

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and the action you should take, you are recommended immediately to seek your own independent advice from a person duly authorised under the Financial Services and Markets Act 2000 (or, if you are a person outside of the United Kingdom, from a person otherwise duly qualified in your jurisdiction) who specialises in the acquisition of shares and other securities.

This document, which constitutes an AIM admission document relating to Palace Capital plc (the "Company"), has been drawn up in accordance with the AIM Rules for Companies. This document does not contain an offer of transferable securities to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) ("FSMA") and is not required to be issued as a prospectus pursuant to section 85 of FSMA. Application will be made to the London Stock Exchange for the Existing Ordinary Shares to be re-admitted and the Placing Shares and the Fairfax Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on AIM on 4 October 2011. The rules of AIM are less demanding than those of the Official List of the United Kingdom Listing Authority. **It is emphasised that no application is being made for admission of these securities to the Official List of the United Kingdom Listing Authority. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any other exchange.**

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the United Kingdom Listing Authority nor the London Stock Exchange has examined or approved the contents of this document.

The Directors (whose names appear on page 9 of this document) and the Company accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief 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 there are no other facts which, if omitted, would affect the import of such information. The Company and the Directors accept responsibility accordingly.

If you have sold or otherwise transferred all of your Existing Ordinary Shares, please forward this document, together with the accompanying documents, at once, to the purchaser or transferee or to the bank, stockbroker, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with those restrictions may constitute a violation of the securities laws of any such jurisdiction.

The whole of the text of this document should be read and your attention is drawn to the section entitled "Risk Factors" in Part II of this document for a discussion of certain factors which should be taken into account in considering whether or not to acquire Placing Shares. The whole of this document should be read in light of those risk factors.

Palace Capital plc

(Incorporated in England and Wales under the Companies Act 1985 with registered no. 05332938)

**Proposed acquisition of Hockenhull Estates Limited,
Placing of 23,266,666 new ordinary shares of 1p each in
Palace Capital plc at 2.25p per share,
approval of the waiver of obligations under Rule 9 of the Takeover Code
and
Notice of General Meeting
Admission of Enlarged Share Capital to trading on AIM**

NOMINATED ADVISER AND BROKER

Fairfax I.S. PLC

SHARE CAPITAL ON ADMISSION

The following table shows the issued ordinary share capital of the Company immediately following the Placing and Admission:

	Number	Issued Amount
Ordinary Shares of 1p each	31,593,733	£15,937.33

A notice convening the General Meeting to be held at the offices of Hamblins LLP, Roxburghe House, 273-287 Regent Street, London W1B 2AD at 10.00 a.m. on 3 October 2011 is set out at the end of this document. The enclosed Form of Proxy for use at the General Meeting should be completed and returned to the Company's registrars, Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible and to be valid must arrive on or before 10.00 a.m. on 29 September 2011 (or 48 hours before the time fixed for any adjourned meeting or in the case of a poll 48 hours before the time appointed for taking the poll at which the proxy is to attend, speak and to vote provided that in calculating such periods no account shall be taken of any part of a day that is not a working day). Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to vote at the meeting is 6.00p.m. on 29 September 2011 or 48 hours before any adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

Fairfax I.S. PLC, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting as nominated adviser and broker to the Company for the purposes of the AIM Rules for Companies in connection with the Placing and Admission and as such, its responsibilities are owed solely to the London Stock Exchange plc and are not owed to the Company and the Directors or to any other person or entity. Fairfax I.S. PLC will not be responsible to any person other than the Company for providing the protections afforded to clients of Fairfax I.S. PLC or for providing advice to any other person in connection with the Placing and Admission or any acquisition of shares in the Company. Fairfax I.S. PLC is not making any representation or warranty, express or implied, as to the contents of this document. Fairfax I.S. PLC has not authorised the contents of, or any part of, this document, and no liability whatsoever is accepted by Fairfax I.S. PLC for the accuracy of any information or opinions contained in this document or for the omission of any material information.

This document does not constitute an offer to sell or the solicitation of an offer to buy shares, warrants or any other securities in any jurisdiction other than the United Kingdom and should not be taken, transmitted, distributed or sent directly or indirectly to any persons with addresses in the United States of America (or any of its territories or possessions), Canada, Japan, the Republic of South Africa, Australia, the Republic of South Africa, the Kingdom of Thailand, the Swiss Confederation, the Republic of Cyprus and New Zealand (the "Restricted Jurisdictions"), or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The Ordinary Shares have not been and will not be registered under the applicable securities laws of any of the Restricted Jurisdictions. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered, sold, transferred, taken up or delivered, directly or indirectly, in or into any of the Restricted Jurisdictions to or for the account or benefit of any national, resident or citizen of such countries.

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. No action has been taken by the Company and the Directors or by Fairfax I.S. PLC that would permit a public offer of shares or other securities in the Company or possession or distribution of this document where action for that purpose is required. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not been and will not be registered in the United States under the Securities Act or under other applicable securities law and are subject to restrictions on transfer contained in such law. The Ordinary Shares may not be resold in the United States, except pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities law. The Ordinary Shares constitute "restricted securities" as defined in Rule 144 under the Securities Act, and, accordingly, are not freely tradable in the United States. The Company does not intend to list the Ordinary Shares on an established securities exchange, have them quoted on an automated inter-dealer quotation system or otherwise create a public market in the United States for resales of the Ordinary Shares.

This document contains forward-looking statements. These relate to the Company's future prospects, developments, intentions and strategies. Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. The forward-looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

CONTENTS

	Page
DEFINITIONS	3
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	8
PLACING AND ACQUISITION STATISTICS	8
DIRECTORS, SECRETARY AND ADVISERS	9
PART I INFORMATION ON THE PROPOSALS AND THE ENLARGED GROUP	10
PART II RISK FACTORS	27
PART III ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF HOCKENHULL ESTATES LIMITED	33
PART IV VALUATION REPORT	55
PART V ADDITIONAL INFORMATION	81
NOTICE OF GENERAL MEETING	102

DEFINITIONS

In this document the following terms and expressions have the following meanings unless the context requires otherwise:

“1985 Act”	the Companies Act 1985 (as amended);
“2006 Act”	the Companies Act 2006;
“2010 General Meeting”	the general meeting of the Company, held at 10.15 a.m. on 30 July 2010;
“2011 Convertible Loan Notes Agreement”	the agreement dated 8 September 2011 made between the Company (1) and Stanley Harold Davis, Rachel Rita Davis and NSS Trustees Limited a/c IRG (2) pursuant to which Stanley Harold Davis, Rachel Rita Davis and NSS Trustees Limited a/c IRG have conditionally agreed to subscribe for convertible loan notes to a value of £300,000, further details of which are set out in paragraph 8.1.12 of Part V of this document;
“2011 Convertible Loan Notes”	£300,000 of convertible loan notes issued by the Company to Stanley Harold Davis, Rachel Rita Davis and NSS Trustees Limited a/c IRG under the terms of the 2011 Convertible Loan Notes Agreement;
“2011 Report & Accounts”	the report and accounts of the Company dated 26 July 2011;
“2010 Report & Accounts”	the report and accounts of the Company dated 6 July 2010;
“2009 Report & Accounts”	the report and accounts of the Company dated 30 June 2009;
“Acquisition”	the proposed acquisition of Hockenhull Estates by the Company, further details of which are set out in paragraphs 2 and 4 of Part I of this document;
“Acquisition Agreement”	the agreement dated 8 September 2011 made between the Vendor (1) and the Company (2) pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Hockenhull Estates, further details of which are set out in paragraph 8.1.4 of Part V of this document;
“acting in concert”	shall bear the meaning ascribed thereto in the Takeover Code;
“Admission”	the re-admission of the Existing Ordinary Shares and admission of the Placing Shares and the Fairfax Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies;
“Admission Document”	this document;
“AIM”	the AIM market operated by the London Stock Exchange;
“AIM Rules for Companies”	the rules which set out the obligations and responsibilities of companies whose shares are admitted to AIM as published by the London Stock Exchange from time to time;
“AIM Rules for Nominated Advisers”	the rules of the London Stock Exchange which set out the eligibility, obligations and certain disciplinary matters of nominated advisers as published by the London Stock Exchange from time to time;
“Articles”	the articles of association of the Company, a summary of which is set out in paragraph 4 of Part V of this document;
“Board” or “Directors”	the directors of the Company as at the date of this document and following Admission, whose names are set out on page 9 of this document;

“Business Day”	a day on which the London Stock Exchange is open for the transaction of business;
“Circular”	the circular dated 6 July 2010 posted to Shareholders containing details, <i>inter alia</i> , of the disposal of the Company’s shareholding in Grafton, adoption of the Articles, issue of Convertible Loan Notes and change of name to Palace Capital plc;
“Completion”	completion of the Acquisition;
“Concert Party”	Stanley Davis, Neil Sinclair, Pamela Sinclair (Neil Sinclair’s wife), London Active Management Ltd (a company controlled by Neil and Pamela Sinclair), Andrew Perloff, Harold Perloff and David Kaye further details of which are set out in paragraph 1.3 of Part V of this document;
“Consideration”	£1,817,500, subject to adjustment in accordance with the terms of the Acquisition Agreement;
“Convertible Loan Note Instrument”	the convertible loan note instrument entered into by the Company on 30 July 2010;
“Convertible Loan Notes”	£60,000 of convertible loan notes issued by the Company on 30 July 2010 on the terms of the Convertible Loan Note Instrument;
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the CREST Regulations;
“CREST Manual”	the rules governing the operation of CREST as published by Euroclear;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
“Disposal”	the disposal of the Company’s interest in Grafton which completed on 30 July 2010, pursuant to the terms and conditions of the Disposal Agreement, further details of which were set out in the Circular;
“Disposal Agreement”	the sale and purchase agreement dated 6 July 2010 between the Company and Safeland;
“Enlarged Group”	Palace Capital and its Subsidiaries following Completion and Admission;
“Enlarged Share Capital”	the enlarged share capital of the Company upon Admission, comprising the Existing Ordinary Shares, the Fairfax Shares and the Placing Shares;
“Equalgold”	Equalgold Limited, the Company’s sole wholly owned Subsidiary;
“Euroclear”	Euroclear UK & Ireland Limited, the Central Securities Depository for the UK market and Irish securities and the operation of CREST;
“Existing Ordinary Shares”	the 7,215,956 ordinary shares of 1p each in the capital of the Company in issue as at the date of this document;
“Facility”	the conditional loan facility to be advanced by the Lender to Hockenhull Estates pursuant to the Facility Letter;
“Facility Letter”	the facility letter between Hockenhull Estates and the Lender dated 8 September 2011 as more particularly described in paragraph 8.1.8 of Part V of this document;
“Fairfax”	Fairfax I.S. PLC, the Company’s nominated adviser and broker;
“Fairfax Shares”	the 1,111,111 Ordinary Shares to be issued to Fairfax in lieu of payment of part of its corporate finance fee in relation to Admission;

“Form of Proxy”	the form of proxy accompanying this document for use by Shareholders at the General Meeting;
“FSA”	the United Kingdom Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000 (as amended);
“GBP”, “£”, “UK£” or “Sterling”	pound sterling, the lawful currency of the United Kingdom;
“General Meeting”	the general meeting of the Company to be held at 10.00 a.m. on 3 October 2011 (and any adjournment of such meeting) at Hamblins LLP, Roxburghe House, 273-287 Regent Street, London W1B 2AD;
“Grafton”	Grafton Insurance Services Limited, the Company’s former principal asset;
“Hockenhull Estates”	Hockenhull Estates Limited, a company registered in the Isle of Man with registered number O59474C;
“IFRS”	International Financial Reporting Standards;
“Independent Director”	Anthony Charles Dove, for the purposes of the Takeover Code;
“Independent Shareholders”	the Shareholders excluding the members of the Concert Party;
“Investing Company”	any AIM company which has, as its primary business or objective, the investing of its funds in securities, businesses or assets of any description;
“Investing Policy”	the policy the Company follows in relation to asset allocation and risk diversification as set out in paragraph 4 on page 7 of the Circular dated 6 July 2010 and as approved by shareholders at the 2010 General Meeting;
“Lender”	Close Property Finance, a company incorporated with registered number 00195626;
“Locked-in Persons”	each of Stanley Davis, Neil Sinclair, Anthony Dove, Andrew Perloff and Harold Perloff;
“London Stock Exchange”	London Stock Exchange plc;
“Mezzanine Facility”	a £277,500 unsecured loan provided by Stanley Davis to the Company under the terms of the Mezzanine Facility Agreement;
“Mezzanine Facility Agreement”	the agreement dated 8 September 2011 made between the Company (1) and Stanley Davis (2) pursuant to which Stanley Davis has conditionally agreed to provide a mezzanine loan facility to a value of £277,500, further details of which are set out in paragraph 8.1.13 of Part V of this document;
“Notice of General Meeting” or “Notice of GM”	the notice convening the General Meeting set out at the end of this document;
“Official List”	the Official List of the United Kingdom Listing Authority;
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company having the rights set out in the Articles;
“Palace Capital” or the “Company”	Palace Capital plc, a company incorporated with registered number 05332938;
“Placing”	the conditional placing by Fairfax on behalf of Palace Capital of the new Ordinary Shares at the Placing Price pursuant to the Placing Agreement, as described in this document;
“Placing Agreement”	the conditional agreement dated 8 September 2011 between (1) Palace Capital (2) the Directors and (3) Fairfax, relating to the Placing, details of which are set out in paragraph 8.1.3 of Part V of this document;

“Placing Price”	2.25 pence per Placing Share;
“Placing Shares”	the 23,266,666 new Ordinary Shares to be allotted and issued by Palace Capital pursuant to the Placing;
“Preference Shares”	65,000 redeemable preference shares of £1 each in the capital of the Company having the rights set out in the Articles;
“Proposals”	the Acquisition, the Placing, the Facility, the SD Financing and Admission, in each case as described in this document;
“Registrar”	Capita Registrars Limited;
“Resolutions”	the resolutions including the Waiver Resolution contained in the Notice of GM set out at the end of this document and reference to a “Resolution” shall be the relevant resolution set out in the Notice of GM;
“Restricted Jurisdictions”	the United States of America (or any of its territories or possessions), Canada, Australia, Japan, the Republic of South Africa, the Kingdom of Thailand, the Swiss Confederation, the Republic of Cyprus and New Zealand;
“Safeland”	Safeland plc, a company controlled by Larry Lipman and Errol Lipman, both former directors of the Company;
“Scanlans Consultant Surveyors”	Scanlans Consultant Surveyors LLP, the valuer’s to the Company, a limited liability partnership registered in England and Wales under number OC348425;
“SD Financing”	together, the 2011 Convertible Loan Notes and the Mezzanine Facility, as further described in paragraphs 8.1.12 and 8.1.13 of Part V of this document;
“SD Loan”	the loan from Stanley Davis to the Company as more particularly described in paragraph 8.1.11 of Part V of this document;
“Securities Act”	the United States Securities Act 1933 (as amended);
“Shareholders”	the holders of Existing Ordinary Shares;
“Share Options”	the options to subscribe for Ordinary Shares, to be granted under the Share Option Scheme;
“Share Option Scheme”	the Palace Capital No.1 Share Option Scheme, comprising an unapproved share option plan, further details of which are set out in paragraph 9 of Part V of this document;
“Subsidiary” or “Subsidiaries”	a subsidiary undertaking (as defined by section 1159 of the 2006 Act);
“Takeover Code”	the City Code on Takeovers and Mergers;
“Takeover Panel”	the Panel on Takeovers and Mergers;
“UK Corporate Governance Code”	the UK Corporate Governance Code published in June 2010 by the Financial Reporting Council;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UKLA”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part V of FSMA;
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST;
“United States”, “US” or “USA”	the United States of America, its territories and possessions and any other areas subject to its jurisdiction, any states of the United States and the District of Columbia;

“US person”	a US person as defined in Regulation S under the US Securities Act;
“US Securities Act”	the United States Securities Act 1933, as amended;
“Valuation Report”	the valuation report prepared by Scanlans Consultant Surveyors LLP included at Part IV of this document;
“VAT”	value added tax;
“Vendor”	Peregrine Company Managers Limited as trustee of The Frank Hockenhull Trust;
“Waiver”	the waiver by the Takeover Panel of Rule 9 of the Takeover Code as described in paragraph 7 of Part I of this document; and
“Waiver Resolution”	the resolution contained in the notice of General Meeting approving the Waiver for the purposes of Rule 9 of the Takeover Code.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission Document publication date	8 September 2011
Latest time and date for receipt of completed Forms of Proxy	10.00 a.m. on 29 September 2011
General Meeting	10.00 a.m. on 3 October 2011
Completion of the Acquisition (subject to Admission)	4 October 2011
Admission of Enlarged Share Capital to AIM	8.00 a.m. on 4 October 2011
CREST accounts credited with Placing Shares	4 October 2011
Certificates for Placing Shares despatched (where applicable)	week commencing 10 October 2011

Each of the dates in the above timetable is subject to change at the absolute discretion of the Company and Fairfax. All times are British Summer Time.

PLACING AND ACQUISITION STATISTICS

Number of Existing Ordinary Shares in issue prior to the Acquisition	7,215,956
Number of Placing Shares to be issued pursuant to the Placing	23,266,666
Number of Fairfax Shares to be issued in lieu of fees in relation to Admission	1,111,111
Enlarged Share Capital on Admission	31,593,733
Placing Price	2.25p
Percentage of Enlarged Share Capital represented by the Placing Shares	73.64
Percentage of the Enlarged Share Capital held by members of the Concert Party following completion of the Proposals	54.66
Percentage of the further enlarged share capital held by members of the Concert Party following completion of the Proposals and assuming full conversion of the 2011 Convertible Loan Notes	68.11
Percentage of the further enlarged share capital held by members of the Concert Party following completion of the Proposals, assuming full conversion of the 2011 Convertible Loan Notes and assuming exercise in full of the Share Options	69.06
Gross proceeds of the Placing	£523,500
Net proceeds of the Placing	£273,545
Market capitalisation of the Company at the Placing Price on Admission	£0.71 million
International Securities Identification Number (ISIN) of Ordinary Shares	GB00B0NN1H91

DIRECTORS, SECRETARY AND ADVISERS

Directors	Stanley Harold Davis, <i>Non-executive Chairman</i> Ronald Neil Sinclair, FRICS, <i>Managing Director</i> Anthony Charles Dove, <i>Non-executive Director</i>
Company Secretary	David Malcolm Kaye
Registered Office	41 Chalton Street London NW1 1JD
Website	www.palacecapitalplc.com
Nominated Adviser and Broker to the Company	Fairfax I.S. PLC 46 Berkeley Square Mayfair London W1J 5AT
Solicitors to Palace Capital as to English Law	Hamlins LLP Roxburghe House 273-287 Regent Street London W1B 2AD
Solicitors to Palace Capital as to Isle of Man Law	Cains Advocates Limited Fort Anne Douglas Isle of Man IM1 5PD
Reporting Accountant and Auditors to Palace Capital	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
Solicitors to Hockenhull Estates	Poole Alcock LLP Mill House Mill Street Nantwich Cheshire CW5 5ST
Solicitors to Fairfax	Nabarro LLP Lacon House 84 Theobald's Road London WC1X 8RW
Valuers	Scanlans Consultant Surveyors LLP 6 th floor 75 Mosley Street Manchester M2 3HR
Bankers	Close Property Finance 10 Crown Place London EC2A 4FT
Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Public Relations Advisers	Lehmann Communications plc Lloyd's Avenue House 6 Lloyd's Avenue London EC3N 3EH

PART I

INFORMATION ON THE PROPOSALS AND THE ENLARGED GROUP

1. INTRODUCTION

The Board announced today that the Company has agreed conditionally to acquire Hockenhull Estates Limited. The consideration for the Acquisition will be £1,817,500 (subject to adjustment in accordance with the terms of the Acquisition Agreement), to be satisfied in cash at Completion conditional on, *inter alia*, Admission. Further details of the Acquisition Agreement are set out in the section headed "Principal Terms of the Acquisition" in this Part I and paragraph 8.1.4 of Part V of this document. Detailed information on Hockenhull Estates, which owns a portfolio of commercial properties, is set out in this Part I, and Parts III and IV of this document.

The Company has raised £523,500 (approximately £273,545 net of expenses) by the issue of up to 23,266,666 new Ordinary Shares through the Placing at 2.25p per Placing Share. The Placing Shares will represent 73.64 per cent. of the Enlarged Share Capital. At 1 August 2011, being the latest practicable date prior to the date of this document and the date the Existing Ordinary Shares were suspended from trading on AIM, the closing mid-market price of an Existing Ordinary Share was 4.25p. At this price Palace Capital is valued at approximately £0.31 million.

The Company has arranged a secured debt financing of Hockenhull Estates through the provision of a bank facility by the Lender for £1,200,000 until 30 September 2014. The total facility will be drawn down in full on Admission. It is intended that immediately following drawdown, the total sum of the Facility will be loaned by Hockenhull Estates to Palace Capital and will be used to finance part of the Acquisition. Further details of the Facility Letter are set out in paragraph 8.1.8 of Part V.

Stanley Harold Davis, Rachel Rita Davis and NSS Trustees Limited a/c IRG (the trustees of the IRG PLC Directors Retirement and Death Benefit Scheme of which Stanley Davis is the sole beneficiary), have conditionally agreed to subscribe for convertible loan notes issued by the Company to a value of £300,000 on the terms of the 2011 Convertible Loan Agreement. The 2011 Convertible Loan Notes are convertible into Ordinary Shares at 2.25 pence per Ordinary Share. Interest of 4 per cent. will be payable quarterly on the outstanding 2011 Convertible Loan Notes. Further detail on the 2011 Convertible Loan Notes is set out in paragraph 8.1.12 of Part V of this document.

In addition, Stanley Davis, has agreed conditionally to loan £277,500 to the Company by way of an unsecured mezzanine loan under the terms of the Mezzanine Facility Agreement. The Mezzanine Facility is available until 4 October 2015 with interest only payments being due quarterly in arrears. Further detail on the Mezzanine Facility is set out in paragraph 8.1.13 of Part V.

As the Concert Party will hold more than 50 per cent. of the Enlarged Share Capital and Stanley Davis, non-executive Chairman of the Company, will individually hold more than 30 per cent. of the Enlarged Share Capital following Admission, the approval of the Independent Shareholders is required of a waiver from the obligations of Rule 9 of the Takeover Code that would otherwise require the Concert Party and/or Stanley Davis to make a general offer to the holders of all of the Ordinary Shares. The members of the Concert Party, who are currently interested in 2,157,570 Ordinary Shares representing 29.9 per cent. of the Existing Ordinary Shares, will not be entitled to vote on this Waiver Resolution.

In view of the size of Hockenhull Estates relative to the Company, the Acquisition will constitute a reverse takeover of Palace Capital under the AIM Rules for Companies and therefore requires the prior approval of Shareholders which is being sought at a General Meeting, notice of which is set out at the end of this document. Application will be made for the Existing Ordinary Shares to be re-admitted and the Placing Shares and the Fairfax Shares to be admitted to trading on AIM subject to the passing of the Resolutions.

In addition, the SD Financing constitutes a related party transaction under Rule 13 of the AIM Rules and, as such, for the purposes of the AIM Rules, the Directors (excluding Stanley Davis) not being related parties in relation to the SD Financing, having consulted Fairfax, the Company's nominated adviser, consider that the terms of the SD Financing are fair and reasonable insofar as Shareholders are concerned.

2. BACKGROUND TO, AND REASONS FOR, THE ACQUISITION AND PLACING

The Company has no ongoing trade or investments. The Company has one dormant wholly owned Subsidiary, Equalgold Limited.

Investing Policy

On 6 July 2010, the Company posted a Circular to Shareholders detailing the disposal of its principal asset, a 50 per cent. shareholding in Grafton, to Safeland for a consideration of £90,000. Following this Disposal, the Company became an Investing Company and was required under the AIM Rules for Companies to adopt an Investing Policy, which was approved by Shareholders at the 2010 General Meeting.

The Company's Investing Policy is to create shareholder value through making property related investments. The intention is to build the Company by making selective acquisitions funded by the issue of Ordinary Shares and debt where appropriate. The Company will take an active role in managing its investments by integrating them into the Enlarged Group.

Following the Disposal, the initial focus of the Directors centred on investment opportunities relating to car parks, outdoor advertising and billboarding and care homes. The Directors consider that the provision of car parking facilities is a recession resistant business and that the shortage of capacity in many towns is a significant issue. Therefore the Directors focused initially on acquiring (i) companies that manage car parks for third parties or car parks themselves; and (ii) available vacant development sites which were unlikely to be built upon for some time. The Directors have considered a number of investment opportunities since July 2010 but as, in the Directors' opinion, the prices asked and their associated yields would not have created sufficient value for Shareholders, the Directors have not progressed such opportunities. Some of the investments previously considered remain on the market so opportunities to acquire them at a valuation that will represent an appropriate investment for Shareholders may arise at a later date.

The Investing Policy adopted is for the Company to seek to make property related acquisitions or investments which may include:

- (i) freehold or long leasehold property or asset-backed businesses owning freehold or long leasehold property;
- (ii) property related businesses which manage asset-backed businesses;
- (iii) investment, in partnership with others, in distressed properties where the Company proposes to manage the asset(s) for a fee and participate in any potential upside;
- (iv) private property companies; and
- (v) property services businesses where the majority of the income is effectively recurring, such as property management, rating and utility brokerage.

The Board considers that this is an appropriate time in the property and economic cycles to implement this strategy.

There is no maximum exposure limit to any single investment nor restriction on gearing or cross holdings. The nature of the returns to Shareholders are dependent on the assets acquired. After an acquisition has been made, it is expected that returns to Shareholders will be initially in the form of capital appreciation. The Board will consider the payment of dividends if and when the Company has sufficient cash resources and retained reserves.

