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 Consolidated Ordinary Shares to be re-admitted and the New Ordinary 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 21 October 2013. 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 Existing Ordinary Shares are not, and the Existing Ordinary Shares will not be, dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares or the Existing 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 and the Proposed Director (whose names appear on page 10 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, the Directors and the Proposed Director 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 subscribe for Placing Shares. The whole of this document should be read in the 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 the Sequel Portfolio,
1 for 100 consolidation of issued ordinary share capital,
Placing of 11,750,000 new Ordinary Shares of 10p each in Palace Capital plc at 200p per share,
and
Notice of General Meeting
Admission of Enlarged Share Capital to trading on AIM

Allenby CAPITAL

NOMINATED ADVISER AND JOINT BROKER

ARDEN PARTNERS

LEAD BROKER AND BOOKRUNNER

A notice convening the General Meeting to be held at the offices of Hamlins LLP, Roxburghe House, 273/287 Regent Street, London W1B 2AD at 10.00 a.m. on 18 October 2013 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 not less than 48 hours before the time fixed for the General Meeting. 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 6.00 p.m. on 16 October 2013 or 6.00 p.m. on the Business Day falling 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.

Allenby Capital Limited, which is authorised and regulated by the Financial Conduct 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. Allenby Capital Limited will not be responsible to any person other than the Company for providing the protections afforded to clients of Allenby Capital Limited or for providing advice to any other person in connection with the Placing and Admission or any acquisition of shares in the Company. Allenby Capital Limited is not making any representation or warranty, express or implied, as to the contents of this document. Allenby Capital Limited has not authorised the contents of, or any part of, this document, and no liability whatsoever is accepted by Allenby Capital Limited for the accuracy of any information or opinions contained in this document or for the omission of any material information.

Arden Partners plc, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting as lead broker and bookrunner to the Company in connection with the Placing and Admission. Arden Partners plc will not be responsible to any person other than the Company for providing the protections afforded to clients of Arden Partners plc or for providing advice to any other person in connection with the Placing and Admission or any acquisition of shares in the Company. Arden Partners plc is not making any representation or warranty, express or implied, as to the contents of this document. Arden Partners plc has not authorised the contents of, or any part of, this document, and no liability whatsoever is accepted by Arden Partners 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 Existing Ordinary Shares and 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 Allenby Capital Limited 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 Existing Ordinary Shares and 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 Existing Ordinary Shares and 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 Existing Ordinary Shares and 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 Existing Ordinary Shares and 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 Existing Ordinary Shares and 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.

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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 Convertible Loan Note Instrument"	the instrument entered into by the Company on 30 July 2010;
"2010 Convertible Loan Notes"	£60,000 of convertible loan notes issued by the Company on the terms of the 2010 Convertible Loan Note Instrument;
"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 agreed to subscribe for convertible loan notes to a value of £300,000, further details of which are set out in paragraph 8 of Part VIII 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 for the financial year ended 31 January 2011 dated 26 July 2011;
"2012 Report & Accounts"	the report and accounts of the Company for the financial year ended 31 January 2012 dated 1 June 2012;
"2013 Report & Accounts"	the report and accounts of the Company for the financial year ended 31 January 2013 dated 4 July 2013;
"Acquisition"	together, the proposed acquisition of the Sequel Portfolio by the Company through the acquisition of Quintain Signal Member A, the Buckingham Acquisition, and the Gelderd Point Acquisition, further details of which are set out in paragraph 4 of Part I of this document;
"Acquisition Agreement" or "SPA"	the agreement dated 2 October 2013 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 Quintain Signal Member A, further details of which are set out in paragraph 8 of Part VIII of this document;
"Acquisition Agreements"	together the Acquisition Agreement, the Buckingham Agreement and the Gelderd Point Agreement;
"acting in concert"	shall bear the meaning ascribed thereto in the Takeover Code;
"Admission"	the re-admission of the Consolidated Ordinary Shares and admission of the Placing Shares, the Subscription Shares and the Buckingham 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;
"Allenby Capital"	Allenby Capital Limited, the Company's nominated adviser and joint broker;
"Arden Partners"	Arden Partners plc, lead broker and bookrunner to the Placing;
"Articles"	the articles of association of the Company for the time being;
"Board" or "Directors"	the existing directors of the Company as at the date of this document whose names are set out on page 10 of this document;
"Buckingham"	Buckingham Properties Trading Limited, the owner of a 1.5 per cent. interest in the Sequel Portfolio;
"Buckingham Acquisition"	the conditional acquisition by the Company of Buckingham's 1.5 per cent. interest in the Sequel Portfolio, such acquisition to be conditional on, *inter alia*, Admission;
"Buckingham Agreement"	the agreement dated 2 October 2013 between (1) Buckingham and (2) the Company pursuant to which the Company has conditionally agreed to acquire Buckingham's 1.5 per cent. interest in the Sequel Portfolio;
"Buckingham Shares"	the 100,000 new Ordinary Shares to subscribed for by Buckingham at the Placing Price, pursuant to the terms of the Buckingham Subscription Agreement;
"Buckingham Subscription"	the subscription by Buckingham of the Buckingham Shares pursuant to the terms of the Buckingham Subscription Agreement;
"Buckingham Subscription Agreement"	the agreement dated 2 October 2013 between (1) Buckingham and (2) the Company pursuant to which Buckingham has agreed to subscribe for the Buckingham Shares at the Placing Price;
"Business Day"	a day on which AIM is open for the transaction of business;
"Close"	Close Property Finance Limited, a company incorporated with registered number 00195626;
"Completion"	completion of the Acquisition;
"Consideration"	the aggregate sum of £39.25 million, subject to adjustment and to be satisfied in accordance with the terms of the Acquisition Agreements;
"Consolidated Ordinary Shares"	the 315,937 Ordinary Shares resulting out of the Existing Ordinary Shares following the Reorganisation;
"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;
"Cushman & Wakefield"	Cushman & Wakefield LLP, valuers to the Company;
"Deferred Shares"	the deferred shares of 90 pence each to be created pursuant to the Reorganisation, having the rights and being subject to the obligations set out in the New Articles;

"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 Consolidated Ordinary Shares and the New Ordinary Shares;
"Equalgold"	Equalgold Limited, one of the Company's wholly owned subsidiaries;
"Euroclear"	Euroclear UK & Ireland Limited, the Central Securities Depositary for the UK market and Irish securities and the operator of CREST;
"Existing Ordinary Shares"	the 31,593,733 ordinary shares of £0.01 each in the capital of the Company as at the date of this document having the rights and being subject to the restrictions set out in the Articles;
"Facility"	the conditional loan facility from the Lender to Signal Property Investments LLP to be granted pursuant to the Facility Agreement;
"Facility Agreement"	the amended and restated facilities agreement between Signal Property Investments LLP and Nationwide;
"Form of Proxy"	the form of proxy accompanying this document for use by Shareholders at the General Meeting;
"FCA"	the United Kingdom Financial Conduct Authority;
"FSMA"	the Financial Services and Markets Act 2000 (as amended);
"GBP", "£", "UK£" or "Sterling"	pounds sterling, the lawful currency of the United Kingdom;
"Gelderd Point Acquisition"	means the acquisition of the property known as Gelderd Point, Leeds by the Company from Permitobtain Limited on the terms of the Gelderd Point Agreement;
"Gelderd Point Agreement"	means an agreement between the Company and Permitobtain Limited and more particularly described in paragraph 8 of Part VIII;
"General Meeting"	the general meeting of the Company to be held at 10.00 a.m. on 18 October 2013 (and any adjournment thereof) at Hamlins LLP, Roxburghe House, 273/287 Regent Street, London W1B 2AD;
"Hockenhull Acquisition"	the acquisition of Hockenhull Estates on the terms of the Hockenhull Agreement;
"Hockenhull Agreement"	the agreement between the Company and Peregrine Company Managers Limited as trustee of the Frank Hockenhull Trust dated 8 September 2011 in respect of the acquisition of Hockenhull Estates;
"Hockenhull Estates"	Hockenhull Estates Limited, a wholly owned subsidiary of the Company registered in the Isle of Man with registered number O59474C;
"Hockenhull Facility"	the facility granted pursuant to the Hockenhull Facility Letter;
"Hockenhull Facility Letter"	the facility letter between Hockenhull Estates and Close dated 8 September 2011 as more particularly described in paragraph 8 of Part VIII of this document;
"IFRS"	International Financial Reporting Standards;
"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;
"Lender" or "Nationwide"	Nationwide Building Society;
"London Stock Exchange"	London Stock Exchange Group 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 agreed to provide a mezzanine loan facility to a value of £277,500, further details of which are set out in paragraph 8 of Part VIII of this document;
"New Ordinary Shares"	together, the Placing Shares, the Subscription Shares and the Buckingham Shares;
"Net rental receivable"	gross rental receivable less direct costs other than head office costs;
"New Articles"	the new articles of association of the Company to be adopted in accordance with the Resolutions and of which a summary is set out in paragragh 8 in Part VIII 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"	the ordinary shares of 10 pence each in the capital of the Company to be issued, having the rights and being subject to the obligations set out in the New Articles;
"Palace Capital" or the "Company"	Palace Capital plc, a company incorporated with registered number 05332938;
"Placing"	the conditional placing by Allenby Capital and Arden Partners on behalf of Palace Capital of the Placing Shares at the Placing Price pursuant to the Placing Agreement, as described in this document;
"Placing Agreement"	the conditional agreement dated 2 October 2013 between (1) Palace Capital (2) Allenby Capital and (3) Arden Partners, relating to the Placing, details of which are set out in paragraph 8 of Part VIII of this document;
"Placing Price"	200 pence per Placing Share;
"Placing Shares"	the 11,750,000 new Ordinary Shares to be allotted and issued by Palace Capital pursuant to the Placing;
"Preference Shares"	preference shares of £1 each in the capital of the Company, having the rights set out in the New Articles;
"Proposals"	the Acquisition, the Buckingham Acquisition, the Placing, the Subscription, the Facility and Admission, in each case as described in this document;
"Proposed Director"	Richard Starr;
"Quintain Signal Member A or "Target"	Quintain Signal Member A Limited;
"Quintain Subscription Agreement"	the subscription agreement between the Company and the Vendor as more particularly described in paragraph 8 of Part VIII of this document;
"Registrar"	Capita Registrars Limited;
"Reorganisation"	the consolidation, division and reclassification of the Existing Ordinary Shares on the basis of 1 Ordinary Share and 1 Deferred Share for every 100 Existing Ordinary Shares held, on the terms of the Resolutions;
"Reorganisation Record Date"	5.30 p.m. on 18 October 2013;
"Resolutions"	the resolutions contained in the Notice of the 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;
"SD Financing"	together, the 2011 Convertible Loan Notes and the Mezzanine Facility, as further described in paragraph 8 of Part VIII of this document;
"SD Loan"	the loans from Stanley Davis to the Company as more particularly described in paragraph 8 of Part VIII of this document;
"Securities Act"	the United States Securities Act 1933 as amended;
"Sequel Portfolio"	the 23 property commercial property portfolio, currently 98.5% owned by Quintain Signal Member A and the subject of the Acquisition Agreement, plus the property known as Gelderd Point, Gelderd Road, Leeds;
"Shareholders"	the holders of Existing Ordinary Shares;
"Share Options"	the options to subscribe for Ordinary Shares, granted under the Share Option Scheme in 2012;
"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 VIII of this document;
"Subscription"	the subscription for new Ordinary Shares by Quintain on the terms of the Quintain Subscription Agreement;
"Subscription Shares"	the 275,000 new Ordinary Shares to be subscribed for by the Vendor at the Placing Price, pursuant to the terms of the Quintain Subscription Agreement;
"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;
"Target Group"	the Target and its Subsidiaries as at the date of this document;
"UK Corporate Governance Code"	the UK Corporate Governance Code published in September 2012 by the Financial Reporting Council;
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland;
"UKLA"	the Financial Conduct Authority, acting in its capacity as the competent authority for the purposes of Part VI 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;
"U.S. person"	a US person as defined in Regulation S under the US Securities Act;
"U.S. Securities Act"	the United States Securities Act 1933, as amended;
"Valuation Report"	the valuation report prepared by Cushman and Wakefield LLP included at Part VII of this document;
"VAT"	value added tax; and
"Vendor" or "Quintain"	Quintain Estates and Development plc.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS*

Admission Document publication date	2 October 2013
Latest time and date for receipt of completed Forms of Proxy	10.00 a.m. on 16 October 2013
General Meeting	10.00 a.m. on 18 October 2013
Reorganisation Record Date	5.30 p.m. on 18 October 2013
Completion of the Acquisition	21 October 2013
Admission of Enlarged Share Capital to AIM	8.00 a.m. on 21 October 2013
CREST accounts credited with Placing Shares	21 October 2013
Certificates for Consolidated Ordinary Shares and New Ordinary Shares despatched (where applicable)	by week commencing 28 October 2013

* Each of the dates in the above timetable is subject to change at the absolute discretion of the Company, with the approval of Allenby Capital and Arden Partners, in which case details of the new times and/or dates will be announced by the Company through a Regulatory Information Service.

PLACING STATISTICS*

Number of Existing Ordinary Shares in issue prior to the Acquisition	31,593,733
Number of Consolidated Ordinary Shares that would be in issue prior to the Acquisition assuming the Reorganisation had been completed	315,937
Number of Placing Shares to be issued pursuant to the Placing	11,750,000
Number of Subscription Shares to be subscribed for pursuant to the Subscription Agreement	275,000
Number of Buckingham Shares to be subscribed for pursuant to the Buckingham Subscription Agreement	100,000
Total number of New Ordinary Shares	12,125,000
Enlarged Share Capital on Admission*	12,440,937
Placing Price	200p
Percentage of Enlarged Share Capital represented by the Placing Shares	94.4%
Gross proceeds of the Placing	£23.5 million
Net proceeds of the Placing	£21.4 million
Market capitalisation of the Company at the Placing Price on Admission	£24.9 million
International Securities Identification Number (ISIN)	GB00BF5SGF06

* assuming full subscription under the Placing and no conversion of the 2010 Convertible Loan Notes or 2011 Convertible Loan Notes

DIRECTORS, SECRETARY AND ADVISERS

Directors	Stanley Harold Davis, *Non-executive Chairman* Ronald Neil Sinclair, FRICS, *Managing Director* Anthony Charles Dove, *Non-executive Director*
Proposed Director	Richard Starr MRICS, *Executive Director*
Company Secretary	David Malcolm Kaye
Registered Office	41 Chalton Street London NW1 1JD
Website	www.palacecapitalplc.com
Nominated Adviser and Joint Broker to the Company	**Allenby Capital Limited** 3 St. Helen's Place London EC3A 6AB
Lead Broker and Bookrunner to the Company	**Arden Partners plc** 125 Old Broad Street London EC2N 1AR
Solicitors to Palace Capital	**Hamlins LLP** Roxburghe House 273-287 Regent Street London W1B 2AD
Reporting Accountant and Auditors to Palace Capital	**Crowe Clark Whitehill LLP** St Bride's House 10 Salisbury Square London EC4Y 8EH
Solicitors to Allenby Capital and Arden Partners	**Nabarro LLP** Lacon House 84 Theobald's Road London, WC1X 8RW
Valuers	**Cushman & Wakefield LLP** 43-45 Portman Square London W1A 3BG
Registrars	**Capita Registrars Limited** The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Public Relations Advisers	**Broker Profile Limited** Augustine House 6A Austin Friars London EC2N 2HA

PART I

INFORMATION ON THE PROPOSALS AND THE ENLARGED GROUP

1. INTRODUCTION

The Board announced today that the Company has conditionally agreed to acquire Quintain Signal Member A, the 98.5 per cent. owner of the Sequel Portfolio, a portfolio of 24 mixed use commercial property assets in England and Wales (including the Gelderd Point Acquisition), for an aggregate consideration of £39.05 million (subject to adjustment in accordance with the Acquisition Agreement). It has also separately agreed with the shareholders of Buckingham, the entity that owns the remaining 1.5 per cent. of the Sequel Portfolio, to conditionally acquire that interest in the Sequel Portfolio for £200,000. Following the completion of the Acquisition Agreements, which are conditional on, *inter alia*, Admission, the Company will own 100 per cent. of the Sequel Portfolio for a total consideration of £39.25 million.

Based upon information supplied by the Vendor, the current net rent receivable from the Sequel Portfolio is circa £5.2 million. Based upon the consideration of £39.25 million, this equates to a yield of approximately 13.2 per cent. As described in Part VII of this document, the individual properties in Sequel Portfolio have been valued by Cushman & Wakefield at an aggregate sum of £44.2 million.

The cash required for the Acquisition is to be financed by the Placing and also an amendment to an existing facility with Nationwide, resulting in £20 million of debt finance for the Target Group, further details of which are set out below. Further details of the Acquisition Agreements are set out in this Part I and paragraph 8 of Part VIII of this document. Detailed information on the Sequel Portfolio, is set out in this Part I and a valuation of the portfolio is included as Part VII of this document.

The Company is proposing to raise £23.5 million (approximately £21.4 million net of expenses) by the issue of 11,750,000 new Ordinary Shares through the Placing at 200p per Placing Share. The Placing Shares will represent approximately 94.4 per cent. of the Enlarged Share Capital. As part of the Proposals, the Board intends to consolidate the Company's Existing Ordinary Shares. The basis of this consolidation and reorganisation is that the Existing Ordinary Shares (31,593,733) will be replaced by 315,937 Ordinary Shares before the issue of the New Ordinary Shares. As at 30 August 2013, the Business Day before the Existing Ordinary Shares were suspended from trading on AIM, the closing mid-market price of an Existing Ordinary Share was 2.125p (equivalent to 212.5p post the Reorganisation). At the Placing Price, the Enlarged Group will be valued at approximately £24.9 million on Admission.

The Company has arranged £20 million of secured debt financing for a period of three years through the amendment and restatement of the existing bank facility between Nationwide and Signal Property Investments LLP. Further details of the Facility are set out in paragraph 8 of Part VIII of this document.

In view of the size of the Acquisition relative to the Company, it 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 the General Meeting, notice of which is set out at the end of this document. Application will be made for the Consolidated Ordinary Shares to be re-admitted and the New Ordinary Shares to be admitted to trading on AIM, subject to the passing of the Resolutions. Admission is expected to take place on 21 October 2013.

2. BACKGROUND TO, AND REASONS FOR, THE ACQUISITION

On 4 October 2011, the Company completed the acquisition of Hockenhull Estates via a reverse takeover on AIM. Following this acquisition, the Company's portfolio consisted of nine freehold commercial properties all of which are located in Crewe and Nantwich, Cheshire. As at 31 January 2013, this portfolio was valued in the Group's balance sheet at £2.015 million, with net rental receivable of approximately £200,000 per annum. Following completion of the acquisition of the Hockenhull portfolio, it has remained the Company's intention to focus on the UK secondary property market outside of London, both through its current investment portfolio and by continuing to pursue additional acquisition opportunities in the UK real estate sector.

The Directors believe that the disparity between the yields on prime London property compared to regional and secondary property offers good opportunities for investors. The Directors believe that, together with evidence of improving economic data from the UK economy in general, this supports their view that this is an opportune time to buy such property. The Board also believes that 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 re-finance transactions with incumbent lenders, as is being demonstrated by the entry into the Facility with Nationwide in order to part finance the Acquisition.

The businesses and properties that the Board has targeted exhibit some or all of the following characteristics:

- good cash flow;
- opportunities to increase rental income through more active property management;
- located outside of London; and
- properties that are preferably freehold or long leasehold.

Since the acquisition of Hockenhull Estates, the Directors have continued to seek a significant high yielding commercial property portfolio in order to grow the size of the Company. The Board has looked at a number of opportunities, but, in its view, most of them did not provide a sufficient return which it could recommend to Shareholders. The Directors believe that the sentiment towards secondary high yielding commercial property, in general, in recent months has become more positive, as demonstrated by a number of recent deals in the sector. Against that background, the Directors are pleased to announce the proposed acquisition of Quintain Signal Member A, as they believe that the Sequel Portfolio fits neatly into the Board's investment criteria, it is being purchased at a reasonable price and that there is significant potential for the creation of additional shareholder value.

3. STRATEGY FOR THE ENLARGED GROUP

The Board intends initially to focus the resources of the Enlarged Group on improving the returns from the Sequel Portfolio and Hockenhull Estates and will continue to pursue additional acquisition opportunities within the UK real estate sector. Further, the Board believes that the Company has the expertise to manage portfolios owned or controlled by other parties. Following the Acquisition, part of the Company's strategy will include seeking and evaluating such opportunities which would be based on a fee plus participation in any increase in value created by the Company.

The Company's management have spent considerable time meeting owners and agents, particularly outside London, and this resulted initially in the acquisition of Cheshire based Hockenhull Estates. A number of leases in this investment have been extended, vacant property let and rents increased, thereby achieving a greater return from this acquisition. As sentiment improves and demand from investors increases the Directors believe that there is further growth still to come from this portfolio.

The Board believes that the Sequel Portfolio needs to increase rental income by active management of the portfolio. By filling voids this will increase rents and reduce irrecoverable expenditure such as empty rates and service charge/insurance premium shortfall. The Directors also believe that there are certain opportunities to secure planning permission where there is development potential.

The Enlarged Group will, where appropriate, dispose of a selected number of properties within the Sequel Portfolio where there are significant outgoings such as empty rates, service charge and insurance premium shortfall.

4. PRINCIPAL TERMS OF THE ACQUISITION AGREEMENTS

On 2 October 2013, the Company entered into the Acquisition Agreement to acquire Quintain Signal Member A (the 98.5 per cent. owner of the Sequel Portfolio) and the Gelderd Point Agreement, subject to Admission and certain other conditions. The aggregate consideration payable is £39.05 million (subject to adjustment in accordance with the terms of the Acquisition Agreement), of which £750,000 is to be paid under the Gelderd Point Agreement. The remainder is to be satisfied by the payment of £1 by the Company to the Vendor with a payment in respect of the excess of the net asset value of Quintain Signal Member A which will be calculated based on the balance sheet of Quintain Signal Member A as at the date of completion of the Acquisition.

In addition, the Company has agreed to repay, or procure repayment of all of the indebtedness owed by Signal Property Investments LLP to the Lender through a loan to be made by the Company to Signal Property Investments LLP (which will be funded out of the proceeds of the Placing) other than the balance of £20 million which will remain outstanding under the terms of the Facility.

Further, pursuant to the Acquisition, the Vendor has agreed to subscribe for the Subscription Shares at the Placing Price and that it will not trade in the Subscription Shares for a period of twelve months following Admission. The Vendor has also agreed to waive the outstanding intra-group indebtedness owed to it by members of the Target Group immediately prior to completion of the Acquisition, to the extent possible to result in Quintain Signal Member A achieving a target net asset value on completion of the Acquisition.

The Company has also agreed to make the Buckingham Acquisition. The consideration for the Buckingham Acquisition is £200,000 in cash. In addition, Buckingham has agreed to subscribe for the Buckingham Shares and to assign to the Company the benefit of approximately £220,000 of indebtedness owed to it by Signal Property Investments LLP. Buckingham has agreed that it will not trade in the Buckingham Shares for a period of twelve months following Admission.

Completion of the Acquisition is conditional, *inter alia*, on (i) the passing of the Resolutions, and (ii) Admission. Further details of the Acquisition Agreements are set out in paragraph 8 of Part VIII of this document.

5. DETAILS OF THE PLACING

The Company is raising £23.5 million (approximately £21.4 million net of expenses) by the conditional placing of 11,750,000 new Ordinary Shares pursuant to the Placing at the Placing Price. The Placing Shares will represent approximately 94.4 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 of Part VIII of this document.

Stanley Davis, Neil Sinclair and Anthony Dove, being the Directors, have agreed to subscribe for £2,602,500, £250,000 and £80,000 of Placing Shares in the Placing at the Placing Price respectively. In addition, Richard Starr, Proposed Director, has agreed to subscribe for £100,000 of Placing Shares in the Placing at the Placing Price.

The subscriptions of Placing Shares by the Directors and the Proposed Director detailed above are considered to be related party transactions under the AIM Rules. Allenby Capital, the Company's nominated adviser, considers that the subscriptions for Placing Shares by the Directors and the Proposed Director are fair and reasonable insofar as Shareholders are concerned.

Immediately following Admission, the Board (including the Proposed Director) and their immediate families are expected to hold, in aggregate, 1,649,411 Ordinary Shares amounting to approximately 13.3 per cent. of the Enlarged Share Capital.

The Directors had considered whether the Company would be able to extend the ability to subscribe for the Placing Shares to all existing Shareholders but, having discussed this with its professional advisers, decided that the expense of doing so could not be justified and would not be in the best interests of the Company.

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 Consolidated Ordinary Shares to be re-admitted and the New Ordinary 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 at 8.00 a.m. on 21 October 2013. The New Ordinary Shares will rank *pari passu* including all rights to receive dividends made, paid or declared hereafter in all respects with the Consolidated Ordinary Shares.

6. SUMMARY DETAILS OF THE FACILITY

In order to part finance the Acquisition, the Company has agreed that Signal Property Investments LLP will amend and restate its current loan facility with Nationwide Building Society and reduce the level of indebtedness to £20 million on the terms of the Facility.

The Facility is a three year £20 million term loan facility under which Signal Property Investments LLP agrees to pay interest at a rate of 3.75 per cent. over 3 month LIBOR (which is currently 0.5 per cent.) plus Nationwide's cost of compliance with the Bank of England or FCA requirements (which is likely to be circa 0.0101 per cent. but is subject to change in line with FCA requirements). Therefore, based on current rates of interest, the current aggregate rate of interest payable under the Facility is approximately 4.26 per cent.

