



PALACE CAPITAL<sub>plc</sub>

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED

30 SEPTEMBER 2014

Company Registration No. 05332938

# Palace Capital plc

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**Palace Capital Plc**  
("Palace Capital", the "Company" or the "Group")

**Interim results for the 6 months ended 30 September 2014**

**CHAIRMAN'S STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

I am very pleased to report our results for the six months period ended 30 September 2014 which show the Group has made a profit before tax of £8,436,330 (6 months ended 31 July 2013 loss before tax £78,419). This is stated after charging £639,304 for the costs of the PIH acquisition and after revaluing the investment properties upwards by £7,291,715.

The Group has made very encouraging progress during the period. The highlight was the completion of our third portfolio acquisition, that of Property Investment Holdings Limited ("PIH"), in August 2014. The Group now has a total portfolio valued at £98.6 million, excluding the value of the freehold interest of leasehold properties amounting to £1.2million.

**Review of the Business and Future Outlook**

This continues to be a transformational period for the Group. Following on from the acquisition of the Sequel Portfolio from Quintain Estates and Development in October 2013, we completed the acquisition of PIH, based in Weybridge, Surrey in August of this year.

PIH, founded in 1957 owns seventeen properties mainly in the South East of which fifteen were let when the properties were acquired. Of the two unlet properties, we have agreed a letting on one, whilst the second is vacant with negotiations to sell this unit at an advanced stage. The PIH portfolio was valued by DTZ Debenham Tie Leung Limited ("DTZ") last July at £32.02 million and has been revalued at £33.47 million as at 30 September 2014.

We are excited by this acquisition which was purchased privately after many months of intense negotiation and due diligence. We believe that with our brand of active property management we have the opportunity to create considerable value for our shareholders.

**Portfolio Activity**

1) Hockenhull Estates Portfolio

This small portfolio in Cheshire consisting of nine properties was acquired in October 2011 and is fully let, which indicates the strength of the local market. The Hockenhull portfolio has been valued at £2.26 million as at 30 September 2014, having been purchased for a consideration of £1.82 million.

2) The Sequel Portfolio

We have continued to manage this portfolio actively since its acquisition. The Sequel portfolio currently produces a gross rental income of £5.88 million per annum. We have considerably reduced the irrecoverable expenditure such as empty rates and service charge/insurance shortfall so that our annualised net income at 30 September 2014 was £4.94 million per annum. Allowing for the fact that we have sold a number of properties during the previous financial year, most of which were vacant, we have renewed leases and relet vacant accommodation and as a result we have reduced the vacant space to only 10.4% of this portfolio. A substantial proportion is at Hudson House, York to which I will refer later.

I referred in our Annual Report that we were committing the sum of £2.43 million to refurbish two of our three office buildings in Milton Keynes. I am pleased to advise you that we delivered the first refurbished building to Rockwell Automation on time and on budget in September of this year and we are due to hand over the second refurbished building in December 2014. As announced previously, on completion, Rockwell will take two new full repairing and insuring leases for 12 years at an aggregate rental of £398,198 per annum with provision for rent review at the end of the 4th and 8th years. The board believes that this investment by the Company will provide excellent returns for shareholders.

# Palace Capital plc

## CHAIRMAN'S STATEMENT

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In June 2014, we announced that we had re-let a 75,000 sq ft warehouse in Coventry to Brose Ltd (an existing sub-tenant) for an annual rent of £325,000. We are marketing the vacant refurbished 18,000 sq ft office property at the same site. The renewal of the lease for 26,000 sq ft of offices in Bristol to Balfour Beatty Group Ltd announced at the time of the fundraising in August will have an annual rental income of £162,500 with a reduced rental in year one of £81,250.