As a result of the Disposal and in accordance with AIM Rule 15, the Investing Policy was approved by Shareholders at the 2010 General Meeting and the Company must implement the Investing Policy within 12 months of Completion, being by 30 July 2011. As the Company did not implement its Investing Policy by 30 July 2011, the Existing Ordinary Shares were suspended from trading on AIM on 1 August 2011. Assuming the Resolutions are passed at the General Meeting on 3 October 2011, the suspension of the Ordinary Shares will be lifted and trading in the Ordinary Shares on AIM will be restored on 4 October 2011 when Admission occurs.

Acquisition

Following the Board's review of potential opportunities, the Company has entered into the Acquisition Agreement to acquire Hockenhull Estates (subject to Admission and certain other

conditions). Further details of the Acquisition Agreement are set out in paragraph 8.1.4 of Part V of this document. Hockenhull Estates owns the freehold interest in nine commercial properties located in Crewe and Nantwich, Cheshire which are let under fourteen individual leases. Further details of these property interests are set out in paragraph 8 below.

The Board believes that the combination of Hockenhull Estates' assets and the Company's access to equity capital markets has the potential to enhance Shareholder value in the medium term. The Board believes that the Acquisition initially satisfies the Investment Policy as Hockenhull Estates offers it:

- existing revenue generation;
- an existing platform from which acquisitions can be made; and
- the opportunity to actively manage the portfolio keeping some properties for long term investment and trading the remainder.

3. STRATEGY FOR THE ENLARGED GROUP

The Board intends initially to focus the resources of the Enlarged Group on the business of Hockenhull Estates and it will also continue to pursue additional acquisition opportunities within the UK real estate sector using the Acquisition as a platform for growth.

The Board believes that significant opportunities for growth exist within the UK secondary property market and in particular with private property companies. Assuming that there is limited historic tax liability in the relevant target, there is scope to acquire property-holding companies rather than the property assets themselves thus creating a saving in stamp duty land tax. In addition, by acquiring companies that may have existing debt, there may be opportunities for the Company to finance transactions with incumbent lenders.

During the course of the economic cycle the Board believes that there will be further opportunities for growth through acquisition of secondary properties. The businesses and properties that the Board intends to target are likely to exhibit some or all of the following characteristics:

- good cash flow;
- lack of property asset management by incumbent manager;
- be located outside of London; and
- properties that are preferably freehold or long leasehold.

The Concert Party has confirmed that, following Admission and completion of the Acquisition, it has no intention of changing the Enlarged Group's strategy or business, the employment rights of any employees or management of the Enlarged Group (including any material change in any conditions of employment) or changing the location of its place of business or redeploying any of the Enlarged Group's fixed assets.

4. PRINCIPAL TERMS OF THE ACQUISITION

On 8 September 2011, the Company entered into the Acquisition Agreement with the Vendor to acquire Hockenhull Estates (subject to Admission and certain other conditions). The consideration payable is £1,817,500 (subject to adjustment in accordance with the terms of the Acquisition Agreement), to be satisfied entirely in cash at Completion and, is subject to a retention as described in more detail below. The consideration will be decreased on a pound for pound basis to the extent that the net assets of Hockenhull Estates are less than £1,817,500 and a further sum will be paid by the Company on a pound for pound basis to the extent the net assets of Hockenhull Estates are more than £1,817,500.

A retention of £150,000 will be paid at Completion into a retention account as security with respect to (i) warranty claims and (ii) indemnity claims. Such retention will be released (subject to any relevant claims being made) to the Vendor on 30 April 2013.

Completion of the Acquisition is conditional, *inter alia*, on (i) the passing of the Resolutions, and (ii) Admission. Further details of the Acquisition Agreement are set out in paragraph 8.1.4 of Part V of this document.

5. DETAILS OF THE PLACING

The Company has raised £523,500 (approximately £273,545 net of expenses) by the conditional placing of 23,266,666 new Ordinary Shares pursuant to the Placing at the Placing Price. The Placing Shares will represent approximately 73.64 per cent. of the Enlarged Share Capital on Admission.

The Placing, which is not underwritten or guaranteed, is conditional, *inter alia*, upon the passing of the Resolutions and Admission. Further details of the Placing Agreement are set out in paragraph 8.1.3 of Part V of this document.

Stanley Davis, Neil Sinclair and Anthony Dove have agreed to subscribe for 9,555,556, 2,222,222 and 100,000 Placing Shares respectively.

Immediately following Admission, the Board and their immediate families are expected to hold in aggregate approximately 13,216,158 Ordinary Shares amounting to approximately 42.15 per cent. of the Enlarged Share Capital on Admission.

As a consequence of the Acquisition constituting a reverse takeover, the Company is required to apply for re-admission to AIM as the Enlarged Group. Therefore, application will be made for the Existing Ordinary Shares to be re-admitted and the Placing Shares and the Fairfax Shares to be admitted to trading on AIM. It is expected the Admission will become effective and that dealings in the Ordinary Shares will commence on AIM on 4 October 2011. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares.

6. REASONS FOR THE FACILITY LETTER, PLACING, SD FINANCING AND USE OF PROCEEDS

Facility

The Company has arranged a debt financing, the entirety of which will be used to fund part of the consideration for the Acquisition of Hockenhull Estates through the provision of a Facility by the Lender for £1,200,000 until 30 September 2014. The Facility will be drawn down in full on Admission. It is intended that immediately following drawdown, the total sum of the Facility will be loaned by Hockenhull Estates to Palace Capital and will be used to finance part of the Acquisition. The balance of the Consideration will be funded out of a combination of the SD Financing and the proceeds of the Placing. Hockenhull Estates will provide security to the Lender by virtue of (i) a debenture over its assets and (ii) a first legal charge over its properties in the form required by the Lender. The Facility is repayable on demand.

The Facility is subject to, amongst other things, the following conditions precedent:

- (i) satisfactory reports on title with respect to the properties;
- (ii) execution of the debenture and first legal charge referred to above;
- (iii) a legal opinion from Isle of Man counsel on Hockenhull Estates; and
- (iv) confirmation that the properties owned by Hockenhull Estates are validly insured.

Further detail of the Facility Letter is set out in paragraph 8.1.8 of Part V of this document.

Placing

The Company has raised £523,500 (approximately £273,545 net of expenses) by way of the conditional Placing to fund part of the Acquisition through the issue of 23,266,666 Ordinary Shares. Further details of the Placing Agreement are set out in paragraph 8.1.3 of Part V of this document.

2011 Convertible Loan Notes

The Company has agreed with Stanley Harold Davis, Rachel Rita Davis and NSS Trustees Limited a/c IRG (the trustees of the IRG PLC Directors Retirement and Death Benefit Scheme of which Stanley Davis is the sole beneficiary) that they will conditionally subscribe for convertible loan notes to the value of £300,000 partly to fund the Acquisition and partly to provide the Company with additional working capital. Further details of the 2011 Convertible Loan Notes Agreement pursuant to which the 2011 Convertible Loan Notes will be conditionally issued is set out in paragraph 8.1.12 of Part V of this document.

Mezzanine Facility

In addition, Stanley Davis has agreed that he will loan £277,500 to the Company by way of an unsecured mezzanine loan for working capital purposes under the terms of the Mezzanine Facility. Further details of the Mezzanine Facility are set out in paragraph 8.1.13 of Part V of this document.

Use of proceeds

The intended use of proceeds from the Placing and SD Financing are as follows:

	£
Expenditure	
Consideration for Acquisition	1,817,500
Transaction costs	249,955
SD Loan	20,000
Financing Method	
Facility	1,200,000
Mezzanine Facility	277,500
2011 Convertible Loan Notes	300,000
Placing	523,500
Balance for working capital	213,545

7. INFORMATION ON THE COMPANY

Background

The Company was originally admitted to trading on AIM in March 2005 under its former name Libra Retail plc. The Company acquired a 50 per cent. interest in a reverse takeover of Grafton in December 2005.

At the time of the Grafton acquisition, Grafton was a newly incorporated property insurance company. When the initial stake was acquired in Grafton by the Company in December 2005, a long term contract was entered into with Safeland for the provision of property insurance services. The contract was due to expire in December 2013.

Whilst Grafton itself had been profitable (the Company's share of the results of its interest in Grafton in the year ended 31 January 2010 was a post-tax profit of £34,061), the costs of running the Company as a public company (£79,051 in the same period) were in excess of the share of profits from Grafton attributable to the Company. The Company reported a consolidated loss after tax for the year ended 31 January 2010 of £50,840. The Group's net liabilities as at 31 January 2010 were £95,968, whilst the Company's interest in Grafton was carried as a non-current asset of £20,237.

Without the prospect of an improvement in the financial position or trading performance of the Company at that time, Safeland was unwilling to continue to provide financial support. Therefore, on 6 July 2010, Neil Sinclair, London Active Management Ltd (a company controlled by Neil and Pamela Sinclair), Stanley Davis, Pamela Sinclair (wife of Neil Sinclair) and Andrew Perloff (collectively the "Purchasers") entered into a conditional agreement to acquire a 29.9 per cent. stake in the ordinary share capital of the Company from existing shareholders, subject to the Company selling its 50 per cent. interest in Grafton. In addition Safeland also sold to Andrew Perloff and Stanley Davis, all of the Preference Shares.

Disposal

On 6 July 2010, the Company entered into a conditional agreement for the disposal of its principal asset, a 50 per cent. interest in Grafton, to Safeland for consideration of £90,000 which was settled by way of offset of the outstanding indebtedness owed by the Company to Safeland at completion of the Disposal (totalling approximately £75,000) and the balance of £15,000 in cash.

The disposal of Grafton constituted a fundamental change of business by the Company pursuant to Rule 15 of the AIM Rules for Companies and was also subject to the provisions of section 190 of the 2006 Act. Therefore, in accordance with the AIM Rules for Companies and the 2006 Act, the Company sent a circular to Shareholders setting out the reasons for, and principal terms of, the Disposal, and also details of the Company's Investing Policy following completion and to seek

Shareholders' approval for the Disposal and the proposed Investing Policy. Both were approved at the 2010 General Meeting.

At completion on 30 July 2010, Leo Holdings (2008) Corporation (a company controlled by Larry Lipman and Errol Lipman, both former directors of the Company) sold in aggregate 2,157,570 Ordinary Shares (representing approximately 29.9 per cent. of the issued share capital of the Company) to the Purchasers at a price of 2.25 pence per Ordinary Share. The Purchasers agreed to acquire the Ordinary Shares in the following proportions:

	Number of Existing Ordinary Shares	Percentage of Existing Ordinary Shares
Andrew Perloff	719,190	9.97
Stanley Davis	719,190	9.97
Neil Sinclair	450,000	6.24
London Active Management Ltd	179,190	2.48
Pamela Sinclair	90,000	1.25
Total	2,157,570	29.9

The resultant shareholdings of Leo Holdings (2008) Corporation and Safeland in the Company are set out in paragraph 5.6 of Part V of this document.

In addition, Andrew Perloff and Stanley Davis entered into an agreement with Safeland to acquire all the Preference Shares in issue for a total consideration of £15,000. Both Andrew Perloff and Stanley Davis have undertaken not to exercise their rights to redeem their Preference Shares until the Company has sufficient distributable reserves to effect the redemption and sufficient cash resources to meet its liabilities for 12 months following the redemption.

As part of these arrangements, on 30 July 2010: (i) Neil Sinclair and Stanley Davis were appointed as directors of the Company; and (ii) the then existing directors of the Company resigned immediately from the board.

On 30 July 2010, the Company issued the Convertible Loan Notes for which the Purchasers undertook to subscribe. Unless converted into Ordinary Shares, the Convertible Loan Notes are required to be repaid in cash on or before 31 July 2012 at 2.25 pence per Ordinary Share. No coupon is or will be payable on the outstanding Convertible Loan Notes.

Assuming full conversion of the Convertible Loan Notes, 2,666,667 Ordinary Shares would be issued (equating to 26.98 per cent. of the issued Ordinary Shares at that time being the Enlarged Share Capital, plus the Ordinary Shares to be issued on such conversion and assuming no additional Ordinary Shares are issued).

The Convertible Loan Notes, which are held as follows would, if converted, require the issue to certain parties of the following Ordinary Shares:

	Convertible Loan Notes	Ordinary Shares required to be issued upon conversion
Neil Sinclair	£2,000	88,889
Andrew Perloff	£24,500	1,088,889
Stanley Davis	£31,500	1,400,000
London Active Management Ltd	£2,000	88,889
Total	£60,000	2,666,667

The Takeover Code

Under Rule 9 of the Takeover Code, when any person acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the Takeover Code) which (taken together with shares in which he and 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 that person is normally required to make a general offer to all of the company's shareholders to acquire the remaining shares in that company not held by him.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company, but does not hold shares carrying more than 50 per cent. of the voting rights of the company, a general offer is required if any further interest in shares is acquired by any such person, or persons acting in concert with him.

An offer under Rule 9 must be in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares acquired during the 12 months prior to the announcement of the offer.

Effect of the implementation of the Proposals

Stanley Davis, Neil Sinclair, Pamela Sinclair, London Active Management Ltd (a company controlled by Neil and Pamela Sinclair), Andrew Perloff, Harold Perloff and David Kaye are considered to be acting in concert for the purposes of the Takeover Code. Detailed information on the Concert Party is set out in paragraph 1.3 of Part V of this document.

As at the date of this document the Concert Party holds an interest in 2,157,570 Existing Ordinary Shares representing approximately 29.90 per cent. of the Existing Ordinary Shares.

Following Admission, the Concert Party will hold 17,268,681 Ordinary Shares representing approximately 54.66 per cent. of the Enlarged Share Capital and Stanley Davis will hold 10,274,746 Ordinary Shares representing approximately 32.52 per cent. of the Enlarged Share Capital.

Following Admission, the Concert Party will hold at least 50 per cent. of the Company's voting share capital and will therefore be able to increase its shareholding further without incurring an obligation under Rule 9 of the Takeover Code to make a general offer.

The Takeover Panel has agreed, subject to the passing of the Waiver Resolution at the General Meeting on a poll by Independent Shareholders, to waive the obligation of the Concert Party and Stanley Davis to make a general offer to Shareholders under Rule 9 of the Takeover Code that would otherwise arise as a result of the implementation of the Proposals.

The Waiver Resolution to be proposed at the General Meeting, which will be taken on a poll of Independent Shareholders, deals with the grant to the Concert Party by the Takeover Panel of a conditional waiver of Rule 9 of the Takeover Code, relating to the Placing and Acquisition (the "Waiver"). The members of the Concert Party, who are currently interested in 2,157,570 Ordinary Shares representing 29.9 per cent. of the Existing Ordinary Shares, will not be entitled to vote on the Waiver Resolution.

The Independent Director believes that, for the reasons specified in paragraphs 2 and 6 of this Part I, the Waiver is necessary in order to secure the Proposals. The Concert Party is not prepared to make an offer to the holders of all of the Ordinary Shares and is only prepared to provide funds via the Placing and the SD Financing if the Waiver is granted and the Waiver Resolution passed.

The maximum interests of the Concert Party following the Proposals is set out below:

	Number of Existing Ordinary Shares	Percentage of Existing Ordinary Shares	Number of Ordinary Shares following Admission	Percentage of Enlarged Share Capital	Number of conversion of the 2011 Convertible Loan Notes assuming full conversion of the 2011 Convertible Loan Notes	Percentage of enlarged share capital assuming full conversion of the 2011 Convertible Loan Notes	Number of Ordinary Shares assuming exercise of Share Options in full	Percentage of enlarged share capital assuming conversion of 2011 Convertible Loan Notes and exercise of Share Options in full
Neil Sinclair ¹ London Active Management Ltd	450,000	6.24	2,672,222	8.46	2,672,222	5.95	4,409,878	9.17
Pamela Sinclair	90,000	1.25	90,000	0.28	90,000	0.20	90,000	0.19
Stanley Davis ²	719,190	9.97	10,274,746	32.52	23,608,079	52.55	24,476,907	50.90
Andrew Perloff	719,190	9.97	2,941,412	9.31	2,941,412	6.55	2,941,412	6.12
Harold Perloff	–	–	1,111,111	3.52	1,111,111	2.47	1,111,111	2.31
David Kaye	–	–	–	–	–	–	552,890	1.15
Total	2,157,570	29.90	17,268,681	54.66	30,602,014	68.11	33,761,388	69.06

¹ 2,222,222 Placing Shares subscribed for by Neil Sinclair pursuant to the Placing will be held in the name of The Trustees of the Sinclair Goldsmith Executive Pension Scheme of which Neil Sinclair is the sole beneficiary.

² 13,333,333 new Ordinary Shares to be issued upon conversion of the 2011 Convertible Loan Notes will be held in the name of Stanley Harold Davis, Rachel Rita Davis and NSS Trustees Limited a/c IRG being the trustees of the IRG PLC Directors Retirement and Death Benefit Scheme, of which Stanley Davis is the beneficiary.

Assuming full Conversion of the 2011 Convertible Loan Notes, the Concert Party will own 30,602,014 Ordinary Shares representing 68.11 per cent. of the then enlarged share capital and Stanley Davis will hold 23,608,079 Ordinary Shares representing approximately 52.55 per cent. of the then enlarged share capital.

On Admission, Stanley Davis, Neil Sinclair and David Kaye will also be granted 868,828, 1,737,655 and 552,890 Share Options respectively. Assuming conversion of the 2011 Convertible Loan Notes and exercise of all of the Share Options, the Concert Party will own a maximum controlling interest in the Company of 33,761,388 Ordinary Shares representing approximately 69.06 per cent. of the further enlarged share capital.

For the avoidance of doubt, the Waiver applies only in respect of increases in the interests of Ordinary Shares of the Concert Party and members of the Concert Party resulting solely from the issue to them of the Placing Shares and any Ordinary Shares to be issued as a result of conversion of the 2011 Convertible Loan Notes or the Share Options. If any member of the Concert Party acquires Ordinary Shares which increase the aggregate interest in Ordinary Shares of such member to 30 per cent. or more of the issued share capital of the Company, or increases such member of the Concert Party's interest in Ordinary Shares to between 30 per cent. and 50 per cent., other than pursuant to the issue to it of the Placing Shares and any Ordinary Shares to be issued as a result of conversion of the 2011 Convertible Loan Notes or the Share Options, then Rule 9 would apply and such member or the Concert Party would be obliged to make an offer for the entire issued share capital of the Company not held by them.

The Concert Party as a whole, following Admission, will hold 54.66 per cent. of the Company's issued share capital and will therefore be able to increase its shareholding further without incurring an obligation under Rule 9 of the Takeover Code to make a general offer.

No waiver of any obligation to each, or any, of the Purchasers (as such term is defined on page 14 above) to make a mandatory offer to Shareholders under Rule 9 of the Takeover Code on conversion of the Convertible Loan Notes was, or has been, sought. As the Purchasers do not wish to make a mandatory offer under Rule 9 of the Takeover Code for the Company, exercise of the Convertible Loan Notes will not take place if such exercise would trigger such a mandatory offer under Rule 9 of the Takeover Code at that time.

8. INFORMATION ON HOCKENHULL ESTATES LIMITED

Introduction

Hockenhull Estates is a property investment company which was incorporated on 6 August 1992 and is resident in the Isle of Man with property investments currently held in Nantwich and Crewe, in Cheshire, in the North of England.

The majority of the investment properties currently owned by Hockenhull Estates were originally owned privately by Frank Hockenhull prior to their transfer into Hockenhull Estates in 1992, a company owned by a trust of which Frank Hockenhull is the settlor and certain members of his family are the beneficiaries. The properties have been purchased over the course of the last forty years. The last property to be purchased was 23-25 Market Street, Crewe which was purchased in November 2004.

Further details in respect of the property investments held by Hockenhull Estates are set out in the Valuation Report in Part IV of this document.

The properties are currently managed by F H Properties Limited, incorporated in England and Wales, of which Frank Hockenhull is the ultimate controlling party. This agreement will be terminated upon Completion of the Acquisition.

Frank Hockenhull grew up in Cheshire, has close personal ties with the area and knows the real estate market in this region. Many of the tenants currently occupying the investment properties have done so for a long period of time and are known personally by Frank Hockenhull.

Property Portfolio

Hockenhull Estates owns the freehold interest in nine commercial properties located in Crewe and Nantwich, Cheshire which are let under fourteen individual leases, the details of which are as follows:

Property	Type	Individual value (£) as at 6 July 2011	Annual Net Rent Receivable (£)
Bridgewater House (232 Edleston Road and 1 Wistaston Road) Crewe, Cheshire CW2 5EH	Retail/offices	380,000	36,100
1-7 (odd) High Street, Nantwich, Cheshire CW5 5AW	Leisure/retail	350,000	34,160
45 High Street, Nantwich, Cheshire CW5 5DB	Offices	265,000	22,500
106 Nantwich Road, Crewe, Cheshire, CW1 2EW	Retail	90,000	8,250
23-25 Market Street, Crewe, Cheshire CW1 2EW	Offices	400,000	33,740
52,54 and 56 Beam Street, Nantwich, Cheshire CW5 5LJ*	Retail	265,000	25,456
7 & 7A Earle Street, Crewe, Cheshire CW1 2BS	Retail/offices	265,000	25,000
TOTAL		2,015,000	185,206

* This comprises three separate properties registered under a single title number.

At Admission, the Company's property portfolio will comprise 9 investments, all of which are located in the United Kingdom with an aggregate value as at 6 July 2011 of £2.015 million.

Details of all of these property investments are set out in the Valuation Report in Part IV of this document.

The Market and Opportunity

The current UK commercial property market is generally in a slow period of recovery. There is very strong demand for prime commercial property investments in London and the South East and this has been fuelled by demand by overseas investors. This is also the case with high end residential property in London and the South East.

The Company is focusing on the UK secondary property market outside of London in order to find value. The Directors believe that although recovery in the commercial property market outside London may be somewhat slower, the Directors consider that they will secure better value away from London.

The sale of Hockenhull Estates was first advertised in the Estates Gazette (a trade publication) on 16 October 2010 at a price of £2.35 million. Palace Capital is purchasing Hockenhull Estates for cash consideration of £1,817,500 (subject to adjustment under the Acquisition Agreement) on a property valuation as at 6 July 2011 of £2.015 million. The property portfolio will be actively managed and the Board will continue to seek similar opportunities following Admission.

The Directors believe that the key features of the UK secondary property market are that:

- it is well established;
- it has not to date recovered its value to the same extent as primary property; and
- the effects of the banking crisis will provide suitable opportunities for the Enlarged Group.

A report published by DTZ Research dated 24 May 2011 entitled "Money into Property, UK 2011, Working it Out" states that the significant recovery in UK prime capital values over the last two years has now left it less attractively priced than most other markets globally. Secondary property, on the other hand, has so far been left behind.

The report also states that UK recovery is expected to broaden into a wider range of non-prime markets over time, driven by improving investor and lender sentiment. Given prime markets are fully priced, it is expected that investors will move into non-prime and value added assets. As lenders move into the non-prime phase of their work out, more stock will reach the market. The size and complexity of the deleveraging means that this will take some time to resolve. DTZ Research state that whilst appetite for secondary stock is still limited, they expect the supply and demand of such properties to increase.

Although non-prime property can be more difficult to source than prime property and can require substantial asset management as well as capital expenditure to maintain income the Directors believe that there are current and future opportunities to acquire undervalued non-prime properties and that non-prime property has not recovered its value to the same extent as prime property.

Directors and employees

As at the date of this document, the directors of Hockenhull Estates are employees of Peregrine Corporate Services Limited, Hockenhull Estates' administering agent in the Isle of Man, all of whom will remain on the board of Hockenhull Estates (which will be a wholly owned subsidiary of Palace Capital) following Admission. Neil Sinclair will join the board of Hockenhull Estates, conditional on Completion and Admission. None of the current directors of Hockenhull Estates will join the Board on Admission. Hockenhull Estates has no employees and has never had any employees.

9. DIRECTORS

Brief biographies of the Directors are set out below. Paragraph 7 of Part V of this document contains further details of the current and past directorships and partnerships and certain other important information regarding the Directors.

Directors

Stanley Harold Davis, aged 73, British, Non-executive Chairman

Stanley is a successful serial entrepreneur who has been involved in the City of London since 1963. His founding company was company registration agent, Stanley Davis Company Services Limited, which he sold in 1989. 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 Capita Group plc. He is Chairman

of Stanley Davis Group Limited specialising in company formations, property and company searches.

Ronald Neil Sinclair, aged 68, British, Managing Director

Neil has over 50 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 it was sold to Land Securities plc in 2005. He was one of the founders of Mission Capital plc (now Quindell Portfolio plc), which was admitted to AIM in 2005, and was Executive Chairman until February 2008.

He was elected Chief Barker (Chairman) for 1991 for the Variety Club Children's Charity one of the country's premier charities and is still a Trustee. He co-founded "the PROPS", one of the industry's leading events which has raised in excess of £6.9 million for the Variety Club's Easy Riders Wheelchair Programme. He is also a Director and a Vice President of Variety International, the Children's Charity based in Los Angeles which raises in excess of £30 million per annum for sick, disabled and disadvantaged children.

Anthony Charles Dove, aged 66, British, 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 fully listed company, and remained so until 2005 when the company was acquired by Land Securities plc. He is currently a Managing Director of Locate Continental Properties Kft a private Hungarian company with investments in Budapest and was a trustee of the Gynaecology Cancer Research Fund from 2002 to 2009. Anthony read law at Cambridge, was admitted as a solicitor in 1969 and retired from practice in 1999.

Directors' service contracts and letters of appointment

The Directors have agreed not to receive any fees or salary until the Company has completed the Acquisition.

Conditional on Admission, Stanley Davis will continue to act as non-executive Chairman pursuant to a letter of appointment with the Company dated 8 September 2011 under which he will receive a fee of £12,500 per annum.

Conditional on Admission, Neil Sinclair will continue to act as Managing Director pursuant to a service agreement with the Company dated 8 September 2011 under which he will receive an annual salary of £45,000.