The Facility provides for interest only payments to be made on a quarterly basis. A final capital payment is to be made by Signal Property Investments LLP at the end of the three year period from the date of drawdown or on a refinancing of the Facility or a disposal of the Sequel Portfolio, whichever is the sooner.

If a disposal of a property is made during the term of the Facility, Signal Property Investments LLP is required to prepay part of the Facility. The amount to be prepaid is 100 per cent. of the sale proceeds if the total loan to aggregate market value ratio (the "ratio") is 45 per cent. or more immediately prior to such disposal, 75 per cent. of the sale proceeds if the ratio is less than 45 per cent. but more than 40 per cent. and to prepay 50 per cent. of the sale proceeds if the ratio is less than 40 per cent.

Signal Property Investments LLP is also required to operate a number of bank accounts with Nationwide. One such account is a Deposit Account into which £1,000,000 is to be placed and held until such time, but within 12 months of drawdown, as the loan to value of the Sequel Portfolio is 45 per cent. or less, as a result of property sales.

The Facility also provides for certain covenants to be tested quarterly and to prevail during the term of the Facility. These relate to (i) loan to value (to not exceed 55 per cent.) and (ii) interest cover (to be not less than 200 per cent.).

Further details of the Facility are set out in paragraph 8 of Part VIII of this document.

7. INFORMATION ON THE COMPANY

The Company was originally admitted to trading on AIM in March 2005 under its former name Libra Retail plc.

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. Subsequently, on 30 July 2010, Neil Sinclair and Stanley Davis were appointed as directors of the Company and the then existing directors of the Company resigned immediately from the board.

On 4 October 2011, the Company completed the acquisition of Hockenhull Estates for a consideration of approximately £1.82 million, funded via a £1.2m loan from Close Property Finance, a mezzanine loan from Stanley Davis and a placing of Ordinary Shares. The acquisition constituted a reverse takeover and resulted in the successful implementation of the Company's investment strategy in accordance with Rule 15 of the AIM Rules for Companies.

Following the acquisition of Hockenhull Estates, the Company owned the freehold interest in nine commercial properties located in Crewe and Nantwich, Cheshire, which are let under fourteen individual leases. The Company's property portfolio had an aggregate value as at 31 January 2013 of £2.015 million.

8. INFORMATION ON THE SEQUEL PORTFOLIO

The Sequel Portfolio (including Gelderd Point) comprises 24 properties, all of which other than Gelderd Point are income producing. The Directors have been informed that there has not been any significant change with regard to the tenants in the Sequel Portfolio since 31 March 2013 save for Plot 24, Blackwater Way, Aldershot which has recently been let and is referred to below. The income and irrecoverable expenditure position for the year end 31 March 2013 and the Directors' current pro forma estimate is as follows:

	Directors Estimate Pro forma £'000	Year Ended 31 March 2013 £'000
Gross Rental and other income	6,450	6,769
Irrecoverable Expenses	(1,250)	(1,728)
Net Rental Income	5,200	5,040

The Sequel Portfolio (including the property at Gelderd Road, Leeds) has, under its ownership by Quintain, been managed using agents and it is anticipated that this will continue in the near term following Completion. The high level of irrecoverable costs includes void rates, uncollected insurance and service charges and it is in this area the Company will focus initially. Since the date of the last accounts, a new lease has been entered into at Blackwater Way, Aldershot for £181,475 per annum.

Valuation

As set out in Part VII of this document, a valuation of the Sequel Portfolio has been carried out by Cushman & Wakefield which ascribes a value to the portfolio of £44.2 million.

As is standard practice, Cushman & Wakefield have valued each property within the portfolio as a stand-alone asset on the basis of market value. The reported market value of £44.2 million in the Valuation Report is an aggregate of the individual valuations. In the event of a transaction involving the acquisition or sale of the entire portfolio, given the nature of some of the assets within the portfolio, a discount would be expected from the sum of the parts valuation of circa 10 per cent., giving a value of £39.7 million. Further comment on this is set out in paragraph 12 of the Valuation Report in Part VII of this document.

A brief summary of the properties within the Sequel Portfolio is provided below. All rents referred to below are exclusive of rates, service charges and insurance.

Warwick House, Wade Lane, Leeds LS2 8NL

Purpose built office building comprising an area of approximately 14,817 sq. ft. Held on lease from Leeds City Council for a term of 125 years from 29 September 1980. The current ground rent payable is £23,028 per annum. Let to Interserve Working Futures Ltd for a term of 8 years from 31 August 2011 at a current rent payable of £173,222 per annum with a rent review on 31 August 2016 and the tenant's right to determine the lease on 31 August 2017 & 31 August 2018.

Gelderd Point, Gelderd Road, Leeds, LS27 7JP

Purpose built office building erected in the 1990s about 4 miles from Leeds city centre comprising an area of approximately 20,495 sq. ft. Freehold and available with vacant possession.

Meadow Court Phase I, Amos Street, Sheffield S9 1BX

Modern multi-let courtyard office complex about 1.5 miles from Sheffield city centre. Comprises an area of 8,855 sq. ft. producing a gross income of £37,378 per annum. Freehold.

Meadow Court Phase III, Hayland Street, Sheffield, S9 1BY

Modern multi-let courtyard office complex 1.5 miles from Sheffield city centre. Comprises an area of 21,966 sq. ft. producing a gross income of £221,160 per annum. Freehold.

Allen House, Ashton Road, Stockport, SK6 2QN

Industrial/warehouse property located about 7 miles from Manchester city centre. Comprises an area of 69,849 sq. ft. on a site area of 2.87 acres and let to Mountrose Ltd for a term of 10 years from 1 September 2009 with a mutual option to determine after 5 years. The current rent passing is £268,877 per annum. Freehold.

Victoria Road Industrial Estate, Fenton Stoke-on Trent ST4 3NE

Industrial/warehouse property located about 1.5 miles from Stoke city centre. Comprises an area of 40,937 sq. ft. on a site area of 2.54 acres and let to Portmeirion Group UK Ltd for a term expiring on 28 September 2015. The current rent passing is £117,000 per annum exclusive. Freehold.

Hudson House, Toft Street, York YO1 6HP

Multi–let office property in the city centre adjoining York Station and the new York City Council offices. Comprising approximately 102,704 sq. ft. of which about 50% is let and currently producing a gross income of £260,047 per annum. Freehold.

Priory House, 28/34 Gooch Street North, Birmingham B37 7YN

Office building comprising an area of 63,112 sq. ft. about 1 mile from Birmingham New Street Station. Held on lease for a term of 46 years from 18 December 1981 at a head rent of £100 per annum. Let until 18 December 2027 to Forensic Archive Ltd at a rental of £260,000 per annum.

Staybrite House & Courtauld House, Courtaulds Way, Foleshill Enterprise Park, Coventry, CV6 5NH

Industrial/Warehouse, office property and car park constructed in the early 1990s with an area of 92,919 sq. ft. on a site of 6.83 acres. The properties are let to Bowater Building Products Ltd on 3 co-terminous leases expiring on 1 August 2024 with a tenant option to break on 1 August 2014 at a total rent of £604,818 per annum. Staybrite House is freehold, Courtauld House is held on lease until 31 January 2124 at a peppercorn rent and the car park is held on lease until 30 November 2123 at a peppercorn rent.

Imperial Court/Imperial House, Leamington Spa, CV32 4YB

Multi-let office building in the town centre comprising an area of 38,004 sq. ft. with parking for 114 cars. The property is fully occupied and let on leases to tenants including Bravissimo Ltd & Freestyle Games, producing a total rent of £559,725 per annum. Freehold.

Plot 24, Blackwater Way, Aldershot, GU12 4HD

Industrial warehouse property comprising 38,787 sq. ft. on a site of 1.54 acres. The property is held on lease from the Local Authority for a term of 125 years expiring on 28 September 2128 at a current rent payable of £47,000 per annum and subject to review every 10 years. The building is let to BHW Automotive for a term of 10 years from 19 June 2013 at a current rent payable of £181,475 per annum with a rent review and the tenant's right to break the lease at the end of the 5th year. The adjoining land is let until 26 September 2028 at a rental of £7,830 per annum. Leasehold.

The Copperfields Centre, Spital Street, Dartford DA1 2DE

Multi-let shopping centre comprising an area of 24,271 sq. ft. in town centre let on various leases to tenants including Royal Bank of Scotland producing a gross income of £230,875 per annum. Freehold.

Sandringham House, Harlow Business Park, Harlow CM19 5QA

Modern multi-let office building comprising an area of 32,749 sq. ft. on a site of 1.9 acres. Let on 3 leases to Banctec & Merial Animal Health Ltd until July 2018 producing a gross rental of £297,148 per annum. Freehold.

2-5 Devonshire Mews London W1W 5AX

A 53 space public car park comprising an area of 8,660 sq. ft. Held on lease for a term expiring on 5 July 2023 at a fixed rent of £500 per annum and let to Union Car Parks until 5 July 2023 at a rental of £82,000 per annum exclusive. Leasehold.

Units 2,3 & 4, Pitfield, Kiln Farm, Milton Keynes, MK11 3 LW

3 single storey detached office buildings comprising a total area of 52,819 sq. ft. on a site of 4.9 acres with 145 car spaces. One building is let to Northgate Information Systems Limited until 25 March 2016 and the other two to Rockwell Automation Ltd until 24 December 2014, with an option to break in June 2014. The current income is £566,416 per annum. Freehold.

ICS Buildings, North East Land & 4 Hall Road, Maldon Essex CM9 4LA

Comprises 5 buildings on 3 separate sites on an area of 3.44 acres. Fully let on 4 leases to 3 separate tenants including Rockwell Automation, Partco Autopart and Riverside Building Supplies, with a current income of £462,250 per annum and an area of 119,003 sq. ft. Freehold.

124-126, Above Bar Street, Southampton SO14 7FN

Three storey building on the west side of Above Bar Street comprising an area of 9,449 sq. ft. Held on lease from Southampton City Council until March 2052 at a fixed rent of £1,900 per annum. Fully let to two tenants at a gross rent of £55,600 per annum. Leasehold.

127 Above Bar Street & 2-8 Civic Centre Road Southampton SO14 7FN

Two storey former cinema building comprising an area of 40,562 sq. ft. Let to a range of tenants including Subway, KFC & STA Travel producing a gross rental of £367,250 per annum. Held on lease from the Prudential until June 2035 at a fixed rent of £6,500 per annum. Leasehold.

Argent Court & Argent House, Tolworth, KT6 7NA

A modern business estate of 6 units close to the A3 trunk road and comprising an area of 27,578 sq. ft. and 52 car spaces on a site of 1.61 acres. Argent House is vacant and Argent Court is let producing a gross income of £107,400 per annum. Freehold.

Point Four Industrial Estate, Avonmouth, Bristol, BS11 8DF

Multi let industrial estate 7 miles from Bristol city centre comprising 10 units, of which one is vacant. The total area is 84,700 sq. ft. on a site of 3.43 acres. Held on lease from Bristol City Council for 125 years from 24 June 1983 at a peppercorn rent. The gross income received is £353,246 per annum. Leasehold.

Stratton House, 39 Cater Road, Bristol, BS13 7UH

Industrial and warehouse property about 3 miles from Bristol City Centre comprising an area of 80,760 sq. ft. on a site of 3.19 acres. The property is held on lease for 125 years from 27 April 1983 from Bristol City Council. The passing rent at this time is £39,480 per annum and subject to five yearly reviews to 14% of open market value. The premises are let to a subsidiary of Balfour Beatty plc until June 2014 and to Computershare plc until 2016 at a total rent payable of £313,020 per annum.

Bonded Warehouse, Atlantic Wharf, Cardiff CF10 4HD

A 5 storey office building in Cardiff city centre rebuilt in 1987. Comprises 17,375 sq. ft. with 40 car parking spaces. Two floors comprising 8332 sq. ft. let to Holder Mathias Architects for 10 years from March 2013 with a break at the 5th year, at a rental of £83,320 per annum. The remaining three floors are vacant. Freehold.

BPC Building, Marsh Barton Trading Estate, Exeter. EX2 8RP

Situated 1 mile from Exeter city centre with an area of 113,106 sq. ft. on a site area of 4.25 acres. Part of the site is held on a freehold basis whilst the long leasehold part is held from Exeter City Council for 125 years from 25 December 1994. The building is let to Polestar UK Print Ltd for 25 years from 28 December 1995, at a current rent payable of £563,782 per annum. Freehold.

The Forum, Barnfield Road, Exeter EX1 1QR

A four storey multi let office building in Exeter city centre. Comprises an area of 38,341 sq. ft. of which 8,555 sq. ft. is vacant. Tenants include Savills plc, Balfour Beatty plc, Kitsons Solicitors and YourMove.co.uk and the gross income is £326,922 per annum. Freehold.

Further details on the properties in the Sequel Portfolio are set out in the Valuation Report in Part VII of this document.

9. DIRECTORS AND PROPOSED DIRECTOR

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

Stanley Harold Davis, aged 75, Non-executive Chairman

Stanley Davis is a successful serial entrepreneur. He has been involved in growing a number of thriving businesses in the Financial Services sector. He initially founded Stanley Davis Company Services Limited, a business focused on company formations. This was sold in 1988 and he left the business in 1989. Following that venture, in 1990 Stanley became Chief Executive of a small share registration company. This company became known as IRG Plc and grew substantially under his stewardship. It acquired a considerable number of businesses, including Barclays Bank Registrars. In April 2000, IRG Plc was purchased by Capita plc for a substantial sum.

In December 2000, Stanley, together with his partner, completed the purchase of Stanley Davis Group Limited ("SDG"). SDG is now focused on on-line and offshore services as well as its e-commerce capabilities. Stanley also remains an active venture capital investor in Israeli companies that are operating in the fields of alternative energy, telecommunications and life sciences. He has also been involved in a number of successful property development projects with a total value of over £250 million. He is currently involved in projects with a gross development value of over £125 million.

Ronald Neil Sinclair (known as Neil), aged 70, 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.

Anthony Charles Dove, aged 68, Non-executive Director

Anthony has over 30 years experience in the corporate sector. He was a partner at 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 which invests in Budapest property 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. Anthony is the Independent Non-executive Director on the Board.

Richard Starr, aged 39, Proposed Executive Director

Richard obtained a degree in Surveying and Valuation Development before qualifying as a Chartered Surveyor and becoming a member of the RICS in 2000. He has worked as a senior team member of three established Central London firms of commercial property surveyors including Millar Kitching and CBGA and in the Corporate Real Estate division of what is now CBRE Global Investors, before setting up his own property consultancy in 2011. He has extensive experience of sourcing commercial investments throughout the UK.

It is the Board's intention to appoint a fully independent non-executive director, preferably with financial and quoted company experience, in the near term following Admission. This will bring the number of independent Non-executive Directors to two, which is considered appropriate for a company of this size.

10. SUMMARY FINANCIAL INFORMATION

Palace Capital plc

The table below sets out Palace's summary financial information for the last two financial years ended 31 January 2013. The historical financial information was prepared under IFRS. The summary below has been extracted from Parts III and IV of this document.

	Period ended 31 July 2013 £	Year ended 31 January 2013 £	Year ended 31 January 2012 £
Turnover	91,834	199,785	55,400
Movement in fair value of investment property	–	–	197,500
(Loss)/profit after tax	(78,821)	(157,722)	13,957
Diluted (loss)/profit per share	(0.25)p	(0.50)p	0.06p
Total assets	2,052,089	2,089,536	2,213,941
Total non-current assets	2,021,246	2,021,357	2,021,715
Total equity	47,834	121,655	269,377

Full historical financial information of the Company in respect of the two financial years ended 31 January 2013 is set out in Part III of this document. The reports and accounts in respect of the three financial years ended 31 January 2013 can be accessed on Palace Capital's website at www.palacecapitalplc.com. Your attention is also drawn to the announcement of interim results for the six months ended 31 July 2013 made by Palace Capital on 2 October 2013 and which are reproduced in Part IV of this document.

Quintain (Signal) Member A Limited

The table below sets out summary consolidated financial information for the last three years ended 31 March 2013 for Quintain (Signal) Member A Limited and its subsidiary entities. The historical financial information was prepared under IFRS. The summary below has been extracted from Part V of this document.

	Year ended 31 March 2013 £	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Revenue	6,662,598	7,637,881	8,897,176
Other Operating income	106,585	198,552	280,317
Cost of sales (excluding release of dilapidations provision)	(2,761,444)	(2,593,520)	(1,991,057)
Release of dilapidations provision	1,033,000	–	–
Movement in fair value of investment property	(10,588,889)	(10,659,727)	(5,357,653)
Total comprehensive loss for the year	(11,755,964)	(10,989,946)	(3,827,781)
Total assets	59,628,189	72,296,129	86,846,044
Investment Properties	42,642,683	53,305,821	70,292,812
Total equity	(18,991,357)	(7,235,393)	3,754,553

The above results reflect the difficult economic conditions of the three years to 31 March 2013. The downturn in the UK economy has had a more marked effort on the regional and secondary occupational markets as well as investment demand. This has resulted in the significant reductions in rental income as well as in the value of the Sequel Portfolio during the period shown above. In common with normal practice, the portfolio has been financed to a large extent by bank debt and inter-company loans which, following Completion, will be replaced by the Facility provided by Nationwide.

In 2011/12 a major tenant in the property in York vacated, reducing annual rental income by some £800,000. This increase was to an extent offset in the year ended 31 March 2013 by the reversal of a dilapidation provision of over £1 million which was no longer required.

Further financial information on Quintain (Signal) Member A Limited for the three year period ended 31 March 2013 is set out in Part V, Section B of this document.

11. CURRENT TRADING AND PROSPECTS

Palace Capital

Since 01 August 2013 the nine properties in Hockenhull Estates have remained fully let and income producing. These properties, which were bought in October 2011, are in the county of Cheshire which the Directors consider to be one of the more prosperous areas in the North of England. The Directors have confidence in the positive outlook for Hockenhull Estates and believe there are opportunities for further growth in value and income which could be generated from these properties.

Sequel Portfolio

Since 01 April 2013, considerable effort has been made to effect lettings of the vacant space in the Sequel Portfolio. This is important as not only does it increase portfolio revenue but it also reduces the irrecoverable expenditure such as empty rates, service charge and insurance shortfall.

In June 2013, a letting was concluded of Plot 24, Blackwater Way Aldershot, a 26,000 sq. ft. industrial property, to BHW Automotive Ltd, which signed a new lease for a term of ten years with a right to break after five years at an initial rental of £181,475 per annum, with a rent free period until March 2014.

Following completion of the Acquisition, it is the Directors' intention to continue to reduce the void space in order to increase income and reduce irrecoverable expenditure.

The Directors believe that the acquisition of the Sequel Portfolio for £39.25 million represents an attractive proposition for investors. The current net yield at the acquisition cost will be in excess of 13% and although central overheads and management fees are likely to increase costs by £625,000, the net income generated will be significant and allow the commencement of dividend payments. The management team expect to focus on those properties with voids or short-term renewals to maximise income and, as importantly, reduce the level of void or 'empty rates'. Some properties will be disposed of, where advantageous prices can be achieved and in other cases the development potential will be explored. Over the next three years the Directors expect to reduce the level of borrowings significantly so that the residual portfolio can be refinanced on improved terms, depending on progress on any further acquisitions made in the period.

12. ACCOUNTING YEAR END

It is intended, following completion of the Acquisition, to change the Company's year end to 31 March in order to align it with the current year end of Quintain Signal Member A, the owner of the majority of the Sequel Portfolio, which will constitute the vast majority of the Enlarged Group's assets and revenue immediately following completion of the Acquisition. Therefore the Directors expect that the next results to be announced will be in respect of the 14 month period ending 31 March 2014 which the Board expects will be announced by 30 June 2014.

13. DIVIDEND POLICY

It is the Directors' intention to commence the payments of dividends following completion of the Acquisition given the returns that are anticipated. Although it will only be part of the Group for a short period in the current financial year, the Directors would expect in its first full financial year, to pay a dividend of approximately 12 pence per Ordinary Share which represents a yield of 6 per cent. at the Placing Price.

It is intended that a first dividend of 4 pence per Ordinary Share will be paid in respect of the period from completion of the Acquisition to 31 March 2014, reflecting the period of ownership. This dividend is expected to be paid in July 2014. Thereafter, dividends are expected to be paid in equal proportions in December (in respect of interim dividends) and July (in respect of final dividends). The Board expects to pursue a progressive dividend policy over time, driven primarily by enhancements made to the returns from the Sequel Portfolio and any future material acquisitions.

14. CORPORATE GOVERNANCE

Following completion of the Acquisition, the Board will consist of four Directors of whom two are executive and two are non-executive. As referred to above, it is the Board's intention to appoint a fully independent non-executive director, preferably with financial and quoted company experience, in the near term following Admission. This will bring the number of non-executive

Directors to three, of whom two will be fully independent, which is considered appropriate for a company of this size.

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.

The Company has established an audit committee, a remuneration committee and a nomination committee with terms of reference briefly summarised below. The Board as a whole will review annually the level of Directors' fees. The Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees of the Group with the provisions of the AIM Rules for Companies relating to dealings in securities of the Company and has adopted a share dealing code for this purpose.

Audit committee

The audit committee comprises two non-executive Directors and will meet (following Admission) at least three times each year. The audit committee is chaired by Anthony Dove and the other member is Stanley Davis. The audit committee must consider, amongst other matters: (i) the integrity of the financial statements of the Company, including its annual and interim accounts and the effectiveness of the Company's internal controls and risk management systems; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditor. The committee supervises and monitors, and advises the Board on, risk management and control systems and the implementation of codes of conduct. In addition, the audit committee supervises the submission by the Company of financial information and a number of other audit-related issues. The audit committee also ensures that at least once every ten years the audit services contract is put out to tender to enable the committee to compare the quality of the service currently being provided.

Remuneration committee

The remuneration committee comprises two non-executive Directors and will meet (following Admission) at least twice each year. The remuneration committee is chaired by Anthony Dove and the other member is Stanley Davis. The remuneration committee has as its remit, amongst other matters; (i) the determination and review of the remuneration of the executive Directors and the terms of any performance; (ii) incentive or bonus plans of the Group, including the setting of performance thresholds and the extent of participation above any such thresholds; and (iii) the allocation of any such entitlements as between shares and cash and the setting of any vesting periods (in each case, taking such independent advice as it considers appropriate in the circumstances). In addition, the remuneration committee prepares an annual report on the remuneration policies of the Company. The remuneration of the non-executive Directors is a matter for the Board. No Director or manager may be involved in any decisions as to his/her own remuneration.

Nomination Committee

The nomination committee comprises two non-executive Directors and will meet (following Admission) at least two times each year. The nomination committee is chaired by Anthony Dove and the other member is Stanley Davis. The nomination committee must consider amongst other matters: (i) give full consideration to succession planning for directors and other senior executives taking into account the challenges and opportunities facing the Company and the skills and expertise needed on the board on the future; (ii) the appointment to the board in respect of its director and chairman positions; (iii) review the leadership needs of the organisation; and (iv) keep up-to-date and fully informed about strategic issues and commercial changes which may affect the Company. In addition the nomination committee reports to the board on its proceedings after each meeting on all matters within its duties and responsibilities. The nomination committee prepares a report to be included in the Company's annual report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used. The nomination committee is also authorised by the board of directors to examine any activity within its terms of reference and is authorised to have unrestricted access to the Company's external auditors to obtain (at the Company's cost) professional advice on any matter within its terms of reference.

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 considered to be 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. 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. REORGANISATION

It is proposed, in order to increase the Company's share price to a level that is more attractive to investors, to undertake the Reorganisation. Pursuant to the Reorganisation and upon the Reorganisation Record Date, each 100 of the Existing Ordinary Shares are to be consolidated and divided into 1 Ordinary Share of 10 pence and 1 Deferred Share of 90 pence having the rights and being subject to the respective restrictions set out in the New Articles which, it is proposed, will be adopted pursuant to the Resolutions. The Deferred Shares will carry negligible value and will not be admitted to trading. Fractional entitlements to Consolidated Ordinary Shares will not be issued but will be consolidated and sold for the benefit of the Company.

The Resolution to carry out the Reorganisation is to be put to Shareholders at the General Meeting convened by the notice at the end of this document.

Following the Reorganisation, share certificates in respect of Existing Ordinary Shares will no longer be valid. New share certificates for Ordinary Shares will be issued following the Reorganisation representing the Consolidated Ordinary Shares and any other New Ordinary Shares issued pursuant to the Placing, the Subscription and Buckingham Subscription, or in the case of uncertificated holders, Euroclear will be instructed to credit CREST participants' accounts with New Ordinary Shares. No certificates will be issued in respect of the Deferred Shares.

In respect of the 2010 Convertible Loan Notes, the 2011 Convertible Loan Notes and the Share Options, the respective conversion, exercise and/or subscription rights will entitle the holder to acquire 1 Ordinary Share on exercise for every 100 Existing Ordinary Shares that would have been acquired on exercise prior to completion of the Reorganisation.

16. GENERAL MEETING

A notice convening a general meeting of the Company, to be held at 10.00 a.m. on 18 October 2013 at Hamlins LLP, Roxburghe House, 273/287 Regent Street, London W1B 2AD, is set out at the end of this document. At that meeting 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. Further details of the Resolutions are set out below:

Resolution 1 – Approval of the Acquisition

- Resolution 1 is an ordinary resolution to approve the Acquisition. As the Acquisition constitutes a reverse takeover under the AIM Rules, Shareholder approval is required under the AIM Rules. The Acquisition is conditional, *inter alia*, upon the passing of the Resolutions and therefore if they are not approved by the Shareholders, the Acquisition will not be completed.