When we bought the Copperfields Centre in Dartford, Kent as part of the Sequel portfolio, it was a neglected asset. Some shop units were vacant, a number of tenants were in long-term arrears and within a short time an office tenant occupying 5,000 sq ft decided to vacate. Initially we considered that as part of a portfolio purchase there might be one or two properties which were unattractive and we contemplated a sale of this investment. However we took the decision to meet with the Local Council who have plans to regenerate the centre of Dartford. We decided to defer any sale and in the past month we have agreed to lease a retail unit, made appropriate arrangements with tenants in arrears and much more importantly we have secured Permitted Development to Residential use on the vacant office space of nearly 9,000 sq ft. We have appointed a development team with a view to carrying out a refurbishment scheme comprising nine flats funded by the recent placing of shares in August of this year. This property, which is situated opposite a shopping centre known as "The Priory" which is the main shopping centre of Dartford, is in the course of being sold and is only a few minutes' walk from Dartford Railway Station. Finally our anchor tenant in this property is Royal Bank of Scotland, who have not exercised their option to break and therefore their tenancy will continue until March 2020. Therefore, what might have been a relatively poor investment, may now provide far greater returns for the Group than first anticipated.

Sandringham House in Harlow, our 32,750 sq ft office building had 7,000 sq ft vacant when we acquired the Sequel portfolio. The vacant space has now been let to two tenants. This property is now fully leased with a considerable increase in cash flow by the reduction in irrecoverable expenditure of approximately £70,000 per annum and the benefit of the rental income of £41,000.

124-126, Above Bar Street, Southampton, is situated in a rapidly improving location in the city almost adjoining a major development by part of the Grosvenor Estate. We hold a medium term lease from the City Council with whom we have had discussions about a new long lease. We have let the majority of the property on a short term tenancy to the Grosvenor Estate and we have appointed a professional team to advise on a prospective refurbishment or redevelopment of this property.

We are pleased to report considerable progress on Hudson House in York, our 103,000 sq ft office building adjacent to York Railway Station. When we acquired the Sequel Portfolio the property was running a significant deficit of circa £500,000 per annum as only 25,000 sq ft was let and 78,000 sq ft was vacant. We have worked very hard to correct this shortfall so that the property is now producing a small surplus having achieved a number of small but important short-term lettings. In addition, we now have engaged a first class professional team who are working towards a major refurbishment of the entire property for which we hope to make a planning application in 2015. In the meantime we have taken advantage of current legislation and we have applied for Permitted Development to change the use of the entire property to residential, which we hope to secure before the end of the year. We continue to be excited about the future prospects for Hudson House.

The Sequel Portfolio continues to provide us with stellar returns and in the Board's view there is considerable further growth to come.

### 3) Property Investment Holdings (PIH) Portfolio

We only completed the acquisition of this company in August 2014, but by exercising our particular property management skill we will seek to make the vacant buildings or those with break clauses or lease expiries more valuable.

PIH has a portfolio of properties in towns such as Weybridge, Walton-on Thames, East Grinstead, Brighton, Salisbury and Plymouth and we are very pleased with this acquisition and the opportunities it offers.

Fraser House, Staines, a 6,700 sq ft office building adjoining Staines Railway Station has been vacant since July 2013. We have agreed terms with a prospective tenant for this refurbished property.

Unit 1 at the Clayton Industrial Estate, Burgess Hill is a 15,500 sq ft warehouse and office building which has been vacant since July 2013. We have now agreed a conditional sale to an owner occupier at considerably above book value.

# Palace Capital plc

## CHAIRMAN'S STATEMENT

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### **Borrowings**

We have renewed our £1.2 million facility with Close Brothers on our Hockenhull portfolio, but we have reduced the level of borrowing on the Sequel Portfolio with the Nationwide Building Society from £20 million at the date of acquisition to £17.3 million. We have only recently taken out a new facility, from the National Westminster Bank PLC, secured on the PIH portfolio in the sum of £15.9 million. We therefore have a very conservative level of borrowing at £34.4 million representing 45.9% of the net assets of the Group.

### **Strategy Update**

We continue to seek regional and secondary commercial property portfolios or appropriate single assets in order to grow the Group. We have viewed a number since the acquisition of PIH, but in the Board's view, the prices required will not provide an attractive enough return that we could recommend to shareholders. However, we consider that our approach is the correct one and that we will find an appropriate opportunity as we have clearly demonstrated in the past.

