19 November 2019

PALACE CAPITAL PLC

("Palace Capital" or the "Company")

Interim Results for the 6 months ended 30 September 2019

CAPITAL EXPENDITURE STRATEGY AND INCREASED LETTING ACTIVITY UNDERPIN CONTINUED POSITIVE PERFORMANCE

Palace Capital (LSE: PCA), the UK REIT that has a diversified portfolio of UK regional commercial real estate in carefully selected locations outside of London, is pleased to announce its unaudited results for the six months ended 30 September 2019.

HIGHLIGHTS

Continued total property return outperformance

- Total property return of 1.5% over the period, outperforming the MSCI UK Quarterly Benchmark of 0.8% and marking three successive years of outperformance
- EPRA earnings increased to £6.7 million (September 2018: £3.5 million) reflecting underlying strength of investment portfolio
- EPRA EPS of 14.5p, 153% cover of 9.5p dividend for the six-month period
- Q2 dividend of 4.75p declared and payable in December 2019
- IFRS net assets of £178.7 million maintained (March 2019: £180.3 million)
- EPRA NAV per share 391p reduced by 3.9% (March 2019: 407p)
- Conservative gearing maintained at 34% LTV and weighted average interest rate reduced from 3.3% to 3.2%
- WAULT increased to 5.2 years to break and 6.6 years to expiry (31 March 2019: 4.5 years to break) as a result of lease renewals and new lettings
- Converted to REIT status with effect from 1 August 2019
- Increased revolving credit facility with NatWest to £40 million and extended for a further five years at a lower margin

Active asset management delivering long term portfolio enhancement

- Hudson Quarter flagship development scheme in York, which includes 127 apartments with over 20% already sold or under offer, on track for completion in January 2021
- Planning consent secured for 28 apartments and 4,000 sq ft of retail space at 45 High Street, Weybridge, Surrey in one of the UK's most affluent areas
- £13.2 million of disposals during the period, including remaining non-core residential units from Warren Portfolio
- Overall EPRA occupancy at 84% reducing temporarily as we continue to focus on strategic refurbishment or redevelopment delivering long term benefits

Positive leasing momentum driving income

- 12 lease renewals and five rent reviews completed at an average 3% above ERV and a 25% uplift on previous passing rents, creating £0.4 million additional annual rental income
- Nine new leases provided an additional £0.5 million of annual income, including:
    - 23,500 sq ft at Sol, Northampton to Gravity Fitness for a minimum term of 10 years at a 17% premium to ERV
    - 14,665 sq ft of space let at Boulton House, Manchester, bringing the asset to 82% occupancy with 13,170 sq ft remaining to be let
- Lease surrender with Forensic Science Service at Priory House, Birmingham secured £2.85 million, being all the remaining rent due under the lease, and discussions underway to dispose of remaining short leasehold interest
- Adjoining site to the 28,000 sq ft holding at 24 Blackwater Way, Aldershot acquired for £0.2 million and a new 10-year lease agreed with BHW Automotive Limited for the entire property at a rent of £227,000 per annum exclusive, an increase of £10,000 per annum. The lease benefits from a fixed increase after five years to £250,254 per annum and the latest valuation of the property shows a 51% capital value uplift as a result

Balance Sheet	**30 Sept 2019**	**31 March 2019**
Property valuation	£275.8m	£286.3m
Net assets	£178.7m	£180.3m
EPRA NAV per share	391p	407p

Income Statement	**Six months to 30 Sept 2019**	**Six months to 30 Sept 2018**
Profit after tax	£2.6m	£7.3m
EPRA earnings	£6.7m	£3.5m
Earnings per share	5.6p	15.9p
EPRA earnings per share	14.5p	7.7p
Adjusted earnings per share	8.5p	8.0p
Total accounting return	-1.5%	3.7%
Total shareholder return	0.2%	-3.8%
Total dividend per share	9.5p	9.5p
Dividend cover*	90%	84%

*Dividend cover is calculated on the adjusted earnings per share which is a recurring earnings basis and specifically excludes the one-off significant surrender premium of £2.85m received in the current period.

Neil Sinclair, Chief Executive of Palace Capital said:

"During the period we have stepped up our development activity, a strategy we believe is best placed to increase shareholder value in the long term by creating an even stronger portfolio that can meet the demand we are seeing outside of London for well located, fit for purpose property that delivers higher quality income and capital growth. Our commitment to a total return strategy is now starting to pay off, both in terms of income and capital growth, and should enable us to maintain our positive performance.

"At the end of June, we placed 20 apartments at Hudson Quarter, York, on the market and demand has been such that we have now sold 21 with a further 7 under offer. We are well ahead of our business plan at Hudson Quarter and with letting activity brisk on our other refurbishments, we are most encouraged despite the current political uncertainty."