Conditional on Admission, Anthony Dove will continue to act as non-executive director pursuant to a letter of appointment with the Company dated 8 September 2011 under which he will receive a consultancy fee of £12,500 per annum.

10. SUMMARY FINANCIAL INFORMATION

Palace Capital

The table below sets out Palace Capital's summary financial information for the last three financial years extracted without material adjustment from Palace Capital's consolidated audited accounts for the three years ended 31 January 2009, 31 January 2010 and 31 January 2011, which were prepared under IFRS. In accordance with AIM Rule 28, the London Stock Exchange has authorised the omission of financial information required by section 20.1 of Annex I from this document. The report and accounts for the three years ended 31 January 2009, 31 January 2010 and 31 January 2011 can be accessed on the Company's website at www.palacecapitalplc.com.

The relevant links to the report and accounts for the three years ended 31 January 2009, 31 January 2010 and 31 January 2011 are as follows:

2011 Report & Accounts http://www.palacecapitalplc.com/palacecapital_pdf/Palace%20Capital%20Plc%20Interim%20Report%202011.pdf

2010 Report & Accounts http://www.palacecapitalplc.com/palacecapital_pdf/Leo%20Insurance%20AR%202010.pdf

2009 Report & Accounts http://www.palacecapitalplc.com/palacecapital_pdf/Leo_AR_2009.pdf

The page numbers referencing the figures below within each set of report and accounts are included in the table below. There were no changes in the accounting policies or major notes to the financial statements of the Company in the 3 years ended 31 January 2011, 31 January 2010 or 31 January 2009.

	Year ended 31 January 2011	Year ended 31 January 2010	Year ended 31 January 2009
Turnover	– page 10	– page 15	– page 8
Loss from operations	(116,753) page 10	(79,051) page 15	(85,837) page 8
Loss for the period after tax	(28,291) page 10	(50,840) page 15	(33,046) page 8
Basic and diluted loss per share (p)	(0.40) page 10	(0.70) page 15	(0.46) page 8
Total non-current assets	– page 11	20,237 page 16	19,176 page 9
Total assets	15,578 page 11	38,677 page 16	77,995 page 9
Total equity	124,259 page 11	(95,968) page 16	(45,128) page 9

The 2011 Report & Accounts, 2010 Report & Accounts and 2009 Report & Accounts can all be downloaded from the Company's website at www.palacecapitalplc.com and a hard copy of each was previously posted to Shareholders at the relevant time. A hard copy of each of these documents will not be sent to Shareholders with this document unless requested. Any Shareholder wishing to obtain a hard copy of the 2011 Report & Accounts, 2010 Report & Accounts and 2009 Report & Accounts should write to the Company Secretary, Palace Capital plc, 41 Chalton Street, London NW1 1JD or call +44(0)207 554 2222.

Hockenhull Estates

The table below sets out Hockenhull Estates' summary financial information for the last three financial years extracted without material adjustment from Hockenhull Estates' consolidated audited accounts for the three years ended 5 April 2008, 5 April 2009 and 5 April 2010 and for the period from 6 April 2010 to 31 January 2011 which were prepared under IFRS. The summary financial information with regard to Hockenhull Estates has been extracted from Part III of this document.

	Period from 6 April 2010 to 31 January 2011	Year ended 5 April 2010	Year ended 5 April 2009	Year ended 5 April 2008
Property income	158,919	185,639	185,853	187,796
Operating income	144,752	153,845	19,801	34,308
Income after tax	117,198	129,281	9,056	34,894
Total assets	2,997,012	3,165,479	3,041,164	3,068,635
Total non-current assets	2,015,000	2,015,000	2,015,000	2,150,000
Total equity	2,169,901	2,052,703	1,923,422	1,914,366

At 31 January 2011, Hockenhull Estates had amounts due to it from related parties of £513,568 and owed amounts to related parties, at the same date, of £762,967. These related party balances, along with any subsequent interest charges or movements since 31 January 2011, are expected to be extinguished prior to Completion.

Further financial information on Hockenhull Estates is set out in Part III of this document.

11. CURRENT TRADING AND PROSPECTS

Current Trading – Palace Capital

The report and accounts for 3 years ending 31 January 2011 are available on the Company's website at www.palacecapitalplc.com. Palace Capital has no investments and has not traded since July 2010. Palace Capital has one dormant, wholly owned Subsidiary, Equalgold Limited.

Palace Capital has been seeking an appropriate acquisition target in line with its Investing Policy, whilst minimising operating expenses and in the year to 31 January 2011 reported a loss after tax of approximately £28,291.

In order to keep operating costs of the Company to a minimum each of the members of the Board agreed not to receive any salary or fee until the Company completed its first acquisition.

Current Trading – Hockenhull Estates

Hockenhull Estates owns the freehold interest let under fourteen individual leases in nine commercial properties located in Crewe and Nantwich, Cheshire for which the current annual rent receivable is £185,206 as detailed in the table on page 18.

In the period from 6 April 2010 to 31 January 2011, Hockenhull Estates made a profit after tax of £117,198.

Prospects – Enlarged Group

The Directors believe that, following Admission and completion of the Acquisition and its corresponding positive impact on the Enlarged Group's capital structure, the future prospects for the Enlarged Group are encouraging. In addition, the Directors believe that there are acquisition opportunities within the UK secondary property market and that the Enlarged Group will seek to be acquisitive in the future.

12. PROPERTY, PLANT AND EQUIPMENT

Palace Capital

Palace Capital has no investments and has one dormant Subsidiary.

Hockenhull Estates

The main assets of Hockenhull Estates are the freehold interests in nine commercial properties located in Crewe and Nantwich, Cheshire, which are let under fourteen individual leases which had an aggregate value of £2.015 million at 6 July 2011.

13. DIVIDEND POLICY

The Company does not currently declare dividends. The Directors currently propose to reinvest the Enlarged Group's earnings to finance the growth of the Company's business in the short to medium

term and intend to commence the payment of dividends only when they consider it commercially prudent to do so having regard to the availability of the Enlarged Group's distributable profits, available cash balances and the retention of funds required to finance future growth. This will take into account both the requirements of the business and the expectations of the Shareholders.

14. CORPORATE GOVERNANCE

The Board consists of three directors of whom one is executive and two of which are non-executive. The Board meets as and when required and is satisfied that it is provided with information in an appropriate form and quality to enable it to discharge its duties. All Directors are required to retire by rotation with one third of the board seeking re-election each year. Due to the current size of the Company, the duties that would normally be attributed to an Audit, Remuneration or Nomination Committee, have been undertaken by the Board as a whole.

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

The Board remains fully committed to maintaining regular communication with its shareholders. There is regular dialogue with major shareholders. Press releases are issued throughout the year and the Company maintains a website, www.palacecapitalplc.com on which all documentation is uploaded in accordance with AIM Rule 26.

The Company has adopted a code based on the Model Code for Directors' Dealings and will take all proper and reasonable steps to ensure compliance by the Board and relevant employees in the future.

It is the Directors' intention that as the Company grows, policies and procedures be developed that more fully reflect the recommendations of the UK Corporate Governance Code, so far as is practicable and taking into account the size and nature of the Enlarged Group.

15. GENERAL MEETING

A notice convening a general meeting of the Company, to be held at 10.00 a.m. on 3 October 2011 at Hamblins LLP, Roxburgh House, 273-287 Regent Street, London W1B 2AD, is set out at the end of this document. At that meeting the Waiver Resolution and a resolution will be proposed in order to obtain Shareholder approval for the Acquisition. In addition, resolutions will be proposed at the General Meeting granting powers of allotment and disapplying of pre-emption rights in respect of the Placing and for the future grant of Share Options, to assist the Enlarged Group going forward. Further details of the Resolutions are set out below:

Resolution 1 – Waiver Resolution

Resolution 1 is an ordinary resolution to approve the waiver granted by the Takeover Panel of the obligation that would otherwise arise on the Concert Party to make a general offer to the shareholders of the Company under Rule 9 of the Takeover Code as a result of the allotment and issue to the Concert Party pursuant to the Placing of 23,266,666 new ordinary shares (representing approximately 73.64 per cent. of the Enlarged Share Capital) and the potential issue of up to 13,333,333 Ordinary Shares upon conversion of the 2011 Convertible Loan Notes and the potential issue of up to 3,159,373 Ordinary Shares under the Share Option Scheme. To be passed, the Waiver Resolution requires a majority of more than 50 per cent. of the Shareholders voting, in person or by proxy, in favour. The Waiver Resolution, in compliance with the Takeover Code, will be taken on a poll of Shareholders, present in person or by proxy, voting at the General Meeting. The members of the Concert Party, who are currently interested in 2,157,570 Ordinary Shares representing 29.9 per cent. of the Existing Ordinary Shares, will not be entitled to vote on the Waiver Resolution.

Resolution 2 – Approval of the Acquisition

Resolution 2 is an ordinary resolution to approve the Acquisition. As the Acquisition constitutes a reverse takeover under the AIM Rules for Companies, Shareholder approval is required under the AIM Rules for Companies. The Acquisition is conditional, *inter alia*, upon the passing of the Resolutions and therefore if they are not approved by Shareholders, the Acquisition will not be completed.

Resolution 3 – Authority to allot shares

Resolution 3 is an ordinary resolution to authorise the Directors under Section 551 of the 2006 Act to issue Ordinary Shares. The 2006 Act requires that the authority of Directors to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or convert any security into shares (“relevant securities”) should be subject to the approval of Shareholders in general meeting or to an authority set out in the Company’s Articles. Accordingly, Resolution 3 will be proposed to authorise the directors to allot relevant securities pursuant to the Placing, in relation to the exercise of the Share Options, the conversion of the Convertible Loan Notes and the 2011 Convertible Loan Notes and otherwise up to a total nominal value of £250,000 representing 25,000,000 Ordinary Shares. This authority will expire on the earlier of the Company’s next Annual General Meeting or 15 months after the passing of the Resolution.

Resolution 4 – Disapplication of statutory pre-emption rights

Resolution 4 is a special resolution to disapply statutory pre-emption rights under Section 571 of the 2006 Act in respect of equity securities (as defined in section 560 of the 2006 Act). The 2006 Act requires that any equity shares issued wholly for cash must be offered to existing Shareholders in proportion to their existing shareholdings unless otherwise approved by Shareholders in general meeting or accepted under the Company’s Articles. The Placing Shares are not being offered to Shareholders in proportion to their existing holdings. A special resolution will be proposed at the General Meeting to give the Director’s authority to allot equity securities for cash other than on a *pro rata* basis pursuant to the Placing, in relation to the exercise of Share Options, in relation to the conversion of the Convertible Loan Notes and the conversion of the 2011 Convertible Loan Notes and otherwise up to a total nominal value of £250,000 representing 25,000,000 Ordinary Shares. This authority will expire on the earlier of the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of the Resolution.

Implementation of the Placing and Acquisition is conditional, among other things, on Shareholders passing the Resolutions being proposed at the General Meeting. If Shareholders do not pass the Resolutions, the Placing and Acquisition will not proceed.

16. SHARE OPTION SCHEME

The Company has granted Share Options over 868,828, 1,737,655 and 552,890 Ordinary Shares to Stanley Davis, Neil Sinclair and David Kaye (Company Secretary) respectively, conditional upon Admission, under the Share Option Scheme. The Share Options will represent 10 per cent. of the Enlarged Share Capital. The rules of the Share Option Scheme state that the number of options that remain capable of being issued under the Share Option Scheme would not exceed 10 per cent. of the Company’s issued share capital from time to time. Further details of the Share Option Scheme are set out in paragraph 9 of Part V.

17. ADMISSION TO AIM

Application will be made to the London Stock Exchange for the Existing Ordinary Shares to be re-admitted and the Placing Shares and the Fairfax Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM on 4 October 2011. No application has or will be made for the Ordinary Shares to be admitted to trading or to be listed on any other stock exchange.

18. CREST

As is the case with Existing Ordinary Shares, the Enlarged Share Capital will be enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within CREST if Shareholders so wish.

19. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

Each of Stanley Davis, Neil Sinclair, Anthony Dove, Andrew Perloff and Harold Perloff (the “Locked-in Persons”) who in aggregate will hold 17,368,681 Ordinary Shares (approximately 54.98 per cent. of the Enlarged Share Capital) on Admission have agreed not to dispose of any interest in Ordinary Shares held by them or their associates (within the meaning of section 345 of the 2006 Act) for a period of 12 months following Admission (the “Lock-in Period”) (subject to certain limited exceptions). The Locked-in Persons have also agreed to follow certain orderly market arrangements for any disposals permitted during the Lock-in Period and all other disposals

which apply for 12 months after the expiry of the Lock-in Period. Further details of these lock-in and orderly market deeds are set out in paragraph 8.1.5 of Part V of this document.

20. IRREVOCABLE UNDERTAKINGS

The Company has received irrevocable undertakings from Stanley Davis, Neil Sinclair, and Andrew Perloff to vote in favour of Resolutions 2, 3 and 4 in respect of, in aggregate 2,157,570 Ordinary Shares representing approximately 29.9 per cent. of the Existing Ordinary Shares. As members of the Concert Party, Stanley Davis, Neil Sinclair, and Andrew Perloff will abstain from voting on the Waiver Resolution. Further details of these irrevocable undertakings are set out in paragraph 5.9 of Part V of this document.

21. BRIBERY LEGISLATION

The Bribery Act 2010 prescribes criminal offences for businesses engaged or allowing others to engage in bribery or corrupt practices. This came into force in July 2011 and applies to the Company. The Directors have regard to the impact of such legislation and have established appropriate procedures.

22. TAXATION

Information regarding United Kingdom taxation is set out in paragraph 16 of Part V of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.

23. ACTION TO BE TAKEN

Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting you are requested to complete, sign and return the Form of Proxy to the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible but, in any event, so as to arrive by no later than 10.00 a.m. on 29 September 2011. The completion and return of a Form of Proxy will not preclude you from attending the meeting and voting in person should you wish to do so.

24. FURTHER INFORMATION

Your attention is drawn to the remaining parts of this document which contain further information on Palace Capital, Hockenhull Estates and the Proposals. In particular, your attention is drawn to the Risk Factors set out on pages 27 to 32 of this document.

25. RECOMMENDATION OF THE INDEPENDENT DIRECTOR

The Independent Director, who has been so advised by Fairfax, considers that the terms of the Waiver are fair and reasonable and are in the best interests of the Independent Shareholders and the Company as a whole. In providing advice to the Independent Director, Fairfax has relied upon the Independent Director's commercial assessment. Accordingly, the Independent Director recommends Independent Shareholders to vote in favour of the Waiver Resolution (Resolution 1).

Stanley Davis and Neil Sinclair took no part in the Independent Director's decision to recommend Independent Shareholders to vote in favour of the Waiver and will abstain from voting on the Waiver Resolution (Resolution 1) in respect of their beneficial shareholdings, as will the other members of the Concert Party.

26. RECOMMENDATION OF THE DIRECTORS

The Directors, who have been so advised by Fairfax, consider that the terms of the Acquisition, the Placing, and the Facility are fair and reasonable and are in the best interests of Shareholders and the Company as a whole. In providing advice to the Directors, Fairfax has relied upon the Directors' commercial assessments. Accordingly, the Directors recommend Shareholders to vote in favour of Resolutions 2, 3 and 4 as they have undertaken to do in respect of their own shareholdings, amounting in aggregate to 1,438,380 Ordinary Shares, representing 19.93 per cent. of the Existing Ordinary Shares.

For the purposes of the AIM Rules, Neil Sinclair and Anthony Dove who are not related parties in relation to the SD Financing consider, having consulted with the Company's nominated adviser, Fairfax, that the terms of the SD Financing are fair and reasonable insofar as Shareholders are concerned and accordingly recommend Shareholders to vote in favour of Resolutions 2, 3 and 4 at the General Meeting.

PART II

RISK FACTORS

Investors are referred to the risks set out below. An investment in the Enlarged Group is subject to a number of risks. The investment offered in this document may not be suitable for all of its recipients. An investment in the Enlarged Group is only suitable for investors who are capable of evaluating, or who have been advised of the risks and merits of, such investments and who have sufficient resources to bear any loss which might result from such investment. No assurance can be given that Shareholders will realise a profit or avoid a loss on their investment. The risks described below do not purport to be exhaustive. Additional risks and uncertainties which are not presently known to or are currently deemed immaterial by the Directors may also have an adverse effect on the Enlarged Group's business, financial condition or results of operations and prospects could suffer, in which case investors could lose all or part of their investment.

Potential investors should review this document carefully and in its entirety and are recommended to obtain independent financial advice from an adviser authorised under FSMA (or another appropriately authorised independent professional adviser) who specialises in advising upon investments before making any investment in the Placing Shares or otherwise acquiring Ordinary Shares. If any of the following risks occur, the Enlarged Group's business, financial position and/or operating results could be materially and adversely affected.

RISKS RELATING TO THE PLACING AND ACQUISITION

If the Placing does not proceed

Implementation of the Placing is conditional, among other things, on Shareholders passing the Resolutions. If Shareholders do not pass the Resolutions and the Placing and Acquisition do not proceed, the Company may not be able to further pursue its Investing Policy and will have limited cash resources. The Placing is neither guaranteed nor underwritten.

No guarantee that the conditions for the completion of the Acquisition Agreement will be satisfied

The completion of the Acquisition Agreement is conditional upon:

1. Shareholders approving the acquisition for the purposes of AIM Rule 14 by ordinary resolution at a general meeting of the Company;
2. Admission occurring;
3. the warranties in the Acquisition Agreement given by the seller remaining accurate and the seller not otherwise being in breach of its obligations under the Acquisition Agreement; and
4. there being no material adverse change in the business, operations, assets, position (financial, trading or otherwise), profits or prospects of Hockenhull Estates between the date of exchange of the Acquisition Agreement and Completion.

There can be no guarantee that all of these conditions will be satisfied, and therefore no guarantee that the acquisition of Hockenhull Estates will complete. The parties to the Acquisition Agreement are committed to complete once the conditions are satisfied. However, actual completion will not take place until after Admission as it will depend, among other things, on availability of funds. Accordingly, there is a risk that completion of the Acquisition may not take place after Admission.

No guarantee that the Company will have sufficient available cash to satisfy the consideration under the Acquisition Agreement at the time that it is contractually bound to complete the acquisition

The ability of the Company to satisfy the consideration payable under the Acquisition Agreement is dependent on the receipt of funds from placees in respect of their Placing Shares and from lenders under the Facility Letter, the Mezzanine Facility and the 2011 Convertible Loan Notes. If one or more of the placees or lenders fails to make payment of funds due from them such that the Company does not have sufficient available cash to satisfy the consideration due under the Acquisition Agreement within three business days of satisfaction of the conditions of the Acquisition Agreement (as outlined above), the Company will be unable to satisfy its obligations under and will be in breach of the terms of the Acquisition Agreement.

Dilution of ownership of Ordinary Shares

As a result of the Placing, Shareholders will suffer a reduction in their proportionate ownership and voting interest in the ordinary share capital of the Company as represented by their holding of Ordinary Shares immediately following Admission.

RISKS RELATING TO THE ENLARGED GROUP AND ITS BUSINESS

Reliance on key individuals

The success of the Enlarged Group and its business strategy is dependent on the ability of the Company to retain and employ key management with relevant expertise and experience. The loss of one or more key employees could have a material adverse effect on the Enlarged Group.

Uninsured losses

The Enlarged Group will aim to ensure that all of the Enlarged Group's property assets are adequately insured to cover all appropriate losses. Insurance premiums on properties owned by the Enlarged Group are recoverable from the tenants in each case. In the event that any of the Enlarged Group's properties becomes vacant, the Enlarged 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 Enlarged Group's property assets will be reduced by that uninsured loss. In addition, the Enlarged 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.

No guarantee that the investment objectives of the Enlarged Group will be met

There can be no guarantee that the investment objectives of the Enlarged Group will be met. The results of the Enlarged Group's operations will depend on many factors, including, but not limited to, the availability of opportunities for the acquisition of assets, the level and volatility of interest rates, readily accessible funding alternatives, conditions in the financial and property markets and general economic conditions.

Fluctuations of future revenues, expenses and operating results

The Enlarged Group's future revenues, expenses and operating results could vary significantly from period to period as a result of a variety of factors, some of which are outside the Enlarged Group's control. These factors include general economic conditions, adverse movements in interest rates, capital expenditure and other costs.

Property

The valuation of a property is generally a matter of the specific valuer's opinion and may fluctuate up or down 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 Valuation Report is made on the basis of certain assumptions which may not prove to reflect the true position.

The performance of the Enlarged Group 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 Enlarged Group will 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.

The Enlarged Group's ability to implement its Investing Policy further and achieve its desired returns may be limited by the Board's ability to identify additional suitable properties for acquisition by the Enlarged Group. In addition, the Enlarged Group may, in acquiring suitable properties, face significant competition from other investors, including competitors who may have greater financial resources.

Competition in the property market may lead to prices for properties identified by the Enlarged Group as suitable for acquisition being driven up through competing bids by other potential purchasers. Accordingly, the existence and extent of such competition may have a material adverse effect on the Enlarged Group's ability to acquire additional properties at satisfactory prices and otherwise on satisfactory terms.

Both rental income and rental 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 the Enlarged Group's 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.

As it is the intention that properties will continue to be selected and acquired by the Enlarged Group, it is currently difficult to calculate accurately the total acquisition and financing costs for the acquisition of such properties. In the event that the actual acquisition and financing costs exceed the anticipated costs, this may reduce the anticipated returns to Shareholders.

Concentration of investments

The Acquisition comprises nine commercial properties let under fourteen individual leases located in Crewe and Nantwich, Cheshire. Given this concentration of investment and rental income, the market value of properties may be affected by overall conditions specific to the local economy.

Unsuccessful transaction costs

There is a risk that the Company may incur substantial irrecoverable legal, financial and advisory expenses arising from unsuccessful transactions which may include expenses in dealing with transaction documentation and legal, financial, property and environmental due diligence. In the case of any potential transaction, the Board will seek to negotiate very modest fees in the event that the potential transaction proves abortive.

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

Continuing global economic turmoil could inhibit the Enlarged Group's ability to rollover its existing borrowings in the event that the Enlarged 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 Enlarged Group's long term ability to refinance its obligations or obtain new financing.

Tax risks for Shareholders and the Enlarged Group

The attention of investors is drawn to paragraph 16 headed 'Taxation' of Part V of this document. Tax risks for UK resident Shareholders include, but are not limited to, those detailed in paragraph 16 of Part V of this document. Any change in the Enlarged Group's tax status or in taxation legislation in the UK could affect the value of the assets held by the Enlarged Group or affect the Enlarged Group's ability to achieve its investment objectives or provide favourable returns to Shareholders. Any such change could also adversely affect the net amount of any dividends payable to Shareholders.

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 Enlarged 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 Enlarged Group's property assets and/or the rental income derived from them.

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

The Enlarged Group expects to generate sufficient cash flow to make payments on its future indebtedness, and will re-finance its indebtedness when due. However, the Enlarged Group's future financial performance will be affected by a range of economic, competitive and business factors, many of which are outside of the Enlarged Group's control.

The Company's capital structure is such that the net assets attributable to the Ordinary Shares will depend on the underlying performance of the Enlarged Group's assets and the amount of its future borrowings. Amounts owing under any banking facility (including but not limited to amounts owing pursuant to the Facility Letter) will rank ahead of Shareholders' entitlements. A positive net asset value per Ordinary Share will be dependent upon the Enlarged Group's assets being sufficient to meet prior entitlements. Borrowings are secured over the Enlarged Group's property assets. In the event that the Enlarged Group defaults under the terms of any borrowing agreements entered into, to the extent that the Enlarged 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.

Repayment of borrowings will rank ahead of Shareholders' entitlements to the return of any capital invested. If in the future the Enlarged Group's gearing level increases, the volatility of the Enlarged Group's financial performance may increase and the effect of any change in the valuation of the Enlarged 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 Enlarged Group's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling.

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

Interest rates increases

If long term interest rates increase, the Company 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. In addition, the interest payments required to service the Enlarged Group's debt will also increase.

The on demand nature of the Facility Letter

The Facility advanced pursuant to the Facility Letter is repayable on demand at any time by the Lender. The Lender can therefore at any point: (a) cancel the facility; (b) declare the loan immediately due and payable; and/or (c) take any step to enforce any security granted over the Enlarged Group's assets under the terms of the Facility Letter.

Further information on the Facility Letter is set out in paragraph 8.1.8 of Part V of this document.

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

The property investment sector is capital-intensive. If current difficult financial market conditions persist, in the longer term the Enlarged 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 Enlarged Group are more onerous than the terms of the Enlarged Group's existing financing facilities, in the longer term this could limit the Enlarged Group's ability to develop the business in accordance with its' strategy and such consequences would adversely affect in the longer term the Enlarged Group's business, financial condition and results of operations.

Changes in economic conditions

Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors could

substantially and adversely affect equity investments and, consequently, the Enlarged Group's operations and prospects.

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 Enlarged 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 Enlarged Group's business, assets or results of operations and, consequently, the amount available for dividends to Shareholders. Hockenhill Estates commissioned an asbestos survey report conducted by ACS Health Safety & Environment Limited dated 28 July 2009 in respect of 52, 54 and 56 Beam Street, Nantwich. Whilst traces of asbestos were found in 52 Beam Street and 54 Beam Street, it is not considered a hazard whilst undisturbed. This situation is currently, and will continue to be, monitored following Admission by the Board.

RISKS RELATING TO ORDINARY SHARES

Possible volatility of share price

The Company is unable to predict whether the Ordinary Shares issued will be able to be sold in the open market. Any sales of substantial amounts of Ordinary Shares in the public market, or the perception that such sales might occur, could materially adversely affect the market price of the Ordinary Shares.