### **Finance Director**

The board has taken the decision to seek a full time Finance Director and we are in initial discussions with recruitment companies. This reflects the progress the Group has made in a relatively short period of time. This will be a Board Appointment so great care will be taken before a final decision is made.

### **Portfolio Valuation**

We instructed our valuers, Cushman & Wakefield and DTZ, to update the valuations in respect of the Sequel Portfolio and the PIH portfolio as at the end of our half year. I am pleased to advise that, as at 30 September 2014, the Sequel Portfolio has been valued at £62.89 million as compared to £55.99 million at 31 March 2014 and the PIH Portfolio has been valued at £33.47 million (fair value on acquisition was £32.1 million). Thus together with the Hockenhull Portfolio valued at £2.26 million our properties are valued at the half year at £98.6 million. With a growing cash balance of £11.45 million having raised £20 million of equity last August and borrowings of £33.4 million our net asset position as at 30 September 2014 was £75.0 million representing a net asset value per share of 374p (31 March 2014 357p per share) which has regard to the dilutive effect of the recent equity issue.

### **Funding of new opportunities**

At the time of the recent fundraising we raised some additional funds to allow the management team to take advantage of individual acquisitions as well as investments into our existing portfolio of an opportunistic nature. I have referred above to opportunities in our Sequel portfolio such as Hudson House, York where we have the opportunity to create a first class asset and other opportunities such as those in Dartford, Stoke-on-Trent and Southampton. Other individual sites are being shown to us as well as small portfolios some of which could be acquired from our own resources without recourse to new equity. I look forward to reporting on these possible new investments in due course.

### **Dividend**

In the Company's Admission Document dated 2 October 2013 the Board stated its intention to recommend a dividend of 12p per share in respect of the period ending 31 March 2015. We will be paying a dividend of 6p per share on 30 December 2014 to those shareholders on the register as at 5 December 2014. It is our intention to pay a progressive dividend and we will consider the level of a final dividend at the time of the year-end announcement, taking into account our previous statements, progress on lettings, further investment in our existing portfolio as well as new acquisition opportunities.

### **Conclusion**

This is an exciting Group with supportive shareholders and a strong management team. I welcome Kim Taylor-Smith to our Board and thank Roger Nagioff, who recently resigned due to other business commitments, for his outstanding contribution whilst a Board member. I am very confident regarding our future prospects.

Stanley Davis  
Chairman  
27 November 2014

**Palace Capital plc**  
**CONSOLIDATED INCOME STATEMENT**  
For the six months ended 30 September 2014

		<b>6 months ended 30 September 2014 (unaudited) £</b>	6 months ended 31 July 2013 (unaudited) £	14 months ended 31 March 2014 (audited) £
Revenue	– continuing operations	<b>3,478,642</b>	91,834	3,251,818
	– acquisitions	<b>253,305</b>	–	–
		<b>3,731,947</b>	91,834	3,251,818
Cost of sales		<b>(768,803)</b>	(2,964)	(648,181)
<b>GROSS PROFIT</b>		<b>2,963,144</b>	88,870	2,603,637
Gains on revaluation of investment property		<b>7,291,715</b>	–	19,500,531
Profit on disposal of investment properties		–	–	786,616
Costs of acquisitions		<b>(639,304)</b>	–	(516,569)
Administrative expenses		<b>(590,215)</b>	(113,037)	(648,790)
Continuing operations		<b>7,472,850</b>	(24,167)	21,725,425
Acquisitions		<b>1,552,490</b>	–	–
<b>PROFIT/(LOSS) BEFORE INTEREST</b>	2	<b>9,025,340</b>	(24,167)	21,725,425
Other interest receivable		<b>3,887</b>	25	20,519
Finance costs		<b>(592,897)</b>	(54,277)	(593,200)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>8,436,330</b>	(78,419)	21,152,744
Taxation		<b>(10,312)</b>	(402)	81,141
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>8,426,018</b>	(78,821)	21,233,885
<b>EARNINGS PER ORDINARY SHARE</b>				
Basic	3	<b>60.5p</b>	(0.25p)	431.6p
Diluted	3	<b>57.5p</b>	(0.25p)	401.3p

