costs amounting to £885,383 were incurred and have been deducted from the share premium account.

Year ended 31 March 2015

On 23 June 2014 79,665 warrants were exercised and as a result the Company issued 79,665 ordinary 10p shares at a price of £2.00.

On 27 August 2014 the Company issued 6,451,612 ordinary 10p shares at a price of £3.10. Issue costs amounting to £795,684 were incurred and have been deducted from the share premium account.

In addition, on the same day the Company issued 1,103,459 ordinary 10p shares in exchange for 100% of the share capital of Property Investment Holdings Limited. The fair value of these shares was £3.275 per share.

On 17 February 2015 150,000 warrants were exercised and as a result the Company issued 150,000 ordinary 10p shares at a price of £2.00.

The Deferred Shares had the following rights and restrictions. As regards income the Deferred Shares shall not entitle the holders thereof to receive any dividend or other distribution unless and until the holders of the Ordinary Shares shall have received in aggregate amongst them the sum of £100,000,000 in respect of such dividend or distribution. As regards voting the Deferred Shares shall not entitle the holders thereof to receive notice of or to attend or vote at any General Meeting of the Company. As regards capital on a return of capital on a winding up the holders of Deferred Shares shall only be entitled to receive the amount paid up on such shares after the holders of the Ordinary Shares have received the sum of £1,000,000 for each Ordinary Share held by them and shall have no other right to participate in the assets of the Company.

Share options:

Reconciliation of movement in outstanding share options

	March 2015 *No of options*	*March 2016* *No of options*	*March 2017* *No of options*	*September 2017* *No of options*
At start of year/period	811,752	448,754	569,022	689,660
Issued in the year/period	–	120,268	171,281	–
Exercised in the year/period	(229,665)	–	(50,643)	–
Lapsed in the year/period	(133,333)	–	–	(331,758)
At end of year/period	**448,754**	**569,022**	**689,660**	**357,902**

The Company had the following outstanding unexpired options.

	March 2015		*March 2016*		*March 2017*		*September 2017*	
	No of options	*Weighted average Option price*	*No of options*	*Weighted average Option price*	*No of options*	*Weighted average Option price*	*No of options*	*Weighted average Option price*
Employee benefit plan (note 23)	429,704	17p	549,972	13p	689,660	0p	689,660	0p
Warrants issued to the Group's joint brokers	19,050	200p	19,050	200p	–	0p	–	0p
Total	448,754	25p	569,022	20p	689,660	0p	689,660	0p
Exercisable	19,050	200p	50,643	216p	–	0p	–	0p
Lapsed during the year/period	–	0p	–	0p	–	0p	(331,758)	0p
Not exercisable	**429,704**	**17p**	**518,379**	**0p**	**689,660**	**0p**	**357,902**	**0p**

Warrants issued to the Group's joint brokers

The Group's joint brokers received 248,715 options in 2014 in exchange for part of the fee charged by the brokers for the share issue that occurred during that year and the Directors considered the fair value of the service to be £50,000. All options had been exercised by the balance sheet date and there were none remaining at 30 September 2017.

23. SHARE BASED PAYMENTS

Employee benefit plan

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year:

	Number of options	*Exercise price*	*Grant date*	*Vesting date*
Outstanding at 31 March 2015	429,704	17p		
Issued during the year (LTIP 2015)	120,268	0p	8 Dec 2015	8 Dec 2018
Outstanding at 31 March 2016	**549,972**	**13p**		
Issued during the year (LTIP 2016)	171,281	0p	4 July 2016	4 July 2019
Exercised during the year	(31,593)	225p		
Outstanding at 31 March 2017	689,660	0p		
Exercised during the period	–	0p		
Lapsed during the period	(331,758)	0p		
At 30 September 2017	**357,902**	**0p**		

LTIP 2014

The options are awarded to employees on achievements against target on two separate measures over the three financial years ending 31 March 2017. Half the options will be awarded based on the first target and half based on the achievement of the second.

Earnings per share (EPS) growth: is based on an adjusted profit after tax excluding property revaluations and disposal profits/losses for the financial year. This target will measure the compound growth in EPS over the three year period ending 31 March 2017.

Total shareholder return (TSR) measures the total shareholder return (share price rise plus dividends) over the period from 21 October 2013 to 31 March 2017. The base price was £2.00 per share, which was the placing price on that day.

Average annual TSR (compounded) over the TSR performance period	*Vesting %*	*Average annual EPS growth (compounded) over the EPS performance period*	*Vesting %*
<20%	0	<15%	0
Equal to 20%	33.33	Equal to 15%	50
Equal to 25%	66.66	Equal to 30%	100
Equal to 30%	100		

For the TSR measure, the achievement of between 25% and 30% compound growth will result in the number of Ordinary shares vesting to be calculated on a straight line basis between 66.66% and 100%. A similar rule will apply between 20% and 25% and for the EPS condition between 15% and 30%.

LTIP 2015

The options are awarded to management for achievements against target on two separate measures over the three-year period ending 30 September 2018. Half the options will be awarded based on the first target and half based on the achievement of the second.

Net asset value per share (NAV) growth: is based on the Company's EPRA NAV per share as at 30 September 2018, adding back dividends per share paid during the period. This target will measure the compound growth in NAV over the three-year period ending 30 September 2018. The base level is £4.04 per share which was the EPRA NAV per share as at 30 September 2015.

Total shareholder return (TSR) measures the total shareholder return (price rise plus dividends) over the period from 8 December 2015 to 7 December 2018. The base price is £3.70 per share which was the market price at the grant date.

Average annual TSR (compounded) over the TSR performance period	*Vesting %*	*Average annual NAV growth (compounded) over the TSR performance period*	*Vesting %*
<8%	0	<8%	0
Equal to 8%	33.33	Equal to 8%	33.33
Equal to 13%	100	Equal to 13%	100

For the TSR measure, the achievement of between 8% and 13% compound growth will result in the number of Ordinary shares vesting to be calculated on a straight line basis between 33.33% and 100%. A similar rule will apply for the NAV condition between 8% and 13%.

LTIP 2016

The options are awarded to employees on achievements against targets on two separate measures over the three financial years ending 31 March 2019. Half the options will be awarded based on the first target and half based on the achievement of the second.

Net asset value per share (NAV) growth is based on the Company's EPRA NAV value per share as at 31 March 2016. This target will measure the compound growth in NAV over the three-year period ending 31 March 2019, and comparing this with the Net Asset Value Growth of a group of comparable companies. The base NAV per share is £4.14.

Total shareholder return (TSR) measures the total shareholder return (price rise plus dividends) over the period from 4 July 2016 to 3 July 2019. The base price is £3.16 per share which was the market price at the grant date.

Average annual TSR (compounded) over the TSR performance period	*Vesting %*	*Average annual NAV growth (compounded) over the TSR performance period*	*Vesting %*
<8%	0	At median	20
Equal to 8%	33.33	Between median and upper quartile	20-100
Equal to 13%	100	Upper quartile and above	100

For the TSR measure, the achievement of between 8% and 13% compound growth will result in the number of Ordinary shares vesting to be calculated on a straight line basis between 33.33% and 100%. A similar rule will apply for the NAV condition between median and upper quartile.

The fair value of grants was measured at the grant date using a Black-Scholes pricing model for the NAV tranche and using a Monte Carlo pricing model for the TSR tranche, taking into account the terms and conditions upon which the instruments were granted. The services received and the liability to pay for the services is recognised over the expected vesting period. The main assumptions of the Black-Scholes pricing model are as follows:

At 31 March 2017

Grant date	*Monte Carlo TSR Tranche 04.07.16*	*Black Scholes NAV Tranche 04.07.16*
Share price	£3.16	£3.16
Exercise price	0p	0p
Term	3 years	3 years
Expected volatility	20.80%	20.80%
Expected dividend yield	4.41%	4.41%
Risk free rate	0.17%	0.17%
Time to vest (years)	3.0	3.0
Expected forfeiture p.a.	0%	0%
Fair value per option	**£0.79**	**£2.77**

At 31 March 2016

Grant date	*8.12.15*
Exercise price	0p
Term	3 years
Expected volatility	25%
Expected dividend yield	4%
Risk free rate	1%
Expected forfeiture p.a.	0%

For the portion of the options subject to market conditions (TSR measure), it has been assessed that there was a likelihood of 50% the options vesting.

The fair value of the options granted was £1.65 for the TSR tranche and £3.30 for the NAV tranche.

At 31 March 2015

Grant date	*18.10.13*
Exercise price	0p
Term years	3.4 years
Expected volatility	25%
Expected dividend yield	4%
Risk free rate	1%
Expected forfeiture p.a.	0%

For the portion of the options subject to market conditions (TSR measure), it has been assessed that there was an 82% likelihood of the options vesting.

The expense recognised for employee share based payment received during the period is shown in the following table:

	March 2015	*March 2016*	*March 2017*	*September 2017*
	£000	*£000*	*£000*	*£000*
Palace Capital No 1 share option scheme	5	–	–	–
LTIP 2014	109	77	108	–
LTIP 2015	–	33	82	(14)
LTIP 2016	–	–	47	31
Total expense arising from share-based payments	**114**	**110**	**237**	**17**

Palace Capital plc granted awards to the executive Directors of the Company and other members of the Company's management team under the Palace Capital Long Term Incentive Plan ("LTIP") on the 1st November 2017. The Company accrued the share based payment expense of this award as at 30 September 2017 to be £83,000 and therefore the total share based payment expense as at 30 September 2017 as per the financial statements is £100,000.

24. RELATED PARTY TRANSACTIONS

Accounting services amounting to £2,864 (March 2017: £85,863; March 2016: £75,633; March 2015: £56,057) have been provided to the Group by Stanley Davis Group Limited, a company where Stanley Davis is a Director.

A convertible loan note amount of £300,000, provided by a pension scheme in which Stanley Davis is a beneficiary, was repaid on 23 June 2014. Interest charged during the year ended 31 March 2015 amounted to £2,032. Accrued unpaid interest on this loan in that year amounted to £nil.

25. CAPITAL COMMITMENTS

The obligation for capital expenditure relating to the construction, development or enhancement of investment properties entered into by the Group at 30 September 2017 amounted to £284,594 (March 2017: £78,363; March 2016: £1,435,985; March 2015: £nil).

At 31 March 2015 the Group had exchanged contracts to purchase an additional investment property for £10m. As at 31 March 2015 the company had paid a deposit of £1,000,000 against this contract.

26. POST BALANCE SHEET EVENT

On 9 October the acquisition of the entire share capital of the private investment property company, R.T Warren (Investments) Limited completed for a total consideration of £53.4 million. In addition, a bank loan of £14.5 million is being retained by R.T Warren (Investments) Limited. To finance the acquisition the Company undertook a share placing and open offer raising £70.0 million on the AIM. 20,588,236 new shares were issued at an issue price of 340 pence per share. Following Admission of the shares, the issued ordinary share capital of the Company consists of 45,838,928 ordinary shares. This figure excludes the 549,587 ordinary shares held in treasury.

At the date of issue of the historical financial information ("HFI") a detailed assessment of the fair value of the identifiable net assets has not been completed. This will be presented in the year-end financial statements when completion accounts have been finalised.

Palace Capital granted awards to the executive directors of the Company and other members of the Company's management team under the Palace Capital Long Term Investment Plan ("LTIP") on 1st November 2017. The awards give rights to the beneficiaries to acquire a total of 215,456 ordinary shares of 10p each in the Company for nil consideration. 169,956 of these Awards are being made to directors of the Company with the remainder to the Company's management team.

27. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities are loans and borrowings. The main purpose of the Group's loans and borrowings is to finance the acquisition and development of the Group's property portfolio. The Group has rent and other receivables, trade and other payables and cash and short-term deposits that arise directly from its operations. All financial assets are classified as loans and receivables and all financial liabilities are measured at amortised cost.

The Group is exposed to market risk (including interest rate risk and real estate risk), credit risk and liquidity risk.

The Group's senior management oversee the management of these risks, and the Board of Directors has overall responsibility for the determination of the Group's risk management objectives and policies and it sets policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Capital risk management

The Group considers its capital to comprise its share capital, share premium, other reserves and retained earnings which amounted to £111,622,430 at 30 September 2017 (March 2017: £109,559,765; March 2016: £106,815,113; March 2015: £80,015,514). The Group's capital management objectives are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing its services commensurately with the level of risk.

Within the subsidiaries of the Group, the business has covenanted to maintain a specified leverage ratio and a net interest expense coverage ratio, all the terms of which have been adhered to during the year.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed on pages 87 to 91 to this financial information.

Foreign currency risk

The Group has minimal exposure to the differing types of foreign currency risk. It has no foreign currency denominated monetary assets or liabilities and does not make sales or purchases from overseas countries.

Market risk

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (foreign currency risk) or other market factors.

Interest rate risk

The interest rate exposure profile of the Group's financial assets and liabilities as at 30 September 2017, 31 March 2017, 31 March 2016 and 31 March 2015 is:

	Nil rate assets and liabilities £000	*Floating rate assets £000*	*Fixed rate liability £000*	*Floating rate liability £000*	*Total £000*
At 30 September 2017					
Trade and other receivables	2,429	–	–	–	**2,429**
Cash and cash equivalents	–	–	–	–	**8,733**
Trade and other payables	(2,227)	–	–	–	**(2,227)**
Bank borrowings	–	–	(24,814)	(67,836)	**(92,650)**
Obligation under finance leases	–	–	(1,589)	–	**(1,589)**
	202	**8,733**	**(26,403)**	**(67,836)**	**(85,304)**
As at 31 March 2017					
Trade and other receivables	1,012	–	–	–	**1,012**
Cash and cash equivalents	–	11,181	–	–	**11,181**
Trade and other payables	(1,894)	–	–	–	**(1,894)**
Bank borrowings	–	–	(25,032)	(52,762)	**(77,794)**
Obligation under finance leases	–	–	(1,950)	–	**(1,950)**
	(882)	**11,181**	**(26,982)**	**(52,762)**	**(69,445)**
As at 31 March 2016					
Trade and other receivables	2,521	–	–	–	**2,521**
Cash and cash equivalents	–	8,576	–	–	**8,576**
Trade and other payables	(2,512)	–	–	–	**(2,512)**
Bank borrowings	–	–	–	(71,944)	**(71,944)**
Obligation under finance leases	–	–	(2,067)	–	**(2,067)**
	9	**8,576**	**(2,067)**	**(71,944)**	**(65,426)**

	Nil rate assets and liabilities £000	*Floating rate assets £000*	*Fixed rate liability £000*	*Floating rate liability £000*	*Total £000*
As at 31 March 2015					
Trade and other receivables	2,875	–	–	–	**2,875**
Cash and cash equivalents	–	12,278	–	–	**12,278**
Trade and other payables	(658)	–	–	–	**(658)**
Bank borrowings	–	–	–	(35,806)	**(35,806)**
Obligation under finance leases	–	–	(1,214)	–	**(1,214)**
	2,217	**12,278**	**(1,214)**	**(35,806)**	**(22,525)**

The Group is exposed to changes in interest rates as a result of the cash balances that it holds. The cash balances of the Group at 30 September 2017 were £8,733,000 (March 2017: £11,181,000; March 2016: £8,576,000; March 2015: £12,000,000). The income statement would be affected by £87,000 (March 2017: £112,000; March 2016: £80,000; March 2015: £120,000) by a one percentage point change in floating interest rates on a full year basis.

The Group has loans amounting to £67,836,000 (March 2017: £53,684,000; March 2016: £72,678,000; March 2015: £36,205,461), which have interest payable at rates linked to the three month Libor interest rates or bank base rates. A 1% increase in the Libor or base rate will have the effect of increasing interest payable by £678,000 (March 2017: £536,840; March 2016: £726,780; March 2015: £362,055).

The Group is therefore relatively sensitive to changes in interest rates. The Directors regularly review its position with regard to interest rates in order to minimize the Group's risk.

Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group.

The Group has its cash held on deposit with four large banks in the United Kingdom. At 30 September 2017 the concentration of credit risk held with Barclays Bank plc, the largest of these banks, was £4,553,482 (March 2017: £7,770,015; March 2016: £7,138,979; March 2015: £12,075,426).

Credit risk on liquid funds is limited because the counterparty is a UK bank with a high credit rating assigned by international credit rating agencies.

Credit risk also results from the possibility of a tenant in the Group's property portfolio defaulting on a lease. The largest tenant by contractual income amounts to 6.5% (March 2017: 6.7%; March 2016: 6.2%; March 2015: 7.0%) of the Group's anticipated income. The Directors assess a tenants' credit worthiness prior to granting leases and employ professional firms of property management consultants to manage the portfolio to ensure that tenants debts are collected promptly and the Directors in conjunction with the property managers take appropriate actions when payment is not made on time.

The carrying amount of financial assets (excluding cash balances) recorded in the financial information, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. The carrying amount of these assets at 30 September 2017 is £2,285,000 (March 2017: £951,000; March 2016: £2,521,000; March 2015: £2,874,983). The details of the provision for impairment are shown in note 16.

Liquidity risk management

The Group's policy is to hold cash and obtain loan facilities at a level sufficient to ensure that the Group has available funds to meet its medium-term capital and funding obligations, including organic growth and acquisition activities, and to meet certain unforeseen obligations and opportunities. The Group holds cash to enable the Group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a monthly cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans, term loans, loan notes, overdrafts and finance leases.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand	*0 – 1 years*	*1 to 2 years*	*2 to 5 years*	*> 5 years*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
At 30 September 2017						
Interest bearing loans	–	4,693	4,797	81,560	14,108	**105,158**
Finance leases	–	96	96	289	9,916	**10,397**
Trade and other payables	2,227	–	–	–	–	**2,227**
	2,227	**4,789**	**4,893**	**81,849**	**24,024**	**117,782**
As at 31 March 2017						
Interest bearing loans	–	4,190	4,293	65,678	14,325	**88,486**
Finance leases	–	122	122	366	12,131	**12,741**
Trade and other payables	1,894	–	–	–	–	**1,894**
	1,894	**4,312**	**4,415**	**66,044**	**26,456**	**103,121**
As at 31 March 2016						
Interest bearing loans	–	4,529	19,967	57,234	–	**81,730**
Finance leases	–	130	130	386	12,831	**13,477**
Trade and other payables	2,521	–	–	–	–	**2,521**
	2,521	**4,659**	**20,097**	**57,620**	**12,831**	**97,728**
As at 31 March 2015						
Interest bearing loans	–	1,696	20,961	16,974	–	**39,631**
Finance leases	–	87	87	261	8,023	**8,458**
Trade and other payables	658	–	–	–	–	**658**
	658	**1,783**	**21,048**	**17,235**	**8,023**	**48,747**

Derivative financial instruments

The Group does not currently use derivative financial instruments as hedging is not considered necessary. Should the Group identify a requirement for the future use of such financial instruments, a comprehensive set of policies and systems, as approved by the Directors, will be implemented.

In accordance with IAS 39, "Financial instruments: recognition and measurement", the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet specific requirements set out in the standard. No material embedded derivatives have been identified.

The Directors consider that the fair value of the Group's financial instruments is not materially different to their carrying value. This view was formed on the basis that, as indicated in note 19 of the financial information, the majority of bank loans and the loan notes attracted a variable rate of interest and that the cash deposits, and trade payables and receivables, are short-term in nature. Consequently, in accordance with paragraph 29(a) of IFRS 7, no fair value information has been disclosed and the information in paragraph 97 of IFRS 13 is not required.