The market price of the Ordinary Shares could be subject to significant fluctuations due to a number of factors including some specific to the Enlarged Group and its operations, some which may affect the real estate sector or factors affecting quoted companies generally. The market price may also fluctuate significantly if the Enlarged Group's operating results and prospects from time to time are below the expectations of market analysts and investors. If there are any regulatory changes affecting the Enlarged Group's operations or any business developments of the Enlarged Group or its competitors, the price may also fluctuate. Investors may not get back the full value of their investment. There may be limited liquidity in the Placing Shares making it difficult to realise the value of the Placing Shares.

Ordinary Shares traded on AIM

The Ordinary Shares are traded on AIM. An investment in securities traded on AIM is perceived to involve a higher risk than those listed on the Official List. Prospective investors should be aware that the value of the Placing Shares could go down as well as up and investors may therefore not recover their original investment especially as the market in the Ordinary Shares may have limited liquidity. The fact that the Placing Shares will be admitted to AIM should not be taken as implying that there will be a liquid market for Placing Shares. If an active trading market is not developed or maintained, the liquidity and trading price of Ordinary Shares could be adversely affected. Even if an active trading market develops, the market price for the Ordinary Shares may fall and/or, trade at a discount and there is no guarantee that the market price will reflect their underlying net asset value.

FACTORS AFFECTING CAPITAL GROWTH AND DIVIDENDS

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 Company'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 Enlarged 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 Enlarged Group, which may fluctuate, as well as capital gains realised on the underlying assets. The level of income of the Enlarged Group is affected by the level of borrowings incurred by the Enlarged Group and the amount of income required to service interest payments on external borrowing.

PART III

SECTION A – ACCOUNTANTS’ REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF HOCKENHULL ESTATES LIMITED



8 September 2011

▲
The Directors
Palace Capital plc
41 Chalton Street
London
NW1 1JD

The Directors
Fairfax I.S. PLC
46 Berkeley Square
Mayfair
London
W1J 5AT

Dear Sirs

Hockenhull Estates Limited (“Hockenhull Estates”)

Introduction

We report on the financial information set out in Section B and Section C, with the exception of the unaudited financial information for the period ended 31 January 2010. This financial information has been prepared for inclusion in the Admission Document dated 8 September 2011 of Palace Capital plc (the “Document”) on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purposes of complying with that paragraph and for no other purpose.

Responsibilities

The Directors are responsible for preparing the financial information on Hockenhull Estates on the basis of preparation set out in note 1 to the financial information and in accordance with applicable International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Document, and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies 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 Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Document.

Basis of Opinion

We conducted our work in accordance with Standards of 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 the 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 jurisdictions outside the United Kingdom, including the United States of America, 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 (excluding the unaudited financial information for the period ended 31 January 2010) gives, for the purposes of the Document, a true and fair view of the state of affairs of Hockenhull Estates as at the dates stated and of its earnings, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1 to the financial information and has been prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union as described in note 1 to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Document 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 Document in compliance with Paragraph (a) of Schedule Two of the AIM Rules for Companies.

Yours faithfully

Crowe Clark Whitehill LLP

SECTION B

HISTORICAL FINANCIAL INFORMATION ON HOCKENHULL ESTATES FOR THE THREE YEARS ENDED 5 APRIL 2010

Statement of Comprehensive Income

The statements of comprehensive income of Hockenhull Estates for each of the three years ended 5 April 2010 are set out below:

	Note	2010 £	2009 £	2008 (as restated) £
Property income		185,639	185,853	187,796
Property costs	2	(17,195)	(31,502)	(25,149)
Administrative costs	3	(14,599)	(9,362)	(23,940)
Other operating income		–	9,812	10,601
		153,845	154,801	149,308
Movement in fair value of investment properties		–	(135,000)	(115,000)
Operating income		153,845	19,801	34,308
Investment income		8,348	28,969	26,901
Income before taxation		162,193	48,770	61,209
Taxation	4	(32,912)	(39,714)	(26,315)
Income after taxation		129,281	9,056	34,894

The company had no other comprehensive income.

Statement of financial position

The statements of financial position of Hockenhull Estates as at 5 April 2008, 5 April 2009 and 5 April 2010 are set out below:

	2010	2009	2008 (as restated)
Note	£	£	£
Non current assets			
Investment properties	5	2,015,000	2,015,000
Current assets			
Accounts receivable	6	530,783	578,657
Cash and cash equivalents		619,696	447,507
		<u>1,150,479</u>	<u>1,026,164</u>
Current liabilities			
Loans payable		1,017,456	1,028,128
Accounts payable		49,166	60,508
Taxation		46,154	29,106
		<u>1,112,776</u>	<u>1,117,742</u>
Net current assets/(liabilities)		<u>37,703</u>	<u>(91,578)</u>
Net assets		<u>2,052,703</u>	<u>1,914,366</u>
Capital and reserves			
Called-up equity share capital	9	2	2
Profit and loss account		2,052,701	1,923,420
		<u>2,052,703</u>	<u>1,923,420</u>
		<u>2,052,703</u>	<u>1,914,366</u>

Statement of cash flows

The statements of cash flows of Hockenhull Estates for each of the three years ended 5 April 2010 are set out below:

	2010 £	2009 £	2008 £
Cash flow from operating activities			
Operating income	153,845	19,801	34,308
Adjusted for:			
Decrease in fair value of investment properties	–	135,000	115,000
Changes in:			
Trade and other receivables	(2,688)	8,028	(2,658)
Trade and other payables	(11,343)	(9,498)	22,937
Income tax paid	(15,864)	(46,849)	(27,988)
Net cash from operating activities	123,950	106,482	141,599
Cash flow from investing activities			
Interest received	8,348	28,969	26,903
Sale of investment properties	–	–	395,000
Other loans	–	–	(398,860)
Net cash flow from investing activities	8,348	28,969	23,043
Cash flow from financing activities			
Proceeds from loans	50,562	(1,457)	–
Repayment of loans	(10,673)	(19,894)	(16,317)
Net cash flow from financing activities	39,889	(21,351)	(16,317)
Net increase in cash	172,188	114,100	148,325
Cash and cash equivalents at beginning of period	447,508	333,407	185,082
Cash and cash equivalents at end of period	619,696	447,507	333,407

Statement of Changes in Equity

The statements of changes in equity of Hockenhull Estates for each of the three years ended 5 April 2010 are set out below:

	Note	Share Capital £	Retained Earnings £	Total £
Balance at 6 April 2007 as previously stated		2	979,263	979,265
Prior year adjustments	12	–	900,207	900,207
Balance at 6 April 2007 as restated		2	1,879,470	1,879,472
Total comprehensive income for the year		–	34,894	34,894
Balance at 5 April 2008		2	1,914,364	1,914,366
Total comprehensive income for the year		–	9,056	9,056
Balance at 5 April 2009		2	1,923,420	1,923,422
Total comprehensive income for the year		–	129,281	129,281
Balance at 5 April 2010		2	2,052,701	2,052,703

Notes to the financial information

1. Accounting policies

Hockenhill Estates Limited is a limited company incorporated and domiciled in the Isle of Man. The principal activity of the company is property investment.

Basis of accounting

The financial information has been prepared on a going concern basis and under the historical cost basis modified for the revaluation of investment properties, financial assets and financial liabilities at fair value through State of Comprehensive Income.

The financial information has been prepared in accordance with International Financial Reporting Standards ('IFRS') IFRIC interpretations as adopted by the EU and applied in accordance with the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies which follow set out those policies which apply in preparing the financial information for the years ended 5 April 2008, 2009 and 2010. The financial information has been presented in pounds sterling being the functional currency of the company.

The financial information comprise the results of the company drawn up to 5 April each year.

(a) New interpretations and revised standards effective for the year ended 5 April 2010.

The company has adopted the new interpretation and revised standards effective for the year ended 5 April 2010. The following revisions to existing standards had an impact on some of the disclosures and the presentation of the financial information during the year.

IAS 1 Presentation of Financial Statements – The revision made substantial changes to the disclosure required in the financial information, as well as changing the presentation of performance. The company presents a single statement of comprehensive income, while the statement of changes in equity is restricted to transactions with shareholders.

IAS17 Investment property – the amendments to IFRS issued in April 2009 have been adopted in this financial information.

(b) Standards and interpretations in issue but not yet effective

The International Accounting Standards Board ('IASB') and International Financial Reporting Interpretations Committee ('IFRIC') have issued revisions to a number of existing standards and new interpretations with an effective date of implementation after the date of this financial information. A number of standards have also been revised as a result of the IASB Improvements projects and the Business Combination project.

It is not anticipated that the adoption of these revised standards and interpretations will have a material impact on the figures included in the financial information in the period of initial application.

Key sources of estimation uncertainty

The preparation of the financial information requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period.

The key source of estimation uncertainty rests in the values of investment property assets, which significantly affect the balance sheet. The investment property portfolio is carried at fair value, which requires a number of judgements and estimates in assessing the quality of the company's assets relative to market transactions.

Investment Properties

All the company's investment properties are valued annually and are stated at fair value at 5 April. The aggregate of any resulting surpluses or deficits are taken to the Statement of Comprehensive Income.

Property Income

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

Investment Income

The investment income represents the interest receivable by the company on related party loans.

Taxation

The tax expense represents the sum of tax currently payable. Current tax is the expected tax payable on the taxable income for the year based on the tax rate enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of prior years. Taxable profit differs from income before tax because it excluded items of income or expense that are deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred taxation 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 profits, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences (including unrealised gains on revaluation of investment properties) 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.

Deferred tax is calculated at the 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 the statement of comprehensive income, including deferred tax on the revaluation of the asset.

As the company is an Isle of Man company, no deferred tax has been provided for on the revaluation of the investment properties as the tax rate in this respect in the Isle of Man is nil.

Trade and other accounts receivable

Trade and other accounts receivable are initially measured at fair value as reduced by appropriate allowances for estimated irrecoverable accounts. All receivables are short term in nature.

Cash and cash equivalents

Cash comprises cash at bank and on demand deposits. Cash equivalents are short term (less than three months from inception), repayable on demand and which are subject to an insignificant risk of change in value.

Trade and other accounts payable

Trade and other accounts payable are initially measured at fair value. All trade and other accounts payable are not interest bearing and short term in nature.

Comparative information

The information for the years ended 5 April 2009 and 5 April 2008 have been extracted from the latest Board approved financial information.

2. Property costs

	2010 £	2009 £	2008 £
Insurance	(1,900)	4,780	4,780
Agent's commissions	19,025	19,806	20,369
Bad debts written off at fair value	70	6,916	–
	17,195	31,502	25,149

3. Administrative costs

	2010 £	2009 £	2008 £
Travel and subsistence	1,400	227	–
Sundry expenses	360	320	555
Management charges	4,494	5,534	4,205
Repairs & maintenance	–	1,847	–
Legal and professional fees	7,238	588	17,559
Directors fees	600	450	1,469
Secretary fee	100	75	–
Registered office fee	300	225	–
Bank charges	107	96	152
	14,599	9,362	23,940

4. Taxation on ordinary activities

Analysis of charge in the year

	2010 £	2009 £	2008 £
UK tax based on the results for the year at 20% (2009 – 20%, 2008 – 22%) UK tax charge	31,639	33,314	36,241
Adjustments to previous years	–	–	(9,926)
UK tax deducted from loan interest	1,273	6,400	–
Current tax charge for the year	32,912	39,714	26,315

5. Investment properties

	2010 £	2009 £	2008 (as restated) £
Balance at 6 April 2009	2,015,000	2,150,000	2,660,000
Disposals	–	–	(395,000)
Revaluation (deficit)	–	(135,000)	(115,000)
Balance at 5 April 2010	2,015,000	2,015,000	2,150,000

The company's freehold investment properties were valued at £2,015,000 by D. McKee BSc (Est Man) FRICS IRRV (Hons) FNARA of Scanlans Consultant Surveyors LLP, as at 5 April 2010, in accordance with the RICS Appraisal and Valuation Standards on the basis of market value, defined as:

"The estimated amount for which a property should exchange on the date of a 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."

Freehold investment properties would have been shown at an historical cost of £1,430,336 if revaluations had not been undertaken.

6. Accounts receivable

	2010 £	2009 £	2008 £
Trade receivables	15,040	4,644	10,222
Other loans	509,901	560,463	559,006
Other receivables	5,842	13,550	16,000
	<u>530,783</u>	<u>578,657</u>	<u>585,228</u>

The company has not provided (2009: £nil; 2008: £nil) for outstanding balances where recovery is considered doubtful.

Transactions and balances with related parties included above are disclosed in note 10.

7. Operating leases receivable

	2010 £	2009 £	2008 £
The future minimum lease payments receivable under non-cancellable operating leases which expire:			
Not later than one year	–	3,156	–
Between 2 and 5 years	39,125	54,625	81,958
Over 5 years	660,372	732,562	802,652
	<u>699,497</u>	<u>790,343</u>	<u>884,610</u>

Rental income recognised in the statement of comprehensive income amounted to £185,639 (2009: £185,853, 2008: £187,796).

Typically, the properties are let for a term of between 5 and 25 years at a market rent with rent reviews every 3 to 5 years. The properties are leased on terms where the tenant has responsibility for repairs and running costs for each individual unit.

8. Current liabilities

	2010 £	2009 £	2008 (as restated) £
UK tax	46,154	29,106	36,241
Trade payables	14,628	19,260	29,662
Other loans	1,017,456	1,028,128	1,048,022
Accruals and deferred income	34,538	41,248	40,344
	<u>1,112,776</u>	<u>1,117,742</u>	<u>1,154,269</u>

Transactions and balances with related parties included above are disclosed in note 11.

9. Share capital

	2010 £	2009 £	2008 £
Ordinary Shares of £1 each Authorised 2,000 shares	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Allotted, Called Up and Fully Paid	<u>2</u>	<u>2</u>	<u>2</u>

10. Related party transactions

At the year ended 5 April 2010, the company had amounts due to it from Hockenhull Properties Limited of £399,901 (2009: £400,463, 2008: £398,860). The loan is interest free and unsecured. Hockenhull Properties Limited is considered to be a related party as it is owned 100% by The Frank Hockenhull Trust, the company's shareholder.

At the year ended 5 April 2010, the company had loan amounts due to it from F H Properties Limited of £110,000 (2009: £160,000, 2008: £160,000), and interest due of £5,092 (2009: £12,800, 2008: £16,000). Interest is payable at 10% and the loan is unsecured. The company owed F H Properties Limited at the year ended 5 April 2010, amounts of £13,735 (2009: £9,399, 2008: £29,662) in relation to management charges. F H Properties Limited is considered to be a related party as it is owned 99% by Mr F Hockenhull, the settlor of The Frank Hockenhull Trust which owns 100% of the share capital of the company.

At the year ended 5 April 2010, the company owed The Frank Hockenhull Trust £1,016,456 (2009: £1,027,127, 2008: £1,047,020). The loan is interest free and unsecured. The Frank Hockenhull Trust is considered to be a related party as it owns 100% of the share capital of the company. No interest is charged on this balance.

11. Financial instruments

The objective of the company's policies is to manage the company's financial risk, and to secure cost effective funding for the company's operations.

At 5 April 2010 the company's financial instruments primarily comprise of cash and cash equivalents. The main purpose of these financial instruments was to raise finance for the company's operations. Throughout the period under review, the company has not traded in any other financial instruments. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations principally in connection with property leases and the investment of surplus cash.

Tenant rent payments are monitored regularly and appropriate action is taken to recover monies owed or, if necessary, to terminate the lease.

The company has no significant concentration of credit risk associated with trading counterparties (considered to be over 5% of net assets) with exposure spread over a large number of tenancies.

Currency risk

As the company's assets and liabilities are denominated in Pounds Sterling, there is no exposure to currency risk.

11. Financial instruments (continued)

Categories of financial instruments

	2010 £	2009 £	2008 £
Financial assets at amortised cost			
Loans and receivables	530,783	578,657	585,228
Cash and cash equivalents	619,696	447,508	333,407
Total financial assets	1,150,479	1,026,165	918,635
Non-financial assets	2,015,000	2,015,000	2,150,000
Total assets	3,165,479	3,041,165	3,068,635
Financial liabilities			
Amortised cost	1,112,776	1,117,743	1,154,269
Total financial liabilities	1,112,776	1,117,743	1,154,269
Shareholders' funds	2,052,703	1,923,422	1,914,366
Total shareholders' equity and liabilities	3,165,479	3,041,165	3,068,635

Capital Management

The primary objectives of the company's capital management are

- To safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders; and
- To enable the company to respond quickly to changes in market conditions and to take advantage of opportunities.

12. Prior year adjustment

The company had previously held its investment properties at historic cost and accounted for its rental income on a cash receivable basis. Income was received in the year ended 5 April 2008 for rent in arrears from prior years. This has not been accounted for in the correct period and there was no debtor on the statement of financial position.

These have been adjusted to hold investment properties at fair value and to account for income on the accruals basis by a prior year adjustment in 2007 for the following amount:

	£
Revaluation of investment properties	918,670
Recognition of deferred income	(32,373)
Income received in respect of rent in arrears not recognised	13,910
	900,207

SECTION C

HISTORICAL FINANCIAL INFORMATION ON HOCKENHULL ESTATES FOR THE PERIOD FROM 6 APRIL 2010 TO 31 JANUARY 2011

Statement of Comprehensive Income

The statements of comprehensive income of Hockenhull Estates for the period from 6 April 2010 to 31 January 2011 and the comparative period from 6 April 2009 to 31 January 2010 are set out below:

		(audited) 6 April 2010 to 31 January 2011 £	(unaudited) 6 April 2009 to 31 January 2010 £
Property income		158,919	157,458
Property costs	2	(13,081)	(17,195)
Administrative costs	3	(8,431)	(13,667)
Operating income		137,407	126,596
Investment income		7,374	7,250
Interest payable and similar charges		(29)	–
Income before taxation		144,752	133,846
Taxation	4	(27,554)	(27,427)
Income after taxation		117,198	106,419

The company had no other comprehensive income.

Statement of financial position

The statements of financial position of Hockenhull Estates as at 31 January 2010 and 31 January 2011 are set out below:

	(audited) As at 31 January 2011 £	(unaudited) As at 31 January 2010 £
Note	<u> </u>	<u> </u>
Non current assets		
Investment properties	5 2,015,000	2,015,000
Current assets		
Accounts receivable	6 530,006	531,887
Cash and cash equivalents	452,006	589,887
	<u>982,012</u>	<u>1,121,774</u>
Current liabilities		
Loans payable	749,510	1,017,071
Accounts payable	48,872	49,193
Taxation	28,729	40,669
	<u>8 827,111</u>	<u>1,106,933</u>
Net current assets	<u>154,901</u>	<u>14,841</u>
Net assets	<u>2,169,901</u>	<u>2,029,841</u>
Capital and reserves		
Called-up equity share capital	9 2	2
Profit and loss account	2,169,899	2,029,839
Shareholders' funds	<u>2,169,901</u>	<u>2,029,841</u>

Statement of cash flows

The statements of cash flows of Hockenhull Estates for the period from 6 April 2010 to 31 January 2011 and the comparative period from 6 April 2009 to 31 January 2010 are set out below:

	(audited) 6 April 2010 to 31 January 2011 £	(unaudited) 6 April 2009 to 31 January 2010 £
Cashflow from operating activities		
Income before taxation	137,407	126,596
Adjusted for changes in:		
Trade and other receivables	778	(3,792)
Trade and other payables	(294)	(11,315)
Income tax paid	(44,980)	(15,864)
Net cash from operating activities	92,911	95,625
Cashflow from investing activities		
Interest received	7,374	7,250
Net cash flow from investing activities	7,374	7,250
Cash flow from financing activities		
Interest paid	(29)	–
Repayment of loans	(267,946)	(11,057)
Proceeds from loans	–	50,562
Net cash flow from financing activities	(267,975)	39,505
Net (decrease)/increase in cash	(167,690)	142,380
Cash and cash equivalents at beginning of period	619,696	447,508
Cash and cash equivalents at end of period	452,006	589,888

Statement of Changes in Equity

The statements of changes in equity of Hockenhull Estates for the period from 6 April 2010 to 31 January 2011 and the comparative period from 6 April 2009 to 31 January 2010 are set out below:

	Share Capital £	Retained Earnings £	Total £
Balance at 6 April 2009	2	1,923,420	1,923,422
Total comprehensive income for the year	–	106,419	106,419
Balance at 31 January 2010	2	2,029,839	2,029,841
Balance at 6 April 2010	2	2,052,701	2,052,703
Total comprehensive income for the year	–	117,198	117,198
Balance at 31 January 2011	2	2,169,899	2,169,901

Notes to the financial information

1. Accounting policies

Hockenhull Estates Limited is a limited company incorporated and domiciled in the Isle of Man. The principal activity of the company is property investment.

Basis of accounting

The financial information has been prepared on a going concerned basis under the historical cost basis modified for the revaluation of investment properties, financial assets and financial liabilities at fair value through Statement of Comprehensive Income.

The financial information has been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRIC interpretations as adopted by the EU and applied in accordance with the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies which follow set out those policies which apply in preparing the financial information for the period ended 31 January 2011. The financial information has been presented in pounds sterling being the functional currency of the company.

The financial information comprises the results of the company drawn up to 31 January each period.

(a) New interpretations and revised standards effective for the period ended 31 January 2011

The company has adopted the new interpretation and revised standards effective for the period ended 31 January 2011. The following revisions to existing standards had an impact on some of the disclosures and the presentation of the financial information during the period.

IAS 1 Presentation of Financial Statements – The revision made substantial changes to the disclosure required in the financial information, as well as changing the presentation of performance. The company presents a single statement of comprehensive income, while the statement of changes in equity is restricted to transactions with shareholders.

IAS17 Investment property – the amendments to IFRS issued in April 2009 have been adopted in these financial information.

(b) Standards and interpretations in issue but not yet effective

The International Accounting Standards Board ('IASB') and International Financial Reporting Interpretations Committee ('IFRIC') have issued revisions to a number of existing standards and new interpretations with an effective date of implementation after the date of this financial information. A number of standards have also been revised as a result of the IASB Improvements projects and the Business Combination project.

It is not anticipated that the adoption of these revised standards and interpretations will have a material impact on the figures included in the financial information in the period of initial application.

Key sources of estimation uncertainty

The preparation of the financial information requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period.

The key source of estimation uncertainty rests in the values of investment property assets, which significantly affect the Balance sheet. The investment property portfolio is carried at fair value, which requires a number of judgements and estimates in assessing the quality of the company's assets relative to market transactions.

Investment Properties

All the company's investment properties are valued annually and are stated at fair value at 31 January. The aggregate of any resulting surpluses or deficits are taken to the Statement of Comprehensive Income.

Property Income

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

Investment Income

The investment income represents the interest receivable by the company on related party loans.

Taxation

The tax expense represents the sum of tax currently payable. Current tax is the expected tax payable on the taxable income for the year based on the tax rate enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of prior years. Taxable profit differs from income before tax because it excluded items of income or expense that are deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred taxation 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 profits, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences (including unrealised gains on revaluation of investment properties) 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.

Deferred tax is calculated at the 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 the statement of comprehensive income, including deferred tax on the revaluation of the asset.

As the company is an Isle of Man company, no deferred tax has been provided on the revaluation of the investment properties as the tax rate in this respect in the Isle of Man is nil.

Trade and other accounts receivable

Trade and other accounts receivable are initially measured at fair value as reduced by appropriate allowances for estimated irrecoverable accounts. All receivables are short term in nature.

Cash and cash equivalents

Cash comprises cash at bank and on demand deposits. Cash equivalents are short term (less than three months from inception), repayable on demand and which are subject to an insignificant risk of change in value.

Trade and other accounts payable

Trade and other accounts payable are initially measured at fair value. All trade and other accounts payable are not interest bearing and short term in nature.

Comparative information

The information for the period ended 31 January 2011 has been calculated backwards from the financial information to 5 April 2010.

2. Property costs

	(audited) 6 April 2010 to 31 January 2011 £	(unaudited) 6 April 2009 to 31 January 2010 £
Insurance	(2,614)	(1,900)
Agent's commissions	16,545	19,025
Repairs and maintenance	(850)	–
Bad debts written off at fair value	–	70
	<u>13,081</u>	<u>17,195</u>

3. Administrative costs

	(audited) 6 April 2010 to 31 January 2011 £	(unaudited) 6 April 2009 to 31 January 2010 £
Travel	1,200	1,400
Sundry	360	360
Management charges	4,078	3,745
Legal and professional fees	1,860	7,238
Directors fees	500	500
Secretary fee	85	83
Registered office fee	255	250
Bank charges	93	91
	<u>8,431</u>	<u>13,667</u>

4. Taxation on ordinary activities

(a) Analysis of charge in the period

	(audited) 6 April 2010 to 31 January 2011 £	(unaudited) 6 April 2009 to 31 January 2010 £
UK tax based on the results for the period at 20% (2010 – 20%)		
UK tax charge	26,637	26,366
UK tax deducted from loan interest	917	1,061
Total current tax	<u>27,554</u>	<u>27,427</u>

5. Investment properties

	(audited) As at 31 January 2011 £	(unaudited) As at 31 January 2010 £
Balance at 6 April 2010 and 31 January 2011	<u>2,015,000</u>	<u>2,015,000</u>

The company's freehold investment properties were valued at £2,015,000 by D McKee BSc (Est Man) FRICS IRRV (Hons.) FNARA of Scanlans Consultant Surveyors LLP, as at 31 January 2011, in accordance with the RICS Appraisal and Valuation Standards on the basis of market value, defined as:

"The estimated amount for which a property should exchange on the date of a 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."

Freehold investment properties would have been shown at an historical cost of £1,430,336 if revaluations had not been undertaken.