Stanley Davis, Chairman of Palace Capital said:

"Our strategy at Palace Capital is delivering growth, both in terms of income and long-term capital value, and I am very pleased that we have now outperformed the MSCI IPD Quarterly Benchmark for three consecutive years. While the significant capital expenditure we have deployed across a number of different properties has not yet fully resulted in a corresponding uplift in property valuations due to the time lag between completing capital works and letting the refurbished space, and therefore has had a slight impact on our NAV, I firmly believe this investment will support our future growth. In the six years since our re-admission in October 2013 we have produced a total accounting return of 123%, outperforming almost the entire peer group.

"We continue to abide by a disciplined acquisition policy and, having not assessed a suitable opportunity in the period that meets our strict criteria, we believe that the best use of capital to deliver value for our shareholders in the current market is to unlock the growth potential in our existing portfolio. The Board is confident Palace Capital is well positioned for the future, with a strong core income profile and a number of value-enhancing refurbishment and redevelopment opportunities."

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About Palace Capital plc (www.palacecapitalplc.com)

Palace Capital plc (LSE: PCA) is a UK REIT that has a £275.8 million diversified portfolio of UK regional commercial property. The Company maintains a disciplined investment strategy focused on towns and cities outside of London that are characterised by thriving local economies and strengthening fundamentals. Within those locations the highly experienced management team select assets that provide opportunities to drive both capital value and long-term rental income through tailored active asset management programmes ultimately delivering attractive shareholder returns.

www.palacecapitalplc.com

CHAIRMAN'S STATEMENT:

I am pleased to report our interim results for the six months ended 30 September 2019. Overall, we have had an encouraging start to the year as we continue to work hard to ensure our strategic aims are met and that we are delivering value to our Shareholders despite the ongoing political and economic uncertainty in the UK.

PERFORMANCE:

Our total property return is 1.5% and the Group made a profit after tax of £2.6 million in the period with an EPS of 5.6p per share. EPRA earnings totalled £6.7 million, translating to an EPRA EPS of 14.5p per share and providing over 150% cover for dividends in the period of 9.5p per share. An alternative measure of recurring earnings is our adjusted earnings of £3.9 million, which excludes the £2.85 million in cash received from the surrender of the lease at Priory House, Birmingham, and totalled 8.5p per share for the six months to 30 September 2019 (September 2018: 8.0p per share).

Following shareholder support for our conversion to a UK REIT on 1 August, we are already experiencing tax savings and we expect these to continue to flow through for the remainder of this financial year.

In the first half of the year, our style of active management continued to deliver improvements through our highly skilled and experienced team, resulting in a number of successful lettings, renewals and rent reviews. As a result of this we generate the necessary income which allows us to maintain our dividend, while growing the net assets of the Company.

In line with our strategy, we have tactically reserved space for refurbishment or redevelopment. This means that portfolio occupancy has fallen to 84% whilst we await appropriate planning consent for certain redevelopments, and in some instances, we have let space on a short-term basis. This normally means lower rentals than conventional leases, but we believe the long-term benefits will justify this approach in the current investment market. A case in point is the Hudson Quarter development in York, where we are now starting to reap the benefits as planned.

As at 30 September 2019, our portfolio was independently valued by Cushman and Wakefield at £275.8 million with an annual contracted rent roll of £16.3 million and a net income after property costs of £14.8 million per annum.

Our EPRA NAV has decreased by 3.9% to 391p per share (March 2019: 407p) as we continue to invest in our portfolio and dispose of non-core assets. However, we have maintained net assets which have only slightly reduced to £178.7 million as compared to £180.3 million in March 2019, a reduction of less than 1%.

Recurring income growth is a continuing focus but increasing our capital values is also a priority. For the six months to 30 September 2019 there was a 32% uplift in rental income, including the surrender premium net of irrecoverable costs, which totalled £10.7 million (up from £8.1 million for the six months to 30 September 2018). Our contractual passing rental income totalled £16.3 million per annum compared to an ERV of £21.2 million per annum and it is this growth-gap that we are targeting in order to further increase our income and improve dividend cover.

Our second quarterly dividend of 4.75p will be payable on 27 December 2019 to shareholders on the register as at 6 December 2019 and this will take us to 9.5p for the six-month period. The dividend will include a Property Income Distribution (PID) in light of the minimum REIT distribution requirements.

While our ability to cover our dividend has been limited by the fact that we have not made a significant earnings enhancing acquisition since 1 Derby Square, Liverpool in December 2018, we remain committed to our investment criteria. While we are constantly looking at possible acquisitions, my colleagues and I believe that in the current market, investing in our core portfolio is the correct strategy for our shareholders and we intend to maintain this approach for the foreseeable future.

I stated last year that we are somewhat different from our peer group. Firstly, the majority of our acquisitions have been of corporate entities; we have saved in excess of £10.0 million in SDLT (Stamp Duty Land Tax) since re-admission and have inherited tax losses and unclaimed capital allowances. Secondly, we are a total return property company and consequently we are prepared to redevelop or refurbish our assets in order to create additional value. We believe this approach will outperform a pure income policy over time.