Resolution 2 – Capital Reorganisation

- Resolution 2 is an ordinary resolution to consolidate and divide the Existing Ordinary Shares so that each 100 Existing Ordinary Shares shall be consolidated into 1 Consolidated Ordinary Share of 10 pence and 1 Deferred Share of 90 pence. The Consolidated Ordinary Shares and the Deferred Shares shall have attached to them the rights and be subject to the restrictions set out in the New Articles as more particularly described in paragraph 4 of Part VIII of this document.

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 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 2 will be proposed to authorise the directors to allot shares of the Company pursuant to the Placing, the Subscription and the Buckingham Subscription and otherwise up to a total nominal value of £432,768.30 representing 4,327,683 new 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 Ordinary Shares. 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. Accordingly, a special resolution will be proposed at the General Meeting to vary the Director's authority to allot equity securities for cash other than on a *pro rata* basis in respect of the Placing, the Subscription and the Buckingham Subscription and otherwise up to a total nominal value of £142,479.70, representing 1,424,797 new 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.

Resolution 5 – Adoption of New Articles

- It is proposed that the New Articles be adopted to replace the Articles in order to reflect the Reorganisation. Other than as required to reflect the Reorganisation, no other changes are being made to the Articles. Details of the New Articles are set out in paragraph 4 of Part VIII of this document.

17. ADMISSION TO AIM

Application will be made to the London Stock Exchange for the Consolidated Ordinary Shares and the New Ordinary 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 at 8.00 a.m. on 21 October 2013. No application has or will be made for the Existing Ordinary Shares, Consolidated Ordinary Shares or New Ordinary Shares to be admitted to trading or to be listed on any other stock exchange.

18. MANAGEMENT INCENTIVE SCHEME

The Board are keen to incentivise the management of the Company to generate returns for shareholders. Remuneration packages are therefore slanted towards long-term value building rather than immediate remuneration which should align their interests with shareholders.

The Board intend to implement a performance share plan once the proposed Acquisition and Placing are completed. This will take the form of an initial conditional grant of Ordinary Shares at the Placing Price which will vest depending on the achievement of demanding targets. (The nature of this grant also reflects the low levels of remuneration paid to management to date whilst management have sought the right opportunity). This initial conditional grant will represent approximately 4 per cent. of the enlarged issue share capital if 100 per cent. of the conditional grant vests.

The remuneration committee have considered the appropriate targets for management to achieve over the three financial years ending 31 March 2017. The conditional award will be split equally between two measures with performance conditions to be achieved before any allotment of new Ordinary Shares to be issued pursuant to the scheme can be made:

- Earnings per share (EPS) growth: will be based on a pro-forma profit after tax of the Enlarged Group (excluding property revaluations and disposal profits/losses) for the financial year ending 31 March 2015, this target will measure the compound EPS growth over the performance period (three years to 31 March 2017) (the "EPS Performance Period").
- TSR (Total Shareholder Return): this target measures the total shareholder return (share price rise plus dividends) over the period from Admission up to 31 March 2017 (the "TSR Performance Period"). The base price will be the Placing Price.

Average annual TSR (compounded) over TSR Performance Period	Vesting %	Average annual EPS growth (compounded) over EPS Performance Period	Vesting %
<20%	0	< 15%	0
Equal to 20%	$33\frac{1}{3}$	Equal to 15%	50
Equal to 25%	$66\frac{2}{3}$		
Equal to 30%	100	Equal to 20%	100

For the TSR measure, the achievement of between 25 per cent. and 30 per cent. compound growth will result in the number of Ordinary Shares vesting to be calculated on a straight line basis between $66\frac{2}{3}$ per cent. and 100 per cent. A similar rule will apply to the EPS condition.

The remuneration committee have confirmed that, in assessing whether the EPS target has been met or exceeded, they will satisfy themselves that the audited figures provide a true and fair reflection of the underlying earnings and cash generation of the business.

The final scheme will be implemented following completion of the Acquisition.

19. 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.

20. IRREVOCABLE UNDERTAKINGS

The Company has received irrevocable undertakings from the Directors and Barrie Tankel, Nigel Lindsay-Fynn, Andrew Perloff and Harold Perloff to vote in favour of the Resolutions in respect of, in aggregate, 22,729,792 Existing Ordinary Shares representing approximately 71.9 per cent. of the Existing Ordinary Shares. Further details of these irrevocable undertakings are set out in paragraph 5 of Part VIII of this document.

21. ANTI-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 14 of Part VIII 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, Corporate Actions, The Registry, 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 16 October 2013. 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, Target and the Proposals. In particular, your attention is drawn to the Risk Factors set out in Part II of this document.

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 and are not set out in any order of priority. 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 will have limited cash resources, notwithstanding the financial support provided to the company to date by the Chairman. The Placing is neither guaranteed nor underwritten.

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

The completion of the Acquisition Agreements is conditional upon, *inter alia*:

1. Shareholders approving the acquisition for the purposes of AIM Rule 14 by ordinary resolution at a general meeting of the Company; and
2. Admission occurring.

There can be no guarantee that all of these conditions will be satisfied, and therefore no guarantee that the Acquisition will complete.

No guarantee that the Company will have sufficient available cash to satisfy the consideration under the SPA 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. If one or more of the placees 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 under Risk Factor – "No guarantee that the conditions for the completion of the Acquisition Agreement will be satisfied"), 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

Unless a Shareholder subscribes in the Placing pro rata to his or her holding of Existing Ordinary Shares, 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 as a result of the Placing.

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 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 investment 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 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.

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.

No guarantee that the strategy for the Enlarged Group can be achieved

The Board's strategy for the Enlarged Group anticipates the achievement of a number of targets, including reductions in empty rates and disposals of certain properties. There can be no guarantee that the Enlarged Group will be able to achieve these targets, either on terms which are acceptable to the Company or at all. Any failure to achieve these objectives, on the terms anticipated by the Board, within the timeframes anticipated by the Board or at all may have an adverse effect on the Enlarged Group's financial position and/or operations.

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 the paragraph 14 headed 'Taxation' in Part VIII of this document. Tax risks for UK resident Shareholders include, but are not limited to, those detailed in paragraph 14 of

Part VIII 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. This may result in the Enlarged Group being unable to service the interest payments or comply with other requirements of the loan, rendering it repayable, the risk that available funds will be insufficient to meet required repayments and the risk that borrowings will not be able to be refinanced or that the terms of such refinancing may not be as favourable as the existing terms of the borrowings.

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.

RISKS RELATING TO ORDINARY SHARES

Possible volatility of share price

The Company is unable to predict whether Shareholders will be able to sell Ordinary Shares 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 Existing 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 Ordinary Shares will be admitted to AIM should not be taken as implying that there will be a liquid market for Ordinary 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.

PART III

HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

Palace Capital plc
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 January 2013

	Note	2013 £	2012 £
Turnover	1	**199,785**	55,400
Cost of sales		**(5,442)**	–
Gross profit		**194,343**	55,400
Administrative expenses		**(225,403)**	(141,647)
Costs of acquisition		**–**	(53,033)
Gains on revaluation of investment property portfolio		**–**	197,500
Operating (loss)/profit		**(31,060)**	58,220
Other interest receivable and similar income	3	**105**	27
Finance costs	4	**(113,733)**	(44,863)
(Loss)/profit before taxation		**(144,688)**	13,384
Tax payable on (loss)/profit on ordinary activities	7	**(13,034)**	573
(Loss)/profit after taxation for the year		**(157,722)**	13,957
Other comprehensive income for the year		**–**	–
Total comprehensive (loss)/profit for the year		**(157,722)**	13,957
Attributable to:			
Equity holders of the parent		**(157,722)**	13,957
EARNINGS PER SHARE			
Basic	8	**(0.50)p**	0.09p
Diluted		**(0.50)p**	0.06p

Palace Capital plc
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 January 2013

	Note	2013 £	2012 £
Non-current assets			
Goodwill	9	**5,910**	5,910
Investment properties	10	**2,015,000**	2,015,000
Tangible fixed assets	11	**447**	805
		2,021,357	2,021,715
Current assets			
Trade and other receivables	12	**29,483**	46,848
Cash at bank and in hand		**38,696**	145,378
		68,179	192,226
Total Assets		**2,089,536**	2,213,941
Current liabilities			
Trade and other payables	15	**(140,507)**	(122,079)
Redeemable preference shares	14	**(65,000)**	(65,000)
Creditors: amounts falling due within one year		**(205,507)**	(187,079)
Net current (liabilities)/assets		**(137,328)**	5,147
Non-current liabilities			
Borrowings	16	**(1,762,374)**	(1,757,485)
Net assets		**121,655**	269,377
Capital and reserves			
Called up share capital	17	**315,938**	315,938
Share premium account		**110,395**	110,395
Convertible loan notes – equity		**27,934**	27,934
Share based payments		**13,333**	3,333
Profit and loss account		**(345,945)**	(188,223)
Equity – attributable to the owners of the parent		**121,655**	269,377

Palace Capital plc
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 January 2013

	Share Capital £	Share Premium £	Share based payments £	Convertible loan notes equity £	Retained losses £	Total equity £
At 31 January 2011	72,160	5,761	–	–	(202,180)	(124,259)
Profit for the year	–	–	–	–	13,957	13,957
Issue of ordinary share capital	243,778	104,634	–	–	–	348,412
Issue of convertible loan notes	–	–	–	27,934	–	27,934
Share based payments	–	–	3,333	–	–	3,333
Total comprehensive income	243,778	104,634	3,333	27,934	13,957	393,636
At 31 January 2012	315,938	110,395	3,333	27,934	(188,223)	269,377
Loss for the year	–	–	–	–	(157,722)	(157,722)
Share based payments	–	–	10,000	–	–	10,000
Total comprehensive income	–	–	10,000	–	(157,722)	(147,722)
At 31 January 2013	315,938	110,395	13,333	27,934	(345,945)	121,655

For the purpose of preparing the consolidated financial information of Palace Castle and its subsidiaries, the share capital represents the nominal value of the issued share capital of Palace Capital. Share premium represents the excess over nominal value of the fair value consideration received for equity shares net of expenses of the share issue.

Share based payments reserve comprises the fair value of options and performance share rights recognised as an expense. Upon exercise of options or performance share rights, any proceeds received are credited to share capital. The share-based payment reserve remains as a separate component of equity.

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

Palace Capital plc
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 January 2013

	Note	2013 £	2012 £
OPERATING ACTIVITIES			
Net cash outflow from operating activities	2	**(7,304)**	(158,000)
Interest received		**105**	27
Interest paid		**(99,599)**	(17,361)
		(99,494)	(17,334)
TAXATION			
Corporation tax paid		**–**	(28,148)
INVESTING ACTIVITIES			
Payments to acquire subsidiary undertaking	9	**–**	(1,783,395)
Adjustments to / (payments to acquire) fixed assets	11	**135**	(805)
Net cash flow from investing activities		**135**	(1,784,200)
FINANCING ACTIVITIES			
Loans provided by directors	16	**–**	577,500
Bank loans (repaid) / received	16	**(19)**	1,200,000
Issue of new share capital		**–**	348,412
Net cash flow from financing activities		**(19)**	2,125,912
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(106,682)**	138,230
Cash and cash equivalents at beginning of the year		**145,378**	7,148
Cash and cash equivalents at the end of the year		**38,696**	145,378

Palace Capital plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 January 2013

BASIS OF ACCOUNTING

This financial information is for Palace Capital Plc (''the Company'') and its subsidiary undertakings.

The Company is quoted on the AIM market of the London Stock Exchange and is domiciled and registered in England and Wales and incorporated under the Companies Act 1985. The address of its registered office is First floor, 41 Chalton Street, London, NW1 1JD.

BASIS OF PREPARATION

The Company financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. This financial information is for the year 1 February 2012 to 31 January 2013 and is presented in pounds sterling (''GBP'').

The financial information has been prepared under the historical cost basis, as modified by valuing financial assets and financial liabilities at fair value through the Statement of Comprehensive Income. The principal accounting policies adopted are set out below.

GOING CONCERN

The Group made a loss of £157,722 for the year ended 31 January 2013 (2012: profit of £13,957) and had net current liabilities of £137,328 (2012: net current assets of £5,147).

The directors have reviewed forecast and budgets for the coming year, which have been drawn up with appropriate regard for the current economic environment and the particular circumstances in which the Group operates. These were prepared with reference to historical and current industry knowledge, taking into account future strategy of the Group.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as they fall due. As the Group has net current liabilities as at 31 January 2013, the Group has obtained confirmation from its directors that they will continue to provide financial support to the Group to ensure it can meet its liabilities as they fall due.

As a result of these considerations, at the time of approving the financial information, the directors consider that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future. It is appropriate to adopt the going concern basis in the preparation of the financial information.

As with all business forecasts, the directors' statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of this financial information the following Standards and Interpretations, some of which have not been endorsed by the EU, which have not been applied in this financial information but were in issue but not yet effective:

IFRS 9 – Financial Instruments – (not yet EU adopted)
IAS 24 – Related Party Disclosures (Revised 2009)
IAS 27 – Separate Financial Statements
IAS 28 – Investments in Associates and Joint Ventures
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
Amendment to IAS12 – Income Taxes
Amendment to IAS 1 – Presentation of Financial Statements
Amendment to IAS 19 – Employee Benefits
Amendments to IFRS1 – Government Loans
Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) – (not yet EU adopted)
IFRIC 21 – Levies – (not yet EU adopted)
IAS 36 Amendments Recoverable Amount Disclosures for Non-Financial Assets – (not yet EU adopted)
Amendments to IAS 39 – Recognition and Measurement – (not yet EU adopted)

The Directors do not anticipate that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial information of the Group when the relevant standards and interpretations come into effect.

BASIS OF CONSOLIDATION

The consolidated financial information incorporates the financial statements of Palace Capital plc and its subsidiaries.

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying the shareholding of more than half of the voting rights. Where necessary, adjustments have been made to the financial statements of subsidiaries, associates and joint ventures to bring the accounting policies used and accounting periods into line with those of the Group. Intragroup balances and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the Consolidated financial information.

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

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

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

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The excess of consideration over the fair value of the assets and liabilities acquired is recorded as goodwill. If the consideration is less than the fair value of the assets and liabilities acquired, the difference is recognised directly in the Statement of Comprehensive Income.

REVENUE

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

Revenue shown in the profit and loss account represents amounts invoiced during the year.

OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated before interest and tax.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

INVESTMENT PROPERTIES

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

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

The investment properties were valued as at 31 January 2013 by the Directors. The valuation basis is market value and was arrived at by reference to market evidence of the transaction prices paid for similar properties.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, net of depreciation and any provision for improvement. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful economic lives.

The rates generally applicable are:

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

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially measured at fair value and are subsequently re-assessed at the end of each accounting period.

CASH AND CASH EQUIVALENTS

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

FINANCIAL LIABILITIES AND EQUITY

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

TRADE PAYABLES

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

CONVERTIBLE LOAN NOTES

Convertible loan notes issued by the Group are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using prevailing market interest rate for similar non-convertible debt. The difference between the proceeds from issuing the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the respective date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

EQUITY INSTRUMENTS

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Shares issued are held at their fair value.

CURRENT TAXATION

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

DEFERRED TAXATION

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

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

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

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

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

SHARE CAPITAL

Ordinary share capital is classified as equity. Interim ordinary dividends are recognised when paid and final ordinary dividends are recognised as a liability in the period in which they are approved.

The Group's preference shares are split into debt and equity components, with the associated dividend being recognised on an accrual basis in the income statement as a finance cost.

The fair value of the debt element is established on issue of the shares, based on the discounted cash flows of the instrument to the date of maturity, and is then increased each year on an amortised cost basis through the income statement in order to arrive at the redemption amount payable on maturity of the shares. On purchase and cancellation of preference shares by the Company, a gain or loss is recognised in the income statement based on the difference between the book value and fair value of the financial liability element of the instrument at the date of purchase. The difference between the book value and fair value of the equity element of the instrument is recognised as a movement in retained earnings. In addition, a transfer is made to non-distributable reserves from retained earnings in order to maintain the legal nominal value of share capital.

SHARE BASED PAYMENT

The Group has applied the requirements of IFRS 2 share based payment to share options. The fair value of the share options are determined at the grant date and are expensed on a straight line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects on non-transferability, exercise restrictions and behavioural considerations.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

COMMITMENTS AND CONTINGENCIES

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

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included within intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

EVENTS AFTER THE BALANCE SHEET DATE

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

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

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

Investment properties

The key source of estimation uncertainty rests in the values of property assets, which significantly affects the value of investment properties in the Balance Sheet. The investment property portfolio is carried at fair value, which requires a number of judgements and estimates in assessing the qualities of the Group's assets relative to market transactions. The approach to this valuation and the amounts affected are set out in the accounting policies and note 10.

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

1. SEGMENTAL REPORTING

For the purpose of IFRS 8, the chief operating decision maker (''CODM'') takes the form of the Board of Directors. The Directors' opinion of the business of the Group is as follows.

The principal activity of the Group was to invest in entities operating within the property sector.

Based on the above considerations, there is considered to be one reportable segment. The internal and external reporting is on a consolidated basis with transactions between group companies eliminated on consolidation. Therefore the financial information of the single segment is the same as that set out in the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position and cashflows.

Geographical segments

The following tables present revenue regarding the Group's geographical segments for the years ended 31 January 2013 and 31 January 2012.

Year ended 31 January 2013	**United Kingdom £**	Total £
Rents received from investment properties	**199,785**	199,785
	199,785	199,785

Year ended 31 January 2012	**United Kingdom £**	Total £
Rents received from investment properties	**54,400**	54,400
	54,400	54,400

2 RECONCILIATION OF OPERATING PROFIT

Reconciliation of operating profit/(loss) to cash outflows from operating activities

	2013 £	2012 £
(Loss)/profit before taxation	**(144,688)**	13,384
Finance income	**(105)**	(27)
Finance costs	**113,733**	44,863
Gains on revaluation of investment property portfolio	**–**	(197,500)
Depreciation	**223**	–
Share based payments	**10,000**	3,333
Decrease/(increase) in receivables	**6,190**	(15,493)
Increase/(decrease) in payables	**7,343**	(6,560)
Net cash outflow from continuing operating activities	**(7,304)**	(158,000)

3 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £	2012 £
Bank interest received	**105**	27
	105	27

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £	2012 £
Interest on bank loans	**72,486**	23,514
Interest on other loans	**35,397**	15,499
Preference share dividend payable	**5,850**	5,850
	113,733	44,863

The holders of the preference shares waived all rights to unpaid dividends up to 31 January 2011.

5 PROFIT/(LOSS) FOR THE PERIOD

The Group's profit/(loss) for the period is stated after charging the following:

	2013 £	2012 £
Auditor's remuneration:		
Fees payable to the auditor for the audit of the company's annual accounts	**14,500**	14,500
Fees payable to the auditor and its related entities for other services:		
Corporate advisory services	**–**	38,100
	14,500	52,600

Amounts payable to Crowe Clark Whitehill LLP and its related entities in respect of audit and non-audit services are disclosed in the table above.

6 EMPLOYEES AND DIRECTORS' REMUNERATION

Staff costs during the year were as follows:

	2013 £	2012 £
Directors fees	**24,500**	8,166
Wages and salaries	**57,000**	19,000
Social security costs	**7,126**	1,904
Share based payments	**10,000**	3,333
	98,626	32,403

The average number of employees of the Company during the year was:

	2013 Number	2012 Number
Directors and management	**4**	4

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

	2013 £	2012 £
Short-term employee benefits:		
Emoluments for qualifying services	**69,500**	23,167
Share based payments	**8,250**	2,750
	77,750	25,917

There are no retirement benefits accruing to any of the Directors.

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

	2013 £	2012 £
Short-term employee benefits:		
-Emoluments for qualifying services	**45,000**	15,000
Share based payments	**5,500**	1,833
	50,500	16,833

7 TAXATION

	2013 £	2012 £
Current income tax charge	**15,937**	(573)
Over provided in prior year	**(2,903)**	
Deferred tax	**–**	–
Tax charge/(credit)	**13,034**	(573)

	2013 £	2012 £
(Loss)/profit on ordinary activities before tax	**(144,688)**	13,384
Based on profit for the year:		
Tax at 24.3% (2012: 26.3%)	**(35,159)**	3,520
Effect of:		
Expenses not deductible for tax purposes	**9,527**	16,487
Over provision in prior year	**(2,903)**	–
Gains on revaluation of investment property portfolio	**–**	(51,943)
Other adjustments	**4,766**	8,017
Losses not utilised	**36,803**	24,492
Tax charges for the year	**13,034**	573

At 31 January 2013, the Company had tax losses of £740,665 (2012: £515,752) available to carry forward to future periods. A deferred tax asset of £177,760 (2012: £134,095) has not been recognised in the financial statements due to the uncertainty as to the timing of future taxable profits.

8 EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on the following profits/(losses) and number of shares:

	2013 £	2012 £
Profit/(loss) for the year	**(157,722)**	13,957
Weighted average number of shares for basic profit/(loss) per share	**31,593,733**	15,297,356
Weighted average number of shares for diluted profit/(loss) per share	**50,753,106**	21,648,819
EARNINGS PER ORDINARY SHARE;		
Basic	**(0.50)p**	0.09p
Diluted	**(0.50)p**	0.06p

In accordance with IAS 38 where there is a loss for the year, there is no dilutive effect from share options and therefore there is no difference between the basic and diluted loss per share.

9 INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 1 February 2012 & 31 January 2013	5,910
Carrying Value at 31 January 2013	**5,910**

10 INVESTMENT PROPERTIES

	Freehold Investment properties £
At 1 February 2012 and 31 January 2013	**2,015,000**

Investment properties are stated at fair value as determined by the Directors. The Directors have decided that in their opinion the fair value of these assets at 31 January 2012 and 31 January 2013 was £2,015,000. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms-length transaction at the date of valuation, in accordance with International Valuation Standards. The fair value of each of the properties has been assessed by the Directors. In determining the fair value of investment properties, the Directors make use historical and current market data as well as existing lease agreements.

As a result of the level of judgement used in arriving at the market valuations, the amounts which may ultimately be realised in respect of any giving property may differ from the valuations shown in the statement of financial position.

Investment properties with a carrying value of £2,015,000 (2012: £2,015,000) are subject to a first charge to secure the Company's bank loan amounting to £1,199,981 (2012: £1,200,000).

11 TANGIBLE FIXED ASSETS

	IT and fixtures and fittings £
At 1 February 2012	805
Adjustment to additions	(135)
At 31 January 2013	**670**
Depreciation	
At 1 February 2012	–
Provided during the year	223
At 31 January 2013	**223**
Net book value at 31 January 2013	447
Net book value at 31 January 2012	805

12 TRADE AND OTHER RECEIVABLES

	2013 £	2012 £
Trade receivables	**15,477**	4,417
Income tax	**–**	11,175
Other taxes	**3,774**	26,136
Prepayment	**10,232**	5,120
	29,483	46,848

Trade receivables relate only to customers with no recent history of default. There are no receivables that are past due but not impaired at the year end

13 CASH AND CASH EQUIVALENTS

All of the Group's cash and cash equivalents at 31 January 2013 and 31 January 2012 are in sterling and held at floating interest rates.

	2013 £	2012 £
Cash and cash equivalents	**38,696**	145,378

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

14 REDEEMABLE PREFERENCE SHARES

The 65,000 £1 redeemable preference shares provide for a fixed cumulative dividend at a rate of 9% per annum which accrues on a daily basis. The preference shares can be redeemed by the company at any time on seven days written notice. The preference shares do not confer a right to attend, speak or vote at any general meeting of the company. Included in accruals and deferred income are accrued preference dividends of £11,700 (2012: £5,850).

15 TRADE AND OTHER PAYABLES

	2013 £	2012 £
2010 Convertible loan notes (note 20)	**60,000**	58,240
Trade payables	**10,500**	–
Income tax	**1,859**	–
Other taxes	**2,651**	–
Accruals and deferred income	**65,497**	63,839
	140,507	122,079

The convertible loan notes amounting to £60,000 are convertible at any time up to 31 January 2014 at a rate of 2.25p per share. No interest is payable on the loan notes. The liability component of these loan notes amount to £60,000 (2012 – £58,240 (see note 20)).

16 BORROWINGS

	2013 £	2012 £
2011 Convertible loan notes (note 20)	**284,893**	279,985
Loan notes	**277,500**	277,500
Bank loans	**1,199,981**	1,200,000
	1,762,374	1,757,485

The bank loan amounting to £1,199,981 (2012: £1,200,000) is secured on the investment properties. Interest is charged at a rate of 5% above the 1 month Libor rate with a minimum rate of 6% and is payable monthly. The loan is repayable on 30 September 2014.

The loan notes amounting to £277,500 (2012; £277,500) were provided by Stanley Davis, a director of the company, at an interest rate of 5% above the 1 month Libor rate fixed for each interest period. The interest accrued during the period amounted to £16,696 (2012: £5,428). The loan is repayable on 3 October 2015.

The convertible loan notes of £300,000 (2012: £300,000) were provided by a pension scheme of which Stanley Davis is a beneficiary at an interest rate of 4%. The liability component of this loan amounted to £284,893, (2012 – £279,985) (see note 20).The interest accrued during the period amounted to £12,033 (2012 – £3,912). The loan is repayable on 3 October 2015 but can be converted to Ordinary Shares at any time at an exercise price of 2.25p per share.

17 SHARE CAPITAL

	2013	2012
	£	£
31,593,733 (2012 – 31,593,733) Ordinary Shares of 1p each	**315,938**	315,938
65,000 redeemable preference shares of £1 each	**65,000**	65,000

Share options:

As at 31 January 2013, the Company had outstanding unexpired options of 3,159,373 shares (2012: 3,159,373). No share options were granted during the year (2012: 16,492,706). No share options were exercised or lapsed during the year (2012 : nil).