# Palace Capital plc

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2014

		<b>30 September 2014 (unaudited) £</b>	31 July 2013 (unaudited) £	31 March 2014 (audited) £
<b>NON-CURRENT ASSETS</b>				
Goodwill		<b>5,910</b>	5,910	5,910
Investment properties	5	<b>99,840,167</b>	2,015,000	59,440,168
Tangible fixed assets		<b>31,113</b>	336	205
Trade and other receivables	6	<b>497,681</b>	–	539,995
		<b>100,374,871</b>	2,021,246	59,986,278
<b>CURRENT ASSETS</b>				
Trade and other receivables	6	<b>1,873,689</b>	20,907	1,936,795
Deferred tax		<b>100,000</b>	–	100,000
Cash and cash equivalents		<b>11,451,178</b>	9,936	5,123,337
<b>TOTAL CURRENT ASSETS</b>		<b>13,424,867</b>	30,843	7,160,132
<b>CURRENT LIABILITIES</b>				
Redeemable preference shares		–	(65,000)	–
Trade and other payables		<b>(3,948,484)</b>	(174,427)	(4,171,382)
<b>TOTAL CURRENT LIABILITIES</b>	7	<b>(3,948,484)</b>	(239,427)	(4,171,382)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>9,476,383</b>	(208,584)	2,988,750
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	8	<b>(33,607,615)</b>	(1,764,828)	(17,384,179)
Obligations under finance leases		<b>(1,214,295)</b>	–	(1,215,055)
<b>NET ASSETS</b>		<b>75,029,344</b>	47,834	44,375,794
<b>EQUITY</b>				
Share capital	10	<b>2,291,911</b>	315,938	1,528,438
Share premium account		<b>43,877,375</b>	110,395	21,856,482
Capital redemption reserve		<b>65,000</b>	–	65,000
Convertible loan notes – equity		–	27,934	27,934
Share based payments		<b>63,985</b>	18,333	75,000
Profit and loss account		<b>28,731,073</b>	(424,766)	20,822,940
<b>EQUITY – attributable to the owners of the parent</b>		<b>75,029,344</b>	47,834	44,375,794

**Palace Capital plc**  
**CONSOLIDATED CASH FLOW STATEMENT**  
For the six months ended 30 September 2014

	Notes	<b>6 months ended 30 September 2014 (unaudited) £</b>	6 months ended 31 July 2013 (unaudited) £	14 months ended 31 March 2014 (audited) £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	4	<b>1,771,813</b>	(15,858)	1,297,372
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		<b>3,887</b>	25	20,519
Dividends paid		<b>(561,834)</b>	–	(18,124)
Interest and other finance costs paid		<b>(882,723)</b>	(35,666)	(410,775)
		<b>(1,440,670)</b>	(35,641)	(408,380)
TAXATION				
Corporation tax paid		<b>(9,132)</b>	(2,261)	(13,250)
INVESTING ACTIVITIES				
Payments to acquire subsidiary undertakings	9	–	–	(1)
Purchase of tangible fixed assets		<b>(31,930)</b>	–	–
Payments for development expenditure		<b>(933,457)</b>	–	–
Purchase of investment property		–	–	(750,000)
Proceeds from disposal of investment properties		–	–	3,282,147
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		<b>(965,387)</b>	–	2,532,146
FINANCING ACTIVITIES				
Issue of ordinary share capital		<b>19,363,644</b>	–	23,008,587
Redemption of Preference shares		–	–	(65,000)
Other loans received/(repaid)		<b>(317,927)</b>	25,000	(550,000)
Bank loan received		<b>16,000,000</b>	–	–
Bank loan repaid		<b>(28,074,008)</b>	–	(20,716,126)
Capital element of finance lease		<b>(760)</b>	–	(708)
NET CASH INFLOW FROM FINANCING ACTIVITIES		<b>6,970,949</b>	25,000	1,676,753
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<b>6,327,573</b>	(28,760)	5,084,641
Cash and cash equivalents at beginning of period		<b>5,123,337</b>	38,696	38,696
Cash acquired		<b>268</b>	–	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<b>11,451,178</b>	9,936	5,123,337