Section C: Accountant's report on the historical financial information of R.T. Warren (Investments) Limited

BDO

BDO LLP
55 Baker Street
London
W1U 7EU

27 February 2018

The Directors
Palace Capital plc
Lower Ground Floor
One George Yard
London
EC3V 9DF

Arden Partners plc
125 Old Broad Street
London
EC2N 1AR

Dear Sirs

R.T. Warren (Investments) Limited ("RT Warren" or the "company")

Introduction

We report on the financial information prepared for inclusion and set out in Section D of Part VIII. This financial information has been prepared for inclusion in the prospectus dated 27 February 2018 of Palace Capital plc (the "Prospectus") on the basis of the accounting policies set out in the financial information. This report is required by item 20.1 of annex I of the Commission Regulation (EC) No. 809/2004 (the "PD Regulation") and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Directors of Palace Capital plc are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of annex I of the PD Regulation consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of R.T. Warren (Investments) Limited as at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017 and of its profits, cash flows and changes in equity for the years ended 31 March 2015, 31 March 2016 and 31 March 2017 and for the six months ended 30 September 2017 in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of annex I of the PD Regulation.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Section D: Historical financial information of R.T. Warren (Investments) Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	*Year ended 31 March 2015 £000*	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Rental & other income	2	3,553	3,333	3,618	1,738
Non recoverable property costs	6b	(869)	(587)	(510)	(252)
Net rental income		**2,684**	**2,746**	**3,108**	**1,486**
Administrative expenses	6c	(425)	(463)	(519)	(544)
Operating profit before gains & losses on property assets and cost of acquisition		2,259	2,283	2,589	942
Gains on revaluation of investment property portfolios		9,988	3,552	2,109	316
Profit on disposal of investment properties		–	359	–	56
Operating profit		**12,247**	**6,194**	**4,698**	**1,314**
Finance income	4	3	4	2	–
Finance costs	5	(352)	(317)	(497)	(318)
Profit before taxation		**11,898**	**5,881**	**4,203**	**996**
Taxation	7	(1,190)	(1,086)	(465)	(120)
Profit for the financial year		**10,708**	**4,795**	**3,738**	**876**
Other comprehensive income for the year		–	–	–	–
Total comprehensive income for the year		**10,708**	**4,795**	**3,738**	**876**
EARNINGS PER ORDINARY SHARE					
Basic	8	1,467.6p	657.2p	512.3p	120.0p

The statement of profit or loss has been prepared on the basis that all operations are continuing operations.

STATEMENT OF FINANCIAL POSITION

	Note	*As at 31 March 2015 £000*	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Non-current assets					
Property, plant and equipment	11	42	22	2	–
Investment properties	11	65,475	67,260	71,373	71,838
		65,517	**67,282**	**71,375**	**71,838**
Current assets					
Trade and other receivables	12	715	424	719	965
Cash and cash equivalents	13	1,657	2,622	1,224	1,316
		2,372	**3,046**	**1,943**	**2,281**
Current liabilities					
Trade and other payables	14	(5,399)	(952)	(882)	(1,210)
Borrowings	15	(766)	(14,516)	(14,516)	(14,516)
Current tax payable		(87)	(66)	(46)	–
		(6,252)	**(15,534)**	**(15,444)**	**(15,726)**
Net current liabilities		**(3,880)**	**(12,488)**	**(13,501)**	**(13,445)**
Total assets less current liabilities		**61,637**	**54,794**	**57,874**	**58,393**
Non-current liabilities					
Borrowings	15	(11,610)	–	–	–
Deferred tax	7	(3,011)	(3,698)	(3,762)	(3,770)
		(14,621)	**(3,698)**	**(3,762)**	**(3,770)**
Net assets		**47,016**	**51,096**	**54,112**	**54,623**
Equity					
Called up share capital	19	730	730	730	730
Capital redemption reserve		77	77	77	77
Retained earnings		46,209	50,289	53,305	53,816
Shareholder funds		**47,016**	**51,096**	**54,112**	**54,623**

STATEMENT OF CHANGES IN EQUITY

	Share Capital *£000*	*Capital Redemption Reserve* *£000*	*Retained Earnings* *£000*	*Total Equity* *£000*
At 1 April 2014	**730**	**77**	**36,566**	**37,373**
Total comprehensive income for the year	–	–	10,708	10,708
Dividends paid	–	–	(1,065)	(1,065)
At 31 March 2015	**730**	**77**	**46,209**	**47,016**
Total comprehensive income for the year	–	–	4,795	4,795
Dividends paid	–	–	(715)	(715)
At 31 March 2016	**730**	**77**	**50,289**	**51,096**
Total comprehensive income for the year	–	–	3,738	3,738
Dividends paid	–	–	(722)	(722)
At 31 March 2017	**730**	**77**	**53,305**	**54,112**
Total comprehensive income for the period	–	–	876	876
Dividends paid	–	–	(365)	(365)
At 30 September 2017	**730**	**77**	**53,816**	**54,623**

STATEMENT OF CASH FLOWS

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Cash flow from operating activities				
Profit before tax	11,898	5,881	4,203	996
Adjustment for:				
Depreciation	20	20	21	–
Profit on disposal of fixed assets	–	(359)	–	(56)
Gains on revaluation of investment properties	(9,988)	(3,552)	(2,109)	(316)
Investment income	(3)	(4)	(2)	–
Interest expense	352	317	497	318
(Increase)/decrease in debtors	187	291	(295)	(246)
Increase/(decrease) in creditors	4,375	(4,447)	(71)	329
Cash generated from operations	**6,841**	**(1,853)**	**2,244**	**1,025**
Interest paid	(352)	(317)	(497)	(318)
Tax paid	(460)	(420)	(420)	(159)
Cash generated from operating activities	**6,029**	**(2,590)**	**1,327**	**548**
Cash flows from investing activities				
Purchases of property, plant and equipment	(4,627)	(433)	(2,005)	(249)
Proceeds of disposal of property, plant and equipment	270	2,559	–	158
Interest received	3	4	2	–
Net cash flow from investing activities	**(4,354)**	**2,130**	**(2,003)**	**(91)**
Cash flows from financing activities				
Ordinary dividends paid	(1,065)	(715)	(722)	(365)
Bank loan repaid	(766)	–	–	–
New loan	–	2,140	–	–
Net cash used in financing activities	**(1,831)**	**1,425**	**(722)**	**(365)**
Net increase/(decrease) in cash and cash equivalents	**(156)**	**965**	**(1,398)**	**92**
Cash and cash equivalents at beginning of the year/period	1,813	1,657	2,622	1,224
Cash and cash equivalents at the end of the year/period	**1,657**	**2,622**	**1,224**	**1,316**

NOTES TO THE FINANCIAL INFORMATION

BASIS OF ACCOUNTING

R.T. Warren (Investments) Limited is a private company limited by shares incorporated in England and Wales, United Kingdom. The address of the registered office is Bay Lodge, 36 Harefield Road, Uxbridge, Middlesex, UB8 1PH. The nature of RT Warren's operations and principal activities are that of property investment.

BASIS OF PREPARATION

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The financial information of RT Warren has been prepared on a basis consistent with the accounting policies of Palace Capital plc.

The financial information is for three years ended 31 March 2017 and the six months ended 30 September 2017 and has been prepared on a historical cost basis, except for investment properties which have been measured at fair value. The consolidated financial information is presented in pounds sterling ("GBP") which is also the company's functional currency.

The principal accounting policies adopted are set out below.

GOING CONCERN

The financial position of RT Warren, its cash flows, liquidity position and borrowing facilities are described in this financial information. In addition, note 23 to the financial information includes the company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

RT Warren has reasonable financial resources together with long-term contracts with a wide range of tenants. As a consequence, the directors believe that RT Warren is well placed to manage its business risk successfully.

After making enquiries, and in accordance with the FRC's Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial information. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

NEW STANDARDS ADOPTED DURING THE YEAR

At the date of authorisation of this financial information, the following accounting standards had been issued which are not yet applicable to RT Warren:

Mandatory for accounting periods beginning on or after 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 2 Classification and Measurement of Share-based Payment Transactions

Mandatory for accounting periods beginning on or after 1 January 2019:

- IFRS 16 'Leases'

The company has carried out an initial assessment of the impact of the adoption of the standards above. Based on this, the directors do not anticipate that these will have a material impact on the financial information of the company in future periods, although it is noted that additional disclosures may be required. A detailed review of the impact of these standards will be undertaken in advance of their mandatory adoption.

Additionally, amendments to the existing standards issued by the IASB below became effective on 1 January 2017:

- IAS 7 (amendments) 'Statement of Cash Flows'
- IAS 12 (amendments) 'Recognition of Deferred Tax Assets for Unrealised Losses'

The directors do not consider that these amendments have materially impacted the financial information.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue is derived from property income and represents the value of accrued charges under operating leases for rental of RT Warren's investment properties. Revenue is measured at fair value of the consideration received. All income is derived in the United Kingdom.

Rental income from investment properties leased out under operating leases is recognised in the Income Statement on a straight-line basis over the term of the lease. Contingent rent reviews are recognised when such reviews have been agreed with tenants. Lease incentives and guaranteed rent review amounts are recognised as an integral part of the net consideration for use of the property and amortised on a straight-line basis over the term of lease.

Other income comprises miscellaneous income and is accounted for on an accruals basis.

Operating profit

Operating profit is stated before interest and tax.

Financial instruments

Financial assets and financial liabilities are recognised on RT Warren's balance sheet when the company has become a party to the contractual provision of the instrument.

Investment properties

Investment properties are those properties that are held either to earn rental income or for capital appreciation or both.

Investment properties are measured initially at cost including transaction costs and thereafter are stated at fair value, which reflects market conditions at the balance sheet date. Surpluses and deficits arising from changes in the fair value of investment properties are recognised in the Statement of Comprehensive Income in the year in which they arise.

Investment properties are stated at fair value as determined by the independent valuers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms-length transaction at the date of valuation, in accordance with International Valuation Standards. In determining the fair value of investment properties, the independent valuers make use of historical and current market data as well as existing lease agreements.

Additions and disposals of investment properties are recognised in the accounts when contracts are completed.

RT Warren recognises investment property as an asset when it is probable that the economic benefits that are associated with the investment property will flow to the company and the company can measure the cost of the investment reliably.

RT Warren evaluates all its investment property costs at the time they are incurred. These costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property. Any costs deemed as repairs and maintenance or any costs associated with the day-to-day running of the property will be recognised in the profit and loss account as they are incurred.

Obligations under finance leases

Leases of assets where the company has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Investment properties classified as held under finance leases are subsequently carried at their fair value.

Operating leases

Amounts payable under operating leases are charged directly to the Statement of Comprehensive Income on a straight line basis over the period of the lease. The aggregate costs of operating lease incentives provided by the company are recognised as a reduction in rental income on a straight line basis over the lease term.

Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful economic lives. The rates generally applicable are:

Fixtures, fittings and equipment	20% – 25% straight line

Trade and other receivables

Trade and other receivables are recognised and carried at the original transaction value. A provision for impairment is established where there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables concerned.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by RT Warren are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by RT Warren are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted, by the balance sheet date.

Deferred taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. RT Warren's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to other comprehensive income or to equity, in which case the deferred tax is also dealt with in other comprehensive income.

The government announced in the summer 2015 budget the reduction in the corporation tax rate from the 20% main rate in the tax year 2016 to 19% with effect from 1st April 2017 and to 17% from 1st April 2020.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Commitments and contingencies

Commitments and contingent liabilities are disclosed in the financial information. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial information but disclosed when an inflow of economic benefits is probable.

Events after the balance sheet date

Post year-end events that provide additional information about a company's position at the balance sheet date and are adjusting events are reflected in the financial information. Post year-end events that are not adjusting events are disclosed in the notes when material.

Equity

For the purpose of preparing the financial information of the company, the share capital represents the nominal value of the issued share capital of RT Warren.

The capital redemption reserve is a non-distributable reserve and represents paid up share capital.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of the financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimation is contained in the accounting policies or the notes to the accounts, and the key areas are summarised below.

Investment properties

The key source of estimation uncertainty rests in the values of property assets, which significantly affects the value of investment properties in the Statement of Financial Position. The investment property portfolio is carried at fair value, which requires a number of judgements and estimates in assessing the qualities of the company's assets relative to market transactions. The approach to this valuation and the amounts affected are set out in the accounting policies and note 11.

RT Warren has valued the investment properties at fair value. To the extent that any future valuation affects the fair value of the investment properties, this will impact on the company's results in the period in which this determination is made.

Deferred tax

In determining the quantum of deferred tax assets to be recognised, judgement is required in assessing the extent to which it is probable that future taxable profit will arise in the companies concerned. Management use forecasts of future taxable profits and make assumptions on growth rates for each entity in assessing the recoverability of assets recognised.

1. REVENUE

Revenue is attributable to the principal activity of the company and all arises within the United Kingdom.

2. SEGMENTAL REPORTING

For the purpose of IFRS 8, the chief operating decision maker ("CODM") takes the form of the six Directors. The company's directors are of the opinion that the business of the company is as follows.

The principal activity of the company was to invest in commercial and residential real estate in the UK.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal financial reports about components of the company that are regularly reviewed by the chief operating decision maker (which in the company's case is its company's directors).

The internal financial reports received by the company's directors contain financial information at a company level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the financial information. Additionally, information is provided to the company's directors showing gross property income and property valuation by individual property. Therefore, for the purposes of IFRS 8, each individual property is considered to be a separate operating segment in that its performance is monitored individually.

The company's property portfolio includes investment properties located throughout England, predominantly regional investments outside London and comprises a diverse portfolio of commercial and residential buildings. The directors consider that these properties have similar economic characteristics.

Therefore, these individual properties have been aggregated into a single operating segment. In the view of the Directors, there is one reportable segment under the provisions of IFRS 8.

All of the company's properties are based in the UK. No geographical grouping is contained in any of the internal financial reports provided to the company's directors and, therefore, no geographical segmental analysis is required by IFRS 8.

Revenue type

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Rents received from investment properties	3,553	3,333	3,618	1,738
Management fees & other income	–	–	–	–
Total revenue	**3,553**	**3,333**	**3,618**	**1,738**

One tenant contributed more than 10% of RT Warren's total period rents received, these included the amounts received in the period totalling £180,000 (30 September 2017), £360,000 (31 March 2017) and £349,575 (31 March 2016).

3. EMPLOYEES' AND DIRECTORS' REMUNERATION

Staff costs during the period were as follows:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Wages and salaries	207	216	230	119
Social security costs	24	27	26	12
Insurance	7	8	10	5
	238	**251**	**266**	**136**

The average number of employees of RT Warren during the period was:

	Year ended 31 March 2015	*Year ended 31 March 2016*	*Year ended 31 March 2017*	*Six months ended 30 September 2017*
Directors and management	5	6	6	6
Administration	1	1	1	1
	6	**7**	**7**	**7**

Key management are the company's directors previously employed. Remuneration in respect of key management was as follows:

	Year ended 31 March 2015	*Year ended 31 March 2016*	*Year ended 31 March 2017*	*Six months ended 30 September 2017*
Short-term employee benefits:				
Emoluments for qualifying services	185	196	200	104
Social security costs	22	25	23	11
Pension	4	5	6	3
	211	**226**	**229**	**118**

The amounts set out above include remuneration in respect of the highest paid director as follows:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Short-term employee benefits:				
Emoluments for qualifying services	139	144	145	69
	139	**144**	**145**	**69**

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Bank interest received	3	4	2	–
	3	**4**	**2**	**–**

5. FINANCE COSTS

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
On bank loans	352	317	497	318
	352	**317**	**497**	**318**

6. PROFIT FOR THE PERIOD

a) *RT Warren's profit for the period is stated after charging the following:*

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Depreciation of tangible fixed assets:	20	20	21	–
Auditor's remuneration:				
Fees payable to the auditor for the audit of the company's annual accounts	13	13	13	8
	13	**13**	**13**	**8**

Amounts payable to the Ward Williams Group in respect of audit and non-audit services are disclosed in the table above.

b) *RT Warren's property costs comprise the following:*

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Void investment property costs	162	170	133	(57)
Repairs and maintenance expenses	–	–	186	91
Service Charge expense	515	233	17	38
Legal and consultancy	192	184	174	180
	869	**587**	**510**	**252**

c) *RT Warren's administrative expenses comprise the following:*

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Staff costs	238	251	266	136
One off redundancy costs	–	–	–	91
Legal & professional fees	84	116	142	258
Property management fees	–	–	9	16
Accounting and audit fees	48	54	60	26
Rent, rates and other office costs	35	22	21	17
Depreciation	20	20	21	–
	425	**463**	**519**	**544**

7. TAXATION

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Current tax				
UK Corporation tax	420	400	400	139
Adjustment for prior years	(13)	(1)	–	(26)
Total current tax	407	399	400	113
Deferred tax				
Origination and reversal of timing differences	783	687	65	7
Total tax charge	**1,190**	**1,086**	**465**	**120**

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Profit on ordinary activities before tax	11,898	5,881	4,203	996
Based on profit for the period:				
Tax at 19% (March 2017: 20%; March 2016: 20%; March 2015: 21%)	2,499	1,176	841	189
Effect of:				
Indexation used in the period	(1,152)	(23)	(159)	(53)
Tax under/over provided in prior years	(6)	(67)	(19)	(16)
Change of rate used for deferred tax	(151)	–	(198)	–
Tax charge for the period	**1,190**	**1,086**	**465**	**120**

Deferred taxes relate to the following:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Deferred tax liability – brought forward	2,228	3,011	3,698	3,762
Deferred tax on fair value of investment property	783	687	64	8
Deferred tax liability – carried forward	**3,011**	**3,698**	**3,762**	**3,770**

Finance Act 2015 sets the main rate of UK corporation tax at 20 per cent with effect on 1 April 2015. The enactment of Finance (No. 2) Act 2015 and Finance Act 2016 reduces the main rate of corporation tax to 19 per cent from April 2017 and 17 per cent from April 2020.

8. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share and Diluted earnings per share have been calculated on profit after tax attributable to ordinary shareholders for the period (as shown on the Statement of Comprehensive Income) and for the Earnings per share, the weighted average number of ordinary shares in issue during the period (see below table). There was no dilution effect on shares in the periods, so this is excluded from the table below.

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Profit after tax attributable to ordinary shareholders for the period	10,708	4,795	3,738	876
	No. of shares	*No. of shares*	*No. of shares*	*No. of shares*
Weighted average number of shares	729,606	729,606	729,606	729,606
Earnings per ordinary share;				
Basic	1,467.6p	657.2p	512.3p	120.0p

Key Performance Measures

The financial information is prepared under IFRS which incorporates non-realised fair value measures and non-recurring items. Alternative Performance Measures ('APMs'), being financial measures, which are not specified under IFRS are also used by Management to assess the company's performance. These include a number of European Public Real Estate Association ('EPRA') measures, prepared in accordance with the EPRA Best Practice Recommendations (BPR) reporting framework the latest update of which was issued in November 2016. We report a number of these measures (detailed in the glossary of terms) because Management considers them to improve the transparency and relevance of our published results as well as the comparability with other listed European real estate companies.

EPRA EPS

EPRA Earnings is a measure of operational performance and represents the net income generated from the operational activities. It is intended to provide an indicator of the underlying income performance generated from the leasing and management of the property portfolio. EPRA earnings are calculated taking the profit after tax excluding investment property revaluations and gains and losses on disposals, changes in fair value of financial instruments, associated close-out costs, one-off finance termination costs, share based-payments and other one-off exceptional items. EPRA earnings is calculated on the basis of the basic number of shares in line with IFRS earnings as the dividends to which they give rise accrue to current shareholders and therefore it is more appropriate to use the basic number of shares.

Adjusted profit before tax and Adjusted EPS

RT Warren also reports an adjusted earnings measure which is based on recurring earnings before tax and on the basis of the basic number of shares. This takes profit before tax as the starting point and then adds back any fair value movements or one-off items that were included in EPRA earnings. This provides the underlying income performance of the company and therefore the basis for the dividend policy. The corporation tax charge (excluding deferred tax movements) is deducted in order to calculate the adjusted earnings per share and dividend cover is based on this calculation.