In any event the real estate investment market has been particularly subdued, and leading agents are reporting much lower volumes of transactions from their capital market divisions. This is likely to continue whilst there is political uncertainty in the UK. In the meantime, this is impacting our share price which does not fully reflect the underlying net asset value of the Company. However, we have maintained our performance and we are well positioned to unlock further value from within the portfolio.

Overall, we have a strong and well-located core portfolio with sustainable income from high quality tenants, as well as significant reversionary potential to grow rental income by over 30% together with the added value of a pipeline of development and refurbishment projects.

We therefore approach the second half of the year with confidence.

MARKET BACKDROP:

The UK regional office market remains robust, particularly in those locations where we have significant holdings.

In Manchester, according to Savills Research published in September, the total office take up for the six months to 30 June was 806,024 sq ft, which is 7% ahead of the same period last year and 32% ahead of the five-year average. Alongside this significant rise in demand, office availability has fallen to its lowest level ever.

Savills research in August also showed that Leeds, where we own a 90,000 sq ft building at Bank House, King Street, saw record take up in the first half of the year. 436,312 sq ft of office space was leased, 41% ahead of the same period last year, including major lettings of 71,000 sq ft at Central Square and 135,000 sq ft at 4 Wellington Place.

Finally, there is ever increasing activity in Liverpool. We have highlighted that we are seeing a broader trend of occupiers relocating from out of town properties into city centres, which are often more accessible for employees and provide them with a more vibrant surrounding as work and leisure time becomes increasingly blended. Sony recently announced that it is moving from the Wavertree Technology Park on the city outskirts and taking 65,000 sq ft at the former Liverpool Echo building in the city centre. In addition, BT, which has a requirement for 100,000 sq ft, has shortlisted three city centre locations and is expected to make a decision by the end of this year.

Since 2014, Liverpool has lost over 1 million sq ft of office space which has been converted to either residential or student accommodation; this trend has been felt across the UK and we have focused in the regions on those cities which have a limited and dwindling office supply.

With political parties stating that they intend to commit investment towards connectivity and a better regional transport infrastructure, we are well placed to take advantage of this policy.

Regional office returns have exceeded those generated by London every year since 2016. In addition, regional offices (48% of the Company's portfolio) provide the strongest, risk adjusted sector in the UK and remain a key sector that we are focused on. In contrast, the retail sector continues to contract but our conservative strategy means we have a very limited exposure and the assets that we do hold are primarily let to tenants with quality covenants.

PORTFOLIO ACTIVITY:

Hudson Quarter, Toft Green, York

Construction commenced on this two-acre site in February 2019 and it remains on time and on budget. Progress on the residential sales is well ahead of expectations and soft marketing has now commenced to let the office space. Our drawdown with Barclays commences next month, so all costs to date, including demolition, have been met from our own resources. Given the backdrop of political uncertainty, we are delighted with progress to date.

Sol, Northampton

We have faced challenges in the leisure sector which are well known, particularly since we accepted the surrender of the Gala Casino lease for £4 million in 2015. However, our asset management strategy is now delivering positive results; not only did we let 12,000 sq ft to Soo Yoga earlier this year, but we have also let 23,500 sq ft to Gravity Fitness for a minimum term of 10 years at 17% above the ERV with additional rent achievable based on turnover targets. The scheme is now 89% let and strong interest is being shown in the remaining 21,000 sq ft.

Boulton House, Chorlton Street, Manchester

We acquired this 75,000 sq ft office building in Manchester city centre for £10.6 million just before the Referendum result in June 2016, when most of our competitors withdrew from the market. The property is now valued at £15.2 million, after a circa £800,000 refurbishment, and we are achieving close to £19.00 per sq ft, a significant increase from the rents of £12.50-£13.50 per sq ft at the point of purchase.

41-45, High Street, Weybridge, Surrey

Planning consent was secured in July 2019 for 4,000 sq ft of retail space and 28 apartments on this prime site, which is immediately opposite a Waitrose supermarket. We have commenced stripping out the existing building to mitigate the rates liability and the professional team are now being engaged with a view to us commencing the scheme late next year.

2-3 St James' Gate, Newcastle-upon-Tyne

We have committed circa £2.5 million to refurbish two vacant floors, the entrance hall and other areas in order to give the building a more prominent identity. There is an underlying shortage of Grade A space in Newcastle and we believe that this property has excellent growth prospects, both in terms of income and capital value in light of the rents being achieved on similar buildings in the area.

249 Midsummer Boulevard, Milton Keynes

We are currently evaluating a major development of this site and we intend to make appointments to move forward with a planning application in the near future. We have already received a preliminary report indicating that the site is capable of a scheme with a floor area of more than double the existing property. In the meantime, it will be our intention to limit our outgoings by letting the vacant space on a relatively short-term basis. An economic report called 'UK Powerhouse', published by the leading law firm Irwin Mitchell and the Centre for Economic Research in July of this year, reveals that Milton Keynes will be the fastest growing city at the start of 2021. This was affirmed by national commercial consultancy Lambert Smith Hampton in research released in February of this year.