18 SHARE BASED PAYMENT

Senior executive plan

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

	Number	Weighted average price per share
At 1 February 2012	**3,159,373**	2.25
Issued during the year	**–**	–
At 31 January 2013	**3,159,373**	2.25

Option on convertible loans

As part of the loan agreements options were granted to convert £300,000 of loans to shares. The exercise price of the options is equal to the market price of the shares on the date of grant.

The weighted average remaining contractual life of the options outstanding at 31 January 2013 was 3 years (2012: 4).

19 RELATED PARTY TRANSACTIONS

Stanley Davis, owns £32,500 (2012: £32,500) of the redeemable preference shares disclosed in note 14.

Convertible loan notes amounting to £31,500 (2012: £31,500),disclosed in note 15, are payable to Stanley Davis, £2,000 (2012: £2,000) are payable to Neil Sinclair and £2,000 (2012: £2,000) are payable to London Active Management, a company controlled by Pamela & Neil Sinclair. No interest is payable on these loan notes.

A further convertible loan note amount of £300,000 (2012: £300,000) was provided by a pension scheme in which Stanley Davis is a beneficiary. Accrued interest on this loan amounted to £12,033 (2012: £3,912).

Included in other loans payable after more than one year are convertible loan notes amounting to £277,500 (2012: £277,500) provided by Stanley Davis, a director of the company. Accrued interest on this loan amounted to £16,696 (2012: £5,428).

Accounting services amounting to £nil (2012: £3,000) have been provided to the Group by Stanley Davis Group Limited, a company where Stanley Davis is a director.

20 CONVERTIBLE LOAN NOTES

Loan notes amounting to £300,000 are convertible at the option of the loan note holder into ordinary shares of the Company at any time between the date of issue of the loan notes and their maturity date of 3 October 2015 at 2.25p per share.

The effective rate of interest used to calculate the interest charged on the loan notes to the income statement was 6%.

If the loan notes have not been converted, they will be redeemed on their maturity date at par. Interest of 4% per annum will be paid quarterly up until that date.

In addition, there were convertible loan notes amounting to £60,000 which are convertible at a rate of 2.25p per share, at the option of the loan note holders and at any time prior to redemption. No interest is payable on the loan notes.

There were no transaction costs incurred on the issue of these loan notes. The proceeds from the issue of the convertible loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group as follows:

	Note 1		**Note 2**	
	2013	2012	**2013**	2012
	£	£	**£**	£
Convertible loan notes issued	**300,000**	300,000	**60,000**	60,000
Equity component	**(21,197)**	(21,197)	**(6,737)**	(6,737)
Liability component at date of issue	**278,803**	278,803	**53,263**	53,263
Interest charged	**22,002**	5,094	**6,737**	4,977
Interest payable	**(15,912)**	(3,912)	**–**	–
	284,893	279,985	**60,000**	58,240

21 CATEGORIES OF FINANCIAL INSTRUMENTS

The Group's financial assets are divided as cash and cash equivalents. The Group's financial liabilities are divided as preference shares, loans and loan notes.

	Loans, cash and cash equivalents and receivables held at amortised cost		Borrowings and trade payables held at amortised cost	
	2013	2012	**2013**	2012
	£	£	**£**	£
Financial assets				
Cash and cash equivalents	**38,696**	145,378	**–**	–
Current financial liabilities				
Borrowings – loan notes	**–**	–	**60,000**	58,240
Borrowings – bank loan	**–**	–	**1,199,981**	1,200,000
Borrowings – other loans	**–**	–	**562,393**	557,485
Preference Shares	**–**	–	**65,000**	65,000
Total	**38,696**	145,378	**1,887,374**	1,880,725

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

Capital risk management

The Group considers its capital to comprise its share capital and share premium. The Group's capital management objectives are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

Significant Accounting Policies

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

Foreign currency risk

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

Interest rate risk

The Group is exposed to changes in interest rates as a result of the cash balances that it holds. The cash balances of the Group are presently around £40,000. The income statement would be affected by £400 (2012: £1500) by a reasonably possible 1 percentage point change in floating interest rates on a full year basis.

The Group has loans amounting to £1,477,500 which have interest payable at rates linked to the 1 month Libor interest rates. A 1% increase in Libor rate would have the effect of increasing interest payable by £14,775 on a full year basis.

The Group must also pay interest at a fixed rate of 9% (2012: 9%) per annum on its £65,000 of preference shares in issue and at 4% on a £300,000 loan provided by a pension scheme in which Stanley Davis is a beneficiary. As the interest rate on these loans is fixed, the Group is not exposed to any changes in interest rates on these loans.

The Group is therefore relatively sensitive to changes in interest rates.

Credit risk management

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

Palace Capital plc has all its cash held on deposit with one large bank in the United Kingdom. At 31 January 2013 the concentration of credit risk held with that bank was £38,696 (2012: £146,873).

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

Credit risk also results from the possibility of a tenant in the Group's property portfolio defaulting on a lease. The largest lease amounts to 19% of the Group's anticipated income.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

This is the risk of the Company not being able to continue to operate as a going concern.

At 31 January 2013, the Group had net current liabilities of £137,328 (2012: current assets £5,147).

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as they fall due. As the Group has net current liabilities as at 31 January 2013, the Group has obtained confirmation from its Directors that they will continue to provide financial support to the Group to ensure it can meet its liabilities as they fall due.

Derivative financial instruments

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

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

Palace Capital plc
COMPANY BALANCE SHEET
31 January 2013

	Note	2013 £	2012 £
Non-current assets			
Tangible fixed assets	4	**447**	805
Investments	3	**1,813,215**	1,813,215
		1,813,662	1,814,020
Current assets			
Other debtors	5	**13,844**	29,236
Cash at bank and in hand		**11,885**	115,724
		25,729	144,960
Creditors: amounts falling due within one year	6	**(1,338,456)**	(1,311,050)
Net current liabilities		**(1,312,727)**	(1,166,090)
Non-current liabilities			
Borrowings	7	**(562,393)**	(557,485)
Net (liabilities)/assets		**(61,458)**	90,445
Capital and reserves			
Called up share capital	8	**315,938**	315,938
Share premium account	9	**110,395**	110,395
Convertible loan notes – equity		**27,934**	27,934
Share based payments		**13,333**	3,333
Profit and loss account	10	**(529,058)**	(367,155)
Equity – attributable to the owners of the parent	11	**(61,458)**	90,445

The financial statements were approved by the Board of Directors and authorised for issue on 4 July 2013 and were signed on its behalf by:

Stanley Davis
Non-executive Chairman

Palace Capital plc
NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the year ended 31 January 2013

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the historical cost convention and in accordance with applicable United Kingdom law and United Kingdom accounting standards. The principal accounting policies are described below. They have all been applied consistently throughout the year and preceding year. The company has also taken advantage of the exemption from presenting a cash flow statement under the terms of FRS1 'Cash Flow Statements'.

GOING CONCERN

At 31 January 2013, the Company had net current liabilities of £1,312,727 (2012: £1,166,090). The Company has obtained a confirmation from its' principal creditor that it will not seek to recover its balance to the extent it would prejudice the ability of the Company to meet its liabilities as they fall due.

The Directors have, after careful consideration of the factors set out above, concluded that it is appropriate to adopt the going concern basis for the preparation of the financial statements and the financial statements do not include any adjustments that would result if the going concern basis was not appropriate.

INVESTMENTS

Investments held as fixed assets are stated at cost less provision for impairment.

TAXATION

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Taxation arising on disposal of a revalued asset is split between the profit and loss account and the statement of total recognised gains and losses on the basis of the tax attributable to the gain or loss recognised in each statement.

CONVERTIBLE LOAN NOTES

Convertible loan notes issued by the Company are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using prevailing market interest rate for similar non-convertible debt. The difference between the proceeds from issuing the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the respective date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

1 LOSS FOR THE FINANCIAL YEAR

The Company has taken advantage of section 408 of the Companies Act 2006 and consequently a profit and loss account for the company alone has not been presented.

The Company's loss for the financial year was £161,903 (2012: £164,975).

The Company's loss for the financial year has been arrived at after charging auditor's remuneration payable to Crowe Clark Whitehill LLP for audit services to the Company of £14,500 (2012: £14,500).

2 EMPLOYEES AND DIRECTORS' REMUNERATION

Staff costs during the year were as follows:

	2013 **£**	2012 £
Directors' fees	**24,500**	8,166
Wages and salaries	**57,000**	19,000
Social security costs	**7,126**	1,904
Share based payments	**10,000**	3,333
	98,626	32,403

The average number of employees of the Company during the year was:

	2013 **Number**	2012 Number
Directors and management	**4**	4

Remuneration in respect of Directors was as follows:

	2013 **£**	2012 £
Short term employee benefits:		
Emoluments for qualifying services	**69,500**	23,167
Share based payments	**8,250**	2,750
	77,750	25,917

There are no retirement benefits accruing to any of the Directors.

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

	2013 **£**	2012 £
Short term employee benefits:		
Emoluments	**45,000**	15,000
Share based payments	**5,500**	1,833
	50,500	16,833

3 INVESTMENTS

	Subsidiary undertaking £
At 1 February 2012 and 31 January 2013	**1,813,215**

The Company owns more than 20% of the following undertakings:

	Class of share held	% shareholding	Principal activity	Country of incorporation
Subsidiary undertaking: Equalgold Limited	Ordinary	100	Dormant	United Kingdom
Hockenhull Estates Limited	Ordinary	100	Property Investments	Isle of Man

4 TANGIBLE FIXED ASSETS

	IT and fixtures and fittings £
At 1 February 2012	805
Adjustment to additions	(135)
At 31 January 2013	**670**
Depreciation	
At 1 February 2012	–
Provided during the year	223
At 31 January 2013	**223**
Net book value at 31 January 2013	**447**
Net book value at 31 January 2012	**805**

5 OTHER DEBTORS

	2013 £	2012 £
Other taxes and social security	**3,774**	26,136
Prepayment	**10,070**	3,100
	13,844	29,236

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £	2012 £
Trade creditors	**10,500**	–
Amounts owed to subsidiary undertakings	**1,156,523**	1,156,523
Other taxes	**2,651**	–
Redeemable preference shares	**65,000**	65,000
Loan notes	**60,000**	58,240
Accruals and deferred income	**43,782**	31,287
	1,338,456	1,311,050

The 65,000 £1 redeemable preference shares provide for a fixed cumulative dividend at a rate of 9% per annum which accrued on a daily basis. The preference shares can be redeemed by the Company at any time on seven days written notice. The preference shares do not confer a right to attend, speak or vote at any general meeting of the company.

The loan notes are convertible on completion of a fund raising process or on 31 July 2012 at a rate of 2.25p per share. No interest is payable on the loan notes.

7 BORROWINGS

	2013 £	2012 £
Convertible loan notes	**284,893**	279,985
Other loans	**277,500**	277,500
	562,393	557,485

The loan notes amounting to £277,500 (2012; £277,500) were provided by Stanley Davis, a Director of the Company, at an interest rate of 5% above the 1 month Libor rate fixed for each interest period. The interest accrued during the period amounted to £16,696 (2012: £5,428). The loan is repayable on 3 October 2015.

The convertible loan notes of £300,000 (2012: £300,000) were provided by a pension scheme of which Stanley Davis is a beneficiary at an interest rate of 4%. The liability component of this loan amounted to £284,893 (2012 – £279,985) .The interest accrued during the period amounted to £12,033 (2012 – £3,912). The loan is repayable on 3 October 2015 but can be converted to Ordinary Shares at any time at an exercise price of 2.25p per share.

8 SHARE CAPITAL

	2013 £	2012 £
31,593,733 (2012: 31,593,733) Ordinary Shares of 1p each	315,938	315,938
65,000 redeemable preference shares of £1 each	65,000	65,000

Share options:

As at 31 January 2013, the Company had outstanding unexpired options over 3,159,373 Ordinary Shares (2012: 3,159,373). No share options were granted or exercised or lapsed during the year (2012: Granted 3,159,373).

9 SHARE PREMIUM ACCOUNT

	2013 £	2012 £
Balance brought forward	**110,395**	5,761
Premium on issue of new Ordinary Shares	**–**	104,634
Balance carried forward	**110,395**	110,395

10 PROFIT AND LOSS ACCOUNT

	2013 £	2012 £
Balance brought forward	**(367,155)**	(202,180)
Loss for financial year	**(161,903)**	(164,975)
Balance carried forward	**(529,058)**	(367,155)

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £	2012 £
Loss for the financial year	**(161,903)**	(164,975)
Net decrease in shareholders' funds	**(161,903)**	(164,975)
Issue of new shares	**-**	348,412
Share based payments	**10,000**	3,333
Issue of convertible loans – equity	**–**	27,934
Opening Shareholders' funds	**90,445**	(124,259)
Closing Shareholders' funds	**(61,458)**	90,445

PART IV

INTERIM RESULTS OF THE COMPANY FOR THE SIX MONTHS ENDED 31 JULY 2013

Set out below is a complete extraction of the Company's interims results announcement for the six months to 31 July 2013, as announced by the Company on 2 October 2013:

CHAIRMAN'S STATEMENT

I can report that for the half year ended 31 July 2013 the Company made a loss before tax of £78,821 (2012 - £65,086). The Company will not be declaring a dividend.

Simultaneously with the publication of these results we have today announced the acquisition subject to shareholder approval of the Sequel Portfolio from Quintain Estates & Development PLC. This is a portfolio of 24 secondary high yielding commercial investments situated across the UK. They currently produce a net income of approximately £5.2m per annum and the effective price being paid is £39.25m which gives our Company a net yield of just over 13 per cent.

We will be buying the corporate entity that owns a 98.5 per cent. interest in these properties plus the 1.5 per cent. owned by another party and to facilitate this acquisition we have firstly raised £23.5m of new equity with institutional and private investors and secondly we have secured a 3 year loan of £20m from Nationwide Building Society on what we consider to be reasonable terms.

There are considerable opportunities with this portfolio for active management to increase the yield and capital value and we are excited about this purchase.

This is Stage Two of our stated strategy which is to purchase high yielding commercial investment properties capable of active management mainly outside London. Stage One was the acquisition of Hockenhull Estates a portfolio of nine properties in Cheshire which has performed very well in that we have extended a number of leases and currently there are no voids. In the prior interim period the Company benefited from a write back of a provision previously made for a bad debt.

The market is now looking positively at secondary commercial property outside London which in our view has vindicated our strategy. We are continuing to look for additional acquisitions which provide the appropriate return and we look to the future with confidence.

Stanley Davis
Non-executive Chairman
2 October 2013

CONSOLIDATED INCOME STATEMENT
for the six months ended 31 July 2013

	Notes	6 months ended 31 July 2013 (unaudited) £	6 months ended 31 July 2012 (unaudited) £	12 months ended 31 January 2013 (audited) £
Revenue		91,834	104,660	199,785
Cost of sales		(2,964)	(4,204)	(5,442)
GROSS PROFIT		88,870	100,456	194,343
Administrative expenses		(113,037)	(108,452)	(225,403)
LOSS BEFORE INTEREST		(24,167)	(7,996)	(31,060)
Other interest receivable		25	33	105
Finance costs		(54,277)	(57,123)	(113,733)
LOSS BEFORE TAX		(78,419)	(65,086)	(144,688)
Taxation		(402)	–	(13,034)
LOSS FOR THE PERIOD		(78,821)	(65,086)	(157,722)
LOSS PER ORDINARY SHARE				
Basic	2	(0.25p)	(0.21p)	(0.50p)
Diluted	2	(0.25p)	(0.21p)	(0.50p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 July 2013

	Note	31 July 2013 (unaudited) £	31 July 2012 (unaudited) £	31 January 2013 (audited) £
NON-CURRENT ASSETS				
Goodwill		5,910	5,910	5,910
Investment properties		2,015,000	2,015,000	2,015,000
Tangible fixed assets		336	559	447
		2,021,246	2,021,469	2,021,357
CURRENT ASSETS				
Trade and other receivables		20,907	19,160	29,483
Cash and cash equivalents		9,936	96,913	38,696
TOTAL CURRENT ASSETS		30,843	116,073	68,179
CURRENT LIABILITIES				
Redeemable preference shares		(65,000)	(65,000)	(65,000)
Trade and other payables		(174,427)	(103,312)	(140,507)
TOTAL CURRENT LIABILITIES		(239,427)	(168,312)	(205,507)
NET CURRENT LIABILITIES		(208,584)	(52,239)	(137,328)
NON-CURRENT LIABILITIES				
Borrowings		(1,764,828)	(1,759,939)	(1,762,374)
NET ASSETS		47,834	209,291	121,655
EQUITY				
Share capital		315,938	315,938	315,938
Share premium account		110,395	110,395	110,395
Convertible loan notes – equity		27,934	27,934	27,934
Share based payments		18,333	8,333	13,333
Profit and loss account		(424,766)	(253,309)	(345,945)
EQUITY – attributable to the owners of the parent		47,834	209,291	121,655

CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 31 July 2013

	Note	6 months ended 31 July 2013 (unaudited) £	6 months ended 31 July 2012 (unaudited) £	12 months ended 31 January 2013 (audited) £
OPERATING ACTIVITIES				
Net cash out flow from operations	3	(15,858)	(6,470)	(7,304)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(15,858)	(6,470)	(7,304)
Interest received		25	33	105
Interest paid		(35,666)	(42,028)	(99,599)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(35,641)	(41,995)	(99,494)
TAXATION				
Corporation tax paid		(2,261)	–	–
INVESTING ACTIVITIES				
Adjustments to fixed assets		–	–	135
FINANCING ACTIVITIES				
Loan provided by a director		25,000	–	–
Bank loan repaid		–	–	(19)
NET CASH INFLOW FROM FINANCING ACTIVITIES		25,000	–	(19)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(28,760)	(48,465)	(106,682)
Cash and cash equivalents at beginning of period		38,696	145,378	145,378
CASH AND CASH EQUIVALENTS AT END OF PERIOD		9,936	96,913	38,696

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 July 2013

	Share Capital £	Share Premium £	Convertible loan equity reserve £	Share based payment reserve £	Profit and loss account £	Total equity £
As at 31 January 2012	315,938	110,395	27,934	3,333	(188,223)	269,377
Share based payments	–	–	–	5,000	–	5,000
Loss for the period	–	–	–	–	(65,086)	(65,086)
As at 31 July 2012	315,938	110,395	27,934	8,333	(253,309)	209,291
Share based payments	–	–	–	5,000	–	5,000
Loss for the period	-	-	-	-	(92,636)	(92,636)
As at 31 January 2013	315,938	110,395	27,934	13,333	(345,945)	121,655
Share based payments	–	–	–	5,000	–	5,000
Loss for the period	–	–	–	–	(78,821)	(78,821)
As at 31 July 2013	315,938	110,395	27,934	18,333	(424,766)	47,834

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 31 July 2013

1 BASIS OF PREPARATION

The financial information contained in this interim report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The figures for the period ended 31 January 2013 have been extracted from the audited statutory accounts. The interim results, which have not been audited or reviewed by the company's auditors, have been prepared in accordance with applicable International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). These standards are also collectively referred to as "IFRS".

The accounting policies and methods of computations used are consistent with those used in the Group Annual Report for the year ended 31 January 2013 and are expected to be used in the Group Annual Report for the year ended 31 January 2013.

Statutory accounts for the year ended 31 January 2013 were prepared and filed with the Registrar of Companies and received an unqualified audit report.

The interim report was approved by the Board of Directors on 1 October 2013.

As at 31 July 2013, the Group had net current liabilities of £208,584. Included within current liabilities are redeemable preference shares of £65,000 and loan notes of £85,000. These amounts are due to directors of the Company, Stanley Davis and Neil Sinclair or entities controlled by them and Andrew Perloff, who have given undertakings to the group that these amounts will only be payable when there are adequate cash resources within the group so that the group can continue to meet its liabilities as they fall due for the foreseeable future. In addition, Stanley Davis has agreed to continue to support the company and if and when necessary will provide funds on an interest free basis. With these undertakings, and after considering the group's cash flow forecasts, the Directors have prepared these interim results on the going concern basis.

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

2 SEGMENTAL ANALYSIS

Revenue – operating and geographic segment	**6 months ended 31 July 2013 (unaudited)**	**6 months ended 31 July 2012 (unaudited)**	**12 months ended 31 January 2013 (audited)**
Rents received from investment properties in the United Kingdom	**91,834**	104,660	199,785
Total Revenue	**91,834**	104,660	199,785

3 LOSS PER SHARE

The loss per share for the period is calculated based upon the following information:

	6 months ended 31 July 2013 (unaudited)	6 months ended 31 July 2012 (unaudited)	12 months ended 31 January 2013 (audited)
Weighted average number of shares for basic profit/(loss) per share	31,593,733	31,593,733	31,593,733
Weighted average number of shares for diluted profit/(loss) per share	50,753,106	50,753,106	50,753,106
Loss for the period	(78,821)	(65,086)	(157,722)

In accordance with IAS 38 where there is a loss for the year, there is no dilutive effect from share options and therefore there is no difference between the basic and diluted loss per share.

4 RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	6 months ended 31 July 2013 (unaudited)	6 months ended 31 July 2012 (unaudited)	12 months ended 31 January 2013 (audited)
Loss for the period	(78,419)	(65,086)	(144,688)
Adjustments for:			
Finance income	(25)	(33)	(105)
Finance costs	54,277	57,123	113,733
Share based payments	5,000	5,000	10,000
Operating cash flow before movements in working capital	(19,167)	(2,996)	(21,060)
Depreciation	111	246	223
Decrease in debtors	8,576	27,688	6,190
Increase/(decrease) in creditors	(5,378)	(31,408)	7,343
Net cash flow from operating activities	(15,858)	(6,470)	(7,304)

PART V

SECTION A – ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF TARGET

Crowe Clark Whitehill

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2 October 2013

The Board of Directors
Palace Capital plc
41 Chalton Street
London
NW 1JD

The Directors
Allenby Capital Limited
3 St Helen's Place
London
EC3A 6AB

The Directors
Arden Partners plc
125 Old Broad Street
London
EC2N 1HR

Dear Sirs

Quintain (Signal) Member A Limited (''Target'') and its subsidiary undertakings (adjusted for the inclusion of Gelderd Point) (together the ''Target Group'')

Introduction

We report on the financial information set out in Section B. This financial information has been prepared for inclusion in the Admission Document dated 2 October 2013 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 (the ''AIM Rules'') 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 the Target Group 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 the AIM Rules 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 the AIM Rules, 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 gives, for the purposes of the Document, a true and fair view of the state of affairs of the Target Group 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 the AIM Rules, 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 the AIM Rules.

Yours faithfully

Crowe Clark Whitehill LLP

PART V

SECTION B – HISTORICAL FINANCIAL INFORMATION OF TARGET

The consolidated statements of comprehensive income of the Quintain (Signal) Member A Limited Group adjusted for the inclusion of Gelderd Point for each of the three years ended 31 March 2013, 2012 and 2011 are set out below:

	Notes	Year ended 31 March 2013 £	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Continuing operations				
Revenue		6,662,598	7,637,881	8,897,176
Other Operating Income		106,585	198,552	280,317
Cost of Sales		(2,761,444)	(2,593,520)	(1,991,057)
Release of dilapidations provision		1,033,000	–	–
		(1,728,444)	(2,593,520)	(1,991,057)
Administration expenses	3	(7,899)	(11,978)	(22,584)
		5,032,840	5,230,935	7,163,852
Movement in fair value of investment property		(10,588,889)	(10,659,727)	(5,357,653)
Profit on sale of non-current assets		37,324	493,739	673,957
(Loss)/profit from Operations		**(5,518,725)**	(4,935,053)	2,480,156
Investment income	4	178,007	657,683	5,852
Finance costs	5	(6,428,360)	(6,856,878)	(6,280,289)
Loss before income tax		**(11,769,078)**	(11,134,248)	(3,794,281)
Income tax expense/(credit)	6	13,114	144,302	(33,500)
Total comprehensive loss for the year		**(11,755,964)**	(10,989,946)	(3,827,781)
Total for the year attributable to:				
Equity holders of the Company		(11,596,658)	(10,893,402)	(3,781,130)
Non-controlling interests		(159,306)	(96,544)	(46,651)
		(11,755,964)	**(10,989,946)**	**(3,827,781)**

Consolidated Statements of Financial Position

The consolidated statements of financial position of the Quintain (Signal) Member A Limited adjusted for the inclusion of Gelderd Point as at 31 March 2013, 2012 and 2011 are set out below:

	Notes	31 March 2013 £	31 March 2012 £	31 March 2011 £
ASSETS				
Non-current assets				
Investment Properties	7	42,642,683	53,305,821	70,292,812
Total non-current assets		42,642,683	53,305,821	70,292,812
Current assets				
Trade and other receivables	9	13,184,559	17,464,982	4,571,192
Cash and cash equivalents		3,800,947	1,525,326	11,982,040
Total current assets		16,985,506	18,990,308	16,553,232
Total assets		**59,628,189**	**72,296,129**	**86,846,044**
LIABILITIES				
Current liabilities				
Trade and other payables	10	2,977,992	7,400,827	6,181,620
Other loans & borrowings	11	12,216,397	10,979,822	10,577,001
Total current liabilities		15,194,389	18,380,649	16,758,621
Non-current liabilities				
Other loans & borrowings	11	60,524,890	58,237,523	63,272,629
Deferred tax	12	1,683,792	1,696,906	1,841,208
Obligations under finance leases	13	1,216,475	1,216,444	1,219,033
Total non-current liabilities		63,425,157	61,150,873	66,332,870
(Net liabilities) / assets		**(18,991,357)**	**(7,235,393)**	**3,754,553**
EQUITY				
Issued capital	14	1	1	1
Accumulated losses		(18,991,358)	(7,235,394)	3,754,552
Total equity attributable to equity holders of the Company		(18,833,821)	(7,237,163)	3,656,239
Non-controlling interests		(157,535)	1,770	98,314
Total equity		**(18,991,357)**	**(7,235,393)**	**3,754,553**

Consolidated Statements of Changes in Equity

The consolidated statements of changes in equity of the Quintain (Signal) Member A Limited Group adjusted for the inclusion of Gelderd Point for each of the three years ended 31 March 2013, 2012 and 2011 are set out below:

	Share capital £	Retained earnings £	Total equity £	Non-controlling interests £	Equity holders Total £
Balance at 1 April 2010	1	7,582,333	7,582,334	144,965	7,437,369
Retained loss for year		(3,827,781)	(3,827,781)	(46,651)	(3,781,130)
Balance at 1 April 2011	1	3,754,552	3,754,553	98,314	3,656,239
Retained loss for year		(10,989,946)	(10,989,946)	(96,544)	(10,893,402)
Balance at 1 April 2012	1	(7,235,394)	(7,235,393)	1,770	(7,237,163)
Retained loss for year		(11,755,964)	(11,755,964)	(159,306)	(11,596,658)
Balance at 1 April 2013	**1**	**(18,991,358)**	**(18,991,357)**	**(157,536)**	**(18,833,821)**

The share capital comprises the par value of ordinary issued share capital of Quintain (Signal) Member A Limited adjusted for the inclusion of Gelderd Point.