The EPRA and adjusted earnings per share for the period are calculated based upon the following information:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Profit before tax	11,898	5,881	4,203	996
Adjustments:				
Gains on revaluation	(9,988)	(3,552)	(2,109)	(316)
Profit on disposal of investment properties	–	(359)	–	(56)
Adjusted profit before tax for the period	**1,910**	**1,970**	**2,094**	**624**
Tax charge for the year	(1,190)	(1,086)	(465)	(120)
Deferred tax charge on revaluation gains	783	687	65	7
Adjusted profit after tax for the period	**1,503**	**1,571**	**1,694**	**511**
EPRA earnings for the period	**1,503**	**1,571**	**1,694**	**511**
EPRA AND ADJUSTED EARNINGS PER ORDINARY SHARE;				
EPRA Basic	206.0p	215.3p	232.0p	70.1p
Adjusted EPS	206.0p	215.3p	232.1p	70.0p

9. NET ASSETS VALUE PER SHARE

EPRA NAV calculation makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy. EPRA NAV is adjusted to take effect of the exercise options, convertibles and other equity interests and excludes the fair value of financial instruments and deferred tax on latent gains. EPRA NNNAV measure is to report net asset value including fair values of financial instruments and deferred tax on latent gains.

The diluted net assets and the number of diluted ordinary issued shares at the end of the period assumes that all the outstanding options that are exercisable at the period end are exercised at the option price.

Net asset value is calculated using the following information:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Net assets at end of the period	**47,016**	**51,096**	**54,112**	**54,623**
Exclude fair value of financial instruments & exclude deferred tax on latent capital gains	3,011	3,698	3,762	3,770
EPRA NAV	**50,027**	**54,794**	**57,874**	**58,393**
Include fair value of financial instruments & include deferred tax on latent capital gains	(3,011)	(3,698)	(3,762)	(3,770)
EPRA NNNAV	**47,016**	**51,096**	**54,112**	**54,623**

	Year ended 31 March 2015 No. of shares	*Year ended 31 March 2016 No. of shares*	*Year ended 31 March 2017 No. of shares*	*Six months ended 30 September 2017 No. of shares*
Number of ordinary shares issued for diluted and EPRA net assets per share	729,606	729,606	729,606	729,606
Net assets per ordinary share				
Basic	64.4p	70.0p	74.2p	74.9p
EPRA NAV	68.6p	75.1p	79.3p	80.0p
EPRA NNNAV	64.4p	70.0p	74.2p	74.9p

10. DIVIDENDS

	Payment date	*Dividend per share*	*Six months ended Sept 2017 £'000*	*Year ended 31 March 2017 £'000*	*Year ended 31 March 2016 £'000*	*Year ended 31 March 2015 £'000*
September 2017						
Final dividend	23 June 2017	50.00	**365**	–	–	–
Distribution of current year profit		**50.00**	**365**	–	–	–
March 2017						
Interim dividend	3 January 2017	49.00	–	**357**	–	–
Final dividend	27 June 2016	50.00	–	**365**	–	–
Distribution of current year profit		**99.00**	–	**722**	–	–
March 2016						
Final dividend	4 January 2016	48.00	–	–	350	–
Interim dividend	29 June 2015	50.00	–	–	365	–
Distribution of prior year profit		98.00	–	–	715	–
March 2015						
Final dividend	2 January 2015	46.00	–	–	–	335
Interim dividend	30 June 2014	100.00	–	–	–	730
		146.00	–	–	–	1,065
Dividends reported in the statement of changes in equity			**365**	**722**	**715**	**1,065**

11. NON CURRENT ASSETS

	Investment properties				
	Freehold	*Long leasehold*	*Furniture and equipment*	*Motor vehicles*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
COST/VALUATION					
At 1 April 2014	**50,430**	**700**	**5**	**81**	**51,216**
Additions at cost	4,627	–	–	–	4,627
Disposals	(270)	–	–	–	(270)
Increase in valuation	9,878	110	–	–	9,988
At 31 March 2015	**64,665**	**810**	**5**	**81**	**65,561**
Additions at cost	433	–	–	–	433
Disposals	(2,200)	–	–	–	(2,200)
Increase in valuation	3,432	120	–	–	3,552
At 31 March 2016	**66,330**	**930**	**5**	**81**	**67,346**
Additions at cost	2,004	–	1	–	2,005
Disposals	–	–	(1)	–	(1)
Increase in valuation	2,059	50	–	–	2,109
At 31 March 2017	**70,393**	**980**	**5**	**81**	**71,459**
Additions at cost	249	–	–	–	249
Disposals	(100)	–	(5)	(81)	(186)
Increase in valuation	316	–	–	–	316
At 30 September 2017	70,858	980	–	–	**71,838**
DEPRECIATION					
At 1 April 2014	–	–	4	20	24
Charge for year	–	–	–	20	20
On disposals	–	–	–	–	–
At 31 March 2015	–	–	**4**	**40**	**44**
Charge for year	–	–	–	20	20
On disposals	–	–	–	–	–
At 31 March 2016	–	–	**4**	**60**	**64**
Charge for year	–	–	1	20	21
On disposals	–	–	(1)	–	(1)
At 31 March 2017	–	–	**4**	**80**	**84**
Charge for year	–	–	–	–	**–**
On disposals	–	–	(4)	(80)	(84)
At 30 September 2017	–	–	–	–	–
NET BOOK VALUES					
At 30 September 2017	**70,858**	**980**	**–**	**–**	**71,838**
At 31 March 2017	**70,393**	**980**	**1**	**1**	**71,375**
At 31 March 2016	**66,330**	**930**	**1**	**21**	**67,282**
At 31 March 2015	**64,665**	**810**	**1**	**41**	**65,517**

Investment properties are stated at fair value as determined by independent valuers, Cushman & Wakefield LLP, who make use of historical and current market data as well as existing lease agreements. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms-length transaction at the date of valuation, in accordance with International Financial Reporting Standard. The fair value of each of the properties has been assessed by the independent valuers.

As a result of the level of judgement used in arriving at the market valuations, the amounts which may ultimately be realised in respect of any given property may differ from the valuations shown in the Statement of Financial Position.

In addition to the gain on revaluation of investment properties included in the table above, realised gains of £56,000 (March 2017: £nil; March 2016: £359,000; March 2015: £nil) relating to investment properties disposed of during the period were recognised in profit or loss.

A reconciliation of the valuations carried out by the independent valuers to the carrying values shown in the Statement of Financial Position was as follows:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
Cushman & Wakefield LLP	65,475	67,260	71,373	**71,838**
Fair value	**65,475**	**67,260**	**71,373**	**71,838**
Adjustment in respect of minimum payment under head leases	–	–	–	–
Less lease incentive balance included in prepayments	–	–	–	–
Carrying value	**65,475**	**67,260**	**71,373**	**71,838**

The valuations of all the investment properties held by the company is classified as Level 3 in the IFRS 13 fair value hierarchy as they are based on unobservable inputs. There have been no transfers between levels of the fair value hierarchy during the year.

Valuation process

The valuation reports produced by the independent valuers are based on information provided by the company such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the company's financial and property management systems and is subject to the company's overall control environment.

In addition, the valuation reports are based on assumptions and valuation models used by the independent valuers. The assumptions are typically market related, such as yields and discount rates, and are based on their professional judgment and market observations. Each property is considered a separate asset, based on its unique nature, characteristics and the risks of the property.

The key assumptions made in the valuation of the company's investment properties are:

- The amount and timing of future income streams;
- Anticipated maintenance costs and other landlord's liabilities; and
- An appropriate yield.

Valuation technique

The valuations reflect the tenancy data supplied by the company along with associated revenue costs and capital expenditure. The fair value of the commercial investment portfolio has been derived from capitalising the future estimated net income receipts at capitalisation rates reflected by recent arm's length sales transactions.

30 September 2017	*Significant unobservable inputs Cushman & Wakefield*
Value of investment properties	£48,495,000
Area (sq. ft.)	254,655
Gross Estimated Rental Value	£3,608,445
Net Initial Yield	
Minimum	(5.7%)
Maximum	8.2%
Weighted average	5.2%
Reversionary Yield	
Minimum	4.7%
Maximum	11.4%
Weighted average	7.0%
Equivalent Yield	
Minimum	4.2%
Maximum	8.9%
Weighted average	6.6%

Negative Net Initial Yields arise where properties are vacant or partially vacant and void costs exceed rental income.

Sensitivity of measurement to variations in the significant unobservable inputs

Unobservable input	*Impact on fair value measurement of significant increase in input*	*Impact on fair value measurement of significant decrease in input*
Gross Estimated Rental Value	Increase	Decrease
Net Initial Yield	Decrease	Increase
Reversionary Yield	Decrease	Increase
Equivalent Yield	Decrease	Increase

31 March 2017	*Significant unobservable inputs Cushman & Wakefield*
Value of investment properties	£48,030,000
Area (sq. ft.)	254,655
Gross Estimated Rental Value	£3,606,065
Net Initial Yield	
Minimum	(1.0%)
Maximum	9.5%
Weighted average	5.6%
Reversionary Yield	
Minimum	4.7%
Maximum	11.3%
Weighted average	7.1%
Equivalent Yield	
Minimum	4.2%
Maximum	8.9%
Weighted average	6.6%

Negative Net Initial Yields arise where properties are vacant or partially vacant and void costs exceed rental income.

31 March 2016	*Significant unobservable inputs Cushman & Wakefield*
Value of investment properties	£44,920,000
Area (sq. ft.)	254,655
Gross Estimated Rental Value	£3,536,665
Net Initial Yield	
Minimum	(4.9%)
Maximum	9.1%
Weighted average	5.4%
Reversionary Yield	
Minimum	5.2%
Maximum	10.9%
Weighted average	7.3%
Equivalent Yield	
Minimum	5.9%
Maximum	17.5%
Weighted average	7.0%

Negative Net Initial Yields arise where properties are vacant or partially vacant and void costs exceed rental income

31 March 2015	*Significant unobservable inputs Cushman & Wakefield*
Value of investment properties	£46,230,000
Area (sq. ft.)	282,090
Gross Estimated Rental Value	£3,754,265
Net Initial Yield	
Minimum	(5.6%)
Maximum	9.1%
Weighted average	4.9%
Reversionary Yield	
Minimum	5.3%
Maximum	11.1%
Weighted average	7.3%
Equivalent Yield	
Minimum	6.0%
Maximum	18.6%
Weighted average	7.1%

Negative Net Initial Yields arise where properties are vacant or partially vacant and void costs exceed rental income

The relationship between the unobservable inputs and their impact on the fair value measurement is not certain. Changes to the tenancies and/or income profile of an investment asset may also impact the fair value outside one or more of the above inter-relationships according to individual circumstances

12. TRADE AND OTHER RECEIVABLES

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Trade receivables	683	396	631	754
Other receivables	5	3	6	167
Prepayments and accrued income	27	25	82	44
	715	**424**	**719**	**965**

13. CASH & CASH EQUIVALENTS

All of RT Warren's cash and cash equivalents at 30 September 2017, 31 March 2017, 31 March 2016 and March 2015 are in sterling and held at floating interest rates.

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Cash and cash equivalents	1,657	2,622	1,224	**1,316**

The directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

14. TRADE AND OTHER PAYABLES

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Other payables	206	187	183	454
Accruals	5,193	765	699	756
	5,399	**952**	**882**	**1,210**

15. BORROWINGS

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Secured – at amortised cost				
Bank loans	12,376	14,516	14,516	14,516
Which fall due after more than five years	–	–	–	–

The bank loan is secured by fixed charges on specific freehold properties. Interest rates are based on Libor.

Analysis of borrowings:

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Current liabilities	766	14,516	14,516	14,516
Non-current liabilities	11,610	–	–	–
	12,376	**14,516**	**14,516**	**14,516**

The maturity profile of RT Warren's debt was as follows:

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Within one year	766	14,516	14,516	14,516
From one to two years	11,610	–	–	–
	12,376	**14,516**	**14,516**	**14,516**

Facility and arrangement fees

As at 30 September 2017

Secured Borrowings	*All in cost £000*	*Maturity date £000*	*Loan Balance £000*	*Unamortised facility fees £000*	*Facility drawn £000*
Barclays Bank PLC		Jan 2018	14,516	–	14,516
			14,516	–	14,516

As at 31 March 2017

Secured Borrowings	*All in cost £000*	*Maturity date £000*	*Loan Balance £000*	*Unamortised facility fees £000*	*Facility drawn £000*
Barclays Bank PLC		Jan 2018	14,516	–	14,516
			14,516	–	14,516

As at 31 March 2016

Secured Borrowings	*Margin over LIBOR %*	*Maturity date*	*Loan Balance £000*	*Unamortised facility fees £000*	*Facility drawn £000*
Barclays Bank plc		Jul 2016	14,516	–	14,516
			14,516	–	14,516

As at 31 March 2015

Secured Borrowings	*Margin over LIBOR %*	*Maturity date*	*Loan Balance £000*	*Unamortised facility fees £000*	*Facility drawn £000*
Barclays Bank plc		Jul 2016	12,376	–	12,376
			12,376	–	12,376

Investment properties with a carrying value of £48,495,000 (March 2017: £48,030,000; March 2016: £44,920,000; March 2015: £46,230,000) are subject to a first charge to secure the company's bank loans amounting to £14,516,000 (March 2017: £14,516,000; March 2016: £14,516,000; March 2015: £12,376,000).

RT Warren has been in compliance with all financial covenants of the above facilities applicable throughout the period.

16. PROVISION FOR LIABILITIES

Deferred taxation

Provision has been made for deferred tax on gains recognised on revaluing investment property to its fair value. Such tax would become payable only if the property were sold.

	Residential *£000*	*Commercial* *£000*	*Total* *£000*
As at 31 March 2015			
Potential capital gains	12,742	2,312	**15,054**
Deferred tax liabilities	2,549	462	**3,011**
As at 31 March 2016			
Potential capital gains	15,612	2,875	**18,487**
Deferred tax liabilities	3,123	575	**3,698**
As at 31 March 2017			
Potential capital gains	16,393	3,409	**19,802**
Deferred tax liabilities	3,115	647	**3,762**
As at 30 September 2017			
Potential capital gains	16,325	3,516	**19,841**
Deferred tax liabilities	3,102	668	**3,770**

17. GEARING AND LOAN TO VALUE RATIO

The calculation of gearing is based on the following calculations of net assets and net debt:

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
EPRA Net asset value	**50,027**	**54,794**	**57,874**	**58,393**
Borrowings net of issue costs	12,376	14,516	14,516	14,516
Cash and cash equivalents	(1,657)	(2,622)	(1,224)	(1,316)
Net Debt	**10,719**	**11,894**	**13,292**	**13,200**
EPRA NAV Gearing	**21%**	**22%**	**23%**	**23%**

The calculation of bank loan to property value is calculated as follows:

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Fair value of property portfolio	**65,475**	**67,260**	**71,373**	**71,838**
Borrowings	12,376	14,516	14,516	14,516
Cash at bank	(1,657)	(2,622)	(1,224)	(1,316)
Net bank borrowings	**10,719**	**11,894**	**13,292**	**13,200**
Loan to value ratio	19%	22%	20%	20%
Net Loan to value ratio	16%	18%	**19%**	**18%**

18. LEASES

Operating lease receipts in respect of rents on investment properties are receivable as follows:

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Within one year	2,609	2,731	2,910	2,856
From one to two years	2,014	2,081	2,472	2,617
From two to five years	4,402	4,551	5,533	5,490
From five to 25 years	3,328	4,818	4,606	3,699
	12,353	**14,181**	**15,521**	**14,662**

19. CALLED UP SHARE CAPITAL

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Issued and fully paid:				
'A' Ordinary shares of £1 each	730	730	730	730
Number of shares	729,606	729,606	729,606	729,606

Reconciliation of movement in ordinary share capital	*As at 31 March 2015 £000*	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
At start of and end of the period	730	730	730	730

Movement in ordinary authorised share capital	*Total number of shares 000s*
As at 1 April 2015	729,606
As at 31 March 2016	729,606
As at 31 March 2017	729,606
Total number of shares excluding the number held in treasury	**729,606**

There was no movement in ordinary authorised share capital in any of the periods under review.

20. CONTROLLING PARTY

The shareholders collectively control RT Warren; no individual shareholder has a majority voting interest.

21. RELATED PARTY TRANSACTIONS

During the period ended 30 September 2017 fees amounting to £27,823 (March 2017: £49,337; March 2016: £80,897; March 2015: £59,329) were paid to Rebbeck Brothers Ltd, property agents of which T.J. Mellery-Pratt is a director. The fees were for services rendered by Rebbeck Brothers Ltd in the normal course of its business and on normal commercial terms.

During the period ended 30 September 2017 consultancy fees amounting to £50,000 (March 2017: £50,000; March 2016: £nil; March 2015: £nil) were paid to T.J. Mellery-Pratt, a director of the company.

During the year the directors of RT Warren received dividends from the company as follows:

	Year ended 31 March 2015 £000	*Year ended 31 March 2016 £000*	*Year ended 31 March 2017 £000*	*Six months ended 30 September 2017 £000*
R.T. Warren	96,360	64,680	65,340	33,000
R.T. Warren (Family)	94,900	63,700	64,350	32,500
P.W.G. Hurst	68,413	23,429	–	–
R.A. Angier	17,662	11,856	11,977	6,049
R.A. Angier (Family)	5,840	3,920	3,960	2,000
C.A. Warren	81,217	54,515	55,072	22,814
M.W.G. Hurst	22,617	15,182	22,990	10,555
P.R. Angier	2,498	1,677	1,694	856

There were no outstanding balances due to related parties at any of the period ends.

22. POST BALANCE SHEET EVENT

The company was acquired post year end by Palace Capital plc on 9 October 2017.

23. FINANCIAL RISK MANAGEMENT

RT Warren is exposed to a variety of risks arising from the company's operations being principally liquidity risk.

Liquidity risk

Liquidity risk is managed to ensure that the company is able to meet future payment obligations when financial liabilities fall due. Liquidity analysis is conducted to ensure that sufficient headroom is available to meet the operational requirements and committed investments. RT Warren's treasury policy aims to meet this objective through maintaining adequate cash, marketable securities and committed facilities to meet these requirements.

The tables below set out the maturity analysis of the company's financial liabilities based on the undiscounted contractual obligations to make payments of interest and to repay principal.

	As at 31 March 2015 £000	*As at 31 March 2016 £000*	*As at 31 March 2017 £000*	*As at 30 September 2017 £000*
Other financial liabilities	(17,775)	(15,468)	(15,398)	(15,726)
Within 1 year	(6,165)	(15,468)	(15,398)	(15,726)
From 1 to 2 years	(12,376)	–	–	–

Classification of financial assets and liabilities

The table below sets out the company's accounting classification of each class of financial assets and liabilities, and their fair values at 30 September 2017, 31 March 2017, 31 March 2016 and 31 March 2015.

	Carrying value £000	*Fair value £000*
As at 31 March 2015		
Trade and other receivables	715	715
Cash and cash equivalents	1,657	1,657
Total cash and receivables	**2,372**	**2,372**
Trade and other payables	(5,399)	(5,399)
Bank loans	(12,376)	(12,376)
Total loans and payables	**(17,775)**	**(17,775)**
As at 31 March 2016		
Trade and other receivables	424	424
Cash and cash equivalents	2,622	2,622
Total cash and receivables	**3,046**	**3,046**
Trade and other payables	(952)	(952)
Bank loans	(14,516)	(14,516)
Total loans and payables	**(15,468)**	**(15,468)**
As at 31 March 2017		
Trade and other receivables	719	719
Cash and cash equivalents	1,224	1,224
Total cash and receivables	**1,943**	**1,943**
Trade and other payables	(882)	(882)
Bank loans	(14,516)	(14,516)
Total loans and payables	**(15,398)**	**(15,398)**
As at 30 September 2017		
Trade and other receivables	**965**	**965**
Cash and cash equivalents	**1,316**	**1,316**
Total cash and receivables	**2,281**	**2,281**
Trade and other payables	**(1,210)**	**(1,210)**
Bank loans	**(14,516)**	**(14,516)**
Total loans and payables	**(15,726)**	**(15,726)**

The fair value of financial assets and liabilities listed is equal to the carrying value listed.

There were no gains or losses arising on financial assets or liabilities recognised in either the income statement or directly in equity.

Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the company.