Imperial Court & Imperial House, Leamington Spa

These two adjacent office buildings totalling 40,000 sq ft stand on a 1.5-acre town centre site and currently produce £600,000 per annum on leases expiring in 2022. This is a high value location and we will shortly start assessing future redevelopment options.

Lendal, Museum Street, York

This retail and office building was part of the Warren Portfolio acquired in 2017. There is a critical shortage of office space in York, so we took the decision to refurbish 5,600 sq ft of offices on the upper floors. We have let one floor at a headline rental of £22.50 per sq ft which is the highest achieved within York. We have agreed terms to let the majority of the remaining space.

Regency House, High Street, Winchester

This office building is also part of the Warren Portfolio. Part was let on acquisition, but we have refurbished 4,500 sq ft, most of which is now under offer at rents in excess of what we might have expected at the point of purchase.

BALANCE SHEET:

Despite a challenging economic backdrop, we are well capitalised and continue to remain conservatively geared at 34% net of cash. At the half year we had borrowings of £106.9 million, of which 63% is hedged. We pride ourselves on having a productive working relationship with our lenders, as demonstrated by our increased £40 million NatWest Revolving Credit Facility, which was secured in August of this year for a further term of five years at a lower margin. The contribution from our lenders is key to maintaining an efficient capital structure and enhancing the performance of our business.

CONCLUSION AND OUTLOOK:

These results are being announced in the middle of a General Election campaign. All parties are encouraging economic development in the UK's regions and with our assets being well-positioned in the right locations, we are well placed to take advantage of this. Our core income producing properties, together with our development and refurbishment pipeline and the ongoing progress at Hudson Quarter, means that we can expect to generate significant value for shareholders over the long term.

We have holdings in towns and cities that are affected by a lack of development and the loss of office use to residential, and this supply / demand pressure is leading to increasing rental values.

Property is a medium to long term investment and I remain confident that we are well positioned to continue to grow the value of our portfolio for our investors. Although I have been in business a long time, I believe the best years for Palace Capital are yet to come in what continues to be an exciting journey.

Statement of principal risks and uncertainties

Whilst we consider there has been no material changes to the Group's principal risks, as set out on pages 40-41 of the Annual Report and Accounts for the year ended 31 March 2019, several risks associated with the commercial property market in general are elevated as a result of the continuing political uncertainty surrounding the UK's departure from the EU and the General Election.

The Board continues to monitor external events and is taking appropriate action to prepare for any short-term risks that could arise whilst this period of uncertainty continues. Our business is resilient, and we are able to respond quickly, positioning us well for the longer term.

Statement of directors' responsibilities

The directors' confirm that the condensed set of consolidated financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Palace Capital plc are listed on the Company website https://www.palacecapitalplc.com/

By order of the Board

Stanley Davis, Chairman

18 November 2019

Palace Capital plc

Condensed consolidated statement of comprehensive income

For the six months ended 30 September 2019

	Notes	**Unaudited 6 months to 30 September 2019 £000**	Unaudited 6 months to 30 September 2018 £000	Audited Year to 31 March 2019 £000
Rental and other income	3	**11,917**	9,210	18,750
Property operating expenses		**(1,214)**	(1,101)	(2,318)
Net property income		**10,703**	8,109	16,432
Dividend income from listed equity investments		**53**	-	43
Administrative expenses		**(2,193)**	(1,985)	(4,122)
Operating profit before gains and losses on property assets and listed equity investments		**8,563**	6,124	12,353
(Loss)/profit on disposal of investment properties		**(24)**	211	218
(Loss)/gain on revaluation of investment properties	8	**(6,177)**	3,880	(382)
Impairment of trading properties	8	**(305)**	-	-
Loss on disposal of assets held for sale		**(269)**	-	(579)
Impairment on assets held for sale	8	**-**	-	(291)
Gain/(loss) on revaluation of listed equity investments		**101**	-	(214)
Operating profit		**1,889**	10,215	11,105
Finance income		**11**	11	20
Finance expense		**(2,414)**	(1,953)	(3,763)
Changes in fair value of interest rate derivatives		**(663)**	77	(929)
(Loss)/profit before taxation		**(1,177)**	8,350	6,433
Taxation	4	**3,729**	(1,078)	(1,263)
Profit for the period and total comprehensive income		**2,552**	7,272	5,170

Earnings per ordinary share				
Basic	6	5.6p	15.9p	11.3p
Diluted	6	5.6p	15.8p	11.3p