6. Accounts receivable

	(audited) As at 31 January 2011 £	(unaudited) As at 31 January 2010 £
Trade debtors	16,438	17,955
Other loans	509,901	509,901
Other receivables	3,667	4,031
	<u>530,006</u>	<u>531,887</u>

The company has not provided (2010: £Nil) for outstanding balances where recovery is considered doubtful.

Transactions and balances with related parties included above are disclosed in note 10.

7. Operating leases receivable

	(audited) As at 31 January 2011 £	(unaudited) As at 31 January 2010 £
The future minimum lease payments receivable under non-cancellable operating leases which expire:		
Not later than one year	–	–
Between 2 and 5 years	64,708	41,708
Over 5 years	564,525	675,215
	<u>629,233</u>	<u>716,923</u>

Rental income recognised in the statement of comprehensive income amounted to £158,919 (2010: £157,458).

Typically, the properties are let for a term of between 5 and 25 years at a market rent with rent reviews every 3 to 5 years. The properties are leased on terms where the tenant has responsibility for repairs and running costs for each individual unit.

8. Current liabilities

	(audited) As at 31 January 2011 £	(unaudited) As at 31 January 2010 £
UK tax	28,729	40,669
Trade payables	15,722	16,043
Other loans	749,510	1,017,071
Deferred income	33,150	33,150
	827,111	1,106,933

Transactions and balances with related parties included above are disclosed in note 10.

9. Share capital

	(audited) As at 31 January 2011 £	(unaudited) As at 31 January 2010 £
Ordinary Shares of £1 each Authorised 2,000 shares	2,000	2,000
Allotted, Called Up and Fully Paid	2	2

10. Related party transactions

At the period ended 31 January 2011, the company had amounts due to it from Hockenhull Properties Limited of £399,901 (2010: £399,901). The loan is interest free and unsecured. Hockenhull Properties Limited is considered to be a related party as it is owned 100% by The Frank Hockenhull Trust, the company's shareholder.

At the period ended 31 January 2011, the company had loan amounts due to it from F H Properties Limited of £110,000 (2010: £110,000), and interest due of £3,667 (2010: £4,031). Interest is payable at 10% and the loan is unsecured. Hockenhull Estates Limited owed F H Properties Limited at the year ended 31 January 2011, amounts of £14,457 (2010: £12,819) in relation to management charges. F H Properties Limited is considered to be a related party as it is owned 99% by Mr F Hockenhull, the settlor of The Frank Hockenhull Trust which owns 100% of the share capital of the company.

At the period ended 31 January 2011, the company owed The Frank Hockenhull Trust £748,510 (2010: £995,808). The loan is interest free and unsecured. The Frank Hockenhull Trust is considered to be a related party as it owns 100% of the share capital of the company. No interest is charged on this balance.

11. Financial instruments

The objective of the company's policies is to manage the company's financial risk, and to secure cost effective funding for the company's operations.

At 31 January 2011 the company's financial instruments primarily comprise of cash and cash equivalents. The main purpose of these financial instruments was to raise finance for the company's operations. Throughout the period under review, the company has not traded in any other financial instruments. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations principally in connection with property leases and the investment of surplus cash.

Tenant rent payments are monitored regularly and appropriate action is taken to recover monies owed or, if necessary, to terminate the lease.

The company has no significant concentration of credit risk associated with trading counterparties (considered to be over 5% of net assets) with exposure spread over a large number of tenancies.

Currency risk

As the company's assets and liabilities are denominated in Pounds Sterling, there is no exposure to currency risk.

Categories of financial instruments

	(audited) As at 31 January 2011 £	(unaudited) As at 31 January 2010 £
Financial assets at amortised cost		
Loans and receivables	530,006	531,887
Cash and cash equivalents	452,006	589,887
Total financial assets	<u>982,012</u>	<u>1,121,774</u>
Non-financial assets	<u>2,015,000</u>	<u>2,015,000</u>
Total assets	<u><u>2,997,012</u></u>	<u><u>3,136,774</u></u>
Financial liabilities		
Amortised cost	827,111	1,106,933
Total liabilities	<u>827,111</u>	<u>1,106,933</u>
Shareholders' funds	<u>2,169,901</u>	<u>2,029,841</u>
Total shareholders' equity and liabilities	<u><u>2,997,012</u></u>	<u><u>3,136,774</u></u>

Capital Management

The primary objectives of the company's capital management are:

- To safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders; and
- To enable the company to respond quickly to changes in market conditions and to take advantage of opportunities.

PART IV
VALUATION REPORT



The Directors
Palace Capital Plc
41 Chalton Street
London
NW1 1JD

8 September 2011

The Directors
Fairfax I.S. PLC
46 Berkeley Square
Mayfair
London
W1J 5AT

Dear Sirs

Re: Hockenhull Estates Limited – Portfolio of Properties

1. Introduction

In accordance with your instructions we have undertaken an inspection of the above properties (the “**Properties**”) to provide you with our opinion of market value of the properties as at 6 July 2011 (the “**Valuation**”). We understand that the Properties are held as investments.

We are responsible for this valuation report (the “**Valuation Report**”) and we will 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. We understand that this Valuation Report is required for inclusion in an admission document which investors will rely on in making their decision to invest in the Company.

2. Inspections

At the time of our inspection all the Properties were occupied.

We confirm that the Properties were inspected by David McKee BSc (Est Man) FRICS IRRV (Hons) FNARA on 26 April, 27 April and 5 May 2011 acting as an independent valuer. Access at the time of the inspections was not available into the attic accommodation and cellar at Bridgefords’ offices at 45 Market Street, Nantwich and access was denied by the hairdressers at 54 Beam Street, Nantwich, for measurement purposes although a quick visual inspection was undertaken from the main salon area. In addition we were not able to gain internal access into all of the offices, some of which were locked, at 23- 25 Market Street, Crewe.

We confirm that the Valuation has been made by us in accordance with the RICS Valuation Standards, 6th Edition (the “**Red Book**”) issued by the Royal Institution of Chartered Surveyors (“**RICS**”).

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the Valuation competently.

3. Status of Valuer

We confirm that we have undertaken the Valuation acting as an External Valuer (as defined in Appraisal and Valuation Standards (6th Edition) issued by the RICS).

Any advice given to you is for and on behalf of Scanlans Consultant Surveyors LLP and not provided in an individual capacity. No personal duty is owed to you by any individual member of Scanlans Consultant Surveyors LLP, their members, partners, associates or staff. The members and employees of Scanlans Consultant Surveyors LLP are entitled to the benefit of this provision under the Contracts (Rights of Third Parties) Act 1999.

We further confirm that this Valuation Report has been prepared in accordance with UKPS 3.1 of the new Red Book (RICS Appraisal and Valuation Standards) and Accounting Standards FRS15 (tangible fixed assets). The valuer is unaware of any conflict of interest with regard to this instruction.

In providing our opinion of value we make no allowance for any of the following matters:

- (a) the costs of any sale or realisation where material.
- (b) any liability for Capital Gains Tax.
- (c) any value added tax (VAT) that might be payable.
- (d) any rights, liabilities or obligations arising from The Defective Premises Act 1972.

4. Purpose of valuation

We confirm that the Valuation has been prepared for a Regulated Purpose as defined in the Red Book. We understand that our Valuation Report and the Appendices to it (together the "Valuation Report") is required for inclusion in an admission document to be prepared in order to meet the requirements of the AIM Rules for Companies as published by the London Stock Exchange plc (the "Admission Document") and for the purposes of Rule 29 of the Takeover Code.

The effective date of the valuation is 6 July 2011 (the "**Valuation Date**")

5. Report format

Appendix 1 to this Valuation Report provides details of the Properties which individually form the property assets of Hockenhull Estates Limited together with their aggregate valuations forming the Valuation.

6. Basis of Valuation

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

7. Market Value

The value of each of the Properties has been assessed separately and not as part of a portfolio in accordance with the Red Book. In particular, we have assessed Market Value in accordance with Practice Statement 3.2 contained within the Red Book. Under these provisions, the term "Market Value" means "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 property marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". The Valuation of the Properties represents the aggregate of the individual values. No allowances are made for any expenses of realisation that would be incurred on a sale, or to reflect the balance of any outstanding mortgages, either in respect of capital or interest accrued thereon.

We have not made any adjustments in our Valuation to reflect any liability to taxation that may arise on rental income from Properties (if any), corporation tax, capital gains tax, any other property-related tax, notional sale prices or any gains whether existing or that may be realised on development or disposals, nor for any costs associated with disposals incurred by Hockenhull Estates Limited or any subsequent owner, deemed or otherwise. 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 disposals.

We have made deductions from our Valuation to reflect purchasers' acquisition costs where appropriate.

8. VAT

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

9. Assumptions and sources of information

An Assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("**Assumption**"). Assumptions are facts, conditions or situations affecting the subject, of or approach to, a valuation that, by agreement and subject to the following, need not be verified by a valuer as part of the valuation process. In undertaking our Valuation, we have made a number of Assumptions and have relied on certain sources of information.

Hockenhull Estates Limited has confirmed and we confirm that our Assumptions are correct so far as Hockenhull Estates Limited and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our Valuation should be reviewed. The principal Assumptions we have made for the purposes of our Valuation are referred to in the remainder of paragraph 9 below.

9.1 Certificate of Title

We have not had access to the certificates of title, title deeds or long leases of any of the Properties. We assume that Hockenhull Estates Limited are in possession of good and marketable freehold or long leasehold title in the case of each property and that the Properties are free from any unusually onerous rights of way or easements, restrictions, restrictive covenants, burdens, disputes or onerous or unusual outgoings which would adversely affect the value of the relevant interests.

We have examined the tenancy information available to use for the valuation exercise as at 6 July 2011 and assume this to be a reflection of the lettings at this time.

9.2 Condition of structure and services, deleterious materials, plant and machinery and goodwill

In undertaking our Valuation, due regard has been paid to the apparent state of repair and condition of each of the Properties, but building condition surveys have not been undertaken, nor have woodwork or other parts of the structures which are covered, unexposed or inaccessible, been inspected. Any readily apparent defects or items of disrepair noted during our inspection will, unless otherwise stated, be reflected in our Valuation, but we are unable to offer any assurance that any of the Properties are free from defect. We have assumed that those parts which have not been inspected would not reveal material defects which would cause us to alter our Valuation. Therefore, we are unable to confirm that the Properties are structurally sound or free from any defects. We have made an Assumption that the Properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than as may be mentioned in our Valuation Report.

We have not carried out a building survey nor have we inspected those parts of the Properties which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. This Valuation Report does not purport to express an opinion about nor to advise upon the condition of uninspected parts and should not be taken as making any implied representation or statement about such parts.

Our Valuation assumes, unless stated within this Valuation Report, that there are no inherent or latent defects.

We have not arranged for investigations to be made to determine whether high alumina cement concrete (HAC), calcium chloride additive, asbestos, wood wool slabs, or any other deleterious materials or methods have been used in the construction or any alterations, and therefore we cannot confirm that the Properties are free from risk in this regard.

We have not carried out an asbestos inspection and have not acted as an asbestos inspector in completing the inspection of Properties for the purposes of our Valuation that may fall within the Control of the Asbestos at Work Regulations 2002. We have not made an enquiry of the duty

holder (as defined in the Control of Asbestos at Work Regulations 2002), of the existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we have made an Assumption that there is a duty holder, as defined in the Control of Asbestos of Work Regulations 2002 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 Health and Safety Executive regulations.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations nor have they been undertaken to determine the suitability of ground conditions and services. We have not undertaken environmental, archaeological or geotechnical surveys. Unless notified to the contrary, our Valuation is on the basis that these aspects are satisfactory and that the site is clear of underground mineral or other works, methane gas or other noxious substances. We have made an Assumption that the load bearing qualities of the sites of the Properties are sufficient to support the buildings constructed (or to be constructed) thereon without the need for additional and expensive foundations or drainage systems. Furthermore, we have assumed in such circumstances that no unusual costs will be incurred in the demolition and removal of any existing structure on the Properties. We have also made an Assumption that there are no services on, or crossing the sites in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupations, development or value of any of the Properties.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water electricity and sewerage, are provided and are functioning satisfactorily.

No allowance has been made in our Valuation for any items of plant or machinery not forming part of the service installations of the buildings on the Properties. We have specifically excluded all items of process, plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses and normally considered to be the property of the tenant. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools but have included boilers, heating, lighting, sprinklers, ventilation systems and lifts.

Further, no account has been taken in our Valuation of any business goodwill that may arise from the present occupation of any of the Properties.

It is a condition of Scanlans Consultant Surveyors LLP or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us 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.

9.3 Environmental matters

We have been instructed not to make any investigations in relation to the presence or potential presence of contamination in land or buildings, and to make an Assumption that if investigations were made to an appropriate extent then nothing would be discovered sufficient to affect value. We have not carried out any investigation into past or present uses, either of the Properties or any adjacent or nearby land to establish whether there is any potential for contamination from such uses, or sites. Therefore, we have assumed that no contaminative or potentially contaminative use is, or has, been carried out at the Properties.

Flooding

If any of the Properties lie within or close to a flood plain, or have a history of flooding, we have made the Assumption that building insurance is in place regarding flooding and available to be renewed to the current or any subsequent owners of the Properties, without payment of an excessive premium or excess.

9.4 Statutory requirements and planning

We have not made enquiries of the relevant local planning authorities in whose areas the Properties lie as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values. We have made an Assumption

that the buildings have been constructed in full compliance with valid town planning and building regulations approvals, that where necessary they have the benefit of current Fire Risk Assessments compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005. We have made a further Assumption that the Properties comply with all relevant statutory enactments and Building Acts and Regulations. Similarly, we have also made an Assumption that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. Unless our enquiries have revealed the contrary, we have made a further Assumption that the existing uses of the Properties are duly authorised or established and all necessary consents, licenses and authorisations for the use of the Properties and the process carried out therein have been obtained and will continue to subsist and are not subject to any onerous conditions and that no adverse planning conditions or restrictions apply.

No allowances have been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and we have made an Assumption that the Properties comply with all relevant statutory requirements and that only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of the Properties to comply with the provisions of the Disability Discrimination Act 1995.

In England and Wales, the Government has implemented the Energy Performance of Buildings Directive requiring Energy Performance Certificates (“EPC”) to be made available for all Properties, when bought or sold, subject to certain exemptions. In respect of any of the subject Properties which are not exempt from the requirements of this Direction, we have made an Assumption that the Properties possess current EPCs and that an EPC is made available free of charge, to the purchasers of the properties which are the subject of our Valuation.

9.5 Leasing

We have been provided with information in relation to leases and this has been reviewed and reflected in our Valuation.

We have not undertaken investigations into the financial strength of the occupiers of any Property. Unless we have become aware by general knowledge or we have been specifically advised to the contrary we have made an Assumption that the occupiers of any Property are financially in a position to meet their financial obligations under the lease. Unless otherwise advised we have also made an Assumption that there are no arrears of rent, other payments or service charges, undisclosed breaches of covenants, current or anticipated tenant disputes.

Our Valuation reflects the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market’s general perception of their creditworthiness.

9.6 Information

We have made an Assumption that any information Hockenhull Estates Limited, its professional advisers or any third party at Hockenhull Estates Limited’s instigation (such as Tenancy Information) have supplied to us in respect of the Properties are full, correct and comprehensive and can be safely relied upon by us in preparing our Valuation.

It follows that we have made an Assumption that deals with all matters likely to affect value within Hockenhull Estates Limited and its professional advisers’ collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

9.7 Portfolios and Letting

We have made no assumption that the portfolio will continue to remain in existing ownership. As a result we have made no reduction or addition to the Valuation to reflect the possible effect of market reaction were the portfolio, or a substantial number of Properties within it, to be placed on the market for sale at the same time.

10. Valuation of the Properties as at 6 July 2011

10.1 Hockenhull Estates Limited

Having regard to the foregoing we are of the opinion that the aggregate of the Market Values of those Properties held by Hockenhull Estates Limited as at 6 July 2011 totalled:

£2,015,000	(Two million and fifteen thousand pounds)		
Freehold	Long Leasehold	Short Leasehold	Total
£2,015,000	n/a	n/a	£2,015,000

11. Confidentiality and disclosure and publication

The contents of this Valuation Report may be used only for the specific purpose to which they refer. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained, provided always that the contents of this Valuation Report may be disclosed to the extent that disclosure is required by law or regulatory authorities or for insurance purposes or such disclosure is necessary in the view of the disclosing person to establish any defence in any legal or regulatory proceeding or investigation or otherwise to comply with its or their own regulatory obligations. For the avoidance of doubt such approval is required whether or not Scanlans Consultant Surveyors LLP is referred to by name and whether or not the contents of our Valuation Report are combined with others.

We hereby give our consent to the inclusion of this Valuation Report in the Admission Document and to the references to this Valuation Report therein in the form and context in which they appear.

Yours faithfully

for and on behalf of SCANLANS CONSULTANT SURVEYORS LLP

APPENDIX 1

DETAILS OF HOCKENHULL ESTATES LIMITED PROPERTIES' VALUATION AS AT 6 JULY 2011

1-7 High Street, Nantwich, CW5 5AW



LOCATION

The property is situated on the western fringe of the town centre at the junction between High Street and Water Lode which is effectively acts as the ring road to the town. To the other side of Water Lode is the River Weaver and this is a natural break on the western side of the main town.

Water Lode does not contain much property and there is a public car park situated at around 100 metres away. High Street at this point is in a town fringe location. Close by there is a letting agent, a general print store, a Co-op Pharmacy, a First Choice travel shop, a ladies hairdressers, a Ladbrokes betting shop, a ladies outfitter and a charity shop. The property is within easy walking distance of the centre of town.

DESCRIPTION

Ground floor

The property comprises a ground floor café bar, Harrison Café Bar. Originally we were advised this may have been built as a single store and possibly acquired by a national supermarket chain. It has been subdivided to provide four separate retail units however for the last 11 years it has traded as Harrison's Café Bar. There is a large bar café area with raised seating around the window perimeter and a lower central area that can accommodate up to 70 customers seated at any one time. There is a large bar servery, kitchen with associated stores and cellars, customer WC facilities, staff WC, a small office and storage accommodation.

The general presentation is of a good standard providing a comfortable offering serving a range of clientele from day time café and snack provision through to larger bar style meals and a more traditional bar in the evening and at weekends.

The property benefits from a patio style terrace adjacent to the ring road able to seat around 20 that is popular in the summer and used by smokers.

We understand the property was probably constructed in the 1970s with cavity brick external elevations under multi-pitched tiled roof surfaces.

First floor

The whole of the first floor of this property trades as Treadmills Gym and appears to have been in this use for at least 15 years. Access is over a steel fire escape type stairway accessed from Water Lode.

The internal accommodation is fairly traditional for a gym providing a large open area occupied by various exercise machines. The additional accommodation provides shower facilities, storage and office facilities. The general presentation of the accommodation is fairly basic as would be expected for this type of use.

ACCOMMODATION

Ground floor

Main seating area, bar/servery, WC facilities, fully fitted commercial kitchen, cellar, staff WC, office and storage.

First floor

Main gym area, office, sun bed room, ladies changing and WCs, gents changing and WCs, store.

We have measured the properties on a Net Internal basis in accordance with the current Code of Measuring Practice of the Royal Institution of Chartered Surveyors as follows:

Description	Square Metres	Square Feet
Ground Floor		
Café/bar	189.80	2,043
Storage/kitchens	19.20	207
First Floor		
Gym/kitchen/office	225.10	2,423
TOTAL	434.10	4,673

CONDITION

The general condition of the property is satisfactory. The building was probably originally constructed during the 1970's and appears in general reasonable condition both internally and externally. Some patch pointing appears to have been undertaken in recent years. We do not consider that there are any significant wants of repair at this time.

SERVICES

The property has the benefit of mains supplies of gas, electricity, water and drainage.

The property has air conditioning throughout the key ground floor areas and appropriate air extracts for the kitchen. To the first floor, heating is provided by a single storage heater.

TENURE AND OCCUPATIONAL LEASES

We have assumed for the purposes of this report that the property is available freehold subject to a good and marketable title being free from any onerous restrictions or covenants.

The property is the subject of the following leases.

First Floor

Demise:	First floor accommodation with external staircase access
Commencement of Lease:	4 July 2011
Term of Lease:	12 years
Repairing Responsibility:	Full repairing and insuring
Insurance:	Reimburse Landlord's cost
Rent Passing:	£8,960 per annum
Rent Review:	24 June 2015 and 24 June 2019.

Ground Floor

Demise:	Ground floor accommodation
Commencement of Lease:	4 July 2011
Term of lease:	from 4 July 2011 to 31 December 2030
Repairing Responsibility:	Tenant's full repairing and insuring respectively
Insurance:	Tenant reimburses Landlord's costs
Rent Passing:	£25,200 per annum
Rent Review:	on 1 January 2015 and 3 yearly intervals thereafter.

45 High Street Nantwich, CW5 5DB



LOCATION

The property is situated having frontage to a section of the High Street that lies approximately 100 metres from the centre of the town. At this point the High Street is pedestrianised and as a result there is a heavy foot fall throughout the day to the front of the property.

The other occupiers nearby are an HSBC Bank to one side and a discount book store, to the other side. Also close by is a newsagents, a health food shop, several well known high street retailers, a book shop, a charity shop, estate agents and an electrical shop. Ye Old Vaults, a traditional public house, to the other side of the road, is currently closed. The usual retail outlets for a town of this size are available within walking distance.

DESCRIPTION

The property under consideration is unusual. We are advised that the property may have been originally constructed during the early part of the 17th century and certainly the front part of the property is of considerable age. This property is a Grade II listed building. The property is constructed of a traditional timber frame utilising an oak construction, in-filled with render materials. The roof to the front section is of Rosemary style tiling. To the rear the property appears to have been extended albeit it a considerable period ago with an approximately similar sized structure of solid brick elevations under a pitched tile roof. More recently, probably around 20 to 30 years ago an additional extension has been added to provide a kitchen facility and WC, which is made of cavity brick under a flat felt roof.

In the original part of the property, particularly at ground and first floor level, much of the original timbering is attractively exposed. The property has been occupied and trading at Bridgefords Estate Agents for 17 to 18 years.

In a rear courtyard accessed from Hospital Street there is a car parking area provided that the lease states can accommodate 4 vehicles. We understand that the tenants are able to park 6 small vehicles on this area.

ACCOMMODATION

Ground floor

Retail sales area, office, kitchen, WC

First floor

Front office, central store, rear office

Cellar

There is a small cellar and a small loft area; we understand both are used for general storage however no access to either was available at the time of our inspection.

We have measured the properties on a Net Internal basis in accordance with the current Code of Measuring Practice of the Royal Institution of Chartered Surveyors as follows:

Description	Square Metres	Square Feet
Ground Floor		
Reception/offices	62.90	677
First Floor		
Storage/office	53.70	578
TOTAL	116.60	1,255

Floor area in terms of Zone A = 542 sq ft

CONDITION

The property is of considerable age and it is clear that in common with most properties of this style of construction and age there are weak areas. The property displayed some evidence of movement, distortion of internal walls, ceilings and floors and some older cracking. The upper accommodation which is not generally used has a fairly basic décor. The tiles to the two main roofs are uneven and distorted, a feature common in buildings of this age. The external woodwork would benefit from re-decoration. Some general maintenance will be necessary from time to time however we do not consider that there are any essential wants of repair. We have not tested the timbers which form part of the old structure. We have recommended that a form of timber survey be obtained to confirm that the timbers are in satisfactory condition. Our valuation assumes that this would reveal any significant defects.

SERVICES

The property has the benefit of usual mains services including main supplies of gas, electricity, water and drainage. The property has a gas fired central heating system.

TENURE AND OCCUPATIONAL LEASES

We have not been supplied with any information with regard to the tenure, therefore, we have assumed for the purposes of this report that the property is available freehold/long leasehold subject to a good and marketable title being free from any onerous restrictions or covenants.

The property is the subject of the following lease.

Demise:	Retail shop and upper parts at 45 High Street, Nantwich
Commencement of Lease:	1 December 1985
Expiry of lease:	30 November 2010 (continuing pursuant to the Landlord & Tenant Act 1954)
Repairing Responsibility:	Full repairing and insuring
Insurance:	Tenants to reimburse Landlord's cost of insurance
Rent Passing:	£22,500 per annum (including £2,000 per annum for use of parking spaces)
Rent Review:	5 yearly intervals

52, 54 & 56 Beam Street, Nantwich, CW5 5DB



LOCATION

The properties are situated on the northern fringe of the town centre. Beam Street is the principal dividing line between the central core of the town and the residential areas to the north.

The immediate surrounding properties comprise an insurance brokers to one side, Reed Recruitment, Shelter and Motor World close by, together with an estate agents and a carpet shop. To the other side of the road there is a restaurant, a public house and a supplier of disabled access scooters.

The property lies close to the bus station and Civic Hall and within walking distance of all of the town's amenities.

DESCRIPTION

The properties comprises a short parade of three shops that we estimate were constructed during the 1970's incorporating brick elevations with lean to tile clad roof to the front and to the rear. Each property also has a single storey original extension of brick elevations with flat felt roofing.

To the rear of the properties is a roughly surfaced area of land providing for parking bays each able to accommodate approximately 2 small sized vehicles. No. 52 has two rows, and can therefore accommodate up to 4 vehicles.

52 Beam Street

The accommodation incorporates a small dry cleaning retail counter to the front with an intermediate room used for ironing and preparation of garments and a rear room used for washing and dry cleaning. To the rear of this there is a small kitchenette and WC. The presentation of this room is basic with a poor standard of decoration to the rear areas. The quality of the partitioning is also fairly basic.

54 Beam Street

The accommodation comprises a hairdressing salon. The majority of the accommodation is an open room used for this purpose. To the rear is an area used for staff accommodation and provides a WC with rear access.

56 Beam Street

The property is an irregular shaped size frontage of approximately 4.69 metres tapering down to 2.86 metres towards the rear. There is a good sized sales area attractively fitted out with a suspended ceiling and to the rear a small kitchenette, a WC and additional storage area that may have been added more recently.