The company has its cash held on deposit with one large bank in the United Kingdom. At 30 September 2017 the concentration of credit risk held with Barclays Bank plc was £1,315,943 (March 2017: £1,223,639; March 2016: £2,622,000; March 2015: £2,017,000).

Credit risk on liquid funds is limited because the counterparty is a UK bank with a high credit rating assigned by international credit rating agencies.

Credit risk also results from the possibility of a tenant in RT Warren's property portfolio defaulting on a lease. The largest tenant by contractual income amounts to 12.6% (March 2017: n/a; March 2016: n/a; March 2015: n/a) of the company's anticipated income. The directors assess a tenants' credit worthiness prior to granting leases and employ professional firms of property management consultants to manage the portfolio to ensure that tenants debts are collected promptly and the directors in conjunction with the property managers take appropriate actions when payment is not made on time.

The carrying amount of financial assets (excluding cash balances) recorded in the financial information, net of any allowances for losses, represents the company's maximum exposure to credit risk without taking account of the value of any collateral obtained. The carrying amount of these assets at 30 September 2017 is £754,000 (March 2017: £631,000; March 2016: £396,000; March 2015: £683,000). There were no impairments in any of the periods under review.

24. FIRST TIME ADOPTION OF IFRS

This is the first time that the company has adopted IFRSs having previously applied applicable UK accounting standards.

The company's effective transition date to IFRS was 1 April 2014 for the purposes of the historical financial information. In applying IFRS for the first time, the company has made the following adjustments:

The adjustments arising on transition from applicable UK accounting standards to IFRS for the first time which were required for RT Warren are explained as follows:

1. ***Deferred tax liability***

   Under applicable UK accounting standards, RT Warren did not provide for any deferred tax on revalued property or deferred tax on fair value adjustments to property unless there was a binding agreement in place at reporting date to sell that particular property.

   In accordance with IFRS (by virtue of IAS 12 Income Taxes) the company is required to include a deferred tax liability as a consequence of property revaluations.

2. ***Investment property***

   Under applicable UK accounting standards, RT Warren reflected property revaluation gains and deferred tax on fair value adjustments in the investment property revaluation reserve.

   In accordance with IFRS (by virtue of IAS 40 Investment Property) Investment Property is included in the statement of financial position at fair value with changes in fair value being reflected in the statement of total comprehensive income.

3. ***Reconciliation of equity***

   Under applicable UK accounting standards, RT Warren recognised realised property gains on disposal in the capital reserve and investment property gains in the revaluation reserve,

   In accordance with IFRS the company has reflected these movements in the statement of total comprehensive income.

Set out below are the transitional adjustments from applicable UK accounting standards to IFRS for the periods 1 April 2014 and 31 March 2017 in both the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income.

STATEMENT OF FINANCIAL POSITION AS AT 1 APRIL 2014

	Note	*As at 1 April 2014 UK GAAP previously reported £000*	*Transitional adjustments*	*As at 1 April 2014 IFRS £000*
Non-current assets				
Property, plant and equipment		62	–	62
Investment properties	2	51,130	–	51,130
		51,192	**–**	**51,192**
Current assets				
Trade and other receivables		902	–	902
Cash and cash equivalents		1,813	–	1,813
		2,715	**–**	**2,715**
Current liabilities				
Trade and other payables		(1,024)	–	(1,024)
Borrowings		(766)	–	(766)
Current tax payable		(140)	–	(140)
		(1,930)	**–**	**(1,930)**
Net current assets		**785**	**–**	**785**
Total assets less current liabilities		**51,977**	**–**	**51,977**
Non-current liabilities				
Borrowings		(12,376)	–	(12,376)
Deferred tax	1	–	(2,228)	(2,228)
	1	**(12,376)**	**(2,228)**	**(14,604)**
Net assets	1	**39,601**	**(2,228)**	**37,373**
Equity				
Called up share capital		730	–	730
Capital redemption reserve		77	–	77
Capital reserve	3	6,751	(6,751)	–
Revaluation reserve	2,3	19,680	(19,680)	–
Retained earnings	1,2,3	12,363	24,203	36,566
Shareholder funds		**39,601**	**(2,228)**	**37,373**

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	*As at 31 March 2017 UK GAAP (restated) £000*	*Transitional adjustments*	*As at 31 March 2017 IFRS £000*
Non-current assets				
Property, plant and equipment		2	–	2
Investment properties		71,373	–	71,373
		71,375	**–**	**71,375**
Current assets				
Trade and other receivables		719	–	719
Cash and cash equivalents		1,224	–	1,224
		1,943	**–**	**1,943**
Current liabilities				
Trade and other payables		(882)	–	(882)
Borrowings		(14,516)	–	(14,516)
Current tax payable		(46)	–	(46)
		(15,444)	**–**	**(15,444)**
Net current (liabilities)/assets		(13,501)	**–**	**(13,501)**
Total assets less current liabilities		57,874	**–**	**57,874**
Non-current liabilities				
Borrowings		–	–	–
Deferred tax	1	(3,762)	–	(3,762)
	1	(3,762)	**–**	**(3,762)**
Net assets	1	54,112	**–**	**54,112**
Equity				
Called up share capital		730	–	730
Capital redemption reserve		77	–	77
Capital reserve	3	7,143	(7,143)	–
Revaluation reserve	2,3	–	–	–
Retained earnings	1,2,3	46,162	7,143	53,305
Shareholder funds		54,112	**–**	**54,112**

There was a £5,602,000 adjustment for fair value investment property valuation put through in the period to 31 March 2017. This was due to the investment properties being valued at £76,975,000 by the directors in the previously reported financial statements but the fair value of the properties by an independent external valuer valued the properties at £71,373,000 as at 31 March 2017. The deferred tax on revaluation gains was reflected in the period as this was previously excluded from the reported financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2017

	Note	*UK GAAP Year ended 31 March 2017 (restated) £000*	*Transitional adjustments £000*	*IFRS Year ended 31 March 2017 £000*
Rental & other income		3,618	–	3,618
Non recoverable property costs		(510)	–	(510)
Net rental income		3,108	**–**	**3,108**
Administrative expenses		(519)	–	(519)
Operating profit before gains & losses on property assets and cost of acquisition		2,589	**–**	**2,589**
Gains on revaluation of investment property portfolios	2	2,109	–	2,109
Profit on disposal of investment properties		–	–	–
Operating profit	2	4,698	**–**	**4,698**
Finance income		2	–	2
Finance costs		(497)	–	(497)
Profit before taxation	2	4,203	**–**	**4,203**
Taxation	1	(465)	–	(465)
Profit for the financial year		3,738	**–**	**3,738**
Other comprehensive income for the year		–	**–**	**–**
Taxation		–	**–**	**–**
Total comprehensive income for the year		3,738	**–**	**3,738**

The revaluation gain has been adjusted in the financial statement above due to a difference between the previously reported valuation by the directors and the revaluation undertaken by an independent valuer. There has been a deferred tax charge reflected above for the revaluation gain in the period which was not previously recognised in the previously reported statement of profit and loss and other comprehensive income for the period to 31 March 2017.

PART IX

PRO FORMA FINANCIAL INFORMATION

Section A: Accountant's report on the unaudited pro forma financial information

BDO LLP
55 Baker Street
London
W1U 7EU

27 February 2018

The Directors
Palace Capital plc
Lower Ground Floor
One George Yard
London
EC3V 9DF

Arden Partners plc
125 Old Broad Street
London
EC2N 1AR

Dear Sirs

Palace Capital plc (the "Company")

Pro forma financial information

We report on the unaudited pro forma income statement and statement of net assets (the "Pro Forma Financial Information") set out in Section B of Part IX of the prospectus dated 27 February 2018 (the "Prospectus") which has been prepared on the basis described, for illustrative purposes only, to provide information about how the acquisition of R.T. Warren (Investments) Limited might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial information for the period ended 30 September 2017 as set out in Section B of VIII.

This report is required by item 20.2 of Annex I of the Commission Regulation (EC) No. 809/2004 (the "PD Regulation") and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the PD Regulation as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I of the PD Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the PD Regulation.

Yours faithfully

DRAFT

BDO LLP
Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Section B: Unaudited pro forma financial information

Part A – Unaudited pro forma income statement

The following unaudited pro forma income statement of the Group has been prepared to illustrate the effect of the acquisition of RT Warren (together the "Enlarged Group") and the related placing and open offer as if they had occurred at the start of the period, 1 April 2017.

The unaudited pro forma income statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

The unaudited pro forma income statement is based on the consolidated results of the Group (as defined in Section A of Part VIII of this document) for the six months ended 30 September 2017, as set out in the financial statements of the Group for the six months ended 30 September 2017 set out in Section B of Part VIII of this document, and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing such information and on the basis set out in the notes set out below.

Pro forma income statement

		Adjustments		
	The Group Six months ended 30 September 2017 (note 1)	*RT Warren Six months ended 30 September 2017 (note 2)*	*Acquisition of RT Warren and placing and open offer (note 3)*	*Pro forma earnings of the Enlarged Group*
	£000	*£000*	*£000*	*£000*
Rental and other income	7,138	1,738	–	8,876
Non recoverable property costs	(675)	(252)	–	(927)
Net rental income	**6,463**	**1,486**	**–**	**7,949**
Administrative expenses	(1,487)	(544)	(1,247)	(3,278)
Operating profit before gains and losses on property assets and cost of acquisitions	**4,976**	**942**	**(1,247)**	**4,671**
Gains on revaluation of investment property portfolios	1,396	316	–	1,712
Profit/(loss) on disposal of investment properties and other non current assets	(159)	56	–	(103)
Operating profit	**6,213**	**1,314**	**(1,247)**	**6,280**
Finance cost	(1,354)	(318)	–	(1,672)
Profit before taxation	**4,859**	**996**	**(1,247)**	**4,608**
Taxation	(507)	(120)	–	(627)
Profit after taxation	**4,352**	**876**	**(1,247)**	**3,981**

Notes:

1. The results of the Group for the six months ended 30 September 2017 have been extracted without material adjustment from the financial statements of the Group for the six months ended 30 September 2017 set out in Section B of Part VIII of this document.

Adjustments:

2. The results of RT Warren have been extracted without material adjustment from the financial information on RT Warren for the six months ended 30 September 2017, set out in Section D of Part VIII of this document.
3. This adjustment comprises the estimated costs of the RT Warren acquisition and the estimated costs of the placing and open offer that cannot be set off against the share premium account.

4. No account has been taken of the effects of any synergies and of the costs for measures taken to achieve those synergies, that may have arisen had the acquisition occurred on 1 April 2017 and that may subsequently have affected the results of the Enlarged Group in the six months ended 30 September 2017.

5. No account has been taken of the trading performance of either the Group or RT Warren since 30 September 2017 nor of any other event save as disclosed above.

6. Save for the costs of the RT Warren acquisition and the placing and open offer, the pro forma income statement adjustments are expected to have a continuing effect on the Enlarged Group.

Part B – Unaudited pro forma statement of net assets

The following unaudited pro forma statement of net assets of the Group has been prepared to illustrate the effect of the acquisition of RT Warren (together the "Enlarged Group") and the related placing and open offer as if they had occurred on 30 September 2017.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results.

The unaudited pro forma statement of net assets is based on the net assets of the Group (as defined in Section A of Part VIII of this document) as at 30 September 2017, as set out in the financial statements of the Group for the six months ended 30 September 2017 set out in Section B of Part VIII of this document, and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing such information and on the basis set out in the notes set out below.

Pro forma statement of net assets

	The Group As at 30 September 2017 (note 1) £000	*Adjustments* RT Warren As at 30 September 2017 (note 2) £000	*Adjustments* Acquisition of RT Warren and placing and open offer (note 3) £000	Pro forma net assets the Enlarged Group £000
Assets				
Non-current assets				
Investment properties	202,832	71,838	(1,226)	273,444
Property, plant and equipment	129	–	–	129
	202,961	**71,838**	**(1,226)**	**273,573**
Current assets				
Trade and other receivables	5,018	965	–	5,983
Cash and cash equivalents	8,733	1,316	12,901	22,950
	13,751	**2,281**	**12,901**	**28,933**
Total assets	**216,712**	**74,119**	**11,675**	**302,506**
Current liabilities				
Trade and other payables	(8,353)	(1,210)	–	(9,563)
Borrowings	(2,186)	(14,516)	–	(16,639)
Creditors: amounts falling due within one year	(10,539)	(15,726)	–	(26,265)
Net current assets/(liabilities)	**3,212**	**(13,445)**	**12,901**	**2,668**
Non-current liabilities				
Borrowings	(90,464)	–	–	(90,464)
Deferred tax	(2,499)	(3,770)	–	(6,269)
Obligations under finance leases	(1,588)	–	–	(1,588)
Net assets	**111,622**	**54,623**	**11,675**	**177,920**

Notes:

1. The net assets of the Group as at 30 September 2017 have been extracted without material adjustment from the financial statements of the Group for the six months ended 30 September 2017 set out in Section B of Part VIII of this document.

Adjustments:

2. The net assets of RT Warren have been extracted without material adjustment from the financial information on RT Warren for the six months ended 30 September 2017, set out in Section D of Part VIII of this document.

3. The acquisition of RT Warren will be accounted for as an asset acquisition and therefore no goodwill or negative goodwill will arise on acquisition. An adjustment has been made to allocate the difference between the estimated consideration for RT Warren and its net assets within investment properties.

   For the purposes of this pro forma information, no adjustment has been made to the separate assets and liabilities of RT Warren to reflect their fair value. The difference between the net assets of RT Warren as stated at their book value at 30 September 2017 and the estimated consideration has therefore been allocated as an adjustment to investment properties. The net assets of RT Warren will be subject to a fair value restatement as at the effective date of the transaction. Actual assets and liabilities assets included in the Group's next published financial statements may therefore be materially different from those included in the pro forma statement of net assets.

The consideration for RT Warren is approximately £53.4 million.

	£m
Consideration payable in cash	53,397
Book value of net assets of RT Warren as at 30 September 2017	54,623
Difference allocated to investment properties	(1,226)

To finance this acquisition, the Company undertook a share placing and open offer raising gross proceeds of £70 million. The net cash impact of the fundraising and acquisition of RT Warren is as follows:

	£000
Gross proceeds of placing and open offer	70,000
Cash consideration for acquisition of RT Warren	(53,397)
Costs of placing and open offer and acquisition	(3,702)
Surplus cash	12,901

The proceeds of the placing and open offer not used for the acquisition of RT Warren have been retained within the business.

4. No account has been taken of the financial performance of the Group or RT Warren since 30 September 2017 nor of any other event save as disclosed above.

PART X

CAPITALISATION AND INDEBTEDNESS

Capitalisation and indebtedness statement

The table below sets out the indebtedness of the Group as at 30 November 2017:

	Unaudited *£000*
Total current debt	
Guaranteed	–
Secured	16,702
Unguaranteed/unsecured	–
	16,702
Total non-current debt (excluding current portion of long term debt)	
Guaranteed	–
Secured	91,550
Unguaranteed/unsecured	–
	91,550
Total indebtedness	108,252

The table below shows the capitalisation of the Group as at 30 September 2017 and 30 November 2017:

	30 September 2017 *£000*	*30 November 2017* *£000*
Shareholders' equity		
Called up share capital	2,580	4,639
Share premium	59,444	125,048
Treasury shares	(2,250)	(2,250)
Merger reserve	3,503	3,503
Capital redemption reserve	340	340
Total capitalisation	63,617	131,280

The table below sets out the net financial indebtedness of the Group as at 30 November 2017.

	Unaudited *£000*
Cash	21,224
Cash equivalent	–
Trading securities	–
Liquidity	21,224
Current financial receivables	
Current bank debt	(16,702)
Current portion of non current debt	–
Other current financial debt	–
Current financial debt	(16,702)
Net current financial indebtedness	4,522
Non current bank loans	(91,550)
Bonds issued	–
Other non current loans	–
Non current financial indebtedness	(91,550)
Net financial indebtedness	(87,028)

As at 30 November 2017, the Group had no material contingent or indirect indebtedness.

Notes to the capitalisation statement

(a) The Shareholders' equity, which relates solely to the Company, is extracted without material adjustment from the books and records of the Company as at 30 September 2017 and 30 November 2017. Capitalisation does not include profit and loss reserve in accordance with the ESMA update of the CESR recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No. 809/2004.

(b) The table shows the capitalisation at 30 September 2017 and at 30 November 2017 to reflect the issue of 20,588,236 new shares at an issue price of 340 pence per share in October 2017 to fund the acquisition of RT Warren. As a result, the called up share capital and share premium of the Company increased to £4.64m and £125.05m respectively as at 30 November 2017.

PART XI

TAXATION

1. GENERAL

The statements on taxation below are intended to be a general summary of certain tax consequences that may arise in relation to the Group (which in this case, and for the purposes of this Part XI of this document will be the Company as the parent company of the Group), the other members of the Group and Shareholders. This is not a comprehensive summary of all technical aspects of the taxation of the Company, the Shareholders and the other members of the Group and is not intended to constitute legal or tax advice to investors.

Prospective investors should familiarise themselves with, and where appropriate should consult their own professional advisers on, the overall tax consequences of investing in the Group. The statements relate to investors acquiring Ordinary Shares for investment purposes only, and not for the purposes of any trade. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in the Group is made will endure indefinitely. The tax consequences for each investor of investing in the Group may depend upon the investor's own tax position and upon the relevant laws of any jurisdiction to which the investor is subject.

The statements below relate to the UK tax implications of a UK-resident individual or UK-resident company investing in the Group (unless expressly stated otherwise). The tax consequences may differ for investors who are not resident in the UK for tax purposes. Investors should seek their own professional advice as to this, as well as to any other relevant laws and regulations in the jurisdiction in which they are resident for tax purposes. The statements are based on current tax legislation and HMRC practice, both of which are subject to change at any time, possibly with retrospective effect.

2. UK TAX TREATMENT OF SHAREHOLDERS

The following paragraphs are intended as a general guide only and are based on the Company's understanding of current UK tax law and HMRC practice, each of which is subject to change. They are not advice. This section applies only to Shareholders who are resident for tax purposes solely in the UK and only to Shareholders who hold their Ordinary Shares as investments and who are the absolute beneficial owners thereof.

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.

The following paragraphs relate only to certain limited aspects of the UK taxation treatment of dividends paid by the Group and to disposals of Ordinary Shares in the Company. They apply only to Shareholders who are the absolute beneficial owners of their Ordinary Shares.

2.1 *UK taxation of dividends*

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

(i.) *UK resident individual Shareholders*

With effect from April 2016 the income tax rules applicable to dividends changed. Dividend income no longer carries a UK tax credit, and instead new rates of tax apply. These include a nil rate of tax for the first £5,000 (£2,000 from 6 April 2018) of dividend income in any tax year (the "nil rate band") and different rates of tax for dividend income that exceeds the nil rate band. For these purposes "dividend income" includes UK and non UK source dividends and certain other distributions in respect of shares.

Under the new rules, an individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will not be liable to UK tax on the dividend to the extent that (taking account of any other dividend income received by the Shareholder in the same tax year) that dividend falls within the nil rate band.

To the extent that (taking account of any other dividend income received by the Shareholder in the same tax year) the dividend exceeds the nil rate band, it will be subject to income tax at 7.5% to the extent that it falls below the threshold for higher rate income tax. To the extent that (taking account of other dividend income received in the same tax year) it falls above the threshold for higher rate income tax then the dividend will be taxed at 32.5% to the extent that it is within the higher rate band, or 38.1% to the extent that it is within the additional rate band. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the nil rate band which would otherwise have fallen within the basic or higher rate bands will use up those bands respectively and so will be taken into account in determining whether the threshold for higher rate or additional rate income tax is exceeded.

(ii.) *UK resident corporate Shareholders*

It is likely that most dividends paid on the Ordinary Shares to UK resident corporate shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

(iii.) *UK resident exempt Shareholders*

UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to any tax credit in respect of dividends paid by the Company.