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Palace Capital plc

Condensed consolidated statement of financial position

30 September 2019

	Notes	**Unaudited 30 September 2019 £000**	Unaudited 30 September 2018 £000	Audited 31 March 2019 £000
Non-current assets				
Investment properties	8	**255,514**	260,178	258,331
Listed equity investments at fair value		**3,066**	-	2,636
Right of use asset		**405**	-	-
Property, plant and equipment		**81**	103	97
		259,066	260,281	261,064
Current assets				
Assets held for sale	8	**-**	21,708	11,756
Trading property	8	**18,895**	-	14,367
Trade and other receivables	9	**7,102**	5,702	6,243
Cash and cash equivalents	10	**13,965**	13,818	22,890
Total current assets		**39,962**	41,228	55,256
Total assets		**299,028**	301,509	316,320
Current liabilities				
Trade and other payables	11	**(9,700)**	(8,460)	(10,001)
Borrowings	12	**(1,836)**	(6,124)	(5,999)
Total current liabilities		**(11,536)**	(14,584)	(16,000)
Net current assets		**28,426**	26,644	39,256
Non-current liabilities				
Borrowings	12	**(105,026)**	(91,692)	(112,017)
Deferred tax		**(204)**	(6,972)	(5,580)
Lease obligations		**(2,240)**	(1,587)	(1,585)
Derivative financial instruments	13	**(1,335)**	(104)	(815)
Total non-current liabilities		**(108,805)**	(100,355)	(119,997)
Net Assets		**178,687**	186,570	180,323
Equity				
Share capital	14	**4,639**	4,639	4,639
Share premium account		**125,019**	125,019	125,019
Merger reserve		**3,503**	3,503	3,503
Capital redemption reserve		**340**	340	340
Treasury share reserve		**(1,348)**	(1,893)	(1,771)
Retained earnings		**46,534**	54,962	48,593
Equity shareholders' funds		**178,687**	186,570	180,323
Basic NAV per ordinary share	7	**388p**	407p	393p
Diluted NAV per ordinary share	7	**388p**	406p	392p
EPRA NAV per ordinary share	7	**391p**	421p	407p

The accompanying notes form an integral part of these condensed consolidated interim financial statements.
The condensed consolidated interim financial statements were approved by the Board of Directors on 18 November 2019.

Palace Capital plc

Condensed consolidated statement of cash flows

For the six months ended 30 September 2019

	Notes	**Unaudited 6 months to 30 September 2019 £000**	Unaudited 6 months to 30 September 2018 £000	Audited Year to 31 March 2019 £000
Operating activities				
Loss before tax		**(1,177)**	8,350	6,433
Adjustments for non-cash items:				
Loss/(gain) on revaluation of properties	8	**6,177**	(3,880)	382
Impairment of trading properties	8	**305**	-	-
Loss on revaluation of assets held for sale	8	**-**	-	291
Gain on revaluation of investments	8	**(101)**	-	214
Loss/(profit) on sale of investment properties	8	**24**	(211)	(218)
Loss on disposal of investment property held for sale	8	**269**	-	579
Depreciation		**98**	16	31
Share-based payment		**100**	113	332
Net finance costs		**3,066**	1,865	4,672
Cash generated by operations		**8,761**	6,253	12,716
Changes in working capital		**(1,300)**	(1,070)	(796)
Cash flows from operations		**7,461**	5,183	11,920
Interest received		**11**	11	20
Interest and other finance costs paid		**(1,985)**	(1,620)	(3,405)
Corporation tax received/(paid)		**(1,554)**	9	(1,639)
Cash flows from operating activities		**3,933**	3,583	6,896
Investing activities				
Purchase of investment property	8	**-**	(797)	(15,505)
Capital expenditure on refurbishments of property	8	**(3,061)**	(2,368)	(2,453)
Capital expenditure on developments	8	**(1,363)**	-	(1,923)
Capital expenditure on trading property	8	**(4,833)**	-	(535)
Proceeds from disposal of investment properties	8	**1,476**	948	2,078
Proceeds from assets held for sale	8	**11,488**	-	9,082
Amounts transferred (into)/out of restricted cash deposits		**(620)**	336	553
Purchase of non-current asset - equity investment		**(328)**	-	(2,850)
Purchase of property, plant and equipment		**-**	-	(7)
Cash flows from investing activities		**2,759**	(1,881)	(11,560)
Financing activities				
Bank loan repaid		**(16,717)**	(6,343)	(8,037)
Proceeds from new bank loans		**5,471**	4,146	25,991
Loan issue costs		**(627)**	(13)	(145)
Costs from issue of ordinary share capital		**-**	(17)	(17)
Dividends paid	5	**(4,364)**	(4,355)	(8,718)
Cash flows from financing activities		**(16,237)**	(6,582)	9,074
Net (decrease)/increase in cash		**(9,545)**	(4,880)	4,410
Opening cash and cash equivalents	10	**22,395**	17,985	17,985
Closing cash and cash equivalents	10	**12,850**	13,105	22,395