Retained earnings comprise Quintain (Signal) Member A Limited's cumulative comprehensive loss/profit since incorporation adjusted for the inclusion of Gelderd Point.

Consolidated Statements of Cash Flows

The consolidated statements of cash flows for the Quintain (Signal) Member A Limited adjusted for the inclusion of Gelderd Point for each of the three years ended 31 March 2013, 2012, 2011 are set out below:

	Notes	Year ended 31 March 2013 £	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Net cash from operating activities	15	**4,890,428**	**(6,443,648)**	**7,590,176**
Finance income		4,493	2,562	5,289
Finance costs		(2,018,487)	(1,131,776)	(1,153,852)
		2,876,434	**(7,572,862)**	**6,441,613**
Cash flows from investing activities				
Proceeds from sale of investment properties		111,574	6,821,003	6,135,837
Net cash used in investing activities		**111,574**	**6,821,003**	**6,135,837**
Cash flows from financing activities				
Proceeds from borrowings		1,079,613	–	–
Amortisation of loans		(1,700,000)	(1,675,000)	(1,600,000)
Repayment of borrowings		(92,000)	(8,029,855)	(6,451,879)
Net cash flow on financing activities		**(712,387)**	**(9,704,855)**	**(8,051,879)**
Net increase/(decrease) in cash and cash equivalents		2,275,621	(10,456,714)	4,525,571
Cash and cash equivalents at the beginning of the period/year		1,525,326	11,982,040	7,456,469
At the end of the year		**3,800,947**	**1,525,326**	**11,982,040**

1. Basis of preparation and accounting policies

General information

The parent company, Quintain (Signal) Member A Limited is a company incorporated in England and Wales under the Companies Act 1985. The registered office is 16 Grosvenor Street, London, W1K 4QF. The nature of the company's operations and its principal activities are to act as the holding company of the group, engaged in property investment; the geographic focus of its activities is currently in England. The financial information is presented in pounds sterling because that is the currency of the company and of the group. There are no foreign operations.

The financial statements have been adjusted to include the trading assets, liabilities, income and expenditure relating to Gelderd Point, a property to be transferred to the Target Group from Permitobtain Limited. No dividends have been proposed or distributed in any of the years presented.

Basis of consolidation

The consolidated financial information incorporates the financial information of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination attributable to the non-controlling interests. Losses applicable to the non-controlling interests in excess of the interest of the non-controlling parties in the subsidiary's equity are allocated against the interests of the group except to the extent that the non-controlling interests have a binding obligation, and are able, to make an additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those used by the group. Investments in subsidiaries are account for at cost less impairment. Cost also includes direct attributable costs of investments. The excess of consideration over the fair value of the assets and liabilities acquired is recorded as goodwill. If the consideration is less than the value of the assets and liabilities acquired the difference is recognized in the statement of comprehensive income.

Standards, amendments and interpretations to published standards not yet effective.

The following standards, amendments and interpretations relevant to the group have been issued but are not yet effective, or have not yet been adopted by the EU. None of these standards or interpretations have been early adopted by the group.

- IAS 27 (revised) 'Separate Financial Statements'
- IAS 28 (revised) 'Investments in Associates and Joint Ventures'
- IFRS 7 and IAS 32 'Offsetting financial assets and financial liabilities'
- IFRS 7 Financial Instruments: Disclosures (amendment)
- IFRS 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosures in Other Entities'
- IFRS 13 'Fair Value Measurements'
- Amendment to IFRS 1 – Government Loans
- Amendment to IAS12 – Income Taxes
- Amendment to IAS 1 – Presentation of Financial Statements
- Amendment to IAS 19 – Employee Benefits

– IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

– Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

It is not anticipated that the adoption of these standards and interpretation in future periods will have a material impact on the financial statements when they come into effect.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable in accordance with the group's principal activities, net of VAT and trade discounts.

Revenues consists of rental income, sales of trading stocks, commissions and fees receivable. Rent increases arising from rent reviews due during the year are taken into account only to the extent that such reviews are agreed with tenants at the accounting date.

Lease incentives are recognised as an integral part of the net consideration for the use of the property and amortised on a straight-line basis over the probable term of the lease.

Investment properties

Investment properties are properties owned or leased by the group which are held either for long term rental growth or for the capital appreciation or both. Investment property is initially recognised at cost including related transaction costs and valued bi-annually by professionally qualified external valuers. Any increases or decreases in value are taken directly to the Income Statement in the year in which they arise.

Properties held under operating leases are accounted for as investment properties where the other criteria for recognition are met. Such operating leases are accounted for as if they are finance leases.

Additions to investment properties consist of costs of a capital nature and in the case of investment properties under development, capitalised interest.

Property disposals

Disposals of investment properties are recognised in the accounts on the date of unconditional exchange or, where an exchange is conditional, on the date that conditions have been satisfied.

Profits or losses arising on disposal are calculated by reference to the carrying value of the asset at the last revaluation, adjusted for subsequent capital expenditure and selling costs.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are capitalised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprises cash in hand and demand deposits.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Interest-bearing borrowings are capitalised initially at fair value less attributable transaction costs. Borrowings are subsequently stated at amortised cost with any difference between the amount initially capitalised and the redemption value being capitalised in the Income Statement over the period of the borrowings on an effective interest rate basis.

Trade payables

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

Finance Leases

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

Taxation

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

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

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

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

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

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

Significant estimates and judgements

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

Investment properties

The key source of estimation uncertainty rests in the values of property assets, which significantly affects the value of investment properties in the Balance Sheet. The investment property portfolio is carried at fair value, which requires a number of judgments and estimates in assessing the qualities of the group's assets relative to market transactions. The fair value of the property portfolio is based upon external valuations and is inherently subjective.

Share Capital

Ordinary share capital is classified as equity. Interim ordinary dividends are recognised when paid and final ordinary dividends are recognized as a liability in the period in which they are approved.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Commitments and Contingencies

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

Events after the Balance Sheet Date

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

Going Concern

Following the completion of the transaction outlined in this Admission Document, the group is expected to reduce its total borrowings from external finance providers and group companies from over £72million (as at 31 March 2013) to approximately £20 million. This will significantly reduce the debt service obligations of the group going forward.

The Directors have reviewed forecasts and budgets for the coming year, which have been prepared with appropriate regard for this transaction and the current economic environment and are based on the current and expected occupation of the group's property portfolio and the expected operating cost base and financing structure in place for the group going forward. In light of the above the Directors believe that it is appropriate to prepare and present the historical financial information on a going concern basis.

Segmental Reporting

For the purpose of IFS8 the chief operating decision (''CODM'') maker takes the form of the Directors. The Directors are of the opinion that the business comprises of a single economic activity, being property investment in England. All of the income and non-current assets are derived from England. No single customer accounts for more than 10% of income. At meetings of the Directors, income, expenditure, cash flows, assets and liabilities are reviewed on a whole group basis. Based on the above considerations there is considered to be a reportable segment:

Property Investment in England

Internal and external reporting is on a consolidated basis with transactions between Group companies are eliminated on consolidation. Therefore the financial information of the single segment to the same as that set out in the consolidated statement of comprehensive income, reconsolidated statement of financial position, the consolidated statement of charges is equal to the consolidated statement of changes in cashflow.

2. Financial Risks

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The group's overall risk management programme seeks to minimise potential adverse affects on the group's financial performance.

1. **Market risk**

i. **Foreign exchange risk**

The group does not operate internationally and is not exposed to foreign exchange risks arising from various currency exposures on international transactions.

ii. **Fair value interest rate risk and cash flow risk**

The group is primarily funded through debt exposing it to interest rate risk on the portion attracting a variable interest rate.

2. **Credit risk**

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as committed transactions. Management assess the other factors.

3. **Liquidity risk**

At this stage of the group's life cycle its priority is to maintain its cash inflows by renewing, maintaining and securing new tenancy agreements through the active management of the portfolio as a cash generating asset and maximising the efficiency of its capital cash outflows.

3. (Loss)/Profit from Operations

The loss from operations in the period under review has been arrived at after charging the following amounts:

	2013	**2012**	**2011**
	£	**£**	**£**
Legal & Professional Fees	–	1,581	12,500
Irrecoverable VAT	7,814	7,587	8,555
Bank Charges	85	2,810	1,529

4. Investment income

	2013	**2012**	**2011**
	£	**£**	**£**
Interest on amounts owed by parent	173,301	654,975	–
Interest on bank deposits	4,543	2,702	5,289
Other interest	163	6	563
	178,007	**657,683**	**5,852**

5. Finance costs

	2013	**2012**	**2011**
	£	**£**	**£**
Interest on amounts owed to parent	4,196,388	4,198,994	3,843,340
Bank interest	1,843,819	2,130,829	2,008,965
Finance charges & loan costs	324,010	330,555	280,969
Other interest	64,143	196,500	147,015
	6,428,360	**6,856,878**	**6,280,289**

6. Taxation

	2013 £	2012 £	2011 £
Current taxation			
– Current tax charge for the period	–	–	–
Deferred taxation			
– Current year charge / (credit)	(13,114)	(144,302)	33,500
Total tax charge	**(13,114)**	**(144,302)**	**33,500**

The tax rate used for the reconciliations above is the 2013 corporate tax rate of 24% (2012: 26% and 2011: 28%) payable by corporate entities in the United Kingdom on taxable profits under tax law in that jurisdiction.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2013 £	2012 £	2011 £
Loss before taxation	(11,769,078)	(11,134,248)	(3,794,281)
Loss multiplied by standard rate of corporation tax in the UK of 24% (2012: 26%, 2011: 28%)	(2,824,579)	(2,894,904)	(1,062,399)
Effect of:			
Impairment review	2,541,333	2,771,529	1,500,143
Profit on sale of non current assets	(8,958)	(128,372)	(188,708)
Capital allowances	(73,119)	(234,722)	(121,720)
Tax losses utilised	352,209	342,167	(93,816)
Total tax charge	**(13,114)**	**(144,302)**	**33,500**

7. Investment Properties

	2013 £	2012 £	2011 £
Balance b/f	53,305,821	70,292,812	79,112,345
Adjustment for Gelderd Point	–	–	2,000,000
Disposals	(74,249)	(6,327,264)	(6,682,048)
Finance Lease Additions	–	–	1,220,168
Revaluation	(10,588,889)	(10,659,727)	(5,357,653)
	42,642,683	**53,305,821**	**70,292,812**

8. Subsidiaries

Name of subsidiary	**Country of registration or incorporation**	**Company ownership Interest %**	**Subsidiary ownership interest %**	**Principal activity**
Signal Investments LLP	UK	98.5%		Property investment
Quintain (Signal) Member B Limited	UK		100%	Property investment
Signal Property Investments LLP	UK		100%	Property investment

All principal subsidiary undertakings operate in their country of incorporation.

The accounting year-ends of the subsidiary undertakings consolidated in the financial information are 31 March.

There are no significant restrictions on the ability of subsidiary undertakings to transfer funds to the parent, other than those imposed by the Companies Act 2006.

9. Trade and other receivables

	2013 £	2012 £	2011 £
Trade receivables	1,517,305	5,769,618	3,981,935
Other receivables	886,506	672,330	514,593
Loan to Signal Property investments Two LLP	10,678,136	10,916,250	–
Prepayments and accrued income	102,612	106,784	74,664
	13,184,559	**17,464,982**	**4,571,192**

At the balance sheet date bad debt provisions existed against trade debtor balances of £304,172 (2012: 76,754). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

The unsecured loan to Signal Property Investments Two LLP carries interest at 6% pa.

10. Trade and other payables

Current	2013 £	2012 £	2011 £
Trade payables	112,517	74,405	–
Other payables	765,016	3,705,266	2,587,883
Accruals and deferred income	1,580,560	3,011,296	2,751,967
VAT	519,899	609,860	841,770
	2,977,992	**7,400,827**	**6,181,620**

All trade payables are due within 30 days and have been fully paid post year end.

The Directors consider that the net book amount of trade payables approximates to their fair value. All amounts included in trade and other payables are non-interest bearing and are not secured on the assets of the Group.

11. Other loans & borrowings

Current	2013 £	2012 £	2011 £
Intercompany creditors	10,516,397	9,279,822	8,877,001
Bank Loan with Nationwide current portion	1,700,000	1,700,000	1,700,000
	12,216,397	**10,979,822**	**10,577,001**

Intercompany creditors falling due within one year are owed to the ultimate parent company Quintain Estates and Development PLC and do not attract any interest charges.

Non-Current	2013 £	2012 £	2011 £
Bank Loan with Nationwide	38,458,987	40,009,475	45,419,071
Bank Loan with Nationwide current portion	(1,700,000)	(1,700,000)	(1,700,000)
Buckingham Properties Trading Ltd	232,933	238,382	285,376
Quintain Estates & Development PLC	23,532,970	19,689,666	19,268,182
	60,524,890	**58,237,523**	**63,272,629**

The bank loan is a loan from Nationwide Building Society agreed in September 2009 which made available funds of £49 million at an interest rate of 2.55% over LIBOR. Quarterly payments of £425,000 (2012: £425,000; 2011: £400,000) are required until 50% gearing is achieved. Interest payable on the loan in the year was £1,843,819 (2012: £2,130,829; 2011: 2,008,965). The balance is shown net of £361,402 (2012: £602,913; 2011: £845,086) bank loan costs. The loan is secured equally over the properties owned.

The unsecured loan from Quintain Estates and Development PLC carries interest at 20% pa and interest of £3,699,508 (2012: £3,796,173; 2011: £3,458,005) was paid during the year.

The unsecured loan from Buckingham Properties Trading Ltd carries interest at 20% pa and interest of £42,367 (2012: 46,874; 2011: 61,171) was paid during the year.

The ageing of the loans is as follows:

	2-5 years £	1 year £	Total £
Nationwide			
2011	43,719,071	1,700,000	45,419,071
2012	38,309,475	1,700,000	40,009,475
2013	36,758,987	1,700,000	38,458,987
Buckingham			
2011	285,376	–	285,376
2012	238,382	–	238,382
2013	232,933	–	232,933
Quintain companies			
2011	19,268,182	8,877,001	28,145,183
2012	19,689,666	9,279,822	28,969,488
2013	23,532,971	10,516,397	34,049,368
Total			
2011	63,272,629	10,577,001	73,849,630
2012	58,237,523	10,979,822	69,217,345
2013	60,524,891	12,216,397	72,741,288

12. Deferred taxation

Deferred Tax liability is provided for in the financial statements as follows:

	2013 £	2012 £	2011 £
Accelerated capital allowances	1,683,792	1,696,906	1,841,208

The deferred taxation provision arises as a result of the accounting valuation of assets qualifying for capital allowances exceeding the tax written down value of those assets.

13. Obligations under finance leases

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

2013

	Minimum lease payments £m	Interest £m	**Present value of minimum lease payments £m**
Within one year	(86,980)	85,567	(1,413)
From one to two years	(86,980)	85,459	(1,521)
From two to five years	(260,940)	255,666	(5,274)
From five to 25 years	(1,720,100)	1,652,810	(67,290)
After 25 years	(6,453,746)	5,312,769	(1,140,977)
	(8,608,746)	**7,392,271**	**(1,216,475)**

2012

	Minimum lease payments £m	Interest £m	**Present value of minimum lease payments £m**
Within one year	(86,980)	85,664	(1,316)
From one to two years	(86,980)	85,567	(1,413)
From two to five years	(260,940)	256,032	(4,908)
From five to 25 years	(1,726,600)	1,611,054	(115,546)
After 25 years	(6,534,226)	5,440,965	(1,093,261)
	(8,695,726)	**7,479,282**	**(1,216,444)**

2011

	Minimum lease payments £m	Interest £m	**Present value of minimum lease payments £m**
Within one year	(70,240)	69,054	(1,186)
From one to two years	(86,980)	69,054	(17,926)
From two to five years	(260,940)	256,376	(4,564)
From five to 25 years	(1,733,100)	1,663,708	(69,392)
After 25 years	(6,640,186)	5,514,221	(1,125,965)
	(8,791,446)	**7,576,413**	**(1,219,033)**

14. Share Capital

	£
Authorised:	
1 ordinary share of £1 each	1
Issued and fully paid:	
31 March 2011	1
31 March 2012	1
31 March 2013	**1**

15. Notes to the Cash Flow Statement

	2013 £	2012 £	2011 £
Loss for the period	(11,755,964)	(10,989,946)	(3,827,781)
Income tax expense recognised in profit	(13,114)	(144,302)	33,500
Deficit on revaluation of investment properties	10,588,889	10,659,727	5,357,653
Net Finance expenses	6,250,354	6,199,195	6,274,437
Profit on sale of investment properties	(37,324)	(493,739)	(673,957)
Operating cash flows before movements in working capital	5,032,841	5,230,935	7,163,852
Decrease / (increase) in receivables	4,280,422	(12,893,790)	(1,223,407)
(Decrease) / increase in payables	(4,422,835)	1,219,207	1,649,731
Net cash flow from operating activities	**4,890,428**	**(6,443,648)**	**7,590,176**

16. Financial Instruments

The group's principal financial instruments comprise cash and cash equivalents, trade debtors and other receivables and trade and other payables. The group's accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liabilities and equity instruments are set out in Note 1.

The principal financial instruments used by the group, from which financial instrument risk arises, are as follows:

Loans and receivables	2013 £	2012 £	2011 £
Trade and other receivables	13,184,559	17,464,982	4,571,192
Cash and cash equivalents	3,800,947	1,525,326	11,982,040
Trade and other payables	(2,977,992)	(7,400,827)	(6,181,620)
Intercompany creditors	(10,516,397)	(9,279,822)	(8,877,001)
Bank Loan with Nationwide	(38,458,987)	(40,009,475)	(45,419,071)
	(34,967,870)	**(37,699,816)**	**(43,924,460)**

Capital risk management

The group is currently financed through a combination of debt and equity. The group business plan is monitored on a regular basis including the modeling of future interest cover, debt service cover and gearing with a view to meeting the required covenants attached to its debt facilities for the foreseeable life of the business. Both current and projected banking covenants of 1.4x and the maximum gearing level of 75% have been consistently met.

There were no changes in the group's approach to capital management during the financial year or the comparative year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements other than those referred to above in connection with the group's financing arrangements.

Interest Rate and Cash flow risk

In relation to the group, market risk arises mainly from the impact that changes in interest rates might have on the group's cost of borrowing. Excluding amortisation of arrangement fees, the average rate of interest relating to the group's debt including fixed rate intercompany loans as at 31 March 2013 was 9.7% (2012: 10.4%; 2011: 8.9%).

The group does not use financial instruments for speculative purposes.

Sensitivity analysis

At 31 March 2013, it is estimated that a general increase of 50 basis points in interest rates would increase the group's interest payable before tax by approximately £198,582 (2012: £213,571; 2011: £210,326) based on the average outstanding balance of variable rate interest-bearing liabilities during the period.

Liquidity Risk

Liquidity risk arises from the group's management of working capital. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The group's objective is to maintain the efficient use of cash and debt facilities in order to minimise the cost of borrowing to the group and ensure sufficient availability of credit facilities.

Liquidity risk is reduced through prudent cash management which ensures sufficient levels of cash are maintained to meet working capital requirements. The principal liabilities of the group and company arise in respect of the ongoing management, rates and service charge, trade and other payables. Trade and other payables are all payable within six months.

The Board receives cash flow projections on a regular basis as well as information on cash balances.

Foreign exchange risk

The group does not operate internationally and is not exposed to foreign exchange risk arising from various currency exposures on international transactions.

Market risk

Market risk is the risk that the fair value of investment properties will fluctuate because of changes in market prices.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The risks of financial loss due to a counterparty's failure to honor its obligations are principally in connection with property leases and the investment of surplus cash.

The group has adopted a policy of only dealing with creditworthy counterparties. The group's exposure and the credit ratings of its trading counterparties are monitored by the appointed managing agent under the terms of a service level agreement and appropriate action is taken to recover monies owed or, if necessary, to terminate the lease. The ageing of trade receivables at the balance sheet date was:

	2013
Not past due	1,328,731
Past due 0-30 days	51,052
Past due 31-60 days	5,675
More than 60 days	131,847

The ageing of trade receivables as at 31 March 2012 and 2011 is not provided due to this information not being available.

At the balance sheet date bad debt provisions existed against trade debtor balances of £304,172 (2012: £76,754; 2011: £46,291) and the movements on this balance were as follows:

	2013 £	2012 £	2011 £
As at 1 April	**76,754**	**46,271**	**46,114**
Release	–	–	–
Usage	(9,084)	(4,647)	(1,863)
Provision	236,502	35,130	2,020
As at 31 March	304,172	76,754	46,271

The group has no significant concentration of credit risk associated with trading counterparties with exposure spread over a large number of tenancies.

The group's principal financial assets are cash and cash equivalents, trade debtors and other accounts receivables. Cash equivalents include amounts held on deposit with financial institutions.

The credit risk on liquid funds held in current accounts and available on demand is limited because the Group's counterparties are mainly banks with high credit-ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk at the balance sheet date on financial assets recognised in the balance sheet equals the carrying amount, net of any impairment.

17. Commitments

The group had no capital commitments at 31 March 2013, 2012 or 2011.

18. Contingencies

The group had no material contingent liabilities at 31 March 2013, 2012 or 2011.

19. Related Party Transactions

At the year ended 31 March 2013, the group had amounts due to it from Signal Property Investments Two LLP of £10,678,136 (2012: £10,916,250; 2011: £nil). The loan carries interest at 6% pa and is unsecured. Signal Property Investments Two LLP is considered a related party as it is 98.48% owned by Quintain Estates and Development PLC, the Group's ultimate parent.

At the year ended 31 March 2013, the group owed Quintain Estates and Development PLC £23,532,970 (2012: £19,689,666; 2011: £19,268,182). Interest is payable per the details set out in note 11. Quintain Estates and Development PLC is considered to be a related party as it is the group's ultimate parent with the majority shareholding and a controlling interest. A further non-current intercompany balance is owed to Quintain Estates and Development PLC amounting £10,516,397 (2012: £9,279,822; 2011: £8,877,001) which does not attract interest.

There are no key management personnel employed by the Group and as a result no disclosure is made regarding their remuneration.

20. Nature of financial information

The financial information presented above does not constitute statutory financial statements for the period ended 31 March 2013 or either of the two years ended 31 March 2012 and 2011.

21. Ultimate parent company and parent company of larger group

The ultimate parent company and controlling party is Quintain Estates and Development plc ("Quintain"). Quintain is incorporated in the United Kingdom and its financial statements are available from 16 Grosvenor Street, London W1K 4QF.

PRO FORMA STATEMENT OF NET ASSETS

SECTION A

Crowe Clark Whitehill

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The Board of Directors
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NW1 1JD

The Directors
Allenby Capital Limited
3 St Helen's Place
London
EC3A 6AB

The Directors
Arden Partners plc
125 Old Broad Street
London
EC2N 1HR

2 October 2013

Dear Sirs

Palace Capital plc (the ''Company'') – Proposed acquisition of Quintain (Signal) Member A Limited

We report on the pro forma net assets (the ''Pro forma financial information'') set out in Part B of Section VI of the admission document of Palace Capital plc dated 2 October 2013 (''the Document'') which has been prepared on the basis described, for illustrative purposes only, to provide information about how the acquisition of Quintain (Signal) Member A Limited might have affected the financial information presented on the basis of the accounting policies adopted by the Company as at 31 July 2013.

Save for any responsibility arising under guidance issued by the London Stock Exchange with respect to the AIM Market 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 Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Document.

Responsibilities

It is the responsibility of the directors of the Company to prepare the pro forma financial information set out in Part B of Section VI of the Document.

It is our responsibility to form an opinion as to the proper compilation of the pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated.

Opinion

In our opinion:

(a) the Pro forma information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of 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 guidance issued by the London Stock Exchange.

Yours sincerely

Crowe Clark Whitehill LLP

PART VI
SECTION B
Unaudited Pro Forma Statement of Net Assets of Palace Capital plc

The following unaudited pro forma statement of net assets, which is based on the net assets of the Company extracted from the interim financial information for the six months ended 31 July 2013, has been adjusted to show the effect of the acquisition of the Quintain (Signal) Member A Limited based on the net assets as extracted from the audited financial information for the financial year ended 31 March 2013, as included in Part V, Section B of this document.