ACCOMMODATION

We have measured the properties on a Net Internal basis in accordance with the current Code of Measuring Practice of the Royal Institution of Chartered Surveyors as follows:

Description	Square Metres	Square Feet
52 Beam Street	51.70	556
54 Beam Street	51.70	556
56 Beam Street	44.13	475
	147.53	1,587

Floor areas in terms of Zone A

52 Beam Street – 32.47 sq m (349.19 sq ft)

54 Beam Street – 32.47 sq m (349.19 sq ft)

56 Beam Street – 34.61 sq m (372.63 sq ft)

CONDITION

There was no access onto the roof to confirm its condition however it is clear from a ground level inspection that the lower flat felt roofs are worn with the upstands breaking away. These types of roofs have limited life expectancy. To the rear yard there is general rubbish and builders' debris to one side. This is partly overgrown and the surface is poorly surfaced.

Flashings have fallen away above the front right hand corner of the shop at 52 Beam Street adjacent to the parapet. Pointing of some of the coping tiles of the upper parapet is also weak.

SERVICES

The properties have the benefit of the usual mains services including main supplies of gas, electricity, water and drainage.

TENURE AND OCCUPATIONAL LEASES

We have not been supplied with any information with regard to the tenure, therefore, we have assumed for the purposes of this report that the property is available freehold/long leasehold subject to a good and marketable title being free from any onerous restrictions or covenants.

The property is the subject of the following leases.

52 Beam Street

Demise:	Ground floor lock up shop with rear yard
Commencement of Lease:	25 June 2002
Term of lease:	10 years
Repairing Responsibility:	Full repairing and insuring
Insurance:	Reimburse the Landlord's cost of insuring
Rent Passing:	£9,000 per annum
Contractual Rent:	£7,000 per annum
Rent Review:	Every 5 years

54 Beam Street

Demise: Ground floor shop and rear yard
Commencement of Lease: 7 June 2011
Term of lease: 12 years
Repairing Responsibility: Full repairing and insuring
Insurance: Tenant to reimburse Landlord's cost
Rent Passing: £7,956 per annum
Rent Review: 2015 and 2019

56 Beam Street

Demise: Ground floor shop and rear yard
Commencement of Lease: 23 December 2009
Expiry of lease: 22 December 2012
Repairing Responsibility: Full repairing and insuring
Insurance: Tenant to reimburse the Landlord's cost of insuring
Rent Passing: £8,500 per annum
Rent Review: None

7 and 7a Earle Street, Crewe, CW1 2BS



LOCATION

The property is located in the centre of Crewe which at this point falls part of the pedestrianised area. The property lies approximately 50 metres from the High Street. There are parking and access restrictions but adequate parking is available in surrounding streets and in car parks.

Surrounding users include a sandwich shop, a Caribbean product shop, Ethel Austin, Boots, Britannia Building Society and Orange. The property also lies close to a public house and is in walking distance of the town centre amenities.

DESCRIPTION

The property comprises a three-storey mid-parade shop of which the original date of construction is difficult to identify but we anticipate this to be in excess of 100 years. The roofs are of pitched slate construction, elevations of brick with rendered front elevations. The two upper floors have modern uPVC windows and the shop front has an aluminium modern style display window.

The property is occupied at two separate units, the ground floor accommodation by Harveys, Sandwich and Espresso Bar, and the first and second floors by Forrest Recruitment.

The front and rear roofs are both slate clad. There is evidence of a number of slipped and damaged slates and overhaul is recommended shortly. Chimneys shown signs of spalling and weak pointing and would also benefit from overhaul.

It is clear that the property has had little general maintenance in recent years. We noted clear evidence of wood beetle infestation in floors and if not already considered we would recommend an inspection by a specialist timber and damp contractor and that any recommendations be undertaken.

Number 7 comprises the ground floor accommodation that trades as Harveys Sandwich and Espresso Bar. This has a modern style fit out with a large café/bar area to the front, a commercial/domestic kitchen and food preparation area, an area for general storage with delivery from the rear and customers WCs. The presentation of the public areas is good although the decoration to the food preparation and storage areas is of a lesser standard.

Number 7a comprises first and second floor office accommodation accessed from its own street level entrance door. The first floor accommodation is largely fitted out to a good modern standard providing a suite of attractive offices with staff facilities. The upper accommodation appears not to have been used for some years and is used for general junk storage. This may at one time have been used as a residential flat as it incorporates a kitchen area and bathroom. This is generally presented in poor condition.

ACCOMMODATION

We have measured the properties on a Net Internal basis in accordance with the current Code of Measuring Practice of the Royal Institution of Chartered Surveyors as follows:

Description	Square Metres	Square Feet
Ground Floor	112.85	1,215
First Floor	73.45	790
Second Floor	37.78	1,196
	224.08	3,201

The ground floor accommodation provides an ITZA area of 56.91 sq m (612.65 sq ft).

The upper accommodation provides offices/ancillary space of 111.23 sq m (1,196 sq ft)

CONDITION

The general condition of the interior of 7 Earle Street was satisfactory save for some areas of poor decoration.

7a Earle Street

The condition of the upper accommodation is poor and it is clear that this has not been used for a considerable period of time, there is evidence of some damp affected plasters to ceilings and upper walls, evidence of movement, particularly sagging, to the floor at upper level and evidence that one of the roof supporting joists spanning front to rear has been re-enforced with a steel shoe where it abuts the front elevation. The general condition of this area is poor and considerable expenditure will be necessary to bring it into future use.

The first floor is generally well presented and adequate for its nature and purpose.

SERVICES

The property has the benefit of mains supplies of gas, electricity, water and drainage.

TENURE AND OCCUPATIONAL LEASES

We have not been supplied with any information with regard to the tenure, therefore, we have assumed for the purposes of this report that the property is available freehold/long leasehold subject to a good and marketable title being free from any onerous restrictions or covenants.

The property is the subject of the following leases:

Ground Floor – 7 Earle Street

Demise:	Ground floor premises
Commencement of Lease:	25 March 1988
Expiry of lease:	24 March 2000 (term extended for a further 13 years under Licence Agreement expiring on 25 March 2013)
Term of lease:	Currently 13 years
Repairing Responsibility:	Full repairing and insuring
Insurance:	Tenant to reimburse Landlord's cost of insuring
Rent Passing:	£17,500 per annum
Rent Review:	3 yearly

7a Earle Street

Demise:	1st and 2nd floor accommodation
Commencement of Lease:	10 December 1997
Expiry of lease:	9 December 2009
Term of lease:	12 years
Repairing Responsibility:	Full repairing and insuring. This is subject to a qualification that "fair wear and tear" is accepted.
Insurance:	Tenant to reimburse Landlord's cost of insuring
Rent Passing:	£7,500 per annum increasing to £7,800 with effect from 10 December 2012
Rent Review:	n/a

Further to the expiry of the term of the lease on 9 December 2009, the first floor tenant is currently holding over under the terms of the lease. We understand that negotiations are in hand to agree new lease terms going forward. The basis of this agreement is not known however the rent is considered to be at around market rental level.

23-25 Market Street, Crewe



LOCATION

The property is situated having frontage to Market Street close to the centre of Crewe. This end of Market Street is furthest from the centre of Crewe. As the road is utilised by traffic, it is a less desirable location than the pedestrianised sections a few hundred yards to the north. Access is readily available on foot to Crewe town centre. There are parking restrictions on the main road frontage. Rear delivery access is available off an unnamed road to the rear where parking is available only for residents of the adjoining houses.

The users in this immediate area are now of a relatively secondary nature. Occupiers close by include an Indian takeaway, an amusement centre, a Chinese restaurant, a number of recruitment companies, a charity shop and army careers shop, a blind shop, a hair salon and a carpet shop.

In the immediate area there are currently 5 properties available for sale or to let and a number of others that are currently unoccupied.

DESCRIPTION

The property was probably constructed during the early part of the 20th century. The frontage elevation is quite striking, with the brick elevations incorporating a number of glazed and ornamental tiles and bricks to the front elevation in a classic style. The main front roof is of pitched slate clad. At some period, possibly in the early post war period, a substantial three-storey extension has been added to the rear to extend the building to the full size of the plot. This structure is of cavity brick under a flat roof the nature of which could not be identified from ground level.

The property was occupied until a few years ago by a discount retailer. It is now used by the current occupiers as an employment centre, largely for young people in the area, operated through a Local Authority based organisation. Considerable refurbishment expenditure was incurred when the property was first occupied for this purpose with the installation of suspended ceilings, modern style and unusual internal partitioning arrangements, air conditioning and re-fitting of WCs, kitchens and other facilities. The office suites provided are of a good quality with a modern, clean and attractive appearance. The usable accommodation extends throughout the majority of each floor, the partitions are relatively light and were installed by the current tenant.

ACCOMMODATION

Ground floor – large open meeting/reception area, 5 sub divided offices/meeting rooms, store, disabled WC.

First floor – largely sub-divided to provide 5 meeting rooms/offices, kitchen, shower room, WC facility (including disabled facilities).

Second floor – large open office, 4 small meeting rooms/offices, server room, 2 suites of WC's, kitchen/ staff room.

We have measured the properties on a Net Internal basis in accordance with the current Code of Measuring Practice of the Royal Institution of Chartered Surveyors as follows:

Description	Square Metres	Square Feet
Ground Floor	221	2,378
First Floor	221	2,378
Second Floor	221	2,378
	663	7,136

CONDITION

The general condition of the property appears satisfactory. Internally, the property has received fairly extensive overhaul and re-fitting within the last few years. The external areas as far as they could be inspected from ground level were in satisfactory condition.

SERVICES

The property has the benefit of mains supplies of electricity, water and drainage. Air conditioning is also provided and there is a passenger lift between each floor.

TENURE AND OCCUPATIONAL LEASES

We have not been supplied with any information with regard to the tenure, therefore, we have assumed for the purposes of this report that the property is available freehold/long leasehold subject to a good and marketable title being free from any onerous restrictions or covenants.

The property is the subject of the following leases.

Demise:	Ground and two upper floors 23/25 Market Street, Crewe
Commencement of Lease:	25 December 1993
Expiry of lease:	24 December 2018
Term of lease:	25 years
Repairing Responsibility:	Full repairing and insuring
Insurance:	Reimburse the Landlord's cost of insuring
Rent Passing:	£33,740 per annum
Rent Review:	3 yearly intervals (RPI)

The rent provisions to the current tenant were reviewed in a Licence from April 2007 to be RPI linked on 3 yearly intervals from April 2007.

The Licence also gave consent to various alterations that had been undertaken.

106 Nantwich Road, Crewe



LOCATION

The property is situated on the southern fringe of the town having frontage to the busy Nantwich Road which is heavily trafficked at this point.

Nantwich Road at this point provides a retail centre with a mix of shops and some houses to each side of the road serving the local population. There are residential properties to the rear of the shops on each side of the road.

The property has a return frontage to Edward Street. There are double yellow line parking restrictions on the main road.

The traders in the immediate area are very much of a secondary nature. There is a house letting shop, a licensed adult shop, a Thai supermarket and takeaway, a blind shop, a hairdressers, a number of restaurants, a beauty shop, a bicycle shop and a fishing tackle and air gun shop which are all in the immediate vicinity.

DESCRIPTION

The property comprises a fairly traditional two-storey end terrace shop constructed of brick elevations rendered under pitched slate roof surfaces. The property has a return frontage and return shop window. To the rear at some stage there has been a two-storey extension of similar construction with part flat roof and part pitched slate roof.

The first floor accommodation has been unused for many years. It is in a basic to worn condition and in need of upgrade and considerable expenditure in order to bring it into use.

The ground floor accommodation provides a good sized retail office/showroom area and to the rear, staff facilities. This accommodation is generally well presented for its nature and purpose.

To the rear is a small yard probably insufficient to provide parking but accommodates a refuse area.

ACCOMMODATION

Ground floor – sales retail area, storage area, WC, kitchenette

First floor – 2 offices, store, WC

We have measured the properties on a Net Internal basis in accordance with the current Code of Measuring Practice of the Royal Institution of Chartered Surveyors as follows:

Description	Square Metres	Square Feet
Ground Floor	53.47	575.5
First Floor	39.5	425
	92.97	1,000.5

The property has a floor area in terms of Zone A of 43.81 sq m (471.62 sq ft).

CONDITION

The general condition of the property is basic. There are slipped damaged roof slates and some further repair work is recommended. Rendering to external elevations is likely to have been undertaken to mask worn brickwork and the rendering particularly to the rear is cracked and in poor condition. The upper accommodation is in basic to worn condition requiring upgrade and refurbishment for use but the ground floor internal area is satisfactory for its current use.

This property is in a generally fair to basic condition, similar to many properties along this parade.

SERVICES

The property has the benefit of mains services including electricity, gas, water and drainage. It has gas fired central heating.

TENURE AND OCCUPATIONAL LEASES

We have not been supplied with any information with regard to the tenure, therefore, we have assumed for the purposes of this report that the property is available freehold/long leasehold subject to a good and marketable title being free from any onerous restrictions or covenants.

The property is the subject of the following leases.

Demise:	Ground and 1st floor accommodation 106 Nantwich Road, Crewe
Commencement of Lease:	25 September 2009
Expiry of lease:	24 September 2015
Term of lease:	6 years. Tenant has the option to break on the 25 September 2012 upon service of 6 months notice.
Repairing Responsibility:	The tenant covenants to maintain the state and condition of the property as it was at the commencement of the term. There is no schedule of condition.
Insurance:	Tenant reimburses the Landlord's cost of insuring
Rent Passing:	£8,250 per annum
Rent Review:	Year 3

Bridgewater House, Edleston Road, Crewe



LOCATION

The property is situated at the junction between Edleston Road and Wistaston Road a short distance south of Crewe town centre. The property is effectively on the fringe of the centre and lies adjacent to a fairly heavily trafficked road junction.

The properties in the immediate area include The Duke of Bridgewater pub opposite and parades of retail properties with some office properties close by. The occupiers are a Polish supermarket, housing groups, a credit union, an accountants, a hair studio, financial advisers, and a solicitors, amongst others. A short distance away is a public pay and display car park and a short distance to the west is a leisure park providing Pizza Hut and bingo outlets.

The majority of the occupiers are local traders many of which are reasonably well established, there are no major multiples close by and this is therefore a secondary/tertiary retail position.

DESCRIPTION

The property under consideration was probably constructed during the 1970's on ground and first floors with a small second floor section.

The main walls of the property are of cavity brick construction of a variety of styles and include stone facing to the entrance to the offices. The various roof surfaces are flat and felt covered.

The ground floor accommodation provides three shop units. On the Wistaston Road frontage is a small retail unit trading as Hidden Hearing, a national multiple, arranged with reception, consulting room and staff facilities. The two main retail units have entrances on Edleston Road, one unit has extensive return frontage to Wistaston Road with large display windows and the second unit has a smaller frontage but nevertheless good sized accommodation with the main window to Edleston Road. These two shops currently occupy together and trade as Cozy Nites.

The upper two floors were originally constructed as office accommodation. It is understood that these were empty for some years and in poor condition however in 2002 they were taken over and refurbished by the current occupiers Body Positive who provide specialist men's healthcare. The accommodation provides effectively a suite of offices and associated accommodation on first and second floors and also benefit from a large disabled WC and a rear stairway with stair lift.

The office accommodation is well presented and to a high standard and this is also the case for the small shop at 1 Wistaston Road. The two main shops are of a basic appearance and presentation.

ACCOMMODATION

We have measured the properties on a Net Internal basis in accordance with the current Code of Measuring Practice of the Royal Institution of Chartered Surveyors as follows:

Description	Square Metres	Square Feet
1 Wistaston Road	36.12	388
230 Edleston Road	94.41	1,016
232 Edleston Road	61.33	660
Offices		
1st Floor	47.21	508
2nd Floor	147.01	1,582
TOTAL	386.08	4,154

The Zone A area for 1 Wistaston Road is 30.44 sq m (327 sq ft)

The Zone A area for 230 Edleston Road is 94.41 sq m (1,016 sq ft)

The Zone A area for 232 Edleston Road is 42.93 sq m (462.13 sq ft)

CONDITION

The general condition of the property is fair. There are extensive flat felt covered roofs, we understand that some of these were repaired or renewed around 8 or 9 years ago, it is likely there will be some ongoing maintenance and a need for repairs and replacements during the next five years.

The structure appears generally in fair condition suitable for its current usage, it is a little outdated in design in some respects and in particular the aluminium windows to some of the upper accommodation are of a basic standard.

Decoration of external timbers has been overlooked in recent years and would benefit from attention.

SERVICES

The property has the benefit of mains services including electricity, gas, water and drainage.

The offices have the benefit of a stair lift providing disabled access up the rear stairway. There is no space heating provided in the two main shops on the Edleston Road frontage.

TENURE AND OCCUPATIONAL LEASES

We have not been supplied with any information with regard to the tenure, therefore, we have assumed for the purposes of this report that the property is available freehold/long leasehold subject to a good and marketable title being free from any onerous restrictions or covenants.

The property is the subject of the following leases:

1 Wistaston Road

Demise:	Ground floor lock up shop
Commencement of Lease:	9 March 2005
Expiry of lease:	8 March 2017
Term of lease:	12 years
Repairing Responsibility:	Full repairing and insuring
Insurance:	Tenant reimburses the Landlord's cost of insuring
Rent Passing:	£6,250 per annum
Rent Review:	3 yearly intervals. The tenant had a break option at the fifth anniversary of the lease but elected not to exercise this.

Further to a rent review in March 2011 it was agreed the rent passing was increased from £5,700 to £6,250 and this is in the process of being formalised.

Offices

Demise:	1st and 2nd floor offices of 230 Edleston Road
Commencement of Lease:	5 November 2005
Expiry of lease:	4 November 2007 (the lease was extended by a Deed to provide an additional 5 years commencing on 5 November 2007 and expiring on 4 November 2012)
Term of lease:	5 years (current term). The lease has now been extended for a further period to provide an additional term from 5 November 2012 to 4 November 2017 at an unchanged rent.
Repairing Responsibility:	Full repairing and insuring
Insurance:	Tenant reimburses the Landlord's cost of insuring
Rent Passing:	£13,500 per annum
Rent Review:	Not applicable

230/232 Edleston Road

We have a copy of a draft lease apparently to be dated in 2003 in relation to 230 Edleston Road. This lease has not been completed or signed. We understand that the tenants are effectively occupying on informal terms. The name of the tenant in relation to each property varies although the entity is the same and the two shops are trading as one. The current rents passing are £10,100 per annum for 230 Edleston Road and £6,250 per annum for 232 Edleston Road. Solicitors have confirmed these rents are currently being received. We understand that there are steps to endeavour to formalise these leases, as yet agreement has not been reached.

General Remarks

The portfolio contains 7 principal properties roughly equally disbursed between Crewe and Nantwich. They have largely similar character in that they are generally secondary/tertiary properties occupied by a variety of tenants. The best property and covenant is probably the Bridgeford's property in High Street, Nantwich. Other good covenants include Connexions and possibly Body Positive. There are also a number of individual traders some of whom are relatively recently established.

The properties are currently generally in fair condition although there are some wants of repair and the applicant may consider the service of schedules of dilapidation to ensure the tenants fully comply with their obligations. The landlord retains a degree of repairing obligation in relation to the properties with modified repairing obligations.

This valuation is undertaken in difficult market conditions however there are demands from individuals and small company investors for portfolios of properties and as currently presented this is one that we believe would be attractive providing some opportunities to "work the portfolio" and produce some enhanced value.

There is a risk of some vacancies in the nature of the current retail market and fairly aggressive marketing and keen pricing would be necessary in these market conditions to maintain good levels of occupation.

We foresee reasonable levels of demand for the acquisition of individual properties of this nature due to their relatively small lot size.

The properties have been valued as individual assets without discount for a portfolio "group" sale. The individual valuations are therefore aggregated and based upon individual open market transactions.

APPENDIX 2

INVESTMENT VALUE

Address	Sector Type	Rental Income	Market Value
1-7 High Street, Nantwich	Retail/leisure	£34,160	£350,000
45 High Street, Nantwich	Offices	£22,500	£265,000
52-56 Beam Street, Nantwich	Retail	£25,456	£265,000
7 & 7a Earle Street, Crewe	Retail/offices	£25,000	£265,000
23-25 Market Street, Crewe	Offices	£33,740	£400,000
106 Nantwich Road, Crewe	Retail	£8,250	£ 90,000
Bridgewater House, Crewe	Retail/offices	£36,100	£380,000
TOTAL		£185,206	£2,015,000

PART V

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

- 1.1 The Directors, whose names appear on page 9, and the Company accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (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 does not omit anything likely to affect the import of such information.
- 1.2 The members of the Concert Party, whose names and business addresses are set out in paragraph 1.3 below, accept responsibility for all information contained in this document relating to themselves. To the best of the knowledge and belief of the members of the Concert Party (who have taken all reasonable care to ensure that such is the case), such information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 The members of the Concert Party and their business addresses are:

Stanley Davis, 41 Chalton Street, London NW1 1JD
NSS Trustees Limited, 41 Chalton Street, London NW1 1JD
David Kaye, 41 Chalton Street, London NW1 1JD
Neil Sinclair, 41 Chalton Street, London NW1 1JD
Trustees of the Sinclair Goldsmith Executive Pension Scheme, 180 Piccadilly, London W1J 9HF
Pamela Sinclair, 180 Piccadilly, London W1J 9HF
London Active Management Ltd, 145-157 St John Street, London EC1V 4PY
Andrew Perloff, Deneway House, 88-94 Darkes Lane, Potters Bar, Hertfordshire EN6 1AQ
Harold Perloff, 13, Malki Street, Yemin Moshe, Jerusalem 94102 Israel

Further details of the members of the Concert Party are as follows:

Stanley Davis

Stanley Davis is non-executive Chairman of the Company. Stanley is a successful serial entrepreneur who has been involved in the City of London since 1963. His founding company was company registration agent, Stanley Davis Company Services Limited, which he sold in 1989. 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 Capita Group plc. He is Chairman of Stanley Davis Group Limited specialising in company formations, property and company searches.

Stanley Davis has known Neil Sinclair for over 40 years and has worked with David Kaye for 20 years. NSS Trustees Limited have been trustees of the IRG PLC Directors Retirement and Death Benefit Scheme as detailed below, for approximately 6 years.

NSS Trustees Limited

Stanley Davis, Rachel Rita Davis (his wife) and NSS Trustees Limited a/c IRG will be the registered holder of any new Ordinary Shares issued as a result of the conversion of the 2011 Convertible Loan Notes.

NSS Trustees Limited is an independent FSA registered trustee company. It is part of Nigel Sloam & Co. which is a firm of actuaries and pension consultants. NSS Trustees Limited is the professional trustee of the IRG PLC Directors Retirement and Death Benefit Scheme of which Mr Stanley Davis is the sole beneficiary. The other trustees are Mr Stanley Davis and Mrs Rachel Rita Davis, the wife of Mr Stanley Davis.

David Kaye

David Kaye is Company Secretary to the Company. David is a Chartered Secretary with over 35 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 10 years. David was previously Chief Executive of Capita Registrars, 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.

David Kaye has worked with Stanley Davis for 20 years and has had a business relationship with Neil Sinclair for approximately 3 years.

Neil Sinclair, Pamela Sinclair, London Active Management Ltd and Trustees of the Sinclair Goldsmith Executive Pension Scheme

Neil Sinclair is Managing Director of the Company. Neil has over 50 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 it was sold to Land Securities plc in 2005. He was one of the founders of Mission Capital plc, which was admitted to AIM in 2005, and was Executive Chairman until February 2008.

He was elected Chief Barker (Chairman) for 1991 for the Variety Club Children's Charity one of the country's premier charities and is still a Trustee. He co-founded "the PROPS", one of the industry's leading events which has raised in excess of £6.9 million for the Variety Club's Easy Riders Wheelchair Programme. He is also a Director and a Vice President of Variety International, the Children's Charity based in Los Angeles which raises in excess of £30 million per annum for sick, disabled and disadvantaged children.

Neil Sinclair has known Stanley Davis for over 40 years and has had a business relationship with David Kaye for approximately 3 years.

Pamela Sinclair is Neil Sinclair's spouse. Pamela Sinclair holds 90,000 Ordinary Shares in the Company.

London Active Management Ltd is a private company controlled by Neil Sinclair and Pamela Sinclair. London Active Management Ltd holds 179,190 Ordinary Shares in the Company.

Neil Sinclair is the sole beneficiary of the Trustees of the Sinclair Goldsmith Executive Pension Scheme. Neil Sinclair and Barnett Waddingham Trustees, an independent FSA registered trustee company, are the sole trustees of this pension scheme.

Andrew Perloff

Andrew Perloff has over 45 years experience in the property sector, including 35 years experience of being a director of public companies mainly as Chairman of Panther Securities plc. He has significant experience of corporate transactions particularly with Panther Securities including its acquisitions of Eurocity Properties plc, Etonbrook Properties plc and Multitrust Property Investments Ltd. Andrew has also served on the board of other publicly listed companies including Cementone plc, Serviced Office Group plc, ITE Group plc and Hawtin plc.

Andrew Perloff has had a business relationship and friendship with Neil Sinclair for over 40 years.

Harold Perloff

Harold Perloff is Andrew Perloff's brother. Harold was a director of Panther Securities plc from 1974 to 1979. He is an author, publisher, film producer and international investor of real estate and quoted equities.

Neil Sinclair has known Harold Perloff for over 15 years.

Save as disclosed in this paragraph 1.3, no member of the Concert Party has any relationship with any other member of the Concert Party.

Relationships with other Shareholders

Neil Sinclair has known Barrie Tankel, a shareholder of the Company for 30 years. There are no other relationships between any of the members of the Concert Party and any other shareholder that are required to be disclosed in this document.