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Palace Capital plc

Condensed consolidated statement of changes in equity

For the six months ended 30 September 2019

	Share Capital £000	Share Premium £000	Treasury Shares Reserve £000	Other Reserves £000	Retained Earnings £000	Total equity £000
As at 31 March 2018	4,639	125,036	(2,011)	3,843	51,792	183,299
Total comprehensive income for the period	-	-	-	-	7,272	7,272
Share based payments	-	-	-	-	113	113
Costs from issue of new shares	-	(17)	-	-	-	(17)
Exercise of share options	-	-	118	-	(118)	-
Issue of deferred bonus share options	-	-	-	-	257	257
Dividends	-	-	-	-	(4,354)	(4,354)
As at 30 September 2018	4,639	125,019	(1,893)	3,843	54,962	186,570
Total comprehensive income for the period	-	-	-	-	(2,102)	(2,102)
Share based payments	-	-	-	-	220	220
Exercise of share options	-	-	122	-	(122)	-
Dividends	-	-	-	-	(4,365)	(4,365)
As at 31 March 2019	4,639	125,019	(1,771)	3,843	48,593	180,323
Total comprehensive income for the period	-	-	-	-	2,552	2,552
Share based payments	-	-	-	-	100	100
Exercise of share options	-	-	423	-	(423)	-
Issue of deferred bonus share options	-	-	-	-	76	76
Dividends	-	-	-	-	(4,364)	(4,364)
As at 30 September 2019	4,639	125,019	(1,348)	3,843	46,534	178,687

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

1 General information

These financial statements are for Palace Capital plc (“the Company”) and its subsidiary undertakings (together “the Group”).

The Company’s shares are admitted to trading on the Main Market of the London Stock Exchange. The Company is domiciled and registered in England and Wales and incorporated under the Companies Act 2006. The address of its registered office is 25 Bury Street, London, SW1Y 6AL. On 1 August 2019 the Company converted to a UK Real Estate Investment Trust (”REIT”).

The nature of the Company’s operations and its principal activities are that of property investment in the UK.

Basis of preparation

The condensed consolidated financial information included in this half yearly report has been prepared in accordance with the IAS 34 “Interim Financial Reporting”, as adopted by the European Union. The current period information presented in this document is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The interim results 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 collectively referred to as "IFRS".

The accounting policies and methods of computations used are consistent with those as reported in the Group’s Annual Report for the year ended 31 March 2019, except as described below, and are expected to be used in the Group’s Annual Report for the year ended 31 March 2020.

The financial information for the year ended 31 March 2019 presented in these unaudited condensed Group interim financial statements does not constitute the Company’s statutory accounts for that period but has been derived from them. The Report and Accounts for the year ended 31 March 2019 were audited and have been filed with the Registrar of Companies. The Independent Auditor’s Report on the Report and Accounts for the year ended 31 March 2019 was unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006. The financial information for the periods ended 30 September 2018 and 30 September 2019 are unaudited and have not been subject to a review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board.

The interim report was approved by the Board of Directors on 18 November 2019.

Copies of this statement are available to the public for collection at the Company’s Registered Office at 25 Bury Street, London, SW1Y 6AL and on the Company’s website, www.palacecapitalplc.com.

Going Concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman’s Statement. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in these financial statements.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review the Directors have considered the Group’s cash balances, debt maturity profile of its undrawn facilities, and the long-term nature of tenant leases. On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operational existence for the foreseeable future. As a consequence, the Directors believe that the Group is well placed to manage its business risk successfully.

Accordingly, they continue to adopt the going concern basis in preparing the Half Year Report.

Changes in accounting policies and disclosures

IFRS 16 Leases (became effective for accounting periods commencing on or after 1 January 2019)
This standard requires lessees to recognise a right-of-use asset and related lease liability representing the obligation to make lease payments. Interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in the Statement of Comprehensive Income. The Directors have assessed the impact of this standard by calculating the present value of minimum lease payments on the head office lease, a right-of-use asset was recognised on the Balance Sheet at 1 April 2019 with a corresponding lease liability, using the cumulative catch up transition approach.
The right-of-use asset will be depreciated over the remaining lease life and the corresponding lease liability interest will also be recognised in the Groups Statement of Comprehensive Income.

2 Segmental reporting

During the period the Group operated in one business segment, being property investment in the UK and as such no further information is provided.

3 Net property income

	Unaudited 6 months to 30 September 2019 £000	Unaudited 6 months to 30 September 2018 £000	Audited Year to 31 March 2019 £000
Rent receivable	**8,813**	8,750	17,960
Surrender premium	**2,850**	-	-
Management fees & other income	**254**	460	790
Total revenue	**11,917**	9,210	18,750
Service charge & vacant rates	**(732)**	(600)	(1,844)
Other property costs	**(482)**	(501)	(474)
Property operating expenses	**(1,214)**	(1,101)	(2,318)
Net property income	**10,703**	8,109	16,432

4 Taxation

	Unaudited 6 months to 30 September 2019 £000	Unaudited 6 months to 30 September 2018 £000	Audited Year to 31 March 2019 £000
Current income tax charge	**166**	637	1,008
Tax overprovided in prior year	**(168)**	-	12
Capital gains charged in period	**1,649**	-	1,194
Deferred tax	**(5,376)**	441	(951)
Tax (credit)/charge	**(3,729)**	1,078	1,263

As a result of the Company's conversion to a REIT on 1 August 2019, the Group is no longer required to pay UK corporation tax in respect of property rental income and capital gains relating to its property rental business. Consequently a £3,727,000 credit on the profit and loss account and debit to the balance sheet has been recognised for the reversal of deferred tax provided for capital gains tax due to revaluation of investment properties to fair value and the capital allowances that have been claimed on improvements to investment properties. UK corporation tax was payable for the first 4 months of the period up to 31 July 2019 before entry to the REIT "regime".