The unaudited pro forma financial information has been prepared for illustrative purposes only, because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the actual position or results and may not give a true picture of the financial position of the Enlarged Group.

	Palace Capital plc as at 31 July 2013 £	Quintain (Signal) Member A as at 31 March 2013 £	Pro forma Adjustments Adj 1 £	Adj 2 £	Adj 3 £	Adjusted pro forma net assets
ASSETS						
Goodwill	5,910	–	–	–	–	5,910
Investment properties	2,015,000	42,642,683	–	1,552,317	–	46,210,000
Plant and equipment	336	–	–	–	–	336
Non-current assets	2,021,246	42,642,683	–	1,552,317	–	46,216,246
Trade and other receivables	20,907	13,184,559	(10,678,136)	–	–	2,527,330
Cash and cash equivalents	9,936	3,800,947	(3,800,947)	–	2,538,512	2,548,448
Current assets	30,843	16,985,506	(14,479,083)	–	2,538,512	5,075,778
Total assets	2,052,089	59,628,189	(14,479,083)	1,552,317	2,538,512	51,292,024
Current liabilities	(239,427)	(15,194,389)	10,516,397	–	1,700,000	(3,217,419)
Non-current liabilities						
Borrowings	(1,764,828)	(61,741,365)	23,532,970	–	17,161,487	(22,811,736)
Deferred taxation	–	(1,683,792)	–	–	–	(1,683,792)
	(1,764,828)	(63,425,157)	23,532,970	–	17,161,487	(24,495,528)
Net Assets/(Liabilities)	47,834	(18,991,357)	19,570,284	1,552,317	21,399,999	23,579,077

Notes:

The unaudited pro forma financial information has been prepared on the following basis:

1. *Company net assets*

   The net assets of the Company have been extracted from the interim results for the six months ended 31 July 2013.

2. *Quintain (Signal) Member A net assets*

   The net assets of Quintain (Signal) Member A have been extracted from the Financial Information set out in Part V, Section B of this document.

Pro forma adjustments:

Adjustment 1: Waiver and settlement of loans due to Quintain Group companies

Immediately prior to completion of the acquisition of Quintain (Signal) Member A Limited it is expected that all loans due to / from Quintain group companies will be waived.

Adjustment 1 illustrates the pro-forma impact of waiving/settling all loans due to/from Quintain group companies (based on the balances outstanding at 31 March 2013). Cash balances held by Member A are assumed to be fully utilised to part settle the loans outstanding.

Adjustment 2: Revaluation of Member A properties

At completion the properties belonging to Member A (including Gelderd Point) will be valued in accordance with the valuation set out in Part VII of this Document at £44,195,000. Adjustment 2 reflects the impact such a valuation would have had on the value of investment properties held in the Member A Group as at 31 March 2013, as if the revaluation had taken place at that date.

Adjustment 3: Equity raised used to pay down debt and pay transaction costs

Adjustment 3 reflects the impact of a gross £23.5 million equity fund raising with £2.1 million allocated to transaction costs and £18.86 million used to repay external borrowings.

Goodwill arising on the acquisition of Member A

Goodwill arising on the acquisition of Member A (including Gelderd Point), based on the net asset value of the Member A Group (including Gelderd Point) as at 31 March 2013, is based on the following:

	£	£
Consideration payable:		1
Net assets acquired:		
NAV of Member A at 31 March 2013	(18,991,357)	
Adjustment 1	19,570,284	
Adjustment 2	1,552,317	
		2,131,244
Negative goodwill		(2,131,243)

The negative goodwill arising based on the pro forma financial information is not reflected in the pro forma net assets statement.

No adjustments have been made to reflect the trading results of either Palace Capital plc or Quintain (Signal) Member A Limited since the date to which its Financial Information has been made up.

Other than the adjustment referred to in Adjustment 2 no other fair value adjustments have been made to the financial information included in the pro-forma statement of net assets.

PART VII
VALUATION REPORT ON THE SEQUEL PORTFOLIO

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

The Directors
Allenby Capital Limited
3 St Helen's Place
London EC3A 6AB

The Directors
Arden Partners plc
125 Old Broad Street
London EC2N 1AR

Portfolio:	**Sequel Portfolio**
Report Date:	**2 October 2013**
Valuation Date:	**30 August 2013**

1. Instructions

Appointment

In accordance with your instructions, as confirmed by our letter of engagement dated 25 July 2013, we have considered the properties set out on pages 92 and 93 of this Part VII which we understand to be acquired by Palace Capital plc (''the Company'').

The valuation has been carried out in accordance with your letter dated 20 August 2013. We confirm that we have sufficient knowledge, skills and understanding to undertake the valuation competently.

2. Bases of Valuation

The valuation and report has been prepared in accordance with the RICS Valuation Standards and the International Valuation Standards (the ''Red Book'') by a valuer acting as an External Valuer, as defined within the Red Book. We confirm that this valuation is a ''Regulated Purpose Valuation'' as defined in the Red Book.

Bases

The properties have been valued on the basis of Market Rent and Market Value subject to any existing leases and otherwise assuming vacant possession.

Market Rent is defined in the Red Book as follows:

''The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion''.

Market Value is defined in the Red Book as follows:

''The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.''

3. Assumptions, Departures and Reservations

We can confirm that our valuation is not made on the basis of any special assumptions or any departures from the Practice Statements contained in the Red Book. Subject to the general limitations of our inspections and sources of information set out below, our valuation is not subject to any specific reservations in relation to restricted information or property inspection.

4. Tenure and Tenancies

Our valuation has been based on the information which the Company has supplied to us as to tenure, tenancies and statutory notices. Unless disclosed to us to the contrary our valuation is on the basis that:

a) each property possesses a good and marketable title, free from any unusually onerous restrictions, covenants or other encumbrances;

b) in respect of leasehold properties, there are no unreasonable or unusual clauses which would affect value and no unusual restrictions or conditions governing the assignment or disposal of the interest;

c) leases to which the properties are subject are on full repairing and insuring terms, and contain no unusual or onerous provisions or covenants which would affect value;

d) in respect of leases subject to impending or outstanding rent reviews and lease renewals, we have assumed that all notices have been served validly and within appropriate time limits;

e) the properties valued exclude mineral rights, if any; and

f) vacant possession can be given for all accommodation which is unlet, or occupied either by the Company or by its employees on service occupancies.

5. Measurement

Floor areas

We have calculated floor areas based from measurements taken on site. Where access has been impossible, we have stated this within the individual property reports and have relied upon areas provided within the vendor's tenancy schedule, the service charge apportionment schedule, and/or VOA areas as appropriate.

Site areas

We have calculated approximate site areas based on our understanding of the property boundaries, based on available title plans, information provided within the Jones Lang La Salle marketing brochure and the two data rooms to which we have access.

6. General Principles Comments

Town Planning

We have not made formal searches, but have generally relied on verbal enquiries and any informal information received from the Local Planning Authority. In general, our verbal enquiries of the Local Planning Authorities have yielded only limited planning information. In the absence of information to the contrary, our valuation is on the basis that the properties are not affected by proposals for road widening or Compulsory Purchase.

Our valuation is on the basis that each property has been erected either prior to planning control or in accordance with a valid planning permission and is being occupied and used without any breach of planning or building regulations. We further assume that for each property a fire risk assessment has been undertaken and that there are no outstanding obligations or liabilities arising out of the provisions of the Defective Premises Act 1972, the Disability Discrimination Act 1995 or similar legislation.

Structure

We have neither carried out a structural survey of any property, nor tested any services or other plant or machinery. We are therefore unable to give any opinion on the condition of the structure and services. However, our valuation takes into account any information supplied to us and any defects noted during our inspection. Otherwise, our valuation is on the basis that there are no latent defects, wants of repair or other matters which would materially affect our valuation.

We have not inspected those parts of any property which are covered, unexposed or inaccessible and our valuation is on the basis that they are in good repair and condition.

We have not investigated the presence or absence of High Alumina Cement, Calcium Chloride, Asbestos and other deleterious materials. In the absence of information to the contrary, our valuation is on the basis that no hazardous or suspect materials and techniques have been used in the construction of any property.

Site and Contamination

We have not investigated ground conditions/stability and, unless advised to the contrary, our valuation is on the basis that all buildings have been constructed having appropriate regard to existing ground conditions. In respect of any properties with development potential, our valuation is on the basis that there are no adverse ground conditions which would affect building costs.

We have not carried out any investigations or tests, nor been supplied with any information from the Company or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water). Accordingly, our valuation has been prepared on the basis that there are no such matters that would materially affect our valuation, unless stated in the individual property reports.

In respect of any high voltage electrical supply equipment close to the property, the possible effects of electromagnetic fields have been the subject of media coverage. The National Radiological Protection Board (NRPB), an independent body with responsibility for advising on electromagnetic fields, has advised that, following studies in 2000 and 2001, there may be a risk, in specified circumstances, to the health of certain categories of people. The perception of this risk may affect the marketability and value of property close to such equipment.

Flooding Risk

We have inspected the Environment Agency website for each property and make specific comment on each property record. Where there is a moderate or high risk of flooding, we have included an indicative map of the affected area.

Energy Performance

Increasingly occupiers are putting the environmental performance of their buildings under scrutiny, as they seek to reduce their carbon footprint and improve their green credentials. In turn, as occupiers become more sensitive to environmental performance, so too are investors and developers, because of the perceived positive effect on lettability and saleability.

Government policy too is encouraging a reduction in the use of carbon fuels. The Carbon Reduction Commitment Energy Efficient Scheme (CRC), which came into force on 1 April 2010, covers entities with annual consumption in excess of 6,000 MWh, affecting around 5,000 organisations and 25% of total business sector emissions. Energy users must buy allowances each year and a 'league table' is published annually, putting the performance information in the public domain.

From 6 April 2012 an Energy Performance Certificate (EPC) must be commissioned for all properties (whether residential or commercial) before being marketed for sale or lease.

We have seen EPCs for the properties that are available within the vendor's agent's data room and have commented on these in the individual property reports.

Under the provisions of The Energy Act 2011, from April 2018 it will be unlawful to rent out a residential or business premises that does not reach a minimum energy standard. Further details will be covered in secondary legislation, but it is likely that the threshold will be set at EPC rating 'E', meaning the capital value of properties with poorer ratings is likely to be adversely impacted.

Despite these various schemes and initiatives, as at the valuation date there is little hard evidence in the market to demonstrate a price differential reflecting the energy efficiency of different buildings. While few would dispute that the more efficient of two otherwise identical buildings would sell or let more readily, possibly at a premium, in practice it is extremely difficult to isolate this factor from the many others affecting value.

Less efficient buildings will become increasingly expensive to occupy, however, and so are likely to lose value more rapidly through this type of obsolescence than in the past. It is therefore probable that, although not evident currently, an 'energy efficiency premium' will become apparent in the future.

Business Rates

Some occupiers such as some small businesses, rural businesses and non-profit organisations may be eligible for rate relief. Vacant premises are eligible for rate relief. Rates on vacant offices and retail premises are charged at full rate following an initial three month exemption. Rates are charged on industrial premises at full rate after six months exemption. Given the uncertainty over actual rates payable due the impact of transitional phasing, we have taken a conservative view and applied an assumed void rates liability equivalent to 50 per cent. of Market Rent.

Capital Allowances

We have been provided with details of capital allowances available to a purchaser of the properties, via the schedule available within the legal data room.

As is current valuation practice, we have not considered the benefits of these in our valuations.

Value Added Tax

Unless otherwise stated we have assumed that the properties are not elected for VAT purposes and therefore VAT will not be chargeable. All rental and capital sums referred to in our property reports are net of any VAT.

Service Charge

We have been provided with details of service charges within the vendor's data room and have applied the shortfall in service charge for our valuations of the individual properties, where applicable.

Covenant Strength

Where possible we have investigated trading information for the tenants to establish covenant strength. Where covenant information is available this is included in the individual property reports.

Plant and Machinery

In respect of freehold properties, usual landlord's fixtures such as lifts, escalators and central heating have been treated as an integral part of the building and are included within the asset valued. In the case of all leasehold property, unless advised to the contrary, these items have been treated as belonging to the landlord upon reversion of the lease.

Process related plant/machinery and tenants' fixtures/trade fittings have been excluded from our valuation.

7. Inspection

We inspected all the properties between 29 July and 7 August 2013.

8. General Comment

Our valuation is based on the information which either the Company has supplied to us or which we have obtained from our enquiries. We have relied on this being correct and complete and on there being no undisclosed matters which would affect our valuation. Our opinion of value is based on an analysis of recent market transactions, supported by market knowledge derived from our agency experience.

Where there are outstanding or forthcoming reviews, rental value has been assessed in accordance with the terms of the occupational lease review provisions. Otherwise, rental value has been assessed on the basis of Market Rent, assuming a new lease drawn on terms appropriate to current practice in the relevant market.

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgements that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you or the borrower contemplate a sale, we strongly recommend that the property is given proper exposure to the market.

You should not rely on this report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.

9. General Valuation Approach

We have based our valuations largely on the evidence available from private treaty sales although due to the nature of some of the assets there have been very few comparable transactions for some properties. We have therefore also considered properties currently being marketed and assessing the level of interest those properties are receiving.

We have outlined key valuation considerations affecting individual properties in the property records but our general approach can be summarised as follows:

Commercial Elements

We have applied varying capitalisation rates for the principal income on each property. This is tenant specific and will relate to the unexpired lease term, tenant covenant and local market conditions. Whilst we have valued the properties on an investment basis we also had regard to the capital value per sq. ft. as most prospective purchasers take this into account in judging the level of their bids for secondary / tertiary offices / industrials.

In addition we have adopted void costs of empty rates / service charge shortfalls where units are currently vacant only. We have applied expiry void periods, to reflect the anticipated marketing and rent free void, to all leases with lease expiries or tenant break options within three years of the valuation date.

10. Portfolio Overview

Introduction

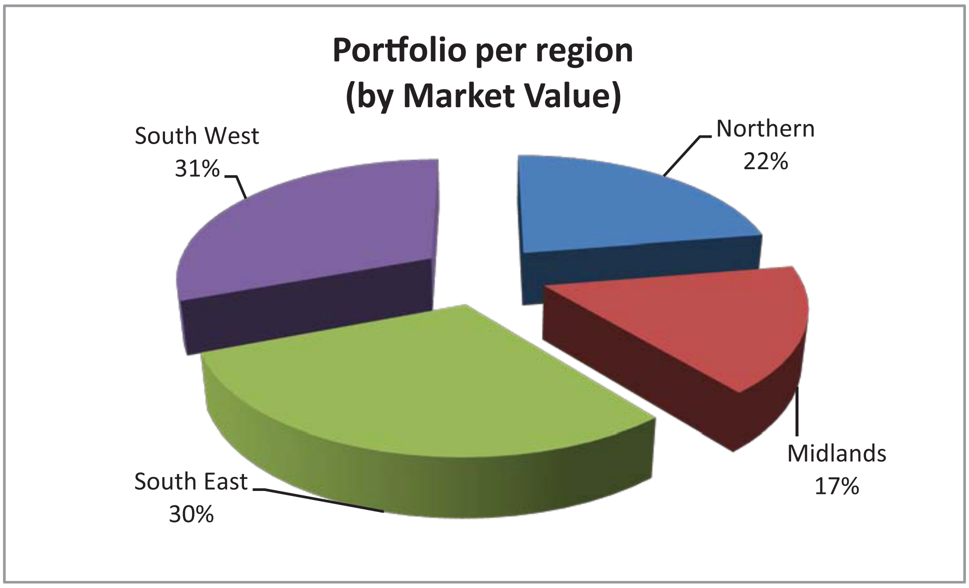
Individual property records are attached for all properties. These property records provide property-specific factual information and market commentaries. We set out below information which is relevant to all the properties.

Location

General

As stated above the properties are located throughout England.

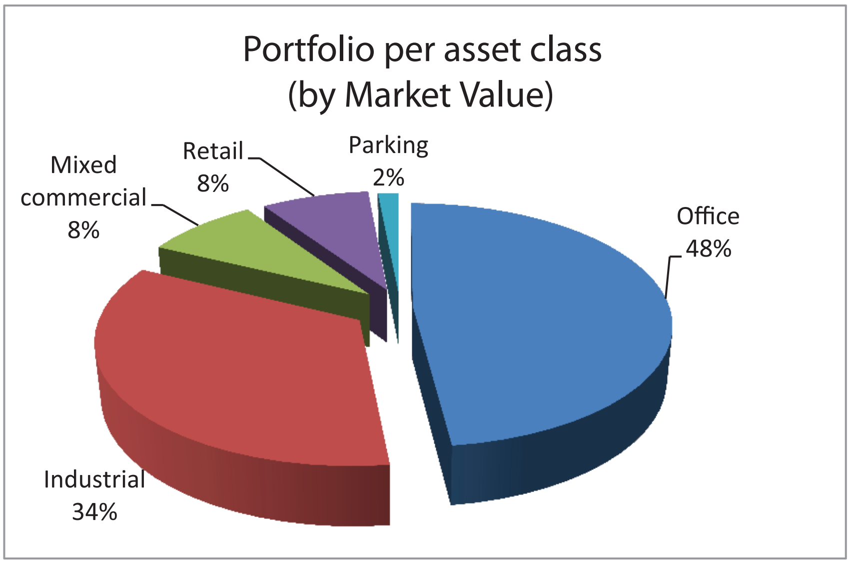
Location maps are attached to the individual property records.



The majority of the portfolio by Market Value is in the South East and South West (61%). There are 14 of the 24 properties located in these two areas.

Portfolio Analysis

The majority of the properties are industrial and office buildings. Only three of the 24 are primarily retail assets and these contribute 8 per cent. of the aggregate Market Value. The largest asset class is offices, reflecting 48 per cent. of the total Market Value of the portfolio.

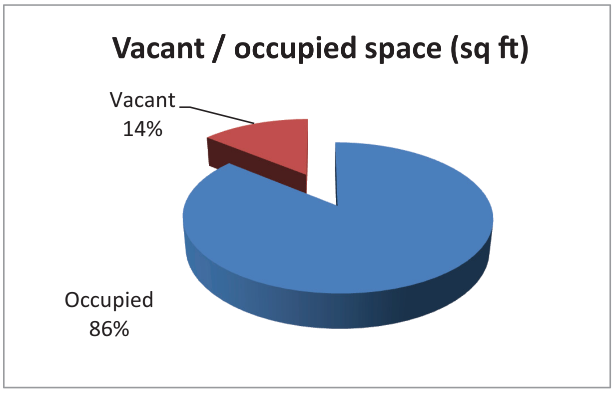


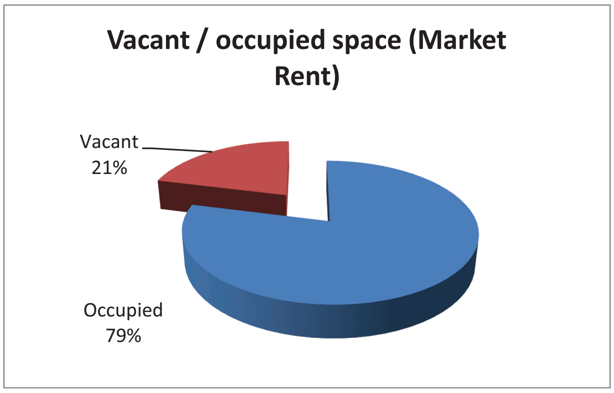
The most valuable property is BPC Building, Marsh Barton Trading Estate, Exeter at £4,400,000, reflecting 9.96% of the overall portfolio aggregate Market Value.

Vacant Units

We set out below the current vacancies of which we are aware:

Property	Type	Empty sq. ft.	% of whole property (sq. ft.)
Leeds, Gelderd Point	Offices	20,495	100%
Sheffield, Meadowcourt 1	Offices	8,855	60.3%
Sheffield, Meadowcourt 3	Offices	5,598	25.5%
Southampton, 127 Above Bar	Retail	708	16.1%
Tolworth, Argent House & Argent Court	Office	12,577	45.6%
Dartford, Copperfield Centre	Retail	8,237	36.2%
York, Hudson House	Office	47,064	46.3%
Harlow, Sandringham House	Office	6,831	20.9%
Maldon, ICS Buildings	Industrial	8,266	6.95%
Avonmouth, Point Four	Industrial	8,906	10.5%
Cardiff, Bonded Warehouse	Offices	9,050	52.1%
Exeter, The Forum	Offices	8,922	23.3%
TOTAL		**145,509**	**13.1%**





The existing vacant space within the portfolio reflects 14 per cent. by floor area. However, by Market Rent, the vacant space reflects 21 per cent. of the total portfolio. There are significant reletting opportunities to increase overall income within the portfolio.

Tenure

We have been informed by the Borrower and via the vendor's legal data room that all the properties are held freehold apart from the following properties, which are held long leasehold:

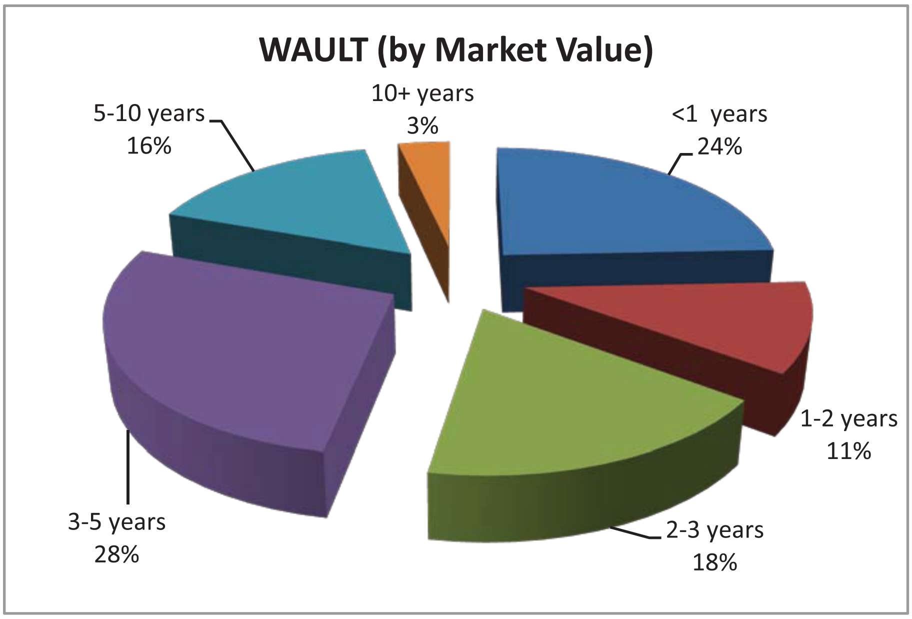
Property	Head Rent (pa)	Unexpired term (years)
Leeds, Warwick House.	12.12% of Market Rent (£23,028)	92
Birmingham, Priory House.	£100	14.25
Coventry, Staybrite House.	Peppercorn	110.5
Aldershot, Plot 24, Blackwater Way.	£47,000	115
London, 2-5 Devonshire Row Mews	£500	9
Southampton, 127 Above Bar Street	£1,900	21.8
Southampton, 124-126 Above Bar Street	£6,500	38.5
Avonmouth, Point Four Industrial Estate	Peppercorn	94.8
Bristol, Stratton House	14% of Market Rent (£39,480)	94.5
Exeter, BPC Building (Part Leasehold/Part Freehold)	Peppercorn	106.25

Tenancies

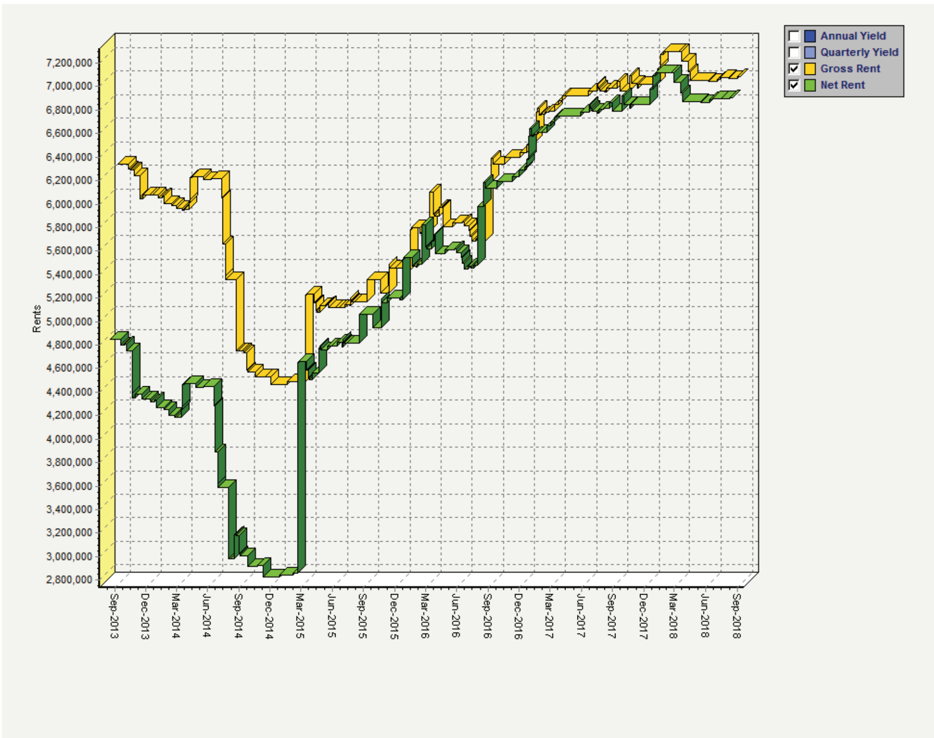
We have been provided with tenancy schedules from the vendor's agent and have read sample leases and tenancy information as provided within the vendor's data room. Tenancy schedules are attached to the individual property reports.