(iv.) *Non-UK resident Shareholders*

No tax credit will attach to any dividend paid by the Company. A Shareholder resident outside the UK may also be subject to non-UK taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

An individual UK Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as resident outside the UK for the purposes of a double tax treaty ("Treaty non-resident") for a period of five years or less and who receives or becomes entitled to dividends from the Company during that period of temporary non-residence may, if the Company is treated as a close company for UK tax purposes and certain other conditions are met, be liable for income tax on those dividends on his or her return to the UK.

2.2 ***Disposals***

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is resident in the UK for tax purposes may, depending upon the Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation for corporate shareholders up to 31 December 2017), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

Shareholders who are not resident in the UK will not generally be subject to UK taxation of capital gains on the disposal or deemed disposal of Ordinary Shares unless they are carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Ordinary Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law. Non-UK tax resident Shareholders may in some circumstances become subject to UK taxation on capital gains arising from the disposal of shares in 'property rich' companies from April 2019. This is subject to the outcome of the consultation published by HM Government on 22 November 2017.

An individual Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as Treaty non-resident for a period of five years or less (or, for departures before 6 April 2013, ceases to be resident or ordinarily resident or becomes Treaty non-resident for a period of less than five tax years) and who disposes of all or part of his Ordinary Shares during that period may be liable to capital gains tax on his return to the UK, subject to any available exemptions or reliefs.

2.3 ***Inheritance Tax***

Shares in property investment companies do not generally qualify for the reliefs available for Business Property Assets under the UK inheritance tax legislation.

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the UK nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements who hold Ordinary Shares, bringing them within the charge to inheritance tax. Shareholders should consult an appropriate tax adviser if they make a gift or transfer at less than market value or intend to hold any Ordinary Shares through trust arrangements.

2.4 ***UK stamp duty and UK SDRT***

The following comments are intended as a guide to the current general UK stamp duty ("stamp duty") and SDRT position and apply to any holders of Ordinary Shares irrespective of their place of tax residence. These comments do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply and specific advice should be sought.

No UK stamp duty or SDRT will be payable on the issue of new Ordinary Shares. Stamp duty (at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer rounded up where necessary to the nearest £5) is payable on any instrument of transfer of ordinary shares executed within, or in certain cases brought into, the UK. An exemption from stamp duty is available for instruments transferring 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 it does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

A charge to SDRT will also arise in respect of an unconditional agreement to transfer ordinary shares (at the rate of 0.5 per cent. of the amount or value of the consideration for the Ordinary Shares). However, if an instrument of transfer is executed in pursuance of the agreement and duly stamped within six years of the date on which the agreement became unconditional, the SDRT charge will generally be cancelled and any SDRT which has already been paid can generally be reclaimed, normally with interest, and otherwise is cancelled. The purchaser or transferee of the Ordinary Shares will generally be responsible for paying such stamp duty or SDRT.

Ordinary Shares held through CREST

Under the CREST system for paperless share transfers, deposits of Ordinary Shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at the rate of 0.5% of the amount of value of the consideration. Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% (rounded up to the nearest £5) of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system.

2.5 ***ISAs, SSASs and SIPPs***

With effect from 1 July 2014, the new ISA ("NISA") regime commenced in the UK which, amongst other things, removed the concept of stocks and shares and cash components of an ISA. For the 2017/18 tax year NISAs have a subscription limit of £20,000, all of which can be invested in stocks and shares.

The Ordinary Shares will be a qualifying investment for the stocks and shares component of an ISA, provided they are acquired by an ISA plan manager pursuant to the Offer. In addition, the Ordinary Shares should be eligible for inclusion in a Small Self-Administered Scheme (SSAS) or a Self-Invested Personal Pension (SIPP), provided that the relevant SSAS or SIPP does not hold its interest in the Group for the purpose of enabling a member of the SSAS or SIPP (or a person connected with the member) to occupy a PRS Unit and does not directly or indirectly hold an interest of 10 per cent. or more in the share capital or voting rights of the Company, or in distributions made by the Company, or the assets of the Company available for distribution on a winding up.

If you are in any doubt as to your tax position you should consult your professional adviser.

3. AUTOMATIC EXCHANGE OF INFORMATION

The UK has entered into international agreements with a number of jurisdictions which provide for the exchange of information in order to combat tax evasion and improve tax compliance. These include, but are not limited to, an Inter-governmental Agreement with the US in relation to FATCA, the OECD's Multilateral Competent Authority Agreement for the Common Reporting Standard, the European Council Directive on administrative cooperation in the field of taxation and International Tax Compliance Agreements with Guernsey, Jersey, the Isle of Man and Gibraltar. In connection with such international agreements the Group may, among other things, be required to collect and report to HMRC certain information regarding Shareholders and other account holders of the Group and HMRC may pass this information on to tax authorities in other jurisdictions in accordance with the relevant international agreements.

PART XII

ADDITIONAL INFORMATION

1. Responsibility

The Company and each of the Directors, whose names appear on page 31 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

2. The Company

2.1 The Company's legal and commercial name is Palace Capital plc.

2.2 The Company was incorporated in England and Wales on 14 January 2005 under the name Secure Ventures (No 4) plc with registered number 05332938 as a public company limited by shares under the Companies Act 1985. On 30 July 2010 the Company's name (then Leo Insurance Services Plc) was changed to Palace Capital plc. The domicile of the Company is the United Kingdom. The Company operates in conformity with its constitutional documents.

2.3 The principal legislation under which the Company operates is the CA 2006. The liability of the members is limited to the amount, if any, unpaid on the shares respectively held by them.

2.4 The Company's registered office is at Lower Ground Floor, One George Yard, London EC3V 9DF and the telephone number is +44(0)20 3301 8335.

2.5 The Ordinary Shares were admitted to trading on AIM on 21 October 2013, and will continue to be admitted to AIM until such listing is cancelled immediately prior to Admission.

2.6 The Ordinary Shares are duly authorised according to the requirements of the Company's Existing Articles and any consents needed for Admission have been and will be, pursuant to the Resolution obtained.

3. Subsidiaries

3.1 The Company is the Group's ultimate holding company. The Group has 17 subsidiaries, set out below:

Name	*Jurisdiction*	*Percentage of issued share capital held by the Group*	*Immediate holding company*	*Principal activity*
Hockenhull Estates Limited	Isle of Man	100%	The Company	Property Investments
Palace Capital (Manchester) Limited	England and Wales	100%	The Company	Property Investments
Property Investment Holdings Limited	England and Wales	100%	The Company	Property Investments
Palace Capital (Newcastle) Limited	England and Wales	100%	The Company	Property Investments
Palace Capital (Leeds) Limited	England and Wales	100%	The Company	Property Investments
Palace Capital (Northampton) Limited	England and Wales	100%	The Company	Property Investments

Palace Capital (Warren) Limited	England and Wales	100%	The Company	Dormant
Palace Capital (Properties) Limited	England and Wales	100%	The Company	Property Investments
R.T. Warren (Investments) Limited	England and Wales	100%	The Company	Property Investments
Quintain (Signal) Member A Limited	England and Wales	100%	The Company	Holding
Signal Investments LLP	England and Wales	100%	Quintain (Signal) Member A Limited (98.50877%) The Company (1.49123%)	Holding
Quintain (Signal) Member B Limited	England and Wales	100%	Signal Investments LLP	Holding
Signal Property Investments LLP	England and Wales	100%	Signal Investments LLP (99.99987%) Quintain (Signal) Member B Limited (0.00013%)	Property Investments
Palace Capital (Developments) Limited	England and Wales	100%	The Company	Property Investments
Palace Capital (Dartford) Limited	England and Wales	100%	Palace Capital (Properties) Limited	Property Management
Palace Capital (Halifax) Limited	England and Wales	100%	The Company	Property Investments
Meadowcourt Management (Meadowhall) Limited	England and Wales	60%	Signal Investments LLP	Property Management

3.2 In addition to the subsidiaries listed above, the Group has the following investments:

Name	*Jurisdiction*	*Percentage of issued share capital held by the Group*	*Member of the Group holding shares*	*Principal activity*
Clubcourt Limited	England and Wales	40%	Palace Capital (Newcastle) Limited	Property Management
HBP Services Limited	England and Wales	21.4%	Property Investment Holdings Limited	Property Management

4. Share Capital

4.1 The following sets out history of the share capital of the Company since 1 April 2015:

4.1.1 On 1 April 2014, the Company had 12,440,937 Ordinary Shares and 315,938 deferred shares of 90p each in issue.

4.1.2 On 26 June 2014, 79,665 warrants to subscribe for Ordinary Shares were exercised and as a result the Company issued 79,665 Ordinary Shares at a price of £2.00 per share.

4.1.3 On 27 August 2014, the Company issued 7,555,071 Ordinary Shares in connection with the acquisition of PIH. 1,103,459 Ordinary Shares were issued at a fair value price of £3.275 per share as consideration for the acquisition and 6,451,612 Ordinary Shares were issued at a price of £3.10 per share to help fund the acquisition.

4.1.4 On 17 February 2015, 150,000 warrants to subscribe for Ordinary Shares were exercised and as a result the Company issued 150,000 Ordinary Shares at a price of £2.00 per share.

4.1.5 On 17 June 2015, the Company issued 5,555,556 Ordinary Shares at a price of £3.60 per share in connection with the acquisition of O&H Northampton Limited.

4.1.6 On 14 June 2016, the Company issued 19,050 Ordinary Shares with the issue costs of £36,195 being deducted from the Company's share premium account.

4.1.7 On 17 June 2016, the Company purchased 91,587 Ordinary Shares at a price of £3.60 per share to be held as treasury shares.

4.1.8 On 20 June 2016, the Company purchased 58,000 Ordinary Shares at a price of £3.60 per share to be held as treasury shares.

4.1.9 On 31 August 2016, the Company cancelled the deferred shares of 90p each as part of a capital reduction.

4.1.10 On 10 March 2017, the Company issued 31,593 Ordinary Shares from treasury at a price of £3.40 per share and purchased 531,593 Ordinary Shares at a price of £3.40 per share to be held as a treasury shares.

4.1.11 On 6 October 2017, the Company issued 20,588,236 Ordinary Shares at a price of £3.40 per share in connection with the acquisition of RT Warren.

4.2 At a general meeting of the Company held on 6 October 2017, ordinary resolutions were passed giving the Directors authority to allot equity securities:

4.2.1 up to a nominal amount of £2,058,823.60 in connection with the acquisition of RT Warren as referred to at paragraph 4.1.11 above; and

4.2.2 up to an aggregate nominal amount of £1,546,283.80,

such authorities expire at the close of the next annual general meeting of the Company.

4.3 At the same general meeting, special resolutions were passed disapplying statutory pre-emption rights in respect of the allotment of equity securities and/or sale of shares held as treasury shares for cash:

4.3.1 up to a nominal amount of £2,058,823.60 in connection with the acquisition of RT Warren as referred to at paragraph 4.1.11 above;

4.3.2 up to a nominal amount of £463,885.20; and

4.3.3 in respect of the allotment of equity securities for rights issues and other pre-emptive issues,

such authorities to expire at the end of the next annual general meeting of the Company or, if earlier, at the close of business on the date falling 15 months after 6 October 2017.

4.4 All of the Company's shares are fully paid.

4.5 The issued share capital of the Company at the date of this document and on Admission will be as follows:

*Number of Ordinary Shares (of 10 pence each) allotted**	*Number of Ordinary Shares subject to the LTIPs*	*Number of Options*
46,388,515	852,304	36,312

*including 549,587 shares held in treasury

4.6 Save as set out in paragraph 4.5, there are no warrants or options to subscribe for equity shares (within the meaning of paragraph 6.1.22 of the Listing Rules).

4.7 The provisions of section 561(1) of CA 2006 (to the extent not disapplied pursuant to sections 570-571 CA 2006) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 560 CA 2006) which are, or are to be, paid up in cash and will apply to the unissued share capital of the Company, except to the extent disapplied by the resolution referred to in paragraph 4.3 above.

4.8 Application has been made to the London Stock Exchange for the cancellation of the admission to trading on AIM of the Ordinary Shares and to the UKLA and to the London Stock Exchange for the Ordinary Shares to be admitted to listing on the Premium segment of the Official List and to trading on the London Stock Market's Main market for listed securities. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence at 8:00 a.m. on 28 March 2018. The admission to trading on AIM of the Ordinary Shares will be cancelled at the same time on that date.

4.9 Immediately following Admission, it is expected that in excess of 90 per cent. of the Company's issued share capital will be held in public hands (within the meaning of paragraph 6.14 of the Listing Rules).

4.10 Except for the Options and LTIP awards (each as set out in this document), there are no rights and/or obligations over the Company's unissued share or loan capital nor do there exist any undertakings to increase the Company's share or loan capital.

4.11 The Company has 549,587 Ordinary Shares held in treasury. Together these shares have an aggregate nominal value of £54,959 and, as at 27 February 2018, an aggregate book value of £2.25 million.

4.12 Save for 549,587 Ordinary Shares held in treasury, the Company does not have in issue any securities not representing share capital nor any shares which are held by or on behalf of the Company itself, and there are no outstanding convertible securities issued by the Company.

4.13 The Ordinary Shares may be held in either certificated form or under the CREST system.

4.14 Except as disclosed in paragraph 4, since 1 April 2015: (i) there has been no change in the amount of the issued share or loan capital of the Company; and (ii) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share capital of the Company.

4.15 The ISIN number in respect of the Ordinary Shares is GB00BF5SGF06. The Ordinary Shares are created and issued under CA 2006, are denominated in pence sterling and are in registered form.

4.16 The registrars of the Company are Link Market Services Limited. They are responsible for maintaining the register of members of the Company.

5. Articles of Association

The Articles include provisions to the following effect:

5.1 *Objects*

Pursuant to the CA 2006, from 1 October 2009, all items listed in the Company's Memorandum of Association dated 14 January 2005 ("**Memorandum**") (including as to its objects) are deemed to be and form part of the Existing Articles with the exception of the names of the initial subscribers of the Company.

The Memorandum provides that the object of the Company is to a) carry on business as a holding and investment company and for that purpose to acquire by any means and hold for the purposes of investment any freehold, leasehold or any other interest in property whatsoever and b) undertake a range of activities in connection with that business including the development of such property. The Company's objects are set out in full in clause 4 of the Memorandum.

5.2 *Votes of members*

5.2.1 Subject to any rights or restrictions as to voting attached to any class of shares, at any general meeting, on a show of hands, every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, has one vote and, in the case of a poll, every member present in person or by proxy has one vote for every share of which he is the holder.

5.2.2 No member is entitled to vote at a general meeting either personally or by proxy if he or any person appearing to be interested in shares held by him has been duly served with a notice under section 793 of the 2006 Act and is in default for the prescribed period in supplying to the Company the information required thereby or, unless the directors determine otherwise, if any calls in respect of shares held by him have not been paid.

5.3 *General meetings*

5.3.1 All general meetings which are not annual general meetings are deemed general meetings. General meetings may be called by the Board whenever it thinks fit or within twenty-eight days of receipt of a requisition of Shareholders served in accordance with the 2006 Act. An annual general meeting and a general meeting for the passing of a resolution requiring special notice shall be called by twenty-one clear days' notice at least and all other general meetings shall be called by at least 14 days' notice.

5.4 *Variation of class rights and class meetings*

5.4.1 The special rights attached to any class of shares may, subject to any applicable law, be altered or cancelled with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class.

5.4.2 The provisions of the Articles applicable to general meetings apply mutatis mutandis to class meetings.

5.5 *Variations of share capital*

5.5.1 The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its shares into shares of a larger amount, cancel any shares not taken or agreed to be taken by any person and sub-divide its shares into shares of a smaller amount.

5.5.2 Subject to the provisions of the 2006 Act, the Company may by special resolution (and, with court approval where required) reduce the issued share capital or any capital redemption reserve and any share premium account in any subject to authority required by law. Subject to applicable law, the Company may purchase its own shares.

5.6 ***Pre-emption rights on allotment***

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under CA 2006 in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

5.7 ***Preference Shares and Deferred Shares***

The Articles contain certain provisions relating to preference shares and deferred shares in the Company. No such shares are in issue however.

5.8 ***Directors***

5.8.1 A director of the Company is not required to hold any qualification shares.

5.8.2 The amount of any fees payable to directors of the Company shall be determined by the Board provided that they shall not in any year exceed the sum of £200,000 or such other sum as may be from time to time approved by ordinary resolution. The directors of the Company are also entitled to be repaid all reasonable expenses properly incurred by them respectively in the performance of their duties. Any director of the Company holding an executive office or otherwise performing services which in the opinion of the Board are outside the scope of his ordinary duties as a director may be paid such remuneration as the Board may determine.

5.8.3 The directors of the company may establish and maintain or procure the establishment and maintenance of any non-contributory or contributory pension or superannuation funds for the benefit of, and give donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company or any Subsidiary of the Company or associated Company or any such Subsidiary of any such other company ("**associated companies**") and the families and dependents of any such persons and the directors shall have power to purchase and maintain insurance against liability for any persons who are or were at any time directors, officers, employees or auditors of the Company, its associated companies and for trustees of any pension fund in which employees of the Company or its associated companies are interested.

5.8.4 Subject to the provisions of applicable law and provided that he has disclosed to the Board the nature and extent of any material interest of his, a director of the Company notwithstanding his office:

5.8.4.1 may be a party to, or otherwise interested in, any contract, transaction or arrangement with the Company or in which the Company is otherwise interested;

5.8.4.2 may act by himself or his firm in a professional capacity for the Company (otherwise than as Auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director;

5.8.4.3 may be a director or other officer of, or employed by, or a party to, any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise (directly or indirectly) interested; and

5.8.4.4 shall not, by reason of his office be accountable to the Company for any benefit which transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

5.8.5 Save as specifically provided in the Articles, a director of the Company may not vote in respect of any contract, transaction or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or though, the Company. A director of the Company will not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

5.8.6 Subject to applicable law, a director of the Company is (in the absence of some material interest other than is indicated below) entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

5.8.6.1 the giving of any guarantee, security of indemnity to a third party in respect of money lent or obligations incurred by him at the request or for the benefit of the Company or any of its Subsidiaries;

5.8.6.2 the giving of any security to a third party in respect of a debt or obligation of the Company or any of its Subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or by the giving of a security; any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its Subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting thereof; any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company; any contract or arrangement in which he is interested directly or indirectly and whether as an officer or Shareholder or otherwise, provided that he does not hold an interest (as defined in Part 22 of the 2006 Act) in one per cent, or more of the issued shares of any such body corporate; any proposal concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to the directors and employees of the Company or any of its Subsidiaries; any arrangement for the benefit of employees of the Company or of any of its Subsidiaries under which the director benefits in a similar manner to the employees;

5.8.6.3 and any proposal, contract, transaction or arrangement concerning the purchase or maintenance of insurance for the benefit of directors or persons who include directors.

5.8.7 Subject to any applicable law, the Company may by ordinary resolution suspend or relax the provisions summarised under sub-paragraphs 5.8.5 and 5.8.6 above either generally or in relation to any particular matter, or ratify any transactions not duly authorised by reason of a contravention of such provision.

5.8.8 At every general meeting, all of the directors of the Company who have either been appointed since the last annual general meeting; or who were appointed or reappointed at one of the preceding two annual general meetings shall retire by rotation and stand for re-election.

5.8.9 The Board have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of duty of a director of the Company under section 175 of the 2006 Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or may possible conflict, with the interests of the Company. Save that such authorisation of the Board may only be effective if the required quorum at the meeting at which the matter is considered is met without counting the interested director and the matter was agreed without such director voting or would have been agreed to if their vote have been counted.

5.9 ***Transfers of shares***

All transfers of shares may be effected by transfer in any usual form or in any other form acceptable to the directors and shall be executed by or on behalf of the transferor and, if the share is partly paid, the transferee.

5.10 ***Dividends***

5.10.1 There are no fixed dates on which a divided entitlement arises. The Company may by ordinary resolution from time to time declare dividends to be paid to Shareholders, although the amount of the dividend cannot exceed the amount recommended by the directors. In addition, the directors may pay interim dividends if justified by the profits of the Company available for distribution

5.10.2 The dividend payment to each Shareholder shall be calculated proportionately to the amounts paid up on each issued Ordinary Share. All dividend payments shall be non-cumulative.