5 Dividends

	Payment Date	**Unaudited 6 months to 30 September 2019 £000**	Unaudited 6 months to 30 September 2018 £000	Audited Year to 31 March 2019 £000
Ordinary dividends paid				
2018 Interim dividend: 4.75p per share	13 April 2018	**-**	2,177	2,177
2018 Final dividend: 4.75p per share	31 July 2018	**-**	2,177	2,177
2019 Interim dividend: 4.75p per share	19 October 2018	**-**	-	2,182
2019 Interim dividend: 4.75p per share	28 December 2018	**-**	-	2,182
2019 Interim dividend: 4.75p per share	12 April 2019	**2,182**	-	-
2019 Final dividend: 4.75p per share	13 July 2019	**2,182**	-	-
		4,364	4,354	8,718

Proposed dividend

2020 Q1 interim dividend: 4.75p per share paid on 18 October 2019.
2020 Q2 interim dividend: 4.75p per share payable on 27 December 2019.

Since becoming a REIT on 1 August 2019, the Group is required to distribute at least 90% of qualifying income profits each year as a Property Income Distribution (PID). The first proposed qualifying PID will be on 27 December 2019, which will also consist of an interim dividend (non-PID). Further REIT information is available on the Company's website.

6 Earnings per share

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

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

Palace Capital also reports an adjusted earnings measure which is based on recurring earnings before tax and the basic number of shares. This is the basis on which the directors consider dividend cover. This takes EPRA earnings as the starting point and then adds back tax and any other fair value movements or one-off items that were included in EPRA earnings. For Palace Capital this includes share-based payments being a non-cash expense and also one-off surrender premiums received. The corporation tax charge (excluding deferred tax movements, being a non-cash expense) is deducted in order to calculate the adjusted earnings per share. The earnings per ordinary share for the period is calculated based upon the following information:

	Unaudited 6 months to 30 September 2019 £000	Unaudited 6 months to 30 September 2018 £000	Audited Year to 31 March 2019 £000
Profit after tax attributable to ordinary shareholders for the period	**2,552**	7,272	5,170
Adjustments:			
Loss/(gain) on revaluation of property portfolio	**6,482**	(3,880)	382
Impairment on assets held for sale	**-**	-	291
Loss/(profit) on disposal of investment properties	**24**	(211)	(218)
Loss on disposal of assets held for sale	**269**	-	579
Gain on revaluation of listed equity investments	**(101)**	-	214
Debt termination costs	**501**	-	-
Fair value loss/(gain) on derivatives	**663**	(77)	929
Deferred tax relating to EPRA adjustments and capital gains charged	**(3,727)**	441	243
EPRA earnings for the period	**6,663**	3,545	7,590
Share-based payments	**100**	113	332
Surrender premium	**(2,850)**	-	-
Adjusted profit after tax for the period	**3,913**	3,658	7,922
Tax excluding deferred tax on EPRA adjustments and capital gain charged	**(2)**	637	1,020
Adjusted profit before tax for the period	**3,911**	4,295	8,942

	Unaudited 6 months to 30 September 2019	Unaudited 6 months to 30 September 2018	Audited Year to 31 March 2019
Weighted average number of shares for basic earnings per share	**45,940,198**	45,806,334	45,834,436
Dilutive effect of share options	**32,108**	106,695	63,690
Weighted average number of shares for diluted earnings per share	**45,972,306**	45,913,029	45,898,126
Earnings per ordinary share			
Basic	**5.6p**	15.9p	11.3p
Diluted	**5.6p**	15.8p	11.3p
EPRA and adjusted earnings per ordinary share			
EPRA basic	**14.5p**	7.7p	16.6p
EPRA diluted	**14.5p**	7.7p	16.5p
Adjusted EPS	**8.5p**	8.0p	17.3p

7 Net asset value per share

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

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

Net asset value is calculated using the following information:

	Unaudited 30 September 2019 £000	Unaudited 30 September 2018 £000	Audited 31 March 2019 £000
Net assets at the end of the period	**178,687**	186,570	180,323
Diluted net assets	**178,687**	186,570	180,323
Include fair value adjustment on trading properties	**-**	-	250
Exclude deferred tax on latent capital gains & capital allowances	**204**	6,972	5,580
Exclude fair value of financial instruments	**1,335**	104	815
EPRA NAV	**180,226**	193,646	186,968
Include deferred tax on latent capital gains & capital allowances	**(204)**	(6,972)	(5,580)
Include fair value of financial instruments	**(1,335)**	(104)	(815)
EPRA NNNAV	**178,687**	186,570	180,573