The portfolio has an average unexpired term (to breaks) of 3.85 years.

The majority of the assets have between an average unexpired lease term of between 3 and 5 years (see chart below), with only one property having over 10 years unexpired (Priory House, Birmingham. In addition, a fairly high proportion (24 per cent. by Market Value) has an average unexpired lease term of less than one year remaining.



Portfolio Income



The above graph shows the fluctuations in gross and net rent for the total portfolio over the next five years, reflecting our assumptions as to void periods on lease expiries, tenant break options and rental values. The net income drops dramatically from its current level of £4.85m to approximately £2.8m in December 2014. There are a number of significant lease events in 2014, including:

- June 2014 - Milton Keynes - Rockwell break option
- June 2014 – Stockport – Mountrose break option
- August 2014 – Coventry, Staybrite House – Bowater Building Products break option
- August 2014 – Coventry, Courtauld House – Bowater Building Products break option

In the event of all of the potential vacancies occurring, the income would fall as above. However, it is considered to be unlikely that all of the tenants would exercise these options across the portfolio.

11. Valuation

This is the aggregated figure of the individual values for each property valued. If the properties were to be sold as a single lot or in groups of properties, the total value could differ significantly. Our opinion of the aggregate Market Value as at 30 August 2013 of the freehold and leasehold interests held in the Properties is:

£44,195,000

(Forty four million one hundred and ninety five thousand pounds)

We set out below the value ascribed to each property.

Of the above aggregate total, the following Market Value relates to Freehold interests:

£30,735,000

(Thirty million seven hundred and thirty five thousand pounds)

Of the above aggregate total, the following Market Value relates to Leasehold interests:

£13,460,000

(Thirteen million four hundred and sixty thousand pounds)

The following assets account for more than 5 per cent. of the aggregate portfolio Market Value:

Property	Market Value
Hudson House, York	£4,300,000 (Four million three hundred thousand pounds)
Imperial Court & Imperial House, Leamington Spa	£3,170,000 (Three million one hundred and seventy thousand pounds)
2-4 Pitfield, Milton Keynes	£2,600,000 (Two million six hundred thousand pounds)
CS Buildings, Hall Road, Maldon	£2,300,000 (Two million three hundred thousand pounds)
Point Four Industrial Estate, Avonmouth	£3,800,000 (Three million eight hundred thousand pounds)
BPC Building, Exeter	£4,400,000 (Four million four hundred thousand pounds)
The Forum, Exeter	£2,600,000 (Two million six hundred thousand pounds)

A complete list of the properties is set out below:

Property Address	Tenure	Net Rent £pa	Market Rent £pa	Market Value £
Warwick House, Leeds	Leasehold	£173,222	£120,000	£1,050,000
Gelderd Point, Leeds	Freehold	-£153,738	£205,000	£900,000
Meadowcourt I, Sheffield	Freehold	-£7,846	£53,070	£265,000
Meadowcourt III, Sheffield	Freehold	£149,066	£164,700	£1,050,000
Allen House, Stockport	Freehold	£268,877	£174,622	£1,500,000

Property Address	Tenure	Net Rent £pa	Market Rent £pa	Market Value £
Victoria Road, Stoke-on-Trent	Freehold	£117,000	£101,000	£850,000
Hudson House, York	Freehold	-£385,582	£1,074,850	£4,300,000
Priory House, Birmingham	Leasehold	£259,900	£239,000	£1,550,000
Courtauld House, Coventry	Freehold	£397,500	£320,000	£2,000,000
Staybrite House, Coventry	Leasehold	£207,318	£180,000	£650,000
Imperial Court & Imperial House, Leamington Spa	Freehold	£559,725	£557,000	£3,170,000
Plot 24, Blackwater Way, Aldershot	Leasehold	-£39,200	£188,800	£640,000
The Copperfields Centre, Dartford	Freehold	£154,734	£299,317	£1,200,000
Sandringham House, Harlow	Freehold	£232,764	£290,000	£2,200,000
2-5 Devonshire Row, London	Leasehold	£81,500	£88,000	£670,000
2-4 Pitfield, Milton Keynes	Freehold	£566,416	£475,000	£2,600,000
ICS Buildings, Hall Road, Maldon	Freehold	£454,000	£441,100	£2,300,000
124-126 Above Bar Street, Southampton	Leasehold	£55,600	£61,600	£300,000
127 Above Bar Street, Southampton	Leasehold	£330,075	£331,100	£2,000,000
Argent Court & Argent House, Tolworth	Freehold	-£14,837	£232,000	£1,400,000
Point Four Industrial Estate, Avonmouth	Leasehold	£329,704	£403,000	£3,800,000
Stratton House, Bristol	Leasehold	£313,020	£265,000	£1,900,000
Atlantic Wharf, Cardiff	Freehold	£39,186	£159,000	£900,000
BPC Building, Exeter	Pt leasehold part freehold	£563,782	£340,000	£4,400,000
The Forum, Exeter	Freehold	£195,072	£333,800	£2,600,000
Total		**£4,847,258**	**£7,096,959**	**£44,195,000**

12. Sale of the Portfolio as a Whole

As is standard practice, we have valued each property within the portfolio as a stand-alone asset and our reported Market Value is an aggregate of the individual valuations. However, we have given consideration as to whether, or not, the portfolio would attract a 'premium' bid if sold in its entirety.

Given the range of assets in the portfolio, we are of the opinion that it is unlikely that a portfolio sale would command a premium bid for the subject portfolio. On the contrary, we believe that it would be reasonable for a prospective purchaser to obtain a discount from the aggregate values reported, given the nature of some of the assets and the different quality over the portfolio. The reasoning behind this is based on the premise that some of the properties would be virtually unsalable as stand-alone assets. Accordingly, the purchaser would seek a discount on the whole to reflect the risk associated with some of the parts.

It is normally difficult to quantify this discount; however, the difference between our opinion of the aggregate Market Value and the purchase price is indicative of this. We are of the opinion that a discount of some 10 per cent. would be appropriate and that a purchase price of circa £39,700,000 would be reasonable.

13. Valuation for a Regulated Purpose

This valuation is classified by the Red Book as a Regulated Purpose Valuation and we are therefore required to disclose the following information.

The valuation was prepared by Graham Saunders MRICS and Lamorna Smith MRICS and was reviewed by Dudley Holme-Turner MRICS and Michael Thompson MRICS. The signatories to this report have not previously been signatory to valuations for the Company for the same purpose. In our most recent financial year, Cushman & Wakefield LLP received less than 5 per cent. of its total fee income from the Company.

This Valuation Report has been prepared for inclusion in the Circular.

14. FSA Compliance

In preparing this Valuation Report, we have complied with the requirements of PR 5.6.5G of the Prospectus Rules (and related guidance) published by the Financial Conduct Authority. We also confirm that for the purposes of the Listing Rules issued by the Financial Conduct Authority, neither the signatories to this report or Cushman & Wakefield LLP has an interest (material or otherwise) in the Company.

15. Confidentiality, Disclosure and Publication

To the fullest extent permitted by the law (including any mandatory responsibility arising from the listing rules of any stock exchange) we do not assume any responsibility to and we hereby exclude all liability arising from use of and/or reliance on this report by any person or persons for the purposes of determining whether or not to subscribe for shares in the Placing by Palace Capital Plc other than those parties to whom this report is addressed and to whom we have issued a reliance letter.

Other than those parties to whom this report is addressed (or any person to whom we have issued a reliance letter and who has accepted the terms contained therein), any third party seeking to rely on this report shall only be entitled to do so for the purposes of determining whether or not to subscribe for shares in the Placing by Palace Capital Plc.

This report or any part of it may not be modified, altered (including altering the context in which the report is displayed) or reproduced without the written consent Cushman and Wakefield (having first been obtained) and any person who contravenes this provision shall be responsible for all of the consequences of the same including indemnifying Cushman and Wakefield for all of the consequences of the contravention. Cushman & Wakefield accepts no liability for any use of the Report which is in contravention of this section.

Signed for and on behalf of Cushman & Wakefield LLP

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PART VIII

ADDITIONAL INFORMATION

1. **RESPONSIBILITY STATEMENT**

1.1 The Directors and the Proposed Director, whose names appear on page 10 of this document, 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.

2. **INCORPORATION AND STATUS OF THE EXISTING GROUP AND THE ENLARGED GROUP**

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. As stated in Part I of this document, it is intended to change the accounting reference date to 31 March, such that the current financial year will end on 31 March 2014.

2.6 The Company's main activity is that of a holding company. The Company has no administrative, management or supervisory bodies other than the Board.

2.7 Following completion of the Acquisition, the Company will be the parent company of the Enlarged Group.

2.8 Further details of the members of the Existing Group are set out in below:

Company	Date of Incorporation	Nature of Business	Class of Shares	Share %	Status
Hockenhull Estates Limited (Isle of Man) (059474C)	6 August 1992	Property Investment	Ordinary	100	Trading
Equalgold Limited (England and Wales) (06068651)	25 January 2007	Dormant	Ordinary	100	Dormant

2.9 Further details of the Target Group are set out below:

Company	Date of Incorporation	Nature of Business	Class of Shares	Shares % and held by	Status
Quintain Signal Member A Limited (England and Wales) (06991031	14 August 2009	Holding Company	Ordinary	100% Quintain Estates & Development Plc	Holding company
Signal Investments LLP (England and Wales) (OC348602)	14 September 2009	Holding LLP	Membership Interest	98.5% Quintain Signal Member A Limited 1.5% Buckingham	Holding LLP
Signal Property Investments LLP (England and Wales) (OC348022)	19 August 2009	Property investment	Membership Interest	99.9% Quintain Signal Member B Limited (£10) 0.1% Signal Investments LLP (£3,832,306)	Trading
Quintain Signal Member B Limited (06991034)	14 August 2009	Holding LLP	Ordinary	100% Signal Investments LLP	Holding LLP
Meadow Court Management (Meadowhill) Limited (00701934)	29 August 1961	Property Management	Ordinary	50% Signal Property Investments LLP	Trading

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:

On 5 January 2006 a special resolution of the shareholders of the Company was passed authorising every 10 authorised ordinary shares of 0.1p each (whether issued or unissued) to be consolidated into one ordinary share of 1p each.

On 6 January 2005, the Company issued and allotted 65,000 Preference Shares each at a price of £1.00.

On 3 February 2005, 46,072,710 ordinary shares of 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.

On 30 March 2005, the Company issued and allotted 5,000,000 ordinary shares of 1p each at a price of 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.

On 5 May 2007, the Company issued and allotted 153,575 ordinary shares of 1p each at a price of 1p.

On 30 July 2010, the Company created £60,000 unsecured convertible loan notes on the terms of the Convertible Loan Note Instrument. The Convertible Loan Notes are convertible into 26,667 new Ordinary Shares on the terms of the Convertible Loan Note Instrument and remain unconverted.

On 8 September 2011, the Company created £300,000 of unsecured convertible loan notes which are convertible into 133,333 New Ordinary Shares on the terms of the 2011 Convertible Loan Notes Agreement and remain unconverted.

By resolutions of the Company passed on 3 October 2011:

the Directors were authorised to allot equity securities (as defined in Section 560 of the Act) up to an aggregate nominal amount of £315,917.33 in connection with an offer by way of a rights issue and in any other case up to a maximum nominal amount of £250,000, such authority to expire unless sooner evoked or renewed by the Company in general meeting, on 3 January 2013; and

the Directors were empowered to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority referred to in (g)(i) above as if Section 561(1) of the Act did not apply to such allotment up to a maximum nominal amount of £250,000, such authority to expire, unless sooner revoked or renewed by the Company in general meeting, on 3 January 2013.

On 3 October 2011, the Company issued and allotted 23,266,660 ordinary shares of 1p each at a price of 2.25p pursuant to the placing that took place in connection with the Hockenhull Acquisition.

3.2 The issued share capital of the Company as at 1 October 2013 (being the latest practicable date prior to publication of this document) and the Enlarged Issued Share Capital immediately following Admission are shown below:

	As at the date of this document			**On Admission**
	£	**Number**	**£**	**Number**
Existing Ordinary Shares	£315,937.33	31,593,737	–	–
Consolidated Ordinary Shares	–	–	£31,593.73	315,937
Consolidated Ordinary Shares together with New Ordinary Shares	–	–	£1,244,093.70	12,440,937
Preference Shares	£65,000	65,000	£65,000	65,000
Deferred Shares	–	–	£284,343.60	315,937

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 October 2013 being the latest practicable date before publication of this document, the Company held no Existing Ordinary Shares or Preference Shares as treasury shares.

3.7 There are no Existing 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 2010 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 3.13 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 As at 31 January 2011 there were 7,215,956 Existing Ordinary Shares in issue. As at 31 January 2012 and 31 January 2013, there were 31,593,733 Existing Ordinary Shares in issue.

3.11 The New Ordinary Shares will be in registered form with ISIN GB00BF5SGF06.

3.12 All of the Consolidated Ordinary Shares and the New Ordinary Shares may be held in either certificated or uncertificated form.

3.13 Save for the 2010 Convertible Loan Notes, the 2011 Convertible Loan Notes and the Share Options described in paragraphs 5.2, 5.3 and 5.4 of this Part VIII and the rights for Allenby Capital and Arden Partners to subscribe for new Ordinary Shares contained in the Placing Agreement described in paragraph 8.5 of this Part VIII, 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.

3.14 The New Ordinary 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 Consolidated Ordinary Shares.

4. **ARTICLES OF ASSOCIATION**

4.1 The New Articles include provisions to the following effect:

4.2 Pursuant to the 2006 Act, from 1 October 2009, all items listed in the Company's Memorandum of Association dated 14 January 2005 ("Memorandum") (including as to its objects) are deemed to be and form part of the New Articles of the Company with the exception of the names of the initial subscribers of the Company.

The Memorandum provides that the object of the Company is to a) carry on business as a holding and investment company and for that purpose to acquire by any means and hold for the purposes of investment any freehold, leasehold or any other interest in property whatsoever and b) undertake a range of activities in connection with that business including the development of such property. The Company's objects are set out in full in clause 4 of the Memorandum.

4.3 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.

4.4 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.

4.5 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.

4.6 The provisions of the New Articles applicable to general meetings apply *mutatis mutandis* to class meetings.

4.7 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.

4.8 Subject to the provisions of the 2006 Act, the Company may by special resolution (and, with court approval where required) reduce the issued share capital or any capital redemption reserve and any share premium account in any subject to authority required by law. Subject to applicable law, the Company may purchase its own shares.

4.9 Preference Shares

Holders of Preference Shares are entitled to 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.

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.

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.

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.

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.

4.10 Deferred Shares

The Deferred Shares shall have attached to them the following rights and restrictions:

(i) as regards income: the Deferred Shares shall not entitle the holders thereof to receive any dividend or other distribution unless and until the holders of the Ordinary Shares shall have received in aggregate amongst them the sum of £100,000,000 in respect of such dividend or distribution;

(ii) as regards voting: the Deferred Shares shall not entitle the holders thereof to receive notice of or to attend or vote at any General Meeting of the Company;

(iii) as regards capital: on a return of capital on a winding up the holders of Deferred Shares shall only be entitled to receive the amount paid up on such shares after the holders of the Ordinary Shares have received the sum of £1,000,000 for each Ordinary Share held be them and shall have no other right to participate in the assets of the Company;

(iv) as regards transfer: the Company is authorised at any time:

(a) to appoint a person to execute on behalf of the holders of the Deferred Shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof and persons so entitled, to such persons as the Company may determine as holder thereof beneficially entitled thereto; and

(b) pending any transfer not to issue certificates for the Deferred Shares.

(v) neither:

(a) the passing by the Company of any resolution for a reduction of capital involving the cancellation of the Deferred Shares without any repayment of capital in respect thereof, or a reduction of share premium account, or the obtaining by the Company or the making by the court of an order confirmng any such reduction of capital or share premium account or the making effective of such order; nor

(b) the purchase by the Company in accordance with the provisions of the Act of any of its own shares or other securities or the passing of a resolution to permit any such purchase; shall constitute a variation or abrogation of the rights attaching to the Deferred Shares; and

(vi) as regards further issues: the rights confered by the Defered Shares shall not be varied or abrogated by the creation or issue of further shares ranking *pari passu* with or in priority to the Deferred Shares.

4.11 Directors

A director of the Company is not required to hold any qualification shares.

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.

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.

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:

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;

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;

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

shall not, by reason of his office be accountable to the Company for any benefit which transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

Save as specifically provided in the New Articles, a director of the Company may not vote in respect of any contract, transaction or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or though, the Company. A director of the Company will not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

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:

the giving of any guarantee, security of indemnity to a third party in respect of money lent or obligations incurred by him at the request or for the benefit of the Company or any of its Subsidiaries;

the giving of any security to a third party in respect of a debt or obligation of the Company or any of its Subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or by the giving of a security;

any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its Subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting thereof;

any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company;

any contract or arrangement in which he is interested directly or indirectly and whether as an officer or Shareholder or otherwise, provided that he does not hold an interest (as defined in Part 22 of the 2006 Act) in one per cent, or more of the issued shares of any such body corporate;

any proposal concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to the directors and employees of the Company or any of its Subsidiaries;

any arrangement for the benefit of employees of the Company or of any of its Subsidiaries under which the director benefits in a similar manner to the employees; and

any proposal, contract, transaction or arrangement concerning the purchase or maintenance of insurance for the benefit of directors or persons who include directors.

Subject to any applicable law, the Company may by ordinary resolution suspend or relax the provisions summarised under sub-paragraphs (v) and (vi) 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.

At every general meeting, all of the directors of the Company who have either been appointed since the last annual general meeting; or who were appointed or reappointed at one of the preceding two annual general meetings shall retire by rotation and stand for re-election.

The Board have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of duty of a director of the Company under section 175 of the 2006 Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or may possible conflict, with the interests of the Company. Save that such authorisation of the Board may only be effective if the required quorum at the meeting at which the matter is considered is met without counting the interested director and the matter was agreed without such director voting or would have been agreed to if their vote have been counted.

4.12 All transfers of shares may be effected by transfer in any unusual 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.

4.13 There are no fixed dates on which a divided entitlement arises. The Company may by ordinary resolution from time to time declare dividends to be paid to Shareholders, although the amount of the dividend cannot exceed the amount recommended by the directors. In addition the directors may pay interim dividends if justified by the profits of the Company available for distribution

4.14 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.

4.15 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.

4.16 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.

4.17 The Ordinary Shares rank *pari passu* as a class in terms of preference, restriction and all other rights.

4.18 Section 983 of the 2006 Act provides that if, within certain time limits, an offer is made for the share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. by value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90 per cent. of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and, six weeks from the date of the notice, pay the consideration for the shares to the Company to hold on trust for the outstanding Shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration available under the takeover offer.

4.19 Section 983 of the 2006 Act permits a minority Shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in the Company which amount to not less 90 per cent. in value of all the voting shares in the Company and carry not less than 90 per cent. of voting rights. Certain time limits apply to this entitlement. If a Shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

5. INTERESTS OF THE DIRECTORS AND OTHERS

As at 1 October 2013 (being the latest practicable date prior to the publication of this document) and, as they are expected to be immediately following Admission, the interests of the Directors and the Proposed Director, their immediate families and persons connected with the Directors and the Proposed Director (within the meaning of section 252-255 of the Act) (all of which are beneficial unless otherwise stated) in any of the issued share capital of the Company, 2010 Convertible Loan Notes and the 2011 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	Equivalent number of Consolidated Ordinary Shares[6]	Percentage of Existing Ordinary Shares	Number of Ordinary Shares	Percentage of Enlarged Share Capital
Stanley Davis	10,274,746	102,747	32.52	1,403,997[3]	11.29
Neil Sinclair[1]	2,941,412	29,414	9.31	154,414[4]	1.24
Anthony Dove	100,000	1,000	0.33	41,000[5]	0.33
Richard Starr[2]	–	–	–	50,000	0.40

1 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 Ordinary Shares are held in the name of The Trustees of the Sinclair Goldsmith Executive Pension Scheme of which Neil Sinclair is the sole beneficiary.

2 Richard Starr is the Proposed Director. Mr Starr is subscribing £100,000 in the Placing via his pension scheme, IPS Pension Builder – RP Starr.

3 Of the £2,602,500 of Placing Shares being subscribed for by Stanley Davis, he is subscribing £750,000 and £1,450,000 via his pension schemes, the IRG PLC Directors Retirement and Death Benefit Scheme and the Stanley Davis Associates Ltd Directors Retirement and Death Benefit Scheme respectively.

4 Neil Sinclair is subscribing £250,000 in the Placing via his pension scheme, the Sinclair Goldsmith Executive Pension Scheme.

5 Of the £80,000 of Placing Shares being subscribed for by Anthony Dove, Susan Dove, his wife, is subscribing for £40,000 in the Placing.

6 Assuming completion of the Reorganisation.

5.2 **Interests in 2010 Convertible Loan Notes**

	Prior to and immediately following Admission	
	Number of 2010 Convertible Loan Notes issued	Number of Ordinary Shares required to be issued on conversion
Stanley Davis	£31,500	14,000
Neil Sinclair*	£4,000	1,778

*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 2011 Convertible Loan Notes**

	Prior to and immediately following Admission	
	Number of 2011 Convertible Loan Notes issued	Number of Ordinary Shares required to be issued on conversion
Stanley Davis*	£300,000	133,333

*the 2011 Convertible Loan Notes are all held by the IRG PLC Directors Retirement and Death Benefit Scheme, the trustees of which are Rachel Rita Davis, the spouse of Stanley Davis, Stanley Davis and NSS Trustees Limited.

5.4 **Interests in Share Options**

The following Share Options were granted on 3 October 2011:

	Immediately following Admission*			
	Number of Share Options issued	Exercise Price £	Number of Ordinary Shares held	Percentage of Enlarged Share Capital
Stanley Harold Davis	8,688	2.25	1,403,997	11.29
Ronald Neil Sinclair	17,376	2.25	154,414	1.24
David Malcolm Kaye	5,529	2.25	–	–

*assuming completion of the Reorganisation

5.5 Other than as set out in paragraph 5.4 of this Part VIII, as at 1 October 2013 (being the latest practicable date prior to the publication of this document), the Directors and the Proposed Director did not hold any options over or rights to convert into Ordinary Shares.

5.6 Save as disclosed in this paragraph 5, none of the Directors nor the Proposed Director (nor persons connected with them 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.

5.7 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 October 2013 (being the latest practicable date prior to the publication of this document) and as they are expected to be immediately following Admission:

	Prior to Admission			Immediately following Admission	
	Number of Existing Ordinary Shares	Percentage of Existing Ordinary Shares	Equivalent number of Consolidated Ordinary Shares*	Number of Ordinary Shares	Percentage of Enlarged Share Capital
Andrew Perloff	2,941,412	9.31	29,414	154,414	1.24
Barrie Tankel	3,138,889	9.94	31,388	124,648	1.00
Nigel Lindsay-Fynn	2,222,222	7.03	22,222	72,222	0.58
Harold Perloff	1,111,111	3.52	11,111	23,611	0.19
Fairfax I.S. Nominees Limited	1,102,097	3.49	11,020	11,020	0.09

*assuming completion of the Reorganisation

5.8 There are no differences between the voting rights enjoyed by those Shareholders set out in paragraph 5.1 and 5.7 above and those enjoyed by any other holder of Existing Ordinary Shares in the Company.

5.9 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 change of control of the Company.

5.10 The Company has received irrevocable undertakings from certain shareholders and Directors, who hold an aggregate 22,729,792 Existing Ordinary Shares representing approximately 71.9 per cent. of the Existing Ordinary Shares, to vote in favour of the Resolutions.

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
Stanley Davis	10,274,746	32.52
Barrie Tankel	3,138,889	9.94
Neil Sinclair	2,941,412	9.31
Andrew Perloff	2,941,412	9.31
Nigel Lindsay-Fynn	2,222,222	7.03
Harold Perloff	1,111,111	3.52
Anthony Dove	100,000	0.32
Total	22,729,792	71.94

6. DIRECTORS' AND PROPOSED DIRECTOR'S SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

6.1 Stanley Davis is engaged to act as non-executive Chairman pursuant to a letter of appointment with the Company dated 8 September 2011 under which he receives a fee of £12,000 per annum. The appointment is terminable on six months' written notice. Mr Davis' arrangements provide for no benefits upon termination of his contract. The Company has, conditional on Admission, entered into an amended and restated letter of appointment with Stanley Davis under which he will continue to be a Director for a further three year term and will receive an annual fee of £30,000 and otherwise on the terms of the letter of appointment dated 8 September 2011.

6.2 Neil Sinclair is engaged to act as Managing Director of the Company pursuant to a service agreement with the Company dated 8 September 2011 under which he receives a salary of £45,000 per annum. The Company has, conditional on Admission, entered into an amended and restated service agreement with Neil Sinclair under which he will receive an annual salary of £100,000, a car allowance of £10,000 per annum and medical insurance in return for a working hours commitment of 35 hours per week. The agreement shall be terminable upon twelve months notice given by either party. Upon Admission, Neil Sinclair shall be paid a bonus of £35,000.

6.3 Anthony Dove is engaged to act as non-executive director pursuant to a letter of appointment with the Company dated 8 September 2011 under which he receives a 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. The Company has, conditional on Admission, entered into an amended and restated letter of appointment with Anthony Dove under which he will receive an annual fee of £25,000 and otherwise on the terms of the letter of appointment dated 8 September 2011.

6.4 Richard Starr is, conditional on Admission, to be employed as Property Director pursuant to a service agreement with the Company dated 2 October 2013 under which he will receive an annual salary of £60,000. The agreement is terminable on 8 months' written notice and provides for no benefits upon termination of his contract. Under the terms of the agreement, Richard Starr is required to devote three days per week to the Company.