5.10.3 All unclaimed dividends may be used for the benefit of the Company until claimed and shall not attract interest. Any dividend which remains unclaimed 12 years after the date the dividend becomes due for payment shall, at the option of the Board, be forfeited and shall revert to the Company.

5.10.4 There are no dividend restrictions attaching to the Ordinary Shares, provided they are fully paid up. Payments of dividends may be made by any method the Board considers appropriate and on a cash dividend there are no special arrangements for non-resident Shareholders. The Board may make such arrangements as they consider expedient in connection with a dividend payment in shares to deal with any legal or other difficulties that may arise in any territory in which non-resident Shareholders are present.

5.11 ***Winding up***

If the Company shall be wound up (whether voluntarily or otherwise) the liquidator may, with the authority of a special resolution and any other sanction required by law, divide among the members in specie or in kind the whole or any part of the assets of the Company and may for such purpose set such value as he deems fair upon any one or more class or classes of property and determine how much division shall be carried out as between the members or different classes of members. The liquidator may, with the same authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

5.12 ***Redemption***

Subject to the CA 2006, any share in the Company may be allotted or issued with such (if any) preferred, deferred or other special rights, or subject to such restrictions whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine, and, subject to the CA 2006, the Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder, on such terms and in such manner as may be determined by the Board.

5.13 ***Conversion***

Conversion of a certificated share into an uncertificated share, and vice versa, may be made in such manner as the Board may, in their absolute discretion, think fit.

5.14 ***Pari passu***

The Ordinary Shares rank pari passu as a class in terms of preference, restriction and all other rights.

6. Squeeze out

6.1 Section 983 of the 2006 Act provides that if, within certain time limits, an offer is made for the share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. by value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90 per cent. of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding

Shareholders telling them that it will compulsorily acquire their shares and, six weeks from the date of the notice, pay the consideration for the shares to the Company to hold on trust for the outstanding Shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration available under the takeover offer.

6.2 Section 983 of the 2006 Act permits a minority Shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in the Company which amount to not less 90 per cent. in value of all the voting shares in the Company and carry not less than 90 per cent. of voting rights. Certain time limits apply to this entitlement. If a Shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

7. Substantial Shareholders

7.1 Except for the interests of those persons set out in this paragraph and in paragraph 9.1 below, the Directors and are not aware of any interests (other than interests of the Directors) which, at the date of this document and immediately following Admission, would amount to 3 per cent. or more of the Company's issued share capital:

Name	*Ordinary Shares*	*Percentage of issued voting share capital*
AXA Investment Managers	3,542,633	7.73%
Miton Group Plc	3,397,806	7.41%
J.O. Hambro	3,356,810	7.32%
Polar Capital European Forager Fund Ltd	2,282,637	4.97%
Stanley Harold Davis	1,665,287	3.63%

7.2 No major holder of Ordinary Shares, either as listed above has voting rights different from other holders of Ordinary Shares.

7.3 So far as the Group is aware, the Company is not directly or indirectly owned or controlled by any person. So far as the Company is aware, there are no arrangements in place the operation of which may at a subsequent date result in a change of control of the Company.

8. The Directors and Senior Managers

8.1 The Directors and their respective functions are as follows:

Stanley Davis (*Non-Executive Chairman*)
Neil Sinclair (*Chief Executive*)
Stephen Silvester (*Finance Director*)
Richard Starr (*Executive Director*)
Anthony Dove (*Non-Executive Director*)
Kim Taylor-Smith (*Non-Executive Director*)

8.2 The Senior Managers and their respective functions are as follows:

David Kaye, Company Secretary
Andrew Thomas, Investment Manager
Matthew Simpson, Financial Controller

8.3 The business address of each of the Directors and Senior Managers is the registered address of the Company.

9. Directors' and Senior Managers' interests in the Company

9.1 The interests of the Directors and Senior Managers and persons connected with them, within the meaning of sections 252 and 253 CA 2006, in the share capital of the Company, at the date of this document and all of which are beneficial, are:

Name	*Ordinary Shares*	*Percentage of Ordinary Shares*	*LTIPs*	*Options*
Stanley Harold Davis	1,665,287	3.63%	Nil	Nil
Ronald Neil Sinclair	212,761	0.46%	213,567	15,533
Richard Paul Starr	131,575	0.29%	113,457	11,649
Stephen John Silvester	2,148	0.005%	99,915	9,130
Anthony Charles Dove	91,000	0.20%	Nil	Nil
Kim David Spencer Taylor-Smith	10,000	0.02%	Nil	Nil
David Kaye	Nil	Nil	27,990	Nil
Andrew Thomas	Nil	Nil	14,500	Nil
Matthew Simpson	Nil	Nil	22,576	Nil

9.2 Except as disclosed in paragraph 9.1 above, none of the Directors, Senior Managers nor any person connected with them, within the meaning of sections 252 and 253 CA 2006, is interested in the share capital of the Company, or in any related financial products referenced to the Ordinary Shares.

9.3 Except as disclosed in paragraph 9.1 above, there are no outstanding loans or options granted by the Company to any Director or Senior Manager, nor has any guarantee been provided by the Company for their benefit.

10. Directors' Remuneration

10.1 For the financial year ended 31 March 2017, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to each of the Directors and the Senior Managers by members of the Group was approximately £1,274,794.

10.2 Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the financial year ended 31 March 2017, the Directors were remunerated as set out below:

Name	*Base salary*	*Fees*	*Bonus (cash)*	*Bonus (options)*	*Pension*	*Taxable benefits*	*Total*
Ronald Neil Sinclair	£241,750	–	£101,676	£54,749	–	£14,800	£412,975
Stephen John Silvester	£120,375	–	£59,689	£32,140	£21,908	£8,360	£242,472
Richard Paul Starr	£151,938	–	£76,154	£41,006	£14,565	£6,110	£289,773
Stanley Harold Davis	–	£31,250	–	–	–	–	£31,250
Anthony Charles Dove		£26,250	–	–	–	–	£26,250
Kim David Spencer Taylor-Smith	–	£26,250	–	–	–	–	£26,250

10.3 In the financial year ended 31 March 2017, the Directors were granted the following awards under the LTIP:

Name	*Granted*
Ronald Neil Sinclair	75,949
Stephen John Silvester	30,854
Richard Paul Starr	42,722

10.4 The total emoluments of the Directors will not be varied as a result of Admission.

10.5 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.

10.6 The Group has entered into the following letters of appointment, service agreements and employment agreements.

Directors

10.6.1 *Stanley Davis' Appointment Letter*

Stanley Davis was appointed as a non-executive director of the Company on 30 July 2010. Mr Davis entered into a letter of appointment with the Company on 1 July 2016 pursuant to which he receives an annual fee of £55,000 in return for attending all board and shareholder meetings and considering all relevant papers prior to each meeting. The service agreement is governed by English law.

10.6.2 *Neil Sinclair's Service Agreement*

Neil Sinclair's employment with the Company commenced on 30 July 2010 and he was appointed as Chief Executive of the Group on 30 July 2010. Neil Sinclair is engaged pursuant to a service agreement with the Company dated 15 February 2018 under which he receives a salary of £285,000 per annum, a car allowance of £10,000 per annum and a contribution to medical insurance in return for a working hours commitment of 35 hours per week. The agreement is terminable upon twelve months notice given by either party.

Under the terms of the service agreement no death-in-service benefits apply. The Company has agreed to comply with its employer duties in respect of Mr Sinclair in accordance with Part 1 of the Pensions Act, however, save for this no pension contribution from the Group is provided or access to a pension scheme given. The service agreement contains provision for early termination in the event of a fundamental breach by Mr Sinclair. In addition there is a provision for payment in lieu of notice and on a change of control a payment to Mr Sinclair of 50 per cent. of his basic salary where an offer is at 10 per cent. above the then net asset value of the Company and his employment terminates or notice is served by him or the Company to terminate his employment (otherwise than for cause) within 12 months of the change of control. The Company is also entitled to place Mr Sinclair on gardening leave. The service agreement imposes certain restrictions on Mr Sinclair including restrictions on the use of confidential information and intellectual property and post termination restrictions for a period of six months including non-solicitation and non-dealing provisions in respect of clients and prospective clients, non-solicitation provisions in respect of senior employees, and non-compete provisions. The service agreement is governed by English law.

10.6.3 *Richard Starr's Service Agreement*

Richard Starr's employment with the Company commenced on 21 October 2013. Mr Starr is appointed as an Executive Director and Head of Property pursuant to a service agreement dated 20 February 2018 under which he receives a salary of £215,000 per annum, a car allowance of £400 per month, healthcare, life assurance of £1.5 million, critical illness cover and a money purchase pension benefit up to 5% of Mr Starr's annual salary in return for a working hours commitment of 35 hours per week. The agreement is terminable upon twelve months' notice given by either party.

The Company has agreed to comply with its employer duties in respect of Mr Starr in accordance with Part 1 of the Pensions Act. The service agreement contains provision for early termination in the event of a fundamental breach by Mr Starr. In addition there is a provision for payment in lieu of notice and on a change of control a payment to Mr Starr of 50 per cent. of his basic salary where an offer is at 10 per cent. above the then net asset value of the Company and his employment terminates or notice is served by him or the Company to terminate his employment (otherwise than for cause) within 12 months of the change of control. The Company is also entitled to place Mr Starr on gardening leave. The service agreement imposes certain restrictions on Mr Starr including restrictions on the use of confidential information and intellectual property and post termination restrictions for a period of six months including non-solicitation and non-dealing provisions in respect of clients and prospective clients, non-solicitation provisions in respect of senior employees, and non-compete provisions. The service agreement is governed by English law.

10.6.4 *Stephen Silvester's Service Agreement*

Stephen Silvester's employment with the Company commenced on 1 July 2015. Mr Silvester is appointed as the Finance Director pursuant to service agreement dated 15 February 2018 under which he receives a salary of £180,000 per annum, a travel allowance, healthcare, life assurance of £1.5 million, critical illness cover and a money purchase pension benefit up to 5 per cent. of Mr Silvester's annual salary in return for devoting such time as is necessary to carry out his role as the Finance Director. The agreement is terminable upon twelve months' notice given by either party.

The service agreement contains provision for early termination in the event of a fundamental breach by Mr Silvester. In addition there is a provision for payment in lieu of notice and on a change in control a payment of 50 per cent. of Mr Silvester's salary where an offer is at 10 per cent. above the then net asset value of the Company and his employment terminates or notice is served by him or the Company to terminate his employment (otherwise than for cause) within 12 months of the change of control. The Company is also entitled to place Mr Silvester on gardening leave. The service agreement imposes certain restrictions on Mr Silvester including restrictions on the use of confidential information and intellectual property and post termination restrictions for a period of six months including non-solicitation and non-dealing provisions in respect of clients and prospective clients, non-solicitation provisions in respect of senior employees, and non-compete provisions. The service agreement is governed by English law.

10.6.5 *Anthony Dove's Service Agreement*

Anthony Dove was appointed as a non-executive director of the Company on 23 August 2011. The term of Mr Dove's appointment was extended for a further three year period commencing on 23 August 2017 under a letter of appointment dated 16 November 2017. Pursuant to the terms of the letter of appointment, Mr Dove receives an annual fee of £45,000 in return for undertaking the same general legal responsibilities as any other director in promoting the success of the Group for the benefit of its members as a whole. In addition, Mr Dove is responsible for constructively challenging and contributing to the development of strategy, scrutinising the performance of management, determining appropriate levels of remuneration of executive directors and serving on the audit, remuneration (chairman) and nomination committees. The service agreement is governed by English law.

10.6.6 *Kim Taylor-Smith*

Kim Taylor-Smith was appointed as a non-executive director of the Company on 6 October 2014. The term of Mr Taylor-Smith's appointment was extended for a further three year period commencing on 6 October 2017. Pursuant to the terms of the letter of appointment letter dated 15 November 2017, Mr Taylor-Smith receives an annual fee of £45,000 in return for undertaking the same general legal responsibilities as any other director in promoting the success of the Group for the benefit of its members as a whole. In addition, Mr Taylor-Smith is responsible for constructively challenging and contributing to the development of strategy, scrutinising the performance of management, determining appropriate levels of remuneration of executive directors and serving on the audit (chairman), nomination and remuneration committees. The service agreement is governed by English law.

10.7 Except as disclosed in paragraph 10.6, there are no existing or proposed service contracts between any member of the Group and any of the Directors which are not terminable on less than 12 months' notice, nor have any of their letters of appointment or service contracts been amended in the six months prior to the date of this document.

10.8 Except as disclosed in paragraph 10.6, there are no liquidated damages or other compensation payable by any member of the Group upon early termination of the contracts of the Directors. None of the Directors has any commission or profit sharing arrangements with any member of the Group.

10.9 The Group has implemented a bonus and long term incentive scheme to reward executive directors. Future incentive arrangements will be subject to review and approval by the remuneration committee of the Group. Further details are set out in paragraph 11 below.

10.10 The Group operates a defined contribution pension scheme with Legal & General pursuant to which the Company makes contributions up to 5 per cent. of basic salary. Save for this, there are no pension, retirement or similar benefit arrangements established by the Group, nor are any such arrangements proposed.

10.11 In addition to their directorships of the Company and its subsidiaries, the Directors and Senior Managers are or have been members of the administrative, management or supervisory bodies or partners of the following companies or partnerships (which, unless otherwise stated, are incorporated in the UK) within the five years prior to the publication of this document:

Directors	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
Stanley Harold Davis	102 Jermyn Street LLP Buckingham Gate (SW1) LLP Buckingham Gate Estates Limited Curzon Street (London) LLP Curzon Street (Mayfair) LLP Exchange Court (Covent Garden) LLP Goodge Street (TCR) LLP Goodge Street (Tottenham Court Road) LLP International Business Development Consultants Limited Ironbridge Investors Limited Stanley Davis Group Limited Strategic Global Investments Limited Unitguide Limited University Jewish Chaplaincy York Place Company Services Limited	Candycane Limited The Big Give Trust Ltd
Ronald Neil Sinclair	Clubcourt Limited HBP Services Limited London Active Management Limited Sinclair Goldsmith & Co Ltd Variety Events Limited Variety the Children's Charity	Chesterton Global Limited Humberts Limited Moorgate & City Properties Limited
Stephen John Silvester		The Winchester Project
Richard Paul Starr	Acorn2Oak Property Advisors Limited HBP Services Limited	None
Anthony Charles Dove		Argonaut Properties (Cornwall), LLP Locate Continental Properties KFT. (Incorporated in Hungary)

Directors	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
Kim Taylor Smith	Bowlhead Properties (Bushfield) Limited Bowlhead Properties (Peterborough) Limited The Chelsea Centre Ltd	None
Senior Managers		
David Kaye	Stanley Davis Group Limited Formations Direct Limited Xephyr Limited Ironbridge Investors Limited Unitguide Limited Palace Capital (Newcastle) Limited Palace Capital (Northampton) Limited R.T.Warren (Investments) Limited Palace Capital (Warren) Limited Palace Capital (Dartford) Limited Palace Capital (Manchester) Limited Palace Capital (Developments) Limited Palace Capital (Leeds) Limited Palace Capital (Halifax) Limited Quintain (Signal) Member B Limited Palace Capital (Signal) Ltd Meadowcourt Management (Meadowhall) Limited Property Investment Holdings Limited Rossano Ferretti Limited Rossano Ferretti Holdings Limited Rossano Ferretti Salons Limited Greenfriars Properties Ltd Zone L.Mayfair Limited Zone L.Mayfair 1 Limited Epcm Services Ltd Comes (International) Ltd Go Digital Solutions Ltd Deltro Enterprises Limited Campfire Holdings London Limited Ronnie Properties Limited Secure4sure Networking Limited Clustin Emea Ltd Marathon Estates Limited Normadec Global Holdings Ltd Globetrend Limited Conception Consulting Limited Faba Consulting Ltd Justle Limited Inmatter Limited Delphred Limited Tatehill Limited	

Senior Managers	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
David Kaye *(continued)*	Dillhurst Limited Draymill Limited Nat Purchasing Ltd Lillimist Limited Topladder Limited Airtree Limited European Tender Services Limited Fendtwist Limited Rust Holding Limited Veritas Digital Services Limited Interkappa Limited Alllube Ltd Wholegood Limited Appsmob Ltd April Alliance Limited Pampero Ltd Mayfair Nautical Services Limited Ramac Real Estate Ltd Riviera Holdings Investments Limited Wall Hall (Aldenham) Management Company Limited Search Partners & Advisors Limited Traplink Limited Quadvoice Trading Limited Zedstorm Limited Meerbrooke Services Limited Fornax Architectural Engineering Solutions Limited Cmt Supplies & Services Limited Trustconsult (Uk) Limited International Voice Services Limited Asthojuma Limited Dealisle Limited Provech Services Limited Hortis Ltd Arcade Properties Limited Aston Medical Developments Limited Regent Advisory Services Limited International Communication Advisors Limited	
Andrew Thomas	Clubcourt Limited	
Matthew Simpson	None	

10.12 Mr Kaye is a director of a number of non-trading companies (101 in total) in his role as an employee of a company formations business and performs minor administrative tasks. The FCA have agreed to the omission of these companies on the basis that the information is of minor importance and is unlikely to influence an informed assessment of the kind set out in section 87A(2) of FSMA.

10.13 No Director or Senior Manager has:

10.13.1 had any convictions in relation to fraudulent offences or unspent convictions in relation to indictable offences;

10.13.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;

10.13.3 been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, or company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was acting in that capacity for that company or within the 12 months after he ceased to so act;

10.13.4 been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangement where such director was a partner at the time of or within the 12 months preceding such event;

10.13.5 been subject to receivership in respect of any asset of such Director or of a partnership of which the Director was a partner at the time of or within 12 months preceding such event; or

10.13.6 been subject to any official public criticisms by any statutory or regulatory authority (including designated professional bodies) nor has such Director been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

10.14 No Director or Senior Manager has been interested in any transaction with any member of the Group which was unusual in its nature or conditions or significant to the business of the Group during the current financial year which remains outstanding or unperformed.

10.15 In the case of those Directors who have roles as directors of companies other than with members of the Group or are otherwise interested in other companies or businesses, although there are no current conflicts of interest, it is possible that the general duties under chapter 2 of Part 10 of the CA 2006 and fiduciary duties owed by those Directors and to companies or other businesses of which they are directors or otherwise interested in from time to time may give rise to conflicts of interest with the duties owed to the Group. Except as mentioned above there are no potential conflicts of interest between the duties owed by the Directors to the Group and their private duties or duties to third parties.

10.16 Except for the Directors and the Senior Managers, the Board does not believe that there are any other senior managers who are relevant in establishing that the Group has the appropriate expertise and experience for the management of the Group's business.

11. LTIP

11.1 The Group adopted the Palace Capital Long Term Incentive Plan (the "LTIP") on 16 January 2014. The LTIP was amended by Board resolutions on 19 November 2015, 8 December 2015, 6 July 2016, and 15 February 2018.

11.1.1 ***Eligibility***

A Director (other than a non-executive Director) or a bona fide employee of any member of the Group is eligible to participate in the LTIP.

11.1.2 ***Awards***

Selected employees are granted a right (referred to as an award) to receive Ordinary Shares in the future subject to remaining in employment and subject to the satisfaction of any performance conditions. When the participant becomes entitled to the shares the award is said to have vested.

11.1.3 ***Grant of awards***

The Remuneration Committee may grant an award within 42 days of the date on which the Group announces its annual or half-yearly results for a financial year and at any other time when the Remuneration Committee considers that there are circumstances which justify the granting of an award provided that no award may be granted during any period during which dealings in Ordinary Shares by Directors is proscribed.

11.1.4 ***Vesting period***

Awards vest over a period of time, which may not be less than three years from the date of grant. A Participant may not dispose of his interest in Shares acquired on vesting during the Holding Period as specified in the award certificate except in exceptional circumstances.