# Palace Capital plc

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Share Capital £	Share Premium £	Capital redemption reserve £	Convertible loan equity reserve £	Share based payment reserve £	Profit and loss account £	Total equity £
As at 31 January 2013	315,938	110,395	–	27,934	13,333	(345,945)	121,655
Share based payments	–	–	–	–	5,000	–	5,000
Loss for the period	–	–	–	–	–	(78,821)	(78,821)
Total comprehensive income	–	–	–	–	5,000	(78,821)	(73,821)
As at 31 July 2013	315,938	110,395	–	27,934	18,333	(424,766)	47,834
Warrants issued on raising of new shares	–	(50,000)	–	–	50,000	–	–
Profit for the period	–	–	–	–	–	21,312,706	21,312,706
Share based payments	–	–	–	–	6,667	–	6,667
Total comprehensive income	–	(50,000)	–	–	56,667	21,312,706	21,319,373
Issue of new shares	1,212,500	21,796,087	–	–	–	–	23,008,587
Redemption of preference shares	–	–	65,000	–	–	(65,000)	–
As at 31 March 2014	1,528,438	21,856,482	65,000	27,934	75,000	20,822,940	44,375,794
Share based payments	–	–	–	–	5,000	–	5,000
Profit for the period	–	–	–	–	–	8,426,018	8,426,018
Total comprehensive income	–	–	–	–	5,000	8,426,018	8,431,018
Issue of new shares	763,473	22,020,893	–	–	–	–	22,784,366
Dividends	–	–	–	–	–	(561,834)	(561,834)
Transfer on exercise of warrants	–	–	–	–	(16,015)	16,015	–
Transfer on repayment of loan	–	–	–	(27,934)	–	27,934	–
As at 30 September 2014	2,291,911	43,877,375	65,000	–	63,985	28,731,073	75,029,344

# Palace Capital plc

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

### 1 BASIS OF PREPARATION

The financial information contained in this interim report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The figures for the period ended 31 March 2014 have been extracted from the audited statutory accounts. The interim results, which have not been audited or reviewed by the company's auditors, have been prepared in accordance with applicable International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). These standards are also collectively referred to as "IFRS".

The accounting policies and methods of computations used are consistent with those used in the Group Annual Report for the 14 month period ended 31 March 2014 and are expected to be used in the Group Annual Report for the year ended 31 March 2015.

Statutory accounts for the 14 month period ended 31 March 2014 were prepared and filed with the Registrar of Companies and received an unqualified audit report.

The interim report was approved by the Board of Directors on 26 November 2014.

Copies of this statement are available to the public for collection at the company's Registered Office at 41 Chalton Street, London, NW1 1JD and on the Company's website, [www.palacecapitalplc.com](http://www.palacecapitalplc.com).

### 2 SEGMENTAL ANALYSIS

	<b>6 months ended 30 September 2014 (unaudited) £</b>	6 months ended 31 July 2014 (unaudited) £	14 months ended 31 March 2014 (audited) £
<b>Revenue – type and geographic area</b>			
Rents received from investment properties in the United Kingdom	<b>3,708,231</b>	91,834	3,178,285
Management fees in the United Kingdom	<b>23,716</b>	–	73,533
Total Revenue	<b><u>3,731,947</u></b>	<u>91,834</u>	<u>3,251,818</u>
<b>Revenue – operating segment</b>			
Sequel Portfolio	<b>3,380,669</b>	–	3,038,152
PIH Portfolio	<b>253,305</b>	–	–
Hockenhull Portfolio	<b>97,973</b>	91,834	213,666
Total Revenue	<b><u>3,731,947</u></b>	<u>91,834</u>	<u>3,251,818</u>