6.5 Save as disclosed above, there are no service agreements or letters of appointment in existence between any of the Directors, the Proposed Director 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 paragraph 6.1 to 6.4 inclusive above, none of the Directors has an existing or proposed service agreement with any Group Company or any member of the Enlarged Group nor has there been any change in the last six months.

6.7 The annual remuneration and benefits in kind, paid by the Company to the Directors in respect of the period ended 31 January 2013 was £69,500 (31 January 2012: £23,167). The expected annual remuneration and benefits in kind payable by the Company to the Directors in respect of the 12 months following admission is £229,800.

7. ADDITIONAL INFORMATION ON THE BOARD

7.1 The names of all companies and partnerships other than the Company of which the Directors and the Proposed Director 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:

Directors	Current Directorships and Partnerships	Past Directorships and Partnerships
Stanley Harold Davis	102 Jermyn Street LLP Buckingham Gate (SW1) LLP Buckingham Gate Estates Limited Curzon Street (London) LLP Curzon Street (Mayfair) LLP Equalgold Limited Exchange Court (Covent Garden) LLP Goodge Street (TCR) LLP Goodge Street (Tottenham Court Road) LLP International Business Development Consultants Limited Stanley Davis Group Limited Strategic Global Investments Limited The Charitable Will Trust Unitguide Limited University Jewish Chaplaincy York Place Company Services Limited	Candycane Limited The I Can Project CIC Long Acre (Covent Garden) LLP
Ronald Neil Sinclair	Equalgold Limited London Active Management Limited Sinclair Goldsmith & Co Ltd Variety Events Limited Variety, the Children's Charity	ABC Risk Management Limited Mission Capital Plc Moorgate & City Group Limited Moorgate & City Holdings Moorgate & City Investments Limited Moorgate & City Properties Limited (liquidation) Moorgate & City Properties (London) Limited Variety Children's Lifeline (UK) Ltd
Anthony Charles Dove	Argonaut Properties (Cornwall), LLP Locate Continental Properties Kft	Gynaecology Cancer Research Fund
Richard Starr	Acorn2Oak Property Advisors Ltd	None

7.2 Save as set out in paragraph 7.3 below, no Director nor the Proposed Director:

has any unspent convictions in relation to indictable offences; or

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

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 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

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

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 until his resignation on 31 July 2010. ABC Risk Management Limited went into liquidation on 29 June 2011.

8. MATERIAL CONTRACTS

8.1 *Nominated adviser and co-broker agreement with Allenby*

On 31 July 2012, the Company (1) and Allenby (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 31 July 2013). Pursuant to this agreement, Allenby will receive an annual retainer for the provision of nominated adviser and broker services on an ongoing basis accruing on a daily basis commencing on 1 August 2013.

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 Allenby in connection with any announcements and statements to be made by it.

The Company has also agreed to provide Allenby with any information which Allenby 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 Allenby.

8.2 *Transaction engagement letter with Allenby*

On 2 August 2013, the Company (1) and Allenby (2) entered into a transaction engagement letter, terminable by either party on 10 Business Days' notice. The transaction engagement letter contains indemnities and warranties given by the Company in favour of Allenby.

8.3 *Joint Broker Agreement with Arden Partners*

On 2 October 2013 the Company and Arden Partners entered into a joint broker agreement, terminable by either party on three months' written notice. Pursuant to this agreement, Arden Partners will receive, conditional on admission, an annual retainer for the provision of broker services on an ongoing basis commencing on 21 October 2013. The agreement contains indemnities from the Company in favour of Arden Partners.

8.4 *Transaction Engagement Letter with Arden Partners*

On 1 August 2013, the Company (1) and Arden (2) entered into the transaction engagement letter, terminable by either party on three months written notice. The transaction engagement letter contains indemnities and warranties given by the Company in favour of Arden Partners.

8.5 *Placing Agreement*

A Placing Agreement dated 2 October 2013 between Allenby (1), Arden Partners (2) and the Company (3) pursuant to which Allenby and Arden Partners have agreed to use their respective reasonable endeavours to arrange for Placees to subscribe for 11,750,000 new Ordinary Shares at the Placing Price. The agreement is conditional, *inter alia*, upon Admission taking place on or before 21 October 2013 or such later date as Allenby, Arden Partners and the Company may agree but in any event no later than 11 November 2013.

(i) Allenby will receive, pursuant to the Placing Agreement and conditional on Admission, a corporate finance fee of £112,500 plus VAT; and

(ii) Allenby and Arden Partners will receive, conditional on Admission, Placing commissions of 5% of the gross funds raised, from which an overriding commission of 1% will be paid to Allenby (and a corresponding 1% retained by Arden Partners). The remaining 3% commission will be allocated on the basis of funds raised on the allotment agreed with the Company. The 3% Placing commission will not apply to funds subscribed by investors who are introduced by the Board and no commission is payable on amounts subscribed by the Directors provided irrevocable undertakings to subscribe are entered into.

In addition, each of Allenby Capital and Arden Partners is entitled to subscribe for new Ordinary Shares at the Placing Price at anytime before the third anniversary of Admission. The number of new Ordinary Shares which they may subscribe for is equal to 3 per cent. of the number of Placing Shares for which they have procured subscribers.

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

Allenby or Arden Partners 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 Allenby or Arden Partners, 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 Allenby and Arden Partners, materially adverse to the Company or the successful outcome of the Placing.

8.6 ***Acquisition Agreement***

On 2 October 2013, the Company entered into the Acquisition Agreement with the Vendor to acquire Quintain Signal Member A (the 98.5 per cent. owner of the Sequel Portfolio) including £750,000 that is payable pursuant to the Gelderd Point Agreement discussed in more detail in paragraph 8.10 of this Part VIII, subject to Admission and certain other conditions. The overall price payable is £39.05 million (subject to adjustment in accordance with the terms of the Acquisition Agreement), to be satisfied by the payment of £1 by the Company to the Vendor with a payment in respect of the excess of the net asset value of Quintain Signal Member A which will be calculated based on a target net asset value of Quintain Signal Member A as at the date of completion of the Acquisition (subject to an agreed cap in respect of such net assets). In addition, the Company has agreed to repay, or procure repayment of all of the indebtedness owed by Signal Property Investments LLP to Nationwide through a loan to be made by the Company to Signal Property Investments LLP (which will be funded out of the net proceeds of the Placing save for the balance of £20 million which will remain outstanding on the terms of the Facility) and any indebtedness of Quintain to the extent not waived.

The Vendor has also agreed to waive the outstanding intra-group indebtedness owed to it by members of the Target Group immediately prior to completion of the Acquisition, to the extent possible to result in Quintain Signal Member A achieving a net asset value not exceeding £25,001 on completion of the Acquisition.

The Acquisition Agreement provides for warranties and indemnities to be given by the Vendor in favour of the Company. These warranties are qualified by the Disclosure Letter (as such term is defined in the Acquisition Agreement) and certain limitations on liability. The maximum liability pursuant to the warranties given by the Vendor is £2,000,000 and the time limit for bringing warranty claims (other than for tax) expires 18 months after Completion (or 4 years after Completion in respect of claims under the tax warranties or the tax covenant).

The Company warrants to the Vendor in the Acquisition Agreement certain matters relating to its capacity and authority to enter into the Acquisition Agreement and also relating to information provided by it in the Circular.

Further, the Vendor has agreed to subscribe for the Subscription Shares at the Placing Price under the terms of the Quintain Subscription Agreement, details of which are set out in paragraph 8.7 below.

8.7 ***Quintain Subscription Agreement***

In connection with the Acquisition Agreement, Quintain has entered into the Quintain Subscription Agreement with the Company dated 2 October 2013 pursuant to which Quintain has agreed to subscribe for the Subscription Shares at the Placing Price. Further, Quintain has agreed that it will not dispose of the Subscription Shares (other than in certain limited circumstances) for a period of 12 months following Admission. Quintain has also agreed that from the first anniversary of Admission until the second anniversary of Admission, any disposal of Subscription Shares will be undertaken through the Company's brokers from time to time.

8.8 ***Buckingham Acquisition Agreement***

Under an agreement dated 2 October 2013 made between Buckingham and the Company, the Company has agreed (subject to Admission and completion of the Acquisition) to acquire the whole of Buckingham's 1.5 per cent. interest in the Sequel Portoflio together with the benefit of a loan of £220,111 owing by Signal Property Investments LLP to Buckingham and all accrued interest thereon for a consideration of £200,000. Buckingham has provided basic warranties as to capacity, title and the absence of encumbrances.

8.9 ***Buckingham Subscription Agreement***

In connection with the Buckingham Acquisition Agreement, Buckingham has entered into the Buckingham Subscription Agreement with the Company dated 2 October 2013 pursuant to which Buckingham agreed to subscribe for the Buckingham Shares at the Placing Price. In addition Buckingham has agreed not to dispose of the Buckingham Shares (other than in certain limited circumstances) for a period of 12 months following Admission. From the first anniversary of Admission until the second anniversary of Admission, Buckingham has agreed that any disposal through its brokers will be undertaken in consultation with the Company's brokers from time to time.

8.10 ***Gelderd Point Agreement***

On 2 October 2013 the Company entered into the Gelderd Point Agreement in relation to the Gelderd Point Acquisition. The consideration payable by the Company in respect of the acquisition of the freehold property known as Gelderd Point was £750,000, which was satisfied as part of the consideration paid by the Company to the Vendor in relation to the Acquisition Agreement.

8.11 ***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 January 2014. No coupon is payable on the outstanding Convertible Loan Notes. The Convertible Loan Notes are convertible on or before 31 January 2014 at 2.25 pence per Ordinary Share equating to 2,666.667 new Ordinary Shares.

8.12 ***Hockenhull Facility Letter***

Hockenhull Estates entered into the Hockenhull Facility Letter with Close on 8 September 2011 conditional upon, amongst other things, completion of the acquisition of Hockenhull Estates and pursuant to which Hockenhull Estates was 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 provided security to the Lender by virtue of (i) a debenture over its assets and (ii) a first legal charge over its properties. The Hockenhull Facility is for a fixed term and will expire on 30 September 2014. One hundred per cent. of the proceeds of sale of any of the properties must be utilised in repayment of the Facility. The Hockenhull Facility is repayable on demand.

8.13 ***SD Loan***

The Company entered into a loan agreement with Stanley Davis on 4 June 2013 pursuant to which Stanley Davis lent the Company £125,000 in cash. The entire sum owed to Stanley Davis 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 after Admission.

8.14 ***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 31 January 2014 (or earlier at the option of the Company). The 2011 Convertible Loan Notes are convertible at £2.25 per Ordinary Share at the option of the Noteholders.

8.15 ***Mezzanine Facility Agreement***

Pursuant to the Mezzanine Facility Agreement dated 8 September 2011 Stanley Davis 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. It is proposed that this facility will be repaid in full after Admission.

8.16 ***Nationwide Amended and Restated Facility Agreement and Security***

The Company has agreed that Signal Property Investments LLP would, on completion of the SPA, amend and restate its current loan facility with Nationwide Building Society and reduce the level of indebtedness to £20,000,000 on the terms of the Facility.

The Facility is a three year £20,000,000 term loan facility under which Signal Property Investments LLP agrees to pay interest at a rate of 3.75 per cent. over 3 month LIBOR (which is currently 0.5 per cent.) plus Nationwide's cost of compliance with the Bank of England or FCA requirements (which is likely to be circa 0.0101 per cent. but is subject to change in line with FCA requirements). Therefore, the aggregate rate on interest payable under the Facility is approximately 4.26 per cent. on the amount drawn-down by Signal Property Investments LLP.

The Facility provides for interest only payments to be made on a quarterly basis. A final capital payment is to be made by Signal Property Investments LLP at the end of the three year period from the date of drawdown or on a refinancing of the Facility or a disposal of the Sequel Portfolio, whichever is the sooner.

The Facility provides for interest only payments to be made on a quarterly basis. If a disposal of a property is made during the term of the Facility, Signal Property Investments LLP is required to prepay part of the Facility. The amount to be prepaid is 100 per cent. of the sale proceeds if the total loan to aggregate market value ratio (the "ratio") is 45 per cent. or more immediately prior to such disposal, 75 per cent. of the sale proceeds if the ratio is less than 45 per cent. but more than 40 per cent. and to prepay 50 per cent. of the sale proceeds if the ratio is less than 40 per cent.

Under the terms of the Facility, Signal Property Investments LLP is to pay Nationwide an arrangement fee equating to 1 per cent. of the facility amount less the £10,000 application fee which has already been paid by the Company on behalf of Signal Property Investments LLP. In addition, Signal Property Investments LLP is to pay an agency fee of £40,000 per annum (payable quarterly in advance) on each interest payment due with the first such payment payable pro rata upon drawdown.

A prepayment fee is also payable on any amount of capital prepaid during the term of the Facility in the amount of 0.25 per cent, 0.5 per cent. and 1 per cent. of any amounts prepaid in years one, two and three respectively. A minimum prepayment amount of £2,000,000 is required and any amount greater than that is permitted in integral multiples of £100,000.

Signal Property Investments LLP is required to operate a number of bank accounts with Nationwide. One account is a Deposit Account into which £1,000,000 is to be placed and held until such time, but within 12 months of drawdown, the loan to value of the Sequel Portfolio is 45 per cent. or less, by way of property sales. If the loan to value does not achieve the level of 45 per cent. In the initial 12 month period then Nationwide may seize the principal amount standing to the credit of the blocked account and use the same in prepayment of the Facility. The Deposit Account shall be an interest bearing account.

The Facility also provides for certain covenants (to be tested quarterly and to prevail during the term of the Facility and which relate to (i) loan to value (to not exceed 55 per cent.) and (ii) interest cover (to be not less than 200 per cent.).

8.17 ***Philips Lockhart Starr fee agreement***

Pursuant to a letter dated 20 March 2013 from the Company to Philips Lockhart Starr (with which Richard Starr has a consultancy relationship) the Company has agreed, conditional on Admission, to pay Philips Lockhart Starr a fee equal to 1 per cent. (plus VAT) of the Consideration. Under the terms of the letter, Philips Lockhart Starr are entitled to take a proportion of the fee by way of subscription for new Ordinary Shares at the Placing Price.

8.18 ***Lock-in and Orderly Markets Deed***

A Lock-in and Orderly Markets Deed dated 2 October 2013 has been entered into by each of the Directors and the Proposed Director pursuant to which they have each agreed with the Company and Allenby and Arden that, save in certain limited circumstances, they shall not dispose of any interest in their Ordinary Shares held by them on Admission for a period of 12 months from the date of Admission. The Lock-in and Orderly Markets 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.

Save as set out above neither Palace Capital nor any member of the Enlarged Group 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 exercise period will be the period between the third and tenth anniversaries 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.

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 5.4 of this Part VIII.

10. RELATED PARTY TRANSACTIONS

Other than disclosed in this document and save as set out in note 19 of the 2013 Report & Accounts, note 19 of the 2012 Report & Accounts and note 15 and 19 of the 2011 Report & Accounts, the Company has not entered into any material related party transactions for the three years ended 31 January 2013 and in the subsequent period to 1 October 2013 (being the latest practicable date prior to the publication of this document). The 2013 Report & Accounts, 2012 Report & Accounts and 2011 Report & Accounts are available from the Company's website at www.palacecapitalplc.com.

On 4 June 2013 and 8 September 2011, Stanley Davis lent the Company £125,000 and £277,500 in cash respectively, further details of which are contained in paragraph 8.13 and 8.15 of this Part VIII. It is the intention to repay these loans out of the net proceeds of the Placing.

11. LITIGATION

11.1 *Palace Capital*

No member of the Existing Group is or has 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 any member of the Existing Group during the 12 months immediately preceding the dale of this document which may have or have had, a significant effect on the financial position or profitability of any member of the Existing group.

11.2 *Target Group*

No member of the Target Group is, nor has it been engaged in any governmental, legal or arbitration proceedings, and Quintain Signal Member A is not aware that any such proceedings are pending or threatened by or against a member of the Target Group 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 Target Group.

12. SIGNIFICANT CHANGE

12.1 *Palace Capital*

There has been no significant or material change in the financial or trading position of the Existing Group since 31 July 2013, the date to which the latest interim accounts for the Company were prepared.

12.2 *Target Group*

Save as set out in Part V of this document, there has been no significant or material change in the financial or trading position of the Target Group since 31 March 2013, the date to which the historical financial information in Part V was made up.

13. WORKING CAPITAL

The Directors and the Proposed Director are of the opinion that, having made due and careful enquiry and taking into account the proceeds of the Placing, and the Nationwide Facility, 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. 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 per cent 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 37.5 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) 27.5 per cent. of the aggregate of the cash dividend and the associated tax credit, or an effective rate of 30.6 per cent. of the dividend actually received. Individual shareholders whose income tax liability is less than the lax 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 (tor 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 UK resident individual shareholder who pays income tax at the basic rate and dispose 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 entrepreneur's 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).

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 20-23 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 New 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.

Under current United Kingdom taxation legislation, Ordinary Shares, following Admission, will be eligible for inclusion in an Individual Savings Account (ISA). Individuals should seek independent professional advice as to their eligibility to invest in an ISA and as to the limits on the amounts they may invest in an ISA.

15. **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 or 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 with CREST.

16. **GENERAL**

16.1 The gross proceeds of the Placing are expected to be £23.5 million. 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 £2.1 million (excluding applicable Value Added Tax and excluding any costs incurred by the Vendor). The net proceeds of the Placing are expected to be £21.4 million and part of the Placing proceeds together with the Nationwide Facility are being used to fund the Acquisition and for working capital purposes.

16.2 The New 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.

16.3 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 have given and not withdrawn their written consent to the inclusion of their reports set out in Parts V and VI of this document in the form and context in which they are included. Having taken all reasonable care to ensure that such is the case, Crowe Clark Whitehill LLP confirm that the information contained in their reports in Parts V and VI are, to the best of their knowledge, in accordance with the facts and contain no omission likely to affect their import.

16.4 Allenby Capital, which is authorised and regulated by the Financial Conduct 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.

16.5 Arden Partners, which is authorised and regulated by the Financial Conduct 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.

16.6 Cushman & Wakefield LLP, whose registered number is OC328588, have given and not withdrawn their written consent to the inclusion of their report on the Company set out in Part VII of this document in the form and context in which it appears and have authorised the contents of their report for the purposes of Schedule Two of the AIM Rules for Companies, Cushman & Wakefield LLP have no interest in the Company's Ordinary Shares.

16.7 It is expected that definitive share certificates will be dispatched by hand or first class post during the week commencing 28 October 2013. In respect of uncertificated shares it is expected that Shareholders' CREST stock accounts will be credited on 21 October 2013.

16.8 Save as disclosed in this document, the Board is not aware of any exceptional factors which have influenced the Existing Group's or the Target Group's activities.

16.9 Save for the Acquisition, since 31 January 2013 to the date of this document, the Company has not made any investments, 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.

16.10 The Placing has not been guaranteed or underwritten.

16.11 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.

16.12 Save as disclosed in this document, 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.

16.13 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.

16.14 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.

16.15 Save as disclosed in Part II of the document entitled "Risk Factors", 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.

16.16 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.

16.17 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.

16.18 There are no potential conflicts of interest between the duties of any Director to the Company and their private interests and/or other duties.

16.19 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 2011 and 31 January 2012 and 31 January 2013 were Crowe Clark

Whitehill LLP who are regulated by the Institute of Chartered Accountants in England and Wales.

17. **AVAILABILITY OF DOCUMENTS**

Copies of the following documents will be available for inspection at the offices of Hamlins 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.

17.1 the Accountants' Report by Crowe Clarke Whitehill LLP on the Target Group for the 3 years ended 31 March 2013 as set out in Part V of this document.

17.2 the historical financial information on the Company for each of the last two financial years as set out in Part III of this document;

17.3 the interim results from which the interim financial information set out in Part IV of this document is extracted;

17.4 the Directors' and Proposed Director's service agreements and letters of appointment referred to in paragraph 6 above together with a written memorandum setting out the terms of the same;

17.5 the Valuation Report included in Part VII of this document;

17.6 the material contracts referred to in paragraph 8 above;

17.7 the letters of consent referred to in paragraphs 16.3 to 16.6 above;

17.8 the irrevocable undertakings referred to in paragraph 5.10 above; and

17.9 this Admission Document (which will also be available on the Company's website at www.palacecapitalplc.com).

Dated 2 October 2013

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 18 October 2013 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 resolutions 4 and 5 will be proposed as special resolutions.

ORDINARY RESOLUTIONS

1. **THAT**, subject to and conditional on the passing of Resolutions 2, 3, 4 and 5 below, the proposed acquisition by the Company of i) the entire issued share capital of Quintain Signal (Member) A Limited (company number 06991031) from Quintain Estates & Developments plc; ii) the 1.5% membership interest in Signal Investments LLP from Buckingham Properties Trading Limited; and iii) the property known as Gelderd Point, Leeds from Permitobtain Limited (together the ''Acquisitions'') each of the Acquisitions being on the terms and subject to the conditions of an agreement between the Company and the relevant vendor noted above (the ''Acquisition Documents'') the principal terms of which are contained in the Admission Document issued by the Company on 2 October 2013 (''Admission Document'') be and are hereby approved and that the board of directors of the Company (''Directors'') (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 any of the Acquisitions or the Acquisition Agreements (but not to a material extent) and do all such things it may consider necessary or desirable in connection with each of the Acquisitions.

2. **THAT**, subject to and conditional on the passing of Resolutions 1, 3, 4 and 5, the existing ordinary share capital of the Company be consolidated and divided as follows:

   2.1 subject to any allotments required to be undertaken pursuant to paragraph 2.2 of this resolution 2, every 100 ordinary shares of one pence each in the capital of the Company (''Pre-Admission Ordinary Shares'') including any additional Pre-Admission Ordinary Shares issued and allotted pursuant to the authority in paragraph 2.2 of this resolution be and are hereby consolidated into and redesignated as (i) one new ordinary share of £0.10 (''New Ordinary Share'') having the rights and being subject to the restrictions set out in the new Articles of Association of the Company to be adopted pursuant to resolution 5 below (''New Articles'') and (ii) 1 deferred share of £0.90 (''Deferred Share'') having the rights and being subject to the restrictions set out in the New Articles and so that members' entitlements to fractional shares arising from such consolidation and redesignation shall be aggregated and sold by the Directors for the best price reasonably obtainable and the net proceeds of such sale shall be paid and distributed to each member in proportion to their fractional entitlement (except that any amount otherwise due to a member, being less than £3.00 or such other nominal sum as the Directors may from time to time determine, may be retained for the benefit of the Company); and

   2.2 the Directors be and are hereby authorised to allot for cash pursuant to s560 of the Companies Act 2006 immediately prior to the consolidation and division of the Pre-Admission Ordinary Shares detailed in sub-paragraph 2.1 of this resolution is effected, to such members as the Directors may determine such number of Pre-Admission Ordinary Shares (not exceeding 99 Pre-Admission Ordinary Shares) as result in the number of New Ordinary Shares arising from such consolidation being a whole number and for the purposes of such allotment the Directors be and are hereby empowered to allot such Pre-Admission Ordinary Shares for cash as if s561(1) of the Companies Act 2006 did not apply to such allotment (this authority to be in addition to, and without prejudice to any other authorities conferred on the Directors by resolution 3 and 4 below, and unless renewed, to expire on the day that is one month following the date of this resolution).

3. **THAT**, subject to and conditional on the passing of Resolutions 1, 2, 4 and 5, the Directors 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 £1,175,000 in respect of the Placing (as such term is defined in the Admission Document);

3.2 in respect of the allotment of up to an aggregate nominal amount of £27,500 in respect of the Subscription (as such term is defined in the Admission Document);

3.3 in respect of the allotment of up to an aggregate nominal amount of £10,000 in respect of the Buckingham Subscription (as such term is defined in the Admission Document);

3.4 comprising equity securities (as defined by section 560 of the Companies Act 2006) up to an aggregate nominal amount of £829,395.80 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 may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

3.5 in any other case, up to an aggregate nominal amount of £432,768.30,

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 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 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 RESOLUTIONS

4. **THAT,** subject to and conditional on the passing of Resolutions 1, 2, 3 and 5, the Directors 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 Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to:

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

4.2 the allotment of Ordinary Shares in respect of the Subscription;

4.3 the allotment of Ordinary Shares in respect of the Buckingham Subscription;

4.4 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 the equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors 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

4.5 the allotment (otherwise than pursuant to sub paragraphs 4.1, 4.2, 4.3 and 4.4 above) of equity securities up to an aggregate nominal amount of £142,479.70.

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 makes offers or agreements which would or might require equity securities in pursuant 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 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.

5. **THAT,** subject to and conditional on the passing of Resolutions 1, 2, 3 and 4 above, the regulations produced to the meeting and signed for the purposes of identification, by the Chairman of the meeting, will be adopted as the articles of association of the Company in substitution for and to the entire exclusion of the existing articles of association of the Company.

By Order of the Board
David Kaye
Company Secretary

Registered office:
41 Chalton Street
London NW1 1JD

Dated 2 October 2013

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 present 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 of 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, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR 4TU (''Registrars''), no later than 10.00 a.m. on 16 October 2013 (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 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 16 October 2013 (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:

   i **completed and signed;**

   ii **sent or delivered to the Company's Registrars, Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and**

   iii **received by the Registrars no later than 10.00 a.m. on 16 October 2013**

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 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 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 decision. 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 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 duty authorised officer or attorney.

14. Any power of attorney or any other authority under which the proxy form is signed (or duly certified copy of such power of authority) must be included with the proxy form.

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