2. INCORPORATION AND STATUS OF THE COMPANY AND HOCKENHULL ESTATES

- 2.1 The Company was incorporated and registered in England and Wales under the 1985 Act on 14 January 2005 with registered number 5332938 as a public limited company under the name Secure Ventures (No. 4) plc. On 21 March 2005, the Company's name was changed to Libra Retail plc. On 5 January 2006, the Company's name was changed to Leo Insurance Services plc and on 30 July 2010 the Company's name was changed to Palace Capital plc. The liability of the members of the Company is limited.
- 2.2 A certificate enabling the Company to commence business and to borrow under section 117 of the 1985 Act was issued by the Registrar of Companies on 17 January 2005.
- 2.3 The principal legislation under which the Company operates is the 2006 Act and regulations made thereunder.
- 2.4 The Company's registered office and principal place of business is 41 Chalton Street, London NW1 1JD. Telephone enquiries should be directed to +44(0)207 554 2222.
- 2.5 The Company's accounting reference date is 31 January and will remain so following Admission.
- 2.6 The Company's main activity is that of a holding company. The Company currently has one wholly owned dormant Subsidiary, Equalgold. Equalgold is registered in England and Wales and operates under the 2006 Act.
- 2.7 The Company has no administrative, management or supervisory bodies other than the Board.
- 2.8 Following completion of the Acquisition, the Company will be the parent company of the Enlarged Group, and Hockenhull Estates and Equalgold will both be wholly owned Subsidiaries of the Company. Hockenhull Estates has no Subsidiaries.
- 2.9 Hockenhull Estates was incorporated in the Isle of Man on 6 August 1992 as a private limited company under the provisions of the Companies Acts 1931 to 2004, with number O59474C. The liability of the members of both the Company and Hockenhull Estates is limited.
- 2.10 The principal legislation under which Hockenhull Estates operates is the Isle of Man and the regulations made thereunder and all subsequent amendments thereto.
- 2.11 Hockenhull Estates operates out of its office at Burleigh Manor, Peel Road, Douglas, Isle of Man IM1 5EP, which is also its registered office.

3. SHARE CAPITAL

- 3.1 The Company was incorporated with an authorised share capital of £200,000 divided into 200,000,000 Ordinary Shares of 0.1p each (of which two shares were issued to the subscribers of the Memorandum of Association). The following alterations in the issued share capital of the Company have taken place since incorporation:
 - (a) On 3 February 2005, 46,072,710 ordinary shares of 0.1p were issued pursuant to the dividend *in specie* declared by Safeland on 17 January 2005 (the "Safeland Dividend") and 5,119,190 ordinary shares of 0.1p were issued to Safeland.
 - (b) On 30 March 2005, the Company issued and allotted 5,000,000 ordinary shares each at a price of 0.1p at par value. The Company was admitted to trading on AIM on 30 March 2005 and the Ordinary Shares of 1p are currently traded upon AIM.
 - (c) By written resolutions of the Company passed on 5 January 2006:
 - (i) every 10 ordinary shares of 0.1p each were consolidated into one Ordinary Share of 1p each;
 - (ii) the Directors were authorised to allot relevant securities (as defined in section 80(2) of the 1985 Act) pursuant to section 80 of the 1985 Act up to a maximum nominal amount of £98,161.54 such authority to expire, unless sooner revoked or varied by the Company in general meeting, on 30 June 2006; and
 - (iii) the Directors were empowered to allot equity securities (within the meaning of section 94(2) of the 1985 Act) for cash pursuant to the authority referred to in paragraph (c)(ii) above as if section 89(1) of the 1985 Act did not apply to such allotment provided that such power was limited to:

- (A) the allotment of 1,443,191 Ordinary Shares in connection with a placing (details of which were set out in a circular to shareholders dated 6 December 2005);
 - (B) the allotment of the Preference Shares of £1 each (details of which were set out in a circular to shareholders dated 6 December 2005);
 - (C) a proportionate issue to existing ordinary shareholders and up to a maximum nominal amount of £5,619.19.
- (d) On 6 January 2006, the Company issued and allotted 65,000 Preference Shares each at a price of £1.00 at par value.
- (e) On 5 May 2006, the Company issued and allotted 153,575 Ordinary Shares each at a price of £0.01 at par value.
- (f) By written resolutions of the Company passed on 31 July 2010:
- (i) the Directors were authorised to allot relevant securities (as defined in section 80(2) of the 1985 Act) pursuant to section 80 of the 1985 Act up to a maximum nominal amount of £24,053.18 such authority to expire, unless sooner revoked or varied by the Company in general meeting, on 31 July 2011; and
 - (ii) the Directors were empowered to allot equity securities (within the meaning of section 94(2) of the 1985 Act) for cash pursuant to the authority referred to in paragraph (f)(i) above as if section 89(1) of the 1985 Act did not apply to such allotment but limited to a proportionate issue to existing ordinary shareholders and up to a maximum nominal amount of £3,607.98.

3.2 The issued share capital of the Company as at 1 August 2011 (being the latest practicable date prior to publication of this document and the date on which the Existing Ordinary Shares were suspended from trading on AIM) is shown below. The issued share capital of the Company immediately following Admission is also shown:

Ordinary Shares		
Issued and Fully Paid		
	£	Number
At present	72,159.56	7,215,956
Following Admission	315,937.33	31,593,733
Preference Shares		
Issued and Fully Paid		
	£	Number
At present	65,000	65,000
Following Admission	65,000	65,000

- 3.3 The nominal value of each Existing Ordinary Share is one penny (£0.01).
- 3.4 The nominal value of each Preference Share is one pound (£1.00).
- 3.5 There is no issued share capital that is not fully paid up.
- 3.6 As at 1 August 2011, being the latest practicable date before publication of this document and the date on which the Existing Ordinary Shares were suspended from trading on AIM, the Company held no Ordinary Shares or Preference Shares as treasury shares.
- 3.7 There are no Ordinary Shares or Preference Shares in the Company held by or on behalf of the Company itself or by any of the Subsidiaries of the Company.
- 3.8 Save for the Convertible Loan Notes and the 2011 Convertible Loan Notes, the Company has not issued any convertible securities, exchangeable securities or securities with warrants.
- 3.9 Save as set out in paragraph 3.14 below, there are no acquisition rights and/or obligations over the unissued share capital or an undertaking to increase the capital of the Company.

- 3.10 The Company did not issue any Ordinary Shares during the three years ended 31 January 2009, 31 January 2010 and 31 January 2011.
- 3.11 As at 31 January 2009, 31 January 2010 and 31 January 2011 there were 7,215,956 Ordinary Shares in issue.
- 3.12 The Existing Ordinary Shares are, and the Placing Shares will be, in registered form with ISIN GB00B0NN1H91.
- 3.13 All of the Existing Ordinary Shares are held in certificated or uncertificated form.
- 3.14 Save for the Share Options, the Convertible Loan Notes and the 2011 Convertible Loan Notes described in paragraphs 9, 8.1.6 and 8.1.12 of this Part V and as otherwise disclosed in this document:
- (i) no share or loan capital of the Company has been issued or is proposed to be issued;
 - (ii) no person has any preferential subscription rights for any share capital in the Company;
 - (iii) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option; and
 - (iv) no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the sale of any share or loan capital of the Company.
- 3.15 The Placing Shares will rank *pari passu* in all respects (including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares from the date of this document) with the Ordinary Shares.

4. ARTICLES OF ASSOCIATION

- 4.1 The Articles include provisions to the following effect:
- 4.2 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. 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.
- 4.3 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.
- 4.4 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.
- 4.5 The provisions of the Articles applicable to general meetings apply *mutatis mutandis* to class meetings.
- 4.6 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.
- 4.7 Subject to the provisions of the 2006 Act, the Company may by special resolution (and, with court approval where required) reduce its issued share capital or any capital redemption reserve and any share premium account in any way subject to authority required by law. Subject to applicable law, the Company may purchase its own shares.

4.8 Preference Shares

- (a) Holders of Preference Shares are entitled to a fixed cumulative preferential dividend at a rate of 9 per cent per annum (the "Preference Dividend") payable annually out of the profits of the Company available for distribution and in preference to any distribution or payment of dividend to the holders of Ordinary Shares. Holders of Preference Shares are not entitled to any further right of participation in the profits or income of the Company.
- (b) Holders of Preference Shares, in the event of a liquidation or on a return of capital, are entitled to: (i) a sum equal to the accrued Preference Dividend; and (ii) a sum equal to the nominal value of the Preference Shares, before the repayment of any capital to the holders of Ordinary Shares. The holders of Preference Shares are not entitled to any further right of participation in the assets of the Company on a winding up or other return of capital.
- (c) Holders of Preference Shares are entitled to receive notice of all general meetings of the Company but shall not have the right to attend, speak at or vote at general meetings of the Company.
- (d) The Company can redeem the Preference Shares at the nominal amount together with a sum equal to the accrued Preference Dividend at any time on 7 days notice.
- (e) Holders of Preference Shares may require the Company to redeem all or any of the Preference Shares where all or any part of the Preference Dividend is in arrears for at least 12 months.

4.9 Directors

- (a) A director of the Company is not required to hold any qualification shares.
- (b) 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.
- (c) 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 dependants 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.
- (d) 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:
 - (i) 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;
 - (ii) 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;
 - (iii) 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
 - (iv) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such contract, transaction or arrangement or from any interest in any such body corporate, and no such contract,

transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

- (e) 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 through, 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.
- (f) 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:
 - (i) the giving of any guarantee, security or 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;
 - (ii) 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 security;
 - (iii) 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;
 - (iv) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company;
 - (v) 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;
 - (vi) 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;
 - (vii) 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; and
 - (viii) any proposal, contract, transaction or arrangement concerning the purchase or maintenance of insurance for the benefit of directors or persons who include directors.
- (g) Subject to any applicable law, the Company may by ordinary resolution suspend or relax the provisions summarised under sub-paragraphs (f)(vi) and (f)(vii) 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.
- (h) At every annual 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.
- (i) 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 possibly 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 had been counted.

4.10 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.

- 4.11 There are no fixed dates on which a dividend 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.
- 4.12 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.
- 4.13 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.
- 4.14 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.
- 4.15 The Ordinary Shares rank *pari passu* as a class in terms of preference, restriction and all other rights.
- 4.16 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. in 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.
- 4.17 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 than 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.

5. INTERESTS OF THE DIRECTORS AND OTHERS

As at 1 August 2011 (being the latest practicable date prior to the publication of this document and the date on which the Existing Ordinary Shares were suspended from trading on AIM) and, immediately following Admission, the interests of the Directors, their immediate families and persons connected with the Directors (within the meaning of section 252-255 of the 2006 Act) (all of which are beneficial unless otherwise stated) in the issued share capital of the Company, Convertible Loan Notes and Share Options are as follows:

5.1 Interests in Ordinary Shares

	Prior to Admission		Immediately following Admission	
	Number of Existing Ordinary Shares	Percentage of Existing Ordinary Shares	Number of Ordinary Shares	Percentage of Enlarged Share Capital
Stanley Davis	719,190	9.97	10,274,746	32.52
Neil Sinclair*	719,190	9.97	2,941,412	9.31
Anthony Dove	–	–	100,000	0.33

* London Active Management Limited, a company controlled by Neil Sinclair and Pamela Sinclair (his wife) holds 179,190 Ordinary Shares, Neil Sinclair holds 450,000 Ordinary Shares and Pamela Sinclair holds 90,000 Ordinary Shares in her name. 2,222,222 Placing Shares subscribed for by Neil Sinclair under the Placing will be held in the name of The Trustees of the Sinclair Goldsmith Executive Pension Scheme of which Ronald Neil Sinclair is the sole beneficiary.

5.2 Interests in Convertible Loan Notes

	Prior to, and immediately following Admission	
	Number of Convertible Loan Notes issued	Number of Ordinary Shares required to be issued on conversion
Stanley Davis	£31,500	1,400,000
Neil Sinclair*	£4,000	177,778
Andrew Perloff	£24,500	1,088,889

* London Active Management Limited, a company controlled by Neil Sinclair and Pamela Sinclair (his wife) holds £2,000 of the Convertible Loan Notes and Neil Sinclair holds £2,000 of the Convertible Loan Notes in his name.

5.3 Interests in Share Options

The following Share Options have been granted on or immediately before Admission:

	Immediately following Admission			
	Number of Share Options issued	Exercise Price (pence)	Number of Ordinary Shares held	Percentage of issued share capital
Ronald Neil Sinclair	1,737,655	2.25	2,941,412	9.31
Stanley Harold Davis	868,828	2.25	10,274,746	32.52
David Malcolm Kaye	552,890	2.25	–	–

5.4 Other than as set out in paragraph 5.2 of this Part V, as at 1 August 2011 (being the latest practicable date prior to the publication of this document and the date on which the Existing Ordinary Shares were suspended from trading on AIM), the Directors did not hold any options over or rights to convert into Ordinary Shares.

5.5 Save as disclosed in this paragraph 5, the Directors (nor persons connected with the Directors within the meaning of sections 252-255 of the 2006 Act) has any beneficial or non-beneficial interest in any securities of the Company or its Subsidiaries.

5.6 Set out below are, in so far as is known to the Company, the names of those persons other than the Directors, who directly or indirectly, have an interest in 3 per cent. or more of the issued share capital of the Company as at 1 August 2011 (being the latest practicable date prior to the publication of this document and the date on which the Existing Ordinary Shares were suspended from trading on AIM) and following Admission:

	Number of Existing Ordinary Shares	Percentage of Existing Ordinary Shares	Number of Ordinary Shares	Percentage of Enlarged Share Capital
Andrew Perloff	719,190	9.97	2,941,412	9.31
Safeland Plc	511,919	7.09	511,919	1.62
Leo Holdings (2008) Corporation	476,356	6.60	476,356	1.51
Peter O'Reilly	264,713	3.67	264,713	0.84
Barrie Tankel	250,000	3.46	3,138,889	9.94
Fairfax I.S. Nominees Limited	–	–	1,111,111	3.52

- 5.7 There are no differences between the voting rights enjoyed by those Shareholders set out in paragraph 5.1 and 5.6 above and those enjoyed by any other holder of Ordinary Shares in the Company.
- 5.8 So far as the Company is aware and save as disclosed in this document, there are no persons who, now or at Admission, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company and there are no arrangements, the operation of which may at a subsequent date, result in a change of control of the Company.
- 5.9 The Company has received irrevocable undertakings from certain shareholders and Directors, who hold in aggregate 2,157,570 Existing Ordinary Shares representing approximately 29.9 per cent. of the Existing Ordinary Shares, to vote in favour of Resolutions 2, 3 and 4. As members of the Concert Party, Stanley Davis, Neil Sinclair, and Andrew Perloff will abstain from voting on the Waiver Resolution.

The shareholding and percentage holding of these shareholders and Directors in the Existing Ordinary Shares as at the date of this document are as follows:

Name	Number of Existing Ordinary Shares	Percentage of Existing Ordinary Shares
Neil Sinclair	719,190	9.97
Stanley Davis	719,190	9.97
Andrew Perloff	719,190	9.97
Total	2,157,570	29.9

6. DIRECTOR'S SERVICE CONTRACT AND LETTERS OF APPOINTMENT

- 6.1 As at the date of this document, the Directors have agreed not to receive any fees or salary until the Company has completed the Acquisition.
- 6.2 Conditional on Admission, Stanley Davis will continue to act as non-executive Chairman pursuant to a letter of appointment with the Company dated 8 September 2011 under which he will receive a fee of £12,500 per annum. The appointment is terminable on six months' written notice. Mr Davis' arrangements provide for no benefits upon termination of his contract.
- 6.3 Conditional on Admission, Neil Sinclair will continue to act as Managing Director pursuant to a service agreement with the Company dated 8 September 2011 under which he will receive an annual salary of £45,000. The agreement is terminable on twelve months' written notice. Mr Sinclair's service arrangements provide for no benefits upon termination of his contract.
- 6.4 Conditional on Admission, Anthony Dove will continue to act as non-executive director pursuant to a letter of appointment with the Company dated 8 September 2011 under which he will receive a consultancy fee of £12,500 per annum. The appointment is terminable on six months' written notice. Mr Dove's arrangements provide for no benefits upon termination of his contract.
- 6.5 Save as disclosed above, there are no service agreements or letters of appointment in existence between any of the Directors and the Enlarged Group which cannot be determined by the Enlarged Group without payment of compensation (other than statutory compensation) within one year.

6.6 Save as set out in paragraphs 6.2 to 6.4 inclusive above, none of the Directors has an existing or proposed service agreement with the Company or Hockenhull Estates, nor has there been any change in the last six months.

6.6 The annual remuneration and benefits in kind, paid by the Company to the Directors in respect of the period ended 31 January 2011 was £nil (31 January 2010: £nil).

7. ADDITIONAL INFORMATION ON THE BOARD

7.1 The names of all companies and partnerships other than the Company of which the Directors are currently or have, at any time in the five years prior to the date of this document, been a director or partner, as appropriate, are as follows:

<u>Directors</u>	<u>Current directorships and partnerships</u>	<u>Past directorships and partnerships</u>
Stanley Harold Davis	Curzon Street (London) LLP Curzon Street (Mayfair) LLP Equalgold Limited Exchange Court (Covent Garden) LLP Goodge Street (TCR) LLP Goodge Street (Tottenham Court Road) LLP International Business Development Consultants Limited Long Acre (Covent Garden) LLP Stanley Davis Group Limited Strategic Global Investments Limited The Charitable Will Trust Unitguide Limited University Jewish Chaplaincy York Place Company Services Limited	Fuel Holdings Limited LRN Group Limited LRN Limited The Foundation for Leading Minds Wide Learning Limited Wide Learning Solutions Limited
Ronald Neil Sinclair	Equalgold Limited London Active Management Limited Moorgate & City Properties Limited (<i>liquidation</i>) Variety Club Events Limited Variety Children's Lifeline UK (<i>active – proposal to strike off</i>) The Variety Club Children's Charity	ABC Risk Management Limited Karspace Management Limited Mission Capital (Gloucester) Limited Mission Capital Plc Mission Car Parks Limited Missionpark Limited Mission Real Estate Limited (<i>active – proposal to strike off</i>) Moorgate & City Group Limited Moorgate & City Holdings Moorgate & City Investments Limited Moorgate & City Properties (London) Limited
Anthony Charles Dove	Argonaut Properties (Cornwall), LLP Locate Continental Properties Kft	Gynaecology Cancer Research Fund Millicent Court Management Limited

7.2 Save as set out in paragraph 7.3 below, no Director:

7.2.1 has any unspent convictions in relation to indictable offences; or

7.2.2 has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or

7.2.3 has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or

7.2.4 has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or

7.2.5 has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or

7.2.6 has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

7.3 Neil Sinclair was a director of Moorgate & City Properties Limited from 29 September 1994. Moorgate & City Properties Limited went into liquidation on 21 April 2010. In addition, Neil Sinclair was appointed a director of ABC Risk Management Limited from 1 January 2010 to his resignation on 31 July 2010. ABC Risk Management Limited went into liquidation on 29 June 2011.

8. MATERIAL CONTRACTS

8.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or Hockenhull Estates within the period of two years immediately preceding the date of this document which are or may be material or which contains any provision under which any member of the Enlarged Group has any obligation or entitlement which is material to the Enlarged Group as at the date of this document:

8.1.1 *Nominated adviser and broker agreement with Fairfax*

On 17 March 2011, the Company (1) and Fairfax (2) entered into a nominated adviser and broker agreement, terminable by either party on 3 months' written notice (such notice not to expire before the date falling twelve months following 1 April 2011). Pursuant to this agreement, Fairfax will receive, conditional on Admission, an annual retainer for the provision of nominated adviser and broker services on an ongoing basis accruing on a daily basis commencing on 1 April 2011.

The Company has agreed to comply with its legal and regulatory obligations (including under the AIM Rules for Companies) and to consult and discuss with Fairfax in connection with any announcements and statements to be made by it.

The Company has also agreed to provide Fairfax with any information which Fairfax believes is necessary in order to enable it to carry out its obligations to the Company or the London Stock Exchange as nominated adviser.

The nominated adviser and broker agreement contains indemnities given by the Company in favour of Fairfax.

8.1.2 *Transaction engagement letter with Fairfax*

On 17 March 2011, the Company (1) and Fairfax (2) entered into the transaction engagement letter, terminable by either party on 10 Business Day's notice.

The Company has granted Fairfax first right of refusal to act as nominated adviser with regard to any reverse takeover undertaken by the Company after completion of the Acquisition. The transaction engagement, letter contains indemnities and warranties given by the Company in favour of Fairfax.

8.1.3 *Placing Agreement*

A Placing Agreement dated 8 September 2011 between Fairfax (1), the Company (2) and the Directors (3) pursuant to which Fairfax has agreed to use its reasonable endeavours to arrange for Placees to subscribe for 23,266,666 new Ordinary Shares at the Placing Price. The agreement is conditional, *inter alia*, upon Admission taking place on or before 4 October 2011 or such later date as Fairfax and the Company may agree but in any event not later than 25 October 2011.

Fairfax will receive, pursuant to the Placing Agreement and conditional on Admission, a corporate finance fee of £75,000 plus VAT and a commission of 5 per cent. of funds raised by the Placing and procured by Fairfax and 1 per cent. of funds raised by the Placing and procured by the Company. Fairfax has agreed to take 1,111,111 Ordinary Shares at the Placing Price in satisfaction of part of its corporate finance fee due under the transaction engagement letter in relation to Admission.

The Placing Agreement contains, *inter alia*, undertakings and warranties given by the Company, the Directors in favour of Fairfax as to the accuracy of information contained in this document and other matters relating to the Company and its business and an indemnity from the Company in favour of Fairfax.

Fairfax may terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or any of the warranties contained in it, or where any event of omission relating to the Company is, or will be in the opinion

of Fairfax, material in the context of the Placing, or where any change of national or international, financial, monetary, economic, political or market conditions is, or will be in the opinion of Fairfax, materially adverse to the Company or the successful outcome of the Placing.

8.1.4 Acquisition Agreement

Pursuant to the Acquisition Agreement, the Company has agreed (subject to Admission and certain other conditions) to acquire the whole of the issued share capital of Hockenhull Estates for the Consideration payable entirely in cash at Completion and the retention amount set out below will be deposited into a retention account.

Following calculation and agreement of completion accounts the Consideration will be decreased on a pound for pound basis to the extent that the net assets of Hockenhull Estates at Completion are less than £1,817,500 and a further sum will be paid by the Company to the extent the net assets of Hockenhull Estates are more than £1,817,500.

The Acquisition is conditional, *inter alia*, upon:

- (i) the passing of the Resolutions;
- (ii) Admission;
- (iii) the Vendor not being in breach of any warranties provided in the Acquisition Agreement; and
- (iv) there being no material adverse change in the business, operations, assets, position (financial, trading or otherwise), profits or prospects of Hockenhull Estates between the date of the Acquisition Agreement and Completion.

The Vendor has provided customary warranties and indemnities with regard to Hockenhull Estates and the properties being acquired, subject to a maximum liability of £1,817,500 and a time limit for warranty claims (other than in relation to tax) expiring on 30 April 2013 and in respect of tax related warranty claims expiring seven years from Completion.

The Acquisition Agreement also provides for £150,000 to be held in a retention account for the duration of the warranty period and retained and/or set off against warranty and indemnity claims as further set out in the Acquisition Agreement.

8.1.5 Lock-in and orderly market deed

A lock-in and orderly market deed dated 8 September 2011 has been entered into by Stanley Davis, Neil Sinclair, Anthony Dove, Andrew Perloff and Harold Perloff pursuant to which they have each agreed with the Company and Fairfax that, save in certain limited circumstances, they shall not dispose of any interest in their Ordinary Shares held on Admission for a period of 12 months from the date of Admission. The lock-in and orderly market deed also contains certain orderly market arrangements for any disposals permitted during the lock-in period and all other disposals which apply for 12 months after the expiry of the lock-in period.

The lock-in and orderly market deed will terminate if Admission does not occur by 25 October 2011.

8.1.6 Convertible Loan Note Instrument

The Company created £60,000 unsecured Convertible Loan Notes on 30 July 2010 pursuant to the terms of the Convertible Loan Note Instrument.

Unless converted into Ordinary Shares, the Convertible Loan Notes are required to be repaid in cash on or before 31 July 2012. No coupon is payable on the outstanding Convertible Loan Notes. The Convertible Loan Notes are convertible on or before 31 July 2012 at 2.25 pence per Ordinary Share equating to 2,666,667 new Ordinary Shares.

8.1.7 Agreement for Disposal of Grafton

The Company disposed of a 50 per cent. interest in Grafton on 30 July 2010, to Safeland (a company controlled by Larry Lipman and Errol Lipman, both directors of the Company at the time of completion) for a consideration of £90,000. The consideration was settled by way of offset of the then outstanding indebtedness owed by the Company to Safeland and the balance in cash.

8.1.8 Facility Letter

Hockenhull Estates entered into a Facility Letter with the Lender on 8 September 2011 conditional upon, amongst other things, completion of the Acquisition and pursuant to which the Company is to be granted a loan facility up to £1,200,000 at an interest rate of 5% above LIBOR (subject to a minimum interest rate of 6%).

Hockenhull Estates will provide security to the Lender by virtue of (i) a debenture over its assets and (ii) a first legal charge over its properties. The Facility will be for a fixed term and will expire on [31 August] 2014. One hundred per cent of the proceeds of sale of any of the properties must be utilised in repayment of the Facility. The Facility is repayable on demand.

8.1.9 Management Agreement

Hockenhull Estates is a party to an oral management agreement with F H Properties Limited relating to the rental activities and management of Hockenhull Estates' properties. F H Properties Limited is paid a commission of 10% of the rental received on the properties for the provision of the management services. It is proposed that this management agreement will be terminated at Completion and Hockenhull Estates will enter into a deed of termination, waiver and release accordingly.