# Palace Capital plc

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

#### 4 RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	<b>6 months ended 30 September 2014 (unaudited) £</b>	6 months ended 31 July 2013 (unaudited) £	14 months ended 31 March 2014 (audited) £
Profit/(loss) for the period	<b>8,436,330</b>	(78,419)	21,152,744
Adjustments for:			
Finance income	<b>(3,887)</b>	(25)	(20,519)
Finance costs	<b>592,897</b>	54,277	593,200
Gains on revaluation of investment property	<b>(7,291,715)</b>	–	(19,500,531)
Profit on disposal of investment properties	–	–	(786,616)
Share based payments	<b>5,000</b>	5,000	11,667
Operating cash flow before movements in working capital	<b>1,738,625</b>	(19,167)	1,449,945
Depreciation	<b>1,095</b>	111	242
(Increase)/decrease in debtors	<b>131,556</b>	8,576	(982,382)
Increase/(decrease) in creditors	<b>(99,463)</b>	(5,378)	829,567
Net cash flow from operating activities	<b>1,771,813</b>	(15,858)	1,297,372

#### 5 INVESTMENT PROPERTIES

	<b>30 September 2014 (unaudited) £</b>	31 July 2013 (unaudited) £	31 March 2014 (audited) £
Opening balance	<b>59,440,168</b>	2,015,000	2,015,000
Arising on acquisition of subsidiary undertakings	<b>32,099,924</b>	–	39,670,168
Additions	<b>1,008,360</b>	–	750,000
Gains on revaluation of investment property portfolio	<b>7,291,715</b>	–	19,500,531
Disposals	–	–	(2,495,531)
Closing balance	<b>99,840,167</b>	2,015,000	59,440,168

Investment properties are stated at fair value as determined by the Directors. The Directors have decided that the fair value of the PIH portfolio assets at acquisition was £32,099,924 and at 30 September 2014 was £33,470,000, as supported by an independent valuation. The fair value of the Sequel portfolio of assets amounted to £62,890,000 (31 March 2014 – £57,210,168) and the fair value of the Hockenhull portfolio of assets amounted to £2,260,000 (31 March 2014 – £2,230,000). 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.

Investment properties in the Sequel portfolio with a carrying value of £62,890,000 are subject to a first charge to secure a bank loan amounting to £17,332,359.

Investment properties in the PIH portfolio with a carrying value of £33,470,000 are subject to a first charge to secure a bank loan amounting to £15,900,000.

# Palace Capital plc

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

Investment properties in the Hockenhull portfolio with a carrying value of £2,260,000 are subject to a first charge to secure a bank loan amounting to £1,199,227.

Included in investment property values are the freehold interest of leasehold properties amounting to £1,220,167.

### 6 TRADE AND OTHER RECEIVABLES

	<b>30 September 2014 (unaudited) £</b>	31 July 2013 (unaudited) £	31 March 2014 (audited) £
Trade receivables	<b>1,504,242</b>	–	1,410,332
Other taxes	<b>123,010</b>	7,242	36,925
Other receivables	<b>26,880</b>	–	71,806
Prepayments and accrued income	<b>717,238</b>	13,665	957,727
	<b><u>2,371,370</u></b>	<u>20,907</u>	<u>2,476,790</u>
Non-Current	<b>497,681</b>	–	539,995
Current	<b>1,873,689</b>	20,907	1,936,795
	<b><u>2,371,370</u></b>	<u>20,907</u>	<u>2,476,790</u>