11.1.5 ***Performance conditions***

The Remuneration Committee will impose performance conditions which it determines to be challenging and aligned with the Group's strategic goals and the interests of Shareholders. The vesting of the award shall be conditional on the satisfaction (or extent of satisfaction) of the applicable performance conditions.

If an event occurs which causes the Remuneration Committee to consider that the performance conditions are no longer appropriate, the Remuneration Committee may vary the performance conditions in such manner as is reasonable in the circumstances and produces a fairer measure of performance and is not materially more or less difficult to satisfy than those which applied immediately before such event occurred.

The level of benefit under the Palace Capital Long Term Incentive Plan 2015 is allocated as to 50 per cent. based on total shareholder return and 50 per cent. based on net asset growth. The level of benefit under the Palace Capital Long Term Incentive Plan 2016 is allocated as to 50 per cent. based on total shareholder return and 50 per cent. based on net asset growth and comparing this with the net asset value growth of a group of comparable companies. The level of benefit under the Palace Capital Long Term Incentive Plan 2017 is allocated as to 50 per cent. based on total shareholder return and 50 per cent. based on net asset growth compared with that of a group of comparable companies.

11.1.6 ***Amendment of performance conditions for 2015 and 2016 LTIPs following acquisition of R.T.Warren (Investments) Limited***

In accordance with the LTIP rules set out at paragraph 11.1.5 above, the Remuneration Committee has determined to adjust the performance conditions for the 2015 and 2016 LTIP awards to take account of the allotment by the Company on 9 October 2017 of 20,588,236 Ordinary Shares (the "RTW Shares") at a price of £3.40 per share in connection with the acquisition of RT Warren.

Currently (and prior to adjustment), the performance conditions for the 2015 and 2016 LTIP awards require minimum TSR and NAV returns of 8% per annum over the three year period from the date of grant except that the performance condition relating to the NAV return for the 2016 LTIP compares the NAV per share return of the Group with that of the members of a comparator group. The awards vest in full if TSR and NAV returns of 13% per annum over the three year period are achieved and vest on a straight-line basis for returns of between 8% and 13% except as stated above. Currently (and prior to adjustment), the TSR and NAV returns are calculated by reference to the Ordinary Shares in issue prior to the allotment of the RTW Shares (the "Original Shares") except that for the performance condition relating to the NAV return for the 2016 LTIP, vesting is determined by NAV per share growth compared with that of a comparator group.

The Remuneration Committee intends that the principle of the adjustment will be that the performance conditions which currently apply to the 2015 and 2016 LTIP awards should be applied to returns on the RTW Shares (based on the issue price of £3.40 per share) on the same basis as the performance conditions currently apply to the Original Shares, with TSR and NAV returns applicable to the Original Shares and RTW Shares being weighted to reflect the number of Original Shares and number of RTW Shares in issue and the time period during which returns are generated.

Applying this principle, the Remuneration Committee intends to apply the following methodology to the adjustment:

(a) the performance conditions have been amended to require separate annual TSR and NAV calculations for each of the Original Shares and the RTW Shares;

(b) the separate TSR and NAV calculations for the Original Shares and RTW Shares will be weighted to reflect the number of Original Shares and RTW Shares in issue and the time period during which returns are generated;

(c) the periods over which the TSR and NAV returns for the Original Shares will be calculated is the three years from the respective dates of grant and, in case of the NAV return, 1 October 2015 or 1 April 2016; and

(d) the periods over which the TSR and NAV calculations for the RTW Shares will be calculated are the balance of the three year periods remaining from the date of allotment of the RTW Shares.

11.1.7 ***Share capital and individual limit***

An award may not be granted if the result would be that the total number of Ordinary Shares issued or issuable under the LTIP or any other discretionary employee share scheme operated in the previous 10 years would exceed such number as is equivalent to 5 per cent. of the Company's issued ordinary share capital at the proposed grant date. The aggregate value of Ordinary Shares subject to awards granted in any financial year to a Participant shall not exceed 200 per cent. of the employee's base salary at the Grant Date.

11.1.8 ***Cash settlement***

Following the vesting of an award, on the recommendation of the Remuneration Committee, the Company may decide not to issue or procure the transfer of Ordinary Shares but instead to arrange for a cash payment to be made to the participant of an amount equivalent to the market value of the Ordinary Shares which would otherwise have been issued or transferred.

11.1.9 ***Clawback powers***

The Remuneration Committee may, at its discretion, decide that:

(a) if it is discovered that an award has been granted or has vested on the basis of any incorrect information relevant to the setting of performance conditions or to determining their satisfaction including, without limitation, a material misstatement in any published results of the Group;

(b) if the business of the Group has suffered from an exceptional negative event;

(c) in the event of misconduct on the part of a participant; or

(d) if events or behaviour of the participant have led to the censure of a member of the Group by a regulatory authority or have had a significant detrimental impact on its reputation,

the number of Ordinary Shares subject to the award shall be reduced or eliminated. In the case of an award which has already vested, the Remuneration Committee may decide that the participant should repay to a member of the Group or the employee benefit trust an amount equal to some or all of the benefit received, whether by transfer of Ordinary Shares or payment of a cash amount.

11.1.10 ***Cessation of employment***

An award may normally vest only while the participant holds an office or employment and if a participant ceases to hold any such office or employment any award granted to him which has not vested shall lapse.

If a participant dies before his award has vested the award shall vest immediately. The number of Ordinary Shares in respect of which the award vests shall be determined by the Remuneration Committee, taking into account the Company's underlying financial performance since the Grant Date and the proportion of the vesting period which has elapsed at the date of death.

If a participant ceases to hold any office or employment before his award has vested by reason of:

(a) injury, disability or ill-health;

(b) redundancy;

(c) the company or business in which the participant is employed ceasing to be part of the Group; or

(d) any other reason, at the discretion of the Committee (such discretion being applied fairly and reasonably),

the award shall continue in effect and vest on the original vesting date (or on such earlier date as the Remuneration Committee may determine in exceptional circumstances). The number of Ordinary Shares in respect of which the award vests in accordance with the performance conditions shall be determined by the Remuneration Committee. If the award vests before the normal vesting date, the Remuneration Committee shall take into account the Company's underlying performance since the Grant Date and the proportion of the vesting period which has elapsed at the date of such cessation.

11.1.11 ***Corporate events***

For awards granted after 1 December 2015, if a person obtains control of the Group each unvested award shall vest immediately and the number of Ordinary Shares in respect of which the award vests shall be determined by the Remuneration Committee, taking into account the circumstances at the time including the underlying financial performance of the Company since the Grant Date and the proportion of the vesting period which has elapsed at the date Control is obtained.

Alternatively, participants may be allowed or required to exchange their awards for awards over shares in the acquiring company.

11.1.12 ***Termination of the LTIP***

The LTIP shall terminate 10 years after the adoption date (being 16 January 2014) or on such earlier date as the Board shall determine.

11.1.13 ***General***

Any Ordinary Shares issued on the vesting of awards or exercise of options will rank equally with Ordinary Shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date. The Board, acting on the recommendation of the Remuneration Committee, may amend the Rules of the LTIP but certain amendments to the advantage of existing or future participants require the approval of shareholders in general meeting.

Awards are not pensionable or transferable.

11.1.14 ***Prior awards***

Certain of the provisions of the Rules apply only to new awards. For outstanding awards granted prior to Admission:

There is no holding period.

On the death of a participant, the number of Ordinary Shares in respect of which the award vests shall be reduced to the proportion of the vesting period which has elapsed at the date of death.

On a participant ceasing to hold any office or employment before his award has vested by reason of the matters referred to in 11.1.10 above the number of Ordinary Shares in respect of which the award vests shall be reduced to the proportion of the vesting period which has elapsed at the date of such cessation

There are no clawback powers.

On a change of control, the number of Ordinary Shares in respect of which the award vests shall be based on the extent to which the Performance Conditions are met at the point of change of control and will not be reduced to the proportion of the vesting period which has then elapsed.

12. Annual Bonus and Deferred Bonus Plan

12.1 The Group provides executive Directors with an annual bonus based on the achievement of certain performance criteria. An annual bonus is settled by way of a mixture of cash and the grant of options ("**Options**") over Ordinary Shares pursuant to the Palace Capital Deferred Bonus Scheme (the "**Deferred Bonus Plan**"). The current remuneration policy of the Group is that 35 per cent. of any bonuses awarded may be settled in the form of options. However, on a termination of employment in certain defined circumstances (including a change of control) where a bonus is due but has not been settled at the date of termination, the bonus will be paid in cash.

The Group's remuneration policy caps annual bonus payments to the executive Directors at 100 per cent. of salary. In determining entitlement to annual bonuses, the executive Directors are measured against specific criteria. Bonuses are awarded at levels of 20, 60, 80 and 100 per cent. of the maximum depending on whether performance achieves threshold, target, stretch and super stretch of the relevant criterion except that 25% of the bonus is awarded on performance measured by the achievement of specific letting and development targets.

12.2 ***Eligibility***

A Director (other than a non-executive Director) or a bona fide employee of any member of the Group is eligible to participate in the Deferred Bonus Plan.

12.3 ***Options***

The Remuneration Committee may determine that all or part of the annual bonus in respect of service and/or performance of a selected employee in respect of any financial year shall be deferred and delivered to the participant in the form of an Option.

Generally, the award of an annual bonus is made as to 65 per cent. in cash and 35 per cent. in Options.

Under the terms of an Option, the participant is granted a right to have Ordinary Shares issued or transferred to him in the future. When the participant becomes entitled to exercise an Option it is said to have vested.

On a change of control or otherwise where a bonus is pro-rated because it falls to be calculated in respect of a financial year which has not fully elapsed, any unsatisfied bonus will, subject to the meeting of the defined performance criteria, be paid in cash.

12.4 ***Grant of Options***

The Remuneration Committee may grant Options within the period of 42 days following the end of a closed period and at any other time when the Remuneration Committee considers that there are circumstances which justify the granting of an Option provided that no Option may be granted during any period during which dealings in Ordinary Shares by Directors is proscribed.

12.5 ***Vesting period***

Options vest over a period of time, which may not be less than one year from the date of grant.

12.6 ***Cash settlement***

Following the exercise of an Option, on the recommendation of the Remuneration Committee, the Group may decide not to issue or procure the transfer of Ordinary Shares pursuant to the Option but instead to arrange for a cash payment to be made to the participant of an amount equivalent to the market value of the Ordinary Shares which would otherwise have been issued or transferred (less the Option price, if any).

12.7 ***Clawback powers***

The Remuneration Committee may, at its discretion, decide that if it is discovered that an Option has been granted on the basis of any incorrect information including, without limitation, a material misstatement in any published results of the Group, if the business of the Group has suffered from an exceptional negative event, in the event of any misconduct on the part of the participant , or if events or behaviour of the participant have led to the censure of a member of the Group by a regulatory authority or have had a significant detrimental impact on its reputation, then the number of Ordinary Shares subject to the Option shall be reduced or eliminated. In the case of an Option which has already been exercised, the Remuneration Committee may decide that the participant should repay to a member of the Group or the employee benefit trust an amount equal to some or all of the benefit received, whether by transfer of Ordinary Shares or payment of a cash amount. These clawback powers do not apply to existing Options.

12.8 ***Cessation of employment***

If a participant dies before his Option has vested the Option shall vest immediately in full.

Subject to 12.7, if a participant ceases to hold any office or employment before his Option has vested then the Option shall continue in effect and vest on the original vesting date (or on such earlier date as the Remuneration Committee may determine in exceptional circumstances). If a participant is dismissed for cause, his Option shall lapse immediately. The reference to 12.7 in this provision shall not apply to existing Options.

12.9 ***Corporate events***

If a person obtains control of the Company each unvested Option shall vest immediately.

12.10 ***Lapse of Options***

An Option shall lapse on: (i) the date on which the relevant participant is dismissed for cause; (ii) 12 months after the relevant participant ceases to be an employee or dies; (iii) within a limited period following a change of control of the Company; (iv) immediately on the winding up of the Company or the participant becoming bankrupt and; (v) the expiry date of the option. Provision (i) does not apply to existing Options.

12.11 ***Termination of the Deferred Bonus Plan***

The Deferred Bonus Plan shall terminate 10 years after the adoption date (being 24 February 2016) or on such earlier date as the Board shall determine.

12.12 ***General***

Any Ordinary Shares issued on the exercise of Options will rank equally with Ordinary Shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

Options are not pensionable or transferable.

The Board, acting on the recommendations of the Remuneration Committee, may amend the Deferred Bonus Plan rules but certain amendments to the advantage of existing or future participants require the approval of shareholders in general meeting.

13. Material Contracts

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group (a) within the 24 months immediately prior to publication of this document or (b) at any time, and are contracts that contain provisions under which any member of the Group has an obligation or entitlement which is material to the Group as at the date of this document.

The material contracts are governed by the laws of England and Wales except if otherwise noted.

13.1 ***Facility agreement with Lloyds Bank PLC in relation to a term loan investment of £4,500,000***

The facility agreement dated 8 May 2015 was entered into by Palace Capital (Leeds) Limited and Lloyds Bank PLC pursuant to which Lloyds Bank PLC made available to Palace Capital (Leeds) Limited a sterling term loan in an aggregate amount equal to £4,500,000.

The loan was used by Palace Capital (Leeds) Limited for (1) refinancing the acquisition of Bank House, Leeds, (2) payment of all fees, costs and expenses incurred by Palace Capital (Leeds) Limited in relation to refinancing its debt with Lloyds Bank PLC, and (3) all other general corporate purposes.

The rate of interest payable on borrowings for each interest period is the aggregate of the rate of LIBOR at that time plus a margin of 2.1 per cent. per annum on each interest payment date (falling on 15 January, 15 April, 15 July and 15 October).

Palace Capital (Leeds) Limited paid Lloyds Bank PLC an arrangement fee of £45,000 on 8 May 2015.

Under the terms of the facility agreement, Palace Capital (Leeds) Limited is required to repay the loan to Lloyds Bank PLC in quarterly instalments of £62,500, and must have repaid the full balance by no later than four years after the date of the first loan payment.

13.2 ***Facility agreement with National Westminster Bank PLC in relation to term loan and revolving credit investments of up to £30,000,000***

The facility agreement dated 11 March 2016 was entered into by PIH, Palace Capital (Properties) Limited and Royal Bank of Scotland PLC (as agent for National Westminster Bank PLC) pursuant to which

National Westminster Bank PLC made available to PIH a sterling term loan facility in an aggregate amount of up to £10,000,000 ("Tranche A") and a revolving loan facility in an aggregate amount of up to £20,000,000 ("Tranche B").

The loan was used by PIH, firstly in respect of Tranche A, for:

(1) payment or repayment of its existing indebtedness to National Westminster Bank PLC under the facility agreement dated 21 August 2014 entered into between PIH and National Westminster Bank PLC,

(2) payment of any acquisition costs incurred in respect of the properties listed at Schedule 1 of the agreement, and

(3) payment of any fees, costs, expenses and taxes in connection to (i) purchase of the properties both which are listed at Schedule 1 of the agreement and which are defined as "Additional Properties" under the terms of the agreement and (ii) the finance documents as defined in the agreement;

and subsequently in respect of Tranche B, for:

(4) financing the purchase of the properties listed at Schedule 1 of the agreement,

(5) financing the purchase of any additional properties (as defined under the agreement) and,

(6) all other general corporate purposes.

The rate of interest payable on borrowings for each interest period is the aggregate of the rate of LIBOR at that time plus a margin of 2.5 per cent. per annum on each interest payment date (falling on 20 January, 20 April, 20 July and 20 October).

Under the terms of the facility agreement, PIH is required to pay a fee of 1.25% on the remaining commitment (less any outstanding loans and loans repayable before the date of utilisation) under the Tranche B facility, and an arrangement fee of 1% of the total facility as specified within a fee letter.

In respect of Tranche A, PIH is required to repay the loan to National Westminster Bank PLC in quarterly instalments of £250,000 until 11 March 2021, at which date the final repayment instalment will equal the outstanding loan balance. In respect of Tranche B, PIH is required to repay each loan to National Westminster Bank PLC by the end of its respective interest period following notice of such repayment given to National Westminster Bank PLC. The total Tranche B loan must be repaid to National Westminster Bank PLC in full by 11 March 2021.

13.3 ***Share Purchase Agreement relating to the acquisition of Gregory Projects (Halifax) Limited***

On 11 March 2016, the Company entered into an acquisition agreement with Gregory Property Holdings Limited ("GPHL") and Gregory Property Group Limited ("Guarantor") for the sale of 50 A Ordinary Shares and 50 B Ordinary Shares each in Gregory Projects (Halifax) Limited ("Halifax") registered in the name of GPHL. The Guarantor is the holding company of GPHL and is a party to the acquisition agreement for the purpose of entering into the guarantee and indemnity and the undertakings. The aggregate consideration paid in cash was £1 (subject to adjustment in accordance with the terms of the acquisition agreement). The consideration will be decreased to the extent that the net assets of Halifax are less than £1 and a further sum will be paid by the Company to the extent the net assets of Halifax are more than £1.

The acquisition agreement provides for customary warranties as to title, capacity and solvency given by GPHL in favour of the Company. In addition, GPHL has given customary tax warranties and a customary tax covenant in favour of the Company. The aggregate liability of GPHL shall not exceed £1 million for all Relevant Claims (as defined in the acquisition agreement), and £3 million in respect of the Yorkshire Forward Indemnity. The time limit for bringing warranty claims (other than for tax) expires 18 months after Completion (or seven years after Completion in respect of claims under the tax warranties or the tax covenant).

13.4 ***Agreement for the sale and purchase of Boulton House, Chorlton Street, Manchester M1 3HY***

On 14 June 2016, Palace Capital (Manchester) Limited entered into an acquisition agreement with Regional Properties Limited to acquire the freehold property known as Boulton House, Chorlton Street, Manchester M1 3HY registered at the Land Registry under title number LA258174. The consideration for the acquisition was £10,565,583.73.

13.5 ***Facility agreement with Scottish Widows in relation to a term loan investment of £15,250,000***

The facility agreement dated 4 July 2016 was entered into by Palace Capital (Halifax) Limited and Scottish Widows pursuant to which Scottish Widows made available to Palace Capital (Halifax) Limited a sterling term loan facility in an aggregate amount of £15,250,000.

The loan was used by Palace Capital (Halifax) Limited for (1) refinancing the cost of acquisition of Broad Street Plaza, Halifax (or any additional property which may become subject to security in the event of breach of loan to value (as defined in the agreement) provisions contained within the agreement) and (2) payment of all fees, costs, expenses and other taxes in relation to refinancing such cost.

The rate of interest payable on borrowings for each interest period is the aggregate percentage rate per annum of (i) the applicable margin of 2.2% and (ii) the applicable screen rate two business days prior to or on the date on which the relevant loan is to be made (which was 0.7%).

Palace Capital (Halifax) Limited must pay to the arranger, Lloyds Bank PLC, an arrangement fee in the amount and at the times agreed in a fee letter dated on or around 4 July 2016.

Under the terms of the facility agreement, Palace Capital (Halifax) Limited is required to repay the loan to Scottish Widows on each interest payment date (being 19 January, 19 April, 19 July and 19 October) in instalments of £109,000 until ten years after the date of utilisation of the facility, at which date the final repayment instalment will equal the outstanding loan balance.

13.6 ***Facility agreement in relation to a £14,515,500 term loan investment***

The facility agreement dated 31 January 2017 as amended and restated on 9 October 2017 was entered into by RT Warren and Barclays Bank PLC ("Barclays") pursuant to which Barclays made available to RT Warren a sterling term loan facility in an aggregate amount equal to £14,515,500. This loan has been repaid in full under the terms of the Barclays Facility Agreement dated 25 January 2018.