8.1.10 Hockenhull Estates Administrator's Agreement

Hockenhull Estates and Frank Hockenhull are parties to a corporate services agreement with Peregrine Corporate Services Limited dated 4 July 2008. Peregrine Corporate Services Limited provides secretarial and administrative services, directorships and taxation services to Hockenhull Estates and is paid an annual retainer of £900 per annum. This administrator's agreement is terminable upon 30 days written notice.

8.1.11 SD Loan

The Company entered into a loan agreement with Stanley Davis on 24 March 2011 pursuant to which Stanley Davis lent the Company £20,000 in cash. This loan is non-interest bearing and is repayable upon the Company having sufficient cash resources to enable it to make payment and having regard to the Company's required cash flow. It is proposed that this loan will be repaid in full on Admission.

8.1.12 2011 Convertible Loan Notes Agreement

Pursuant to the 2011 Convertible Loan Notes Agreement dated 8 September 2011, the Company created £300,000 of unsecured convertible loan notes in respect of the sum of £300,000 advanced by Stanley Davis, Rachel Rita Davis (his wife) and NSS Trustees Limited a/c IRG ("Noteholders") to the Company. The 2011 Convertible Loan Notes attract interest at the rate of 4 per cent. per annum payable quarterly and are required to be redeemed by the Company on or before the fourth anniversary of Admission (or earlier at the option of the Company). The 2011 Convertible Loan Notes are convertible at the Placing Price at the option of the Noteholders.

8.1.13 Mezzanine Facility Agreement

Pursuant to the Mezzanine Facility Agreement dated 8 September 2011 Stanley Davis has agreed to provide a term loan facility to the Company of the sum of £277,500. The term of the loan expires on 4 October 2015. The loan is unsecured and attracts interest at a rate of 5% above the one month LIBOR provided that the minimum effective rate will be 6% per annum. Interest accrues daily on the loan and is payable quarterly in arrears on the last business day of March, June, September and December.

8.2 Save as set out above neither Palace Capital nor Hockenhull Estates has entered into any contract other than in the ordinary course of business within the period of two years immediately preceding the date of this document which is or may be material.

9. SHARE OPTION SCHEME

9.1 The Share Option Scheme was established by the Company on 8 September 2011 and is administered by the Board. The Share Option Scheme is not designed to be capable of approval by HM Revenue & Customs and is not an employees' share scheme within the meaning of the 2006 Act.

- 9.2 Options may normally be exercised during the relevant option period. The option period will be the period of 10 years commencing on the third anniversary of the date of grant of the option. Exercise is also possible in the event of an amalgamation, reconstruction or takeover of the Company. In such circumstances an option holder may be allowed to release his rights under options in consideration of the grant to him of equivalent rights over shares in the acquiring company. Options may also be exercised in the event of a voluntary winding up of the Company. Options will normally lapse on the expiry of any of the periods allowed for exercise.
- 9.3 The rules of the Share Option Scheme state that the number of options that remain capable of being issued under the Share Option Scheme would not exceed 10 per cent. of the Company's issued share capital from time to time.
- 9.4 In the event of a variation of share capital (including any reduction, sub-division or consolidation) the Board may make such adjustments to the number of Ordinary Shares subject to the Share Option Scheme and/or subject to options and option price payable on such exercise for such options.

Details of Share Options granted under the Share Option Scheme are set out in paragraph 5.3 of this Part V.

10. RELATED PARTY TRANSACTIONS

Other than disclosed in this document and save as set out in notes 15 and 19 of the 2011 Report & Accounts, note 20 of the 2010 Report & Accounts and note 19 of the 2009 Report & Accounts the Company has not entered into any material related party transactions for the three years ended 31 January 2011 and in the subsequent period to 7 September 2011 (being the latest practicable date prior to the publication of this document). The 2011 Report & Accounts, 2010 Report & Accounts and 2009 Report & Accounts are available from the Company's website at www.palacecapitalplc.com.

11. LITIGATION

11.1 *Palace Capital*

The Company is not and has not been engaged in any governmental, legal or arbitration procedures, and the Company is not aware that any such proceedings are pending or threatened by or against the Company during the 12 months immediately preceding the date of this document which may have or have had, a significant effect on the financial position or profitability of the Company.

11.2 *Hockenhull Estates*

Hockenhull Estates is not and has not been engaged in any governmental, legal or arbitration proceedings, and Hockenhull Estates is not aware that any such proceedings are pending or threatened, by or against Hockenhull Estates during the 12 months immediately preceding the date of this document which may have or have had, a significant effect on the financial position or profitability of Hockenhull Estates.

12. SIGNIFICANT CHANGES

12.1 *Palace Capital*

Save for incurring fees of approximately £249,955 in respect of Admission, there has been no significant or material change in the financial or trading position of the Company since 31 January 2011, the date to which the last audited accounts for the Company were prepared.

12.2 *Hockenhull Estates*

Save as set out in Part III of this document, there has been no significant or material change in the financial or trading position of Hockenhull Estates since 31 January 2011 the date to which the historical financial information in Part III was made up.

13. WORKING CAPITAL

The Directors are of the opinion that, having made due and careful enquiry and taking into account the proceeds of the Placing, the Facility and the SD Financing, the working capital available to the

Enlarged Group will be sufficient for its present requirements, that is, for at least the next twelve months from the date of Admission.

14. THE TAKEOVER CODE

- 14.1 Save as disclosed in this document, neither the Concert Party (nor any person acting in concert with them) has any interest, rights to subscribe for or holds short positions in the relevant securities of the Company, nor has any such person dealt in any relevant securities of the Company during the disclosure period.
- 14.2 Neither the Concert Party nor any person acting in concert with the Concert Party, nor the Company, nor any person acting in concert with the Company nor any of the Directors or any parties acting in concert with them have borrowed or lent any relevant securities of the Company.
- 14.3 The Company is not aware of the existence of any takeover bid pursuant to the rules of the Takeover Code, or any circumstances which may give rise to any takeover bid, and the Company is not aware of any public takeover bid by third parties for the Existing Ordinary Shares.
- 14.4 Save as disclosed in this document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.
- 14.5 Save as disclosed in this document, no Director has any interests, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Company and no contract or arrangement exists in which an Director is materially interested and which is significant in relation to the business of the Company.
- 14.6 Save as disclosed in this document, there are no outstanding loans or guarantees granted or provided by the Company to or for the benefit of any of the Directors, nor are there any guarantees provided by any of the Directors for any member of the Group.
- 14.7 Save as disclosed in this document, there are no personal, financial or commercial relationships, arrangements or understandings between the Concert Party and any directors of the Company, their close relatives and related trusts.
- 14.8 No agreement, arrangement or understanding (including any compensation arrangement) exists between the Concert Party or any person acting in concert with any member of the Concert Party and any director, recent director, shareholders or recent shareholder of the Company or any other person having any connection with or dependence upon the Proposals set out in this document.
- 14.9 No agreement, arrangement or understanding exists whereby the beneficial ownership of any Ordinary Shares to be acquired by the Concert Party will be transferred to any other person.
- 14.10 Other than the Facility, the SD Loan and the SD Financing, there are no financing arrangements in place in relation to the Proposals whereby the payment of interest, repayment or security for any liability (contingent or otherwise) is dependent, to any significant extent, on the business of the Company.
- 14.11 Neither the Company, nor any of the Directors nor any other person acting in concert with the Company, has any interest, right to subscribe for or holds short positions in any relevant securities of any member of the Concert Party, nor has any such person dealt for value in any such securities during the disclosure period.
- 14.12 Neither the Company, nor any of the Directors has a short position (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, is a party to any agreement to sell or subject to any delivery obligation or has any right to require another person to purchase or take delivery of any relevant security of the Concert Party.
- 14.13 Other than as disclosed in this document, neither the Directors nor any associate of the Company (nor any person acting in concert with them) has any interest, rights to subscribe for or holds short positions in the relevant securities.
- 14.14 References in this paragraph 14 to:
“acting in concert” has the meaning set out in the Takeover Code;

“arrangement”	includes indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;
“associated company”	ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status;
“connected adviser”	has the meaning set out in the Takeover Code;
“control”	has the meaning set out in the Takeover Code;
“derivative”	has the meaning set out in the Takeover Code;
“disclosure period”	means the period commencing on 1 August 2010 and ending on 1 August 2011 (the latest practicable date prior to the publication of this document);
“interests”	means “interests in securities” as defined in the Takeover Code;
“relevant securities”	has the meaning set out in the Takeover Code; and
“short position”	means a short position whether conditional or absolute and whether in money or otherwise including any short position under a derivative, any agreement to sell or any delivery obligations or right to require another person to purchase or take delivery.

15. MIDDLE MARKET QUOTATIONS FOR THE EXISTING ORDINARY SHARES

The table below lists the closing middle market quotations for Existing Ordinary Shares as derived from the AIM Appendix of the Daily Official List for the first dealing day in each of the six months prior to the date of this document and for 1 August 2011 (the last practicable day before the posting of this document (for the purposes of the Takeover Code) and the date the Ordinary Shares were suspended from trading on AIM):

Date	Share price (pence)
1 February 2011	5.25
1 March 2011	4.50
1 April 2011	4.25
2 May 2011	4.125
1 June 2011	4.50
1 July 2011	4.50
1 August 2011	4.25

16. TAXATION

The information below, which is of a general nature only and which relates only to the UK, is applicable to the Company and to persons who are resident or ordinarily resident in the UK (except where indicated) and who hold Ordinary Shares as an investment and not as an asset of a financial or other trade. It is based on existing law and practice and is subject to subsequent changes therein. Any change in the Company’s tax status or in taxation legislation in the UK or any other tax jurisdiction affecting Shareholders could affect the value of the investment held by the Company or affect the Company’s ability to achieve its investment objective for the Ordinary Shares or alter the post-tax returns to Shareholders. Any Shareholders who are in any doubt as to their tax position should consult their own professional adviser without delay. No statements are made with respect to the ownership of or disposal of ordinary shares in any other jurisdiction and shareholders who are citizens of, or resident or ordinarily resident in, countries other than the UK are strongly encouraged to seek independent professional advice in connection with the local tax consequences of investing in Ordinary Shares.

UK taxation

The following information is given in summary form only and is based on tax legislation as it exists at the present time. The information relates to the tax position of holders of Ordinary Shares in the

capital of the Company who are resident or ordinarily resident in the United Kingdom for tax purposes. The statements below do not constitute advice to any Shareholder on his or her personal tax position, and may not apply to certain classes of investor (such as persons carrying on a trade in the United Kingdom or United Kingdom insurance companies).

This is only a summary of the tax reliefs available to investors and should not be construed as constituting advice. A potential investor should obtain advice from his or her own investment or taxation adviser before subscribing for Ordinary Shares.

Income Tax

Under current United Kingdom taxation legislation, no withholding tax will be deducted from dividends paid by the Company.

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten percent of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the dividend basic rate (10 per cent.) or the dividend higher rate (32.5 per cent. or 42.5 per cent.).

The effect will be that the taxpayers who are otherwise liable to pay at only the lower rate or basic rate of income tax will have no further liability or income tax in respect of such a dividend. Higher rate payers will have an additional liability (after taking into account the tax credit) of 22.5 per cent. of the aggregate of the cash dividend and the associated tax credit, or an effective rate of 25 per cent. of the dividend actually received. Higher rate payers with taxable income in excess of £150,000 will have an additional liability (after taking into account the tax credit) of 32.5 per cent. of the aggregate of the cash dividend and the associated tax credit, or an effective rate of 36.1 per cent. of the dividend actually received. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such individuals.

With certain exceptions for traders in securities, a holder of Ordinary Shares that is a company resident (for taxation purposes) in the United Kingdom and receives a dividend paid by the Company, will not be subject to tax in respect of the dividend.

Taxation of capital gains made by shareholders

(a) A UK resident individual shareholder who pays income tax at the basic rate and disposes of, or who is deemed to dispose of, his shares in the Company may be liable to capital gains tax in relation thereto at a flat rate of 18 per cent. of any gain thereby realised. A UK resident individual shareholder who pays income tax at the higher rate and disposes of, or who is deemed to dispose of, his shares in the Company may be liable to capital gains tax in relation thereto at a flat rate of 28 per cent. of any gain thereby realised. The rate of tax may be reduced to an effective tax rate of 10 per cent. if the conditions for entrepreneurs relief are met. In computing the gain, the shareholder should be entitled to deduct from proceeds the cost to him of the shares (together with incidental costs of acquisition and disposal).

(b) A UK resident corporate shareholder disposing of its shares in the Company may be liable to corporation tax on chargeable gains in relation thereto at the usual rates of corporation tax applicable to it (currently 20-26 per cent. depending on the taxable profits of the shareholder).

In computing the chargeable gain liable to corporation tax, the shareholder is entitled to deduct from the disposal proceeds, the cost to it of the shares, together with incidental costs of acquisition, as increased by indexation allowance, and disposal costs.

In some circumstances, a shareholder may be exempt from corporation tax in relation to its disposal of shares under the substantial shareholding exemption or be able to reduce the quantum of the gain by capital and/or income losses arising to the corporate shareholder.

Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty will be payable on the issue by the Company of Ordinary Shares.

Transfers of Ordinary Shares for value in excess of £1,000 will give rise to a liability to pay United Kingdom *ad valorem* stamp duty, or stamp duty reserve tax, at the rate in each case of 50p per £100 of the amount or value of the consideration (rounded up in the case of stamp duty to the

nearest £5). Transfers under the CREST system for paperless transfers of shares will generally be liable to stamp duty reserve tax.

Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult his or her own professional adviser.

17. CREST

The Ordinary Shares are admitted to CREST, the computerised share transfer and settlement system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. The system allows shares and other securities to be held in electronic form rather than paper form, although a Shareholder can continue dealing based on share certificates and stock transfer forms. With effect from Admission, it will be possible for CREST members to continue to hold and transfer the Ordinary Shares and Placing Shares within CREST.

18. GENERAL

- 18.1 The gross proceeds of the Placing are expected to be £523,500. The total costs and expenses relating to Admission and the Placing (including London Stock Exchange fees, printing and distribution costs, legal, accounting, corporate finance and public relations fees, commissions and expenses) are payable by the Company and are estimated to amount to approximately £249,955 (excluding applicable Value Added Tax and excluding any costs incurred by Hockenhull Estates). The net proceeds of the Placing are expected to be £273,545 and part of the Placing proceeds together with the SD Financing and the Facility are being used to fund the Acquisition and for working capital purposes.
- 18.2 The Articles are, consistent with (a) the holding of the Ordinary Shares in uncertificated form, (b) the transfer of title to Ordinary Shares by means of a relevant system and (c) the CREST Regulations. Accordingly, the Directors have resolved to permit the holding of Ordinary Shares and Placing Shares in uncertificated form and the transfer of title to Ordinary Shares and Placing Shares each by means of a relevant system. For these purposes CREST is the relevant system.
- 18.3 Crowe Clark Whitehill LLP whose registered office is St Bride's House, 10 Salisbury Square, London EC4Y 8EH is a member of the Institute of Chartered Accountants of England and Wales and has given and not withdrawn its written consent to the inclusion of its report set out in Part III of this document in the form and context in which it is included. Having taken all reasonable care to ensure that such is the case, Crowe Clark Whitehill LLP confirms that the information contained in its report in Part III is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.
- 18.4 Fairfax which is authorised and regulated by the Financial Services Authority in the UK, has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which such references appear.
- 18.5 Scanlans Consultant Surveyors LLP of 6th floor, 75 Mosley Street, Manchester M2 3HR, whose Company number is OC348425, has given and not withdrawn its written consent to the inclusion of its report on the Company set out in Part IV of this document in the form and context in which it appears and has authorised the contents of that report for the purposes of Schedule Two of the AIM Rules for Companies. Scanlans Consultant Surveyors LLP has no interest in the Company.
- 18.6 Close Property Finance of 10 Crown Place, London EC2A 4FT, whose Company number is 00195626, has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which such references appear. Close Property Finance has no interest in the Company.
- 18.7 It is expected that definitive share certificates will be dispatched by hand or first class post during the week commencing 10 October 2011. In respect of uncertificated shares it is expected that Shareholders' CREST stock accounts will be credited on 4 October 2011.
- 18.8 Save as disclosed in this document, the Board is not aware of any exceptional factors which have influenced the Company's or Hockenhull Estates' activities.
- 18.9 Save for the Acquisition, the Company has not made any investments since July 2010 to the date of this document, nor are there any investments by the Company in progress or future investments on which the Company's management have already made firm commitments, which are significant.

- 18.10 The Placing has not been guaranteed or underwritten.
- 18.11 Within this document, where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and, insofar as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 18.12 No person directly or indirectly (other than the Company's professional advisers and trade suppliers) has (i) received, directly or indirectly, from the Company, within the 12 months preceding the date of this document; or (ii) entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:
- (i) fees totalling £10,000 or more;
 - (ii) securities in the Company where these have a value of £10,000 or more calculated by reference to the Placing Price; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 18.13 Save as disclosed in the paragraph headed "Environmental Liabilities" in Part II of this document, the Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 18.14 To the best of the knowledge of the Company and other than disclosed in this document, there are no persons who directly or indirectly control the Company, where control means owning 30 per cent. or more of the voting rights attaching to the share capital of the Company. The Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.
- 18.15 Save as disclosed in Part II of the document entitled "Risk Factors" which starts on page 27, so far as the Directors are aware, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Enlarged Group's prospects for at least the current financial year.
- 18.16 No person has made a public takeover bid, mandatory takeover bid, squeeze out or sell out, for the Company's issued share capital since the Company was incorporated on 14 January 2005.
- 18.17 No Director or any member of any of the Director's family (as such term is defined in the AIM Rules for Companies) has any related financial product (as such term is defined in the AIM Rules for Companies) referenced to any Ordinary Shares.
- 18.18 There are no potential conflicts of interest between the duties of any Director to the Company and their private interests and/or other duties.
- 18.19 The financial information contained in Part III does not constitute statutory accounts within the meaning of section 240 of the Act. The auditors of the Company for the financial periods ended 31 January 2009 and 31 January 2010 were Baker Tilly UK Audit LLP, 6th Floor, 25 Farringdon Street, London EC4A 4AB and the auditors of the Company for the financial period ended 31 January 2011 were Crowe Clark Whitehill LLP and both firms are regulated by the Institute of Chartered Accountants in England and Wales.

19. AVAILABILITY OF DOCUMENTS

Copies of the following documents will be available for inspection at the offices of Hamblins LLP, Roxburghe House, 273-287 Regent Street, London W1B 2AD, during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this document and for a period of one month from Admission.

- (a) the Accountants' Report by Crowe Clark Whitehill LLP on Hockenhull Estates for the 3 years ended 5 April 2010 and the 9 month period ending 31 January 2011 as set out in Part III of this document;
- (b) the historical financial information on the Company for each of the last three financial years preceding the date of this document;
- (c) the Directors' service agreements and letters of appointment referred to in paragraph 6 above together with a written memorandum setting out the terms of the same;

- (d) the Valuation Report included in Part IV of this document;
- (e) the material contracts referred to in paragraph 8 above;
- (f) the letters of consent referred to in paragraphs 18.3 to 18.6 above;
- (g) the irrevocable undertakings referred to in paragraph 5.9 above;
- (h) the lock-in and orderly market deeds referred to in paragraph 8.1.5 above; and
- (i) this Admission Document (which will also be available on the Company's website at www.palacecapitalplc.com).

Dated: 8 September 2011

NOTICE OF GENERAL MEETING

PALACE CAPITAL PLC

*(Incorporated and registered in England and Wales under the Companies Act 1985
with registered number 05332938)*

NOTICE IS HEREBY GIVEN that a General Meeting of the above named company (the “**Company**”) will be held at the offices of Hamlins LLP, Roxburghe House, 273-287 Regent Street, London W1B 2AD on 3 October 2011 at 10.00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions. Resolutions 1, 2 and 3 will be proposed as ordinary resolutions and resolution 4 will be proposed as a special resolution. Resolution 1, in accordance with the Takeover Code, will be taken on a poll of Independent Shareholders present in person and voting by proxy at the General Meeting:

ORDINARY RESOLUTIONS

1. THAT the waiver granted by the Takeover Panel of the obligation that would otherwise arise on the Concert Party as such term is defined in the Admission Document and/or Stanley Davis to make a general offer to the shareholders of the Company under Rule 9 of the Takeover Code as a result of the allotment and issue to the Concert Party pursuant to the Placing of 15,111,111 new Ordinary Shares, pursuant to the conversion of the 2011 Convertible Loan Notes of 13,333,333 new Ordinary Shares and pursuant to the exercise of the Share Options of 3,159,373 new Ordinary Shares ((as such terms are defined in the admission document issued by the Company on 8 September 2011 (“Admission Document”)) (representing 69.06 per cent. of the issued share capital of the Company as will be enlarged by the Placing, the conversion of the 2011 Convertible Loan Notes and the exercise of the Share Options) be and is hereby approved.
2. THAT, subject to and conditional on the passing of Resolutions 1, 3 and 4 below, the proposed acquisition (the “Acquisition”) by the Company of the entire issued share capital of Hockenhull Estates (company number O59474C), on the terms and subject to the conditions of the agreement (“the Acquisition Agreement”) the principal terms of which are contained in the Admission Document be and is hereby approved and that the board of directors of the Company (or a duly constituted committee of that board) be and is hereby authorised to waive, amend, vary or extend any of the terms and conditions of the Acquisition or the Acquisition Agreement (but not to any material extent) and do all such things as it may consider necessary or desirable in connection with the Acquisition.
3. THAT, subject to and conditional on the passing of Resolutions 1, 2 and 4, the directors of the Company be generally and unconditionally authorised to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or convert any security into shares (“Relevant Securities”):
 - 3.1 in respect of the allotment of up to an aggregate nominal amount of £232,666.66 in respect of the Placing;
 - 3.2 in respect of the allotment of up to an aggregate nominal amount of £31,593.73 pursuant to the exercise of the Share Options;
 - 3.3 in respect of an aggregate nominal amount of £26,666.67 in respect of the conversion of the Convertible Loan Notes;
 - 3.4 in respect of an aggregate nominal amount of £133,333.33 in respect of the conversion of the 2011 Convertible Loan Notes;
 - 3.5 comprising equity securities (as defined by section 560 of the Companies Act 2006) up to an aggregate nominal amount of £315,917.33 in connection with an offer by way of a rights issue:
 - (a) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and
 - (b) to holders of other equity securities as required by the rights of those securities or as the directors of the Company otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to treasury shares, fractional entitlements, record

dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

3.6 in any other case, up to an aggregate nominal amount of £250,000,

provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date which is 15 months after the date of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the directors of the Company may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the directors of the Company to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

SPECIAL RESOLUTION

4. THAT, subject to and conditional on the passing of the resolution 3, the directors of the Company be given the general power to allot equity securities (as defined by Section 560 of the 2006 Act) for cash, either pursuant to the authority conferred by resolution 3 or by way of a sale of treasury shares, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

4.1 the allotment of new Ordinary Shares in respect of the Placing;

4.2 the allotment of new Ordinary Shares pursuant to the exercise of the Share Options;

4.3 the allotment of new Ordinary Shares pursuant to the conversion of the Convertible Loan Notes;

4.4 the allotment of new Ordinary Shares pursuant to the conversion of the 2011 Convertible Loan Notes;

4.5 the allotment of equity securities in connection with an offer by way of a rights issue:

(a) to the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and

(b) to holders of other equity securities as required by the rights of those securities or as the directors of the Company otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

4.6 the allotment (otherwise than pursuant to sub-paragraphs 4.1, 4.2, 4.3, 4.4 and 4.5 above) of equity securities up to an aggregate nominal amount of £250,000.

The power granted by this resolution will expire on the date which is 15 months after the date of this resolution or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the directors of the Company to allot equity securities as if section 561(1) of the 2006 Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities

Terms defined above shall bear the same meaning as they do in the Admission Document issued by the Company on 8 September 2011.

By Order of the Board
David Kaye
Company Secretary

Registered office:
41 Chalton Street
London NW1 1JD

Dated: 8 September 2011

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company ("Meeting"). You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy need not be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy are set out below and in the notes to the proxy form.
3. To be valid, a form of proxy and the power of attorney or other written authority, if any, under which it is signed, or an office or notarially certified copy in accordance with the Powers of Attorney Act 1971 of such power and written authority must be delivered to the Company's Registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU ("Registrars"), no later than 10.00 a.m. on 29 September 2011 (or 48 hours before the time fixed for any adjourned Meeting or in the case of a poll 48 hours before the time appointed for taking the poll at which the proxy is to attend, speak and to vote provided that in calculating such periods no account shall be taken of any part of a day that is not a working day).
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered on the Company's register of members at 6.00 p.m. on 29 September 2011 (or in the case of adjournment forty-eight hours before the time of the adjourned meeting) will be entitled to attend and vote at the meeting. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy complete and submit more than one proxy form and make it clear how many shares the proxy has voting rights over. Failure to specify the number of shares each proxy appointment relates to or specifying a number of shares in excess of those held by the member on the record date will result in the proxy appointment being invalid.
6. The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
 - sent or delivered to the Company's Registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
 - received by the Registrars no later than 10.00 a.m. on 29 September 2011.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
 8. Use of the proxy form does not preclude a member attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.
 9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) of the Meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
 10. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (RA10) no later than 48 hours before the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
 11. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
 12. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Registrars, in the case of a member which is a company, the revocation notice must be executed in accordance with note 13 below. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Registrars not less than 48 hours before the time fixed for the holding of the Meeting or any adjourned Meeting (or in the case of a poll before the time appointed for taking the poll) at which the proxy is to attend, speak and to vote provided that in calculating such periods no account shall be taken of any part of a day that is not a working day. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
 13. A corporation's form of proxy must be executed pursuant to the terms of section 44 of the Companies Act 2006 or under the hand of a duly authorised officer or attorney.
 14. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