	Unaudited 30 September 2019	Unaudited 30 September 2018	Audited 31 March 2019
Number of ordinary shares issued at the end of the period	**46,036,508**	45,843,866	45,883,249
Dilutive effect of share options	**32,108**	106,695	63,690
Number of diluted ordinary shares for diluted and EPRA net assets per share	**46,068,616**	45,950,561	45,946,939
Net assets per ordinary share			
Basic NAV	**388p**	407p	393p
Diluted NAV	**388p**	406p	392p
EPRA NAV	**391p**	421p	407p
EPRA NNNAV	**388p**	406p	393p

8 Property Portfolio

	Freehold Investment properties £000	Leasehold Investment properties £000	Total investment properties £000
At 1 April 2018	**232,742**	**21,121**	**253,863**
Additions – new properties	15,505	-	15,505
Additions – refurbishments	2,521	179	2,700
Capital expenditure on developments	2,014	-	2,014
Transfer to trading properties	(13,509)	-	(13,509)
Loss on revaluation of investment properties	(122)	(260)	(382)
Disposals	(1,860)	-	(1,860)
At 31 March 2019	**237,291**	**21,040**	**258,331**
Additions – refurbishments	3,099	398	3,497
Capital expenditure on developments	1,363	-	1,363
Loss on revaluation of investment properties	(3,659)	(2,518)	(6,177)
Disposals	(1,500)	-	(1,500)
At 30 September 2019	**236,594**	**18,920**	**255,514**

	Standing investment properties	Investment properties under construction	Total investment properties	Trading properties	Assets held for sale	Total property portfolio
	£000	£000	£000	£000	£000	£000
At 1 April 2018	**253,863**	**-**	**253,863**	**-**	**21,708**	**275,571**
Additions – refurbishments	2,700	-	2,700	-	-	2,700
Additions – new properties	15,505	-	15,505	-	-	
Transfer to investment property in the course of construction	(3,810)	3,810	-	-	-	-
Capital expenditure on developments	1,772	242	2,014	-	-	2,014
Transfer to trading properties	(13,509)	-	(13,509)	13,509	-	-
Additions – trading properties	-	-	-	858	-	858
Loss/(gain) on revaluation of investment properties	(452)	70	(382)	-	-	(382)
Loss on revaluation of assets held for sale	-	-	-	-	(291)	(291)
Disposals	(1,860)	-	(1,860)	-	(9,661)	(11,521)
At 31 March 2019	**254,209**	**4,122**	**258,331**	**14,367**	**11,756**	**284,454**
Additions – refurbishments	3,497	-	3,497	-	-	3,497
Capital expenditure on developments	-	1,363	1,363	-	-	1,363
Additions – trading properties	-	-	-	4,833	-	4,833
Loss on revaluation of properties	(6,021)	(156)	(6,177)	(305)	-	(6,482)
Disposals	(1,500)	-	(1,500)	-	(11,756)	(13,256)
At 30 September 2019	**250,185**	**5,329**	**255,514**	**18,895**	**-**	**274,409**

The property portfolio has been independently valued at fair value. The valuations have been prepared in accordance with the RICS Valuation – Global Standards July 2017 ("the Red Book") and incorporate the recommendations of the International Valuation Standards and the RICS valuation – Professional Standards UK January 2014 (Revised April 2015) which are consistent with the principles set out in IFRS 13.

The valuer in forming its opinion make a series of assumptions, which are typically market related, such as net initial yields and expected rental values and are based on the valuer's professional judgement. The valuer has sufficient current local and national knowledge of the particular property markets involved and has the skills and understanding to undertake the valuations competently.

At 30 September 2019, the Group's freehold and leasehold investment properties were externally valued by Royal Institution of Chartered Surveyors ("RICS") registered independent valuers. A reconciliation of the valuations carried out by the external valuers to the carrying values shown in the balance sheet was as follows:

	Unaudited 30 September 2019 £000	Unaudited 30 September 2018 £000	Audited 31 March 2019 £000
Cushman & Wakefield LLP (property portfolio)	**275,800**	261,625	274,560
Assets held for sale	**-**	21,708	11,756
Fair value of property portfolio	**275,800**	283,333	286,316
Adjustment in respect of minimum payment under head leases included as a liability	**1,835**	1,600	1,600
Less assets held for sale	**-**	(21,708)	(11,756)
Less trading properties	**(18,895)**	-	(14,367)
Less lease incentive balance in prepayments	**(3,028)**	(2,346)	(2,752)
Less rent top-up adjustment	**(198)**	(701)	(460)
Less fair value uplift on trading properties	**-**	-	(250)
Carrying value per financial statements	**255,514**	260,178	258,331

Investment properties with a carrying value of £232,735,000 (31 March 2019: £250,960,000) are subject to a first charge to secure the Group's bank loans amounting to