13.7 ***Facility agreement with Santander in relation to a term loan investment of £27,000,000***

The facility agreement dated 3 August 2017 was entered into by (1) Palace Capital (Northampton) Limited and Palace Capital (Manchester) Limited and (2) Santander UK PLC pursuant to which Santander UK PLC made available three sterling term loan facilities in the aggregate amounts of £9,665,000 to Palace Capital (Northampton) Limited ("Facility A"), £5,872,500 to Palace Capital (Manchester) Limited ("Facility B") and £11,462,500 to both Palace Capital (Northampton) Limited and Palace Capital (Manchester) Limited ("Facility C") (in each case on a joint and several basis, and in respect of Facility C allocated to SM Newcastle OB Limited when it became an additional borrower under the terms of the agreement.

Facility A and Facility B were used by Palace Capital (Northampton) Limited and Palace Capital (Manchester) Limited respectively to refinance the loan made to both of them under a sterling term loan facility in an aggregate amount of up to £17,490,000 by way of a facility agreement dated 15 February 2016 (as amended and restated on 18 August 2016).

The Facility C loan was used by both Palace Capital (Northampton) Limited and Palace Capital (Manchester) Limited for:

(1) financing the acquisition cost by the Company of the entire issued share capital of SM Newcastle OB Limited under a share purchase agreement dated on or around 3 August 2017 and made between Gerard McAleer and Doreen McAleer as trustees of the Gerard McAleer Family Discretionary Trust (as sellers) and the Company (as buyer) of all of the issued shares in SM Newcastle OB Limited ("SPA") by way of on-lending Facility C to the Company,

(2) payment by both Palace Capital (Northampton) Limited and Palace Capital (Manchester) Limited of all fees, costs, expenses and taxes incurred by the Company in connection with the acquisition of SM Newcastle OB Limited pursuant to the SPA, and

(3) payment of any amounts payable under the finance documents as defined in the agreement, including arrangement fees, professional fees and VAT.

The rate of interest payable on borrowings for each interest period is the aggregate of the rate of LIBOR at that time plus a margin of 2.5% per annum. Palace Capital (Northampton) Limited and Palace Capital (Manchester) Limited were required to pay accrued interest on the Facility A and Facility B loans respectively, and pay or procure that SM Newcastle OB Limited paid accrued interest on the Facility C loan, with each facility to be paid on each interest payment date (falling on 15 January, 15 April, 15 July and 15 October, and including the agreement termination date falling five years after the date of utilisation of the facility).

Palace Capital (Northampton) Limited and Palace Capital (Manchester) Limited were required to pay to Santander UK PLC an arrangement fee in the amount and at the times agreed in a fee letter dated on or around 3 August 2017.

Under the terms of the agreement, (1) Palace Capital (Northampton) Limited is required to repay the Facility A loan in quarterly instalments of £50,000, (2) Palace Capital (Manchester) Limited is required to repay the Facility B loan in quarterly instalments of £37,500 and (3) both Palace Capital (Northampton) Limited and Palace Capital (Manchester) Limited is required to pay or procure that SM Newcastle OB Limited pays the Facility C loan, with payments in each case payable on each interest payment date.

13.8 ***Share purchase agreement relating to the whole issued share capital of SM Newcastle OB Limited***

On 4 August 2017, the Company entered into an acquisition agreement with Gerard McAleer and Doreen McAleer, as trustees of the Gerard McAleer family discretionary trust (the "Seller") to acquire the entire issued share capital of SM Newcastle OB Limited. The consideration paid in cash was £2,778,906 less the BOI Interest (as defined in the acquisition agreement), subject to adjustment in accordance with the terms of the acquisition agreement.

The acquisition agreement provides for customary warranties as to title, capacity and solvency given by the Seller in favour of the Company. In addition, the Seller has given customary tax warranties and a customary tax covenant in favour of the Company. The maximum aggregate liability of the Seller in respect of all Non-Tax Claims and Tax Claims (as defined in the acquisition agreement) shall not exceed £18,900,710. The time limit for bringing Non-Tax claims expires 2 years after Completion (or seven years after Completion in respect of Tax Claims).

13.9 ***Share purchase agreement relating to the whole issued share capital of RT Warren***

On 18 September 2017, the Company entered into an acquisition agreement with certain individuals ("the Sellers") to acquire RT Warren. The consideration paid in cash was £53.4 million (post any net asset value adjustment that was made in accordance with the terms of the acquisition agreement). The consideration was subject to a retention as described below.

A retention of approximately £0.5 million has been withheld from the consideration and placed in the retention account as security with respect to rent, rates and service charges of three properties owned by RT Warren which was vacant. To the extent that, during the 18 month period following completion of the acquisition, the properties remain vacant or do not produce a minimum level of income, an amount shall be payable to the Company. The retention will be released (subject to any payments to the Group being made) at the end of the 18 month period.

The acquisition agreement provides for customary warranties as to title, capacity and solvency given by all the Sellers in favour of the Company. In addition, the Majority Sellers (as defined in the acquisition agreement) have given customary warranties and a customary tax covenant in favour of the Company. These warranties are qualified by the Disclosure Letter (as such term is defined in the acquisition agreement) and certain limitations on liability. The maximum liability of the Sellers and the Majority Sellers under such warranties and the tax covenant is £1 and the Company's recourse in the event of a claim for breach of such warranties and under the tax covenant is under a warranty and indemnity insurance policy. The aggregate claim limit under such policy is £10.5 million. The time limit for bringing warranty claims (other than for tax) expires two years after Completion (or seven years after Completion in respect of claims under the tax warranties or the tax covenant).

13.10 ***Placing Agreement***

A placing agreement dated 19 September 2017 (as amended on 29 September 2017) between Arden Partners (1), Allenby (2) and the Company (3) pursuant to which Arden Partners and Allenby agreed to use their respective reasonable endeavours to arrange for placees to subscribe for 20,588,236 new Ordinary Shares at an issue price of 340 pence per share. Allenby received, pursuant to the placing agreement, a corporate finance fee of £60,000 plus VAT and Allenby and Arden Partners received placing commissions of 2.5% of the gross funds raised. The commission was allocated on the basis of funds raised on the allotment.

The placing agreement contains, *inter alia*, customary undertakings and warranties given by the Company in favour of Allenby and Arden Partners as to the accuracy of information contained in the circular issued in connection with the placing and other matters relating to the Group and its business and an indemnity from the Company in favour of Allenby and Arden Partners.

13.11 ***Facility agreement with Barclays Bank PLC in relation to a term loan investment of up to £40,000,000***

The facility agreement dated 25 January 2018 was entered into by Palace Capital (Signal) Ltd and Barclays Bank PLC pursuant to which Barclays Bank PLC made available to Palace Capital (Signal) Ltd a sterling term loan facility in an aggregate amount of up to £40,000,000 (payable in two tranches of £35,847,900 ("Tranche A") and £4,152,100 ("Tranche B")).

The loan was used by Palace Capital (Signal) Ltd for (1) repayment of RT Warren's existing indebtedness to Barclays Bank PLC of £14,515,500 under the facility agreement dated 31 January 2017 entered into by RT Warren and Barclays Bank PLC (as amended and restated on 9 October 2017), (2) financing all costs incurred in relation to (i) its purchase of each of the properties listed at Part 4 of Schedule 1 of the agreement and (ii) repayment of £20,825,046.83 of existing subordinated debt, and (3) repayment of monies owed to Nationwide Building Society pursuant to a facility agreement dated 11 November and made between Nationwide Building Society and Signal Property Investments LLP.

The rate of interest payable on borrowings for each interest period is the aggregate of the London Inter-Bank Offered Rate at that time plus a margin of 1.95% per annum, and Palace Capital (Signal) Ltd will pay accrued interest on such borrowings on each interest payment date (falling on 20 January, 20 April, 20 July, and 20 October, and the agreement termination date of 28 January 2023).

Palace Capital (Signal) Ltd is required to pay to Barclays Bank PLC (1) an arrangement fee of 0.9% of the total facility, (2) an agency fee in respect of its own account and (3) a security fee in respect of its own account; and in the case of points (2) and (3) such payment is to be made only where there is more than one lender. The amounts and times of each fee payment are specified within a separate fee letter dated on or around 28 January 2018.

Palace Capital (Signal) Ltd is required to repay the loan to Barclays Bank PLC in quarterly instalments of £125,000 (to be applied firstly in respect of Tranche A and subsequently in respect of Tranche B) until 28 January 2023, at which date the final repayment instalment will equal the outstanding loan(s) balance.

14. Working capital

The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least the next 12 months from the date of this document.

15. Litigation

There are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened so far as the Group is aware) which may have, or since incorporation have had, significant effects on the financial position or profitability of the Group.

16. Intellectual property

The Group is not dependent on any patents or licences, industrial, commercial or financial contracts, or new manufacturing processes, where such are of fundamental importance to the Group's business or profitability.

17. Property

The Group's head office is located at 4th Floor, 25 Bury Street, London SW1Y 6AL, which it leases.

18. Employees

The Group has 12 employees (including executive directors but excluding non-executive directors).

19. Related Party Transactions

The Group is not party to any transactions with related parties, for the period covered by the historical financial information up to the date of this document.

20. Significant change and narrative statement

20.1 Save in respect of the acquisition of RT Warren on 9 October 2017 and the related fundraising referred to in Part VI of this document, there has been no significant change in the trading or financial position of the Group since 30 September 2017, being the date as at which the financial information contained in Part VIII of this document has been prepared.

20.2 Save as a result of the disposals of Marsh Barton, Exeter and Whittle House, Coventry described in paragraph 8 of Part VI of this document, the Directors are of the opinion that there has been no significant change in the valuation of the Portfolio since 30 September 2017, as at the date of the Valuation report contained in Part VII of this document.

21. Mandatory bids and compulsory acquisition rules relating to Ordinary Shares

21.1 Other than as provided by the Takeover Code and Chapter 28 CA 2006, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Ordinary Shares.

21.2 The Takeover Code is issued and administered by the Takeover Panel.

21.3 The Takeover Code already applies to the Company and the Shareholders are entitled to the protection afforded by the Takeover Code.

21.4 There have been no public takeover bids for the Company's shares.

21.5 Under Rule 9 of the Takeover Code, when: (i) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons in which he is already interested and in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company subject to the Takeover Code; or (ii) any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of such a company, and such person or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, then, except with the consent of the Takeover Panel, that person, and any person acting in concert with him, must make a general offer in cash to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights to acquire the balance of the shares not held by him and his concert party.

21.6 Except where the Takeover Panel permits otherwise, an offer under Rule 9 of the Takeover Code must be in cash and at the highest price paid within the 12 months prior to the announcement of the offer for any shares in the company by the person required to make the offer or any person acting in concert with him. Offers for different classes of equity share capital must be comparable; the Takeover Panel should be consulted in advance in such cases.

Squeeze-out

21.7 Under CA 2006, if a "takeover offer" (as defined in section 974 CA 2006) is made for the Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the Ordinary Shares to which the offer relates and not less than 90 per cent. of the voting rights carried by the Ordinary Shares to which the offer relates, it could, within three months of the last day on which its takeover offer can be accepted, compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding members telling them that it will compulsorily acquire their Ordinary Shares and then, six weeks later, it would execute a transfer of the outstanding Ordinary Shares in its favour and pay the consideration for the outstanding Ordinary Shares to the Company, which would hold the consideration on trust for outstanding members. The consideration offered to the minority shareholder whose shares are compulsorily acquired must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

Sell-out

21.8 CA 2006 also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. in value of the Ordinary Shares and not less than 90 per cent. of the voting rights carried by the Ordinary Shares, any holder of Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Ordinary Shares. The offeror is required to give any member notice of its right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises its rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

22. General

22.1 BDO LLP were appointed as the auditors of the Group on 1 May 2015. BDO are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales at the address of 55 Baker Street, London, W1U 7EU.

22.2 BDO LLP, which has no material interest in any member of the Group, has given and has not withdrawn its written consent to the inclusion in Part VIII and IX of this document of their reports in the form and context in which they appear and has authorised the contents of those reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

22.3 Cushman & Wakefield were appointed as independent valuers of the Group on 21 November 2017. Cushman & Wakefield are registered to as a valuer with the Royal Institution of Chartered Surveyors at the address of 125 Old Broad Street, London, EC2N 1AR.

22.4 Cushman & Wakefield, which has no material interest in the Group, has given and has not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which it appears and to the inclusion in Part VII of this document of their valuation report in the form and context in which it is included and has authorised its report for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules.

22.5 The total costs and expenses of or incidental to Admission payable by members of Group are expected to be approximately £700,000 (including irrevocable VAT).

22.6 The Directors are not aware of any environmental issues which may affect the Group's utilisation of its tangible fixed assets (if any).

22.7 The Group's accounting reference date is 31 March.

22.8 The financial information relating to the Group contained in this document does not constitute statutory accounts for the purposes of section 434 of CA 2006.

23. Documents available for inspection

Copies of the following documents may be inspected at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF during normal business hours of any weekday (public holidays excepted) from the date of this document until a date one month following Admission:

23.1 the consent letters of BDO, Cushman & Wakefield and Arden Partners;

23.2 this document;

23.3 the service agreements and letters of appointment of Directors referred to above in paragraph 10 of this section; and

23.4 the material contracts referred to above in paragraph 13.

DEFINITIONS

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

Admission	the admission of the entire issued and to be issued ordinary share capital of the Company (i) to the premium listing segment of the Official List; and (ii) to trading on the Main Market, and "Admission becoming effective" means it becoming effective in accordance with paragraph 3.2.7 of the Listing Rules and the Admission and Disclosure Standards published by the London Stock Exchange.
AIM	the AIM market, operated by the London Stock Exchange.
AIM Admission	the admission of Ordinary Shares to trading on AIM.
AIM Rules	the AIM Rules for Companies (being the rules of the London Stock Exchange which set out the obligations and responsibilities of and in relation to companies whose shares are admitted to AIM, as published and occasionally amended by the London Stock Exchange).
Allenby	Allenby Capital Limited, the Company's nominated adviser and broker at the time of this document.
Arden	Arden Partners Plc, the Company's Sponsor for the purposes of Admission and ongoing trading on the Main Market and broker.
Articles	the articles of association of the Company adopted by the Company by a special resolution passed at a general meeting of the Company held on 18 October 2013.
Auditors	the auditors from time to time of the Group, being BDO LLP as at the date of this document.
Board or **Directors**	the directors of the Company whose names are set out on page 31 of this document.
CA 2006	the Companies Act 2006.
Company or **Palace Capital**	Palace Capital plc, registered in England and Wales with company number 05332938.
Corporate Governance Code	the UK Corporate Governance Code, published by the Financial Reporting Council.
CREST	the paperless share settlement system and system for the holding and transfer of shares in uncertified form in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the CREST Regulations).
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended.
CTA 2010	the UK Corporation Tax Act 2010.
Disclosure Guidance and Transparency Rules	the disclosure and transparency rules of the FCA.

Executive Directors	the directors of the Company who act in an executive capacity, being Neil Sinclair, Stephen Silvester and Richard Starr.
FSMA	the Financial Services and Markets Act 2000, as amended.
Group	the Company and its subsidiaries and subsidiary undertakings from time to time.
Hockenhull Portfolio	The properties acquired by the Group as part of the acquisition of Hockenhull in October 2011.
HMRC	HM Revenue & Customs.
Listing Rules	the Listing Rules of the FCA.
London Stock Exchange	London Stock Exchange plc.
LTIP	the Group's Long-Term Incentive Plan.
Main Market	the London Stock Exchange's main market for listed securities.
Member States	the member states of the EU.
NAV or **Net Asset Value**	the net asset value of the Group as calculated in accordance with the Group's accounting practices.
Net Asset Value per Share	in relation to any date, the Net Asset Value at such date divided by the number of Ordinary Shares in issue (excluding any treasury shares) at such date.
Official List	the Official List maintained by the UKLA.
Open Market Value	the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.
Options	the options entitling certain directors of the Company to subscribe for a total of 36,332 Ordinary Shares, details of which are set out in paragraph 9.1 and 12 of Part XII of this document.
Ordinary Shares	ordinary shares of 10 pence each in the capital of the Company, of which 46,388,515 are in issue at the date of this document of which 549,587 are held in treasury.
PIH	Property Investment Holdings Limited (registered in England and Wales with company number 582889).
PIH Portfolio	The properties acquired by the Group as part of the acquisition of PIH in August 2014.
Portfolio	the Group's portfolio of real estate interests from time to time, whether held directly or indirectly.
Premium Listing	a Premium Listing on the Official List under Chapter 6 of the Listing Rules.
Prospectus Directive	the Directive of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (no. 2003/71/EC).
Prospectus Rules	the Prospectus Rules of the FCA.

Registrar	Link Market Services Limited of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
Regulation S	Regulation S promulgated under the Securities Act.
Regulated Information Service or **RIS**	one of the regulated information services authorised by the RIS or UKLA to receive, process and disseminate regulator information in respect of listed companies.
Remuneration Committee	the remuneration committee appointed by the Board.
RICS Red Book	The RICS Valuation – Global Standards 2017 published in June 2017 by the Royal Institution of Chartered Surveyors.
RT Warren	R.T. Warren Investments Limited (registered in England and Wales with company number 00305050).
RT Warren Portfolio	The Properties acquired by the Group as part of the acquisition of the RT Warren in October 2017.
Securities Act	the United States Securities Act of 1933, as amended.
Senior Managers	David Kaye, Andrew Thomas and Matthew Simpson.
Sequel Portfolio	those properties acquired by the Group from Quintain Estates and Development Limited and Buckingham Properties Trading Limited in October 2013
Shareholders	holders of Ordinary Shares.
subsidiary	has the meaning given to it by section 1159 CA 2006.
Subsidiaries	the Group's subsidiaries at the time of this prospectus.
Takeover Code	the City Code on Takeovers and Mergers published by the Takeover Panel.
Takeover Panel	the Panel on Takeovers and Mergers.
Total Shareholder Returns or **TSR**	is the internal rate of return of all cash flows to an investor during the holding period of an investment, this includes capital appreciation and dividends paid.
UK or **United Kingdom**	the United Kingdom of Great Britain and Northern Ireland.
UK Listing Authority or **UKLA**	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA in the exercise of its functions in respect of, among other things, the admission to the Official List.
United States, US or **USA**	the United States of America, its territories and possessions.

GLOSSARY

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

Book Value	the amount at which assets and liabilities are reported in the financial statements.
Dividend Cover	Funds From Operations per share divided by dividend per share declared in the period.
EPRA	the European Public Real Estate Association.
EPRA Earnings	the IFRS profit after taxation excluding investment property revaluations and gains/losses on disposals.
EPRA Net Assets (or "**EPRA NAV**")	the balance sheet net assets excluding the mark to market on effective cash flow hedges and related debt adjustments, deferred taxation on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes.
Estimated Rental Value (or "**ERV**")	the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.
IASB/IFRS	the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the EU.
Interest Cover	the number of times net interest payable is covered by underlying profit before net interest payable and taxation.
LIBOR	the London Interbank Offered Rate, the interest rate charged by one bank to another for lending money.
Loan to Value (or "**LTV**")	the ratio of gross debt less cash, short-term deposits and liquid investments to the aggregate value of properties and investments. LTV is expressed on a proportionally consolidated basis.
Net Asset Value (or "**NAV**") **per Share**	the equity attributable to owners of the Group divided by the number of Ordinary Shares in issue at the period end.
Net Initial Yield	the current annualised rent, net of costs, expressed as a percentage of capital value, after adding notional purchaser's costs.
Net Rental Income	the rental income receivable in the period after payment of ground rents and net property outgoings. Net rental income will differ from annualised net rents and passing rent due to the effects of income from rent reviews, net property outgoings and accounting adjustments for fixed and minimum contracted rent reviews and lease incentives.
Permitted Development Rules	a type of work that does not require an application for planning permission.
Real Estate Investment Trust (or "**REIT**")	a listed property company which qualifies for and has elected into a tax regime, which exempts qualifying UK property rental income and gains on investment property disposals from corporation tax.
Total Shareholder Return (or "**TSR**")	calculated by the growth in capital from purchasing a share in the Company assuming that the dividends are reinvested each time they are paid.
WAULT	weighted average unexpired lease term.