### 7 CURRENT TRADE AND OTHER PAYABLES

	<b>30 September 2014 (unaudited) £</b>	31 July 2013 (unaudited) £	31 March 2014 (audited) £
Convertible loan notes	–	85,000	–
Redeemable preference shares	–	65,000	–
Trade creditors	<b>683,049</b>	15,794	338,812
Bank loans	<b>400,000</b>	–	1,199,959
Other creditors	<b>122,104</b>	–	46,103
Income tax	<b>8,648</b>	2,267	7,468
Other taxes	<b>620,727</b>	–	827,280
Accruals and deferred income	<b>2,113,956</b>	71,366	1,751,760
	<b><u>3,948,484</u></b>	<u>239,427</u>	<u>4,171,382</u>

# Palace Capital plc

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

### 8 NON CURRENT LIABILITIES

	<b>30 September 2014 (unaudited) £</b>	31 July 2013 (unaudited) £	31 March 2014 (audited) £
Convertible loan notes	–	287,347	290,619
Loan notes	–	277,500	–
Bank Loans	<b>33,607,615</b>	1,199,981	17,093,560
	<b>33,607,615</b>	1,764,828	17,384,179

  

	<b>30 September 2014 (unaudited) £</b>	31 July 2013 (unaudited) £	31 March 2014 (audited) £
<b>Non-current liabilities</b>			
Bank Loans	<b>34,031,586</b>	1,199,981	17,332,360
Amortised borrowing costs	<b>(423,971)</b>	–	(238,800)
	<b>33,607,615</b>	1,199,981	17,093,560

Included within bank loans is an amount of £17,332,359 which is secured on the Sequel portfolio of investment properties. Interest is charged at a rate of 3.75% above the 3 month Libor rate. The loan is repayable on 21 October 2016. Loan arrangement fees amounting to £192,083 are spread over the term of the loan and have been deducted from the bank loan balance.

Included within bank loans is an amount of £15,900,000 which is secured on the PIH portfolio of investment properties. Interest is charged at a rate of 2.75% above the National Westminster Bank Plc base rate. An amount of £100,000 is repayable quarterly with the remaining loan repayable, at the end of the term of the loan, on 26 August 2019. Loan arrangement fees amounting to £231,888 are spread over the term of the loan and have been deducted from the bank loan balance.

Included within bank loans is an amount of £1,199,227 which is secured on the Hockenhull portfolio of investment properties. Interest is charged at a rate of 4% above the 1 month Libor rate with a minimum rate of 5% and is payable monthly. The loan is repayable on 30 September 2017.

The convertible loan notes of £300,000 were provided by a pension scheme of which Stanley Davis is a beneficiary at an interest rate of 4%. The loan was repaid on 23 June 2014.

# Palace Capital plc

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

### 9 BUSINESS COMBINATIONS

On 26 August 2014 the group acquired 100% of the share capital of Property Investment Holdings Limited for a consideration of £3,420,723. The consideration was satisfied by issuing 1,103,459 ordinary 10p shares at an issue price of £3.10.

	Carrying value at acquisition date	Adjustments	Fair value at acquisition date
Investment properties	29,385,000	2,714,924	32,099,924
Tangible fixed assets	73		73
Receivables and prepayment	261,953	–	261,953
Cash at bank and in hand	268	–	268
Payables and other creditors	(416,378)	–	(416,378)
Bank loans	(28,525,117)	–	(28,525,117)
Deferred tax	(401,342)	401,342	–
Net assets	<u>304,457</u>	<u>3,116,266</u>	<u>3,420,723</u>
Consideration			<u>3,420,723</u>
Goodwill on acquisition			<u>–</u>

### 10 SHARE CAPITAL

	<b>30 September 2014 (unaudited)</b>	31 July 2013 (unaudited)	31 March 2014 (audited)
Ordinary 1p shares	–	315,938	–
20,075,673 (2014 – 12,440,937) ordinary 10p shares	<b>2,007,567</b>	–	1,244,094
315,937 deferred 90p shares	<b>284,344</b>	–	284,344
Share capital	<u><b>2,291,911</b></u>	<u>315,938</u>	<u>1,528,438</u>
Redeemable £1 preference shares	–	65,000	–

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 26 August 2014 the company issued 7,555,071 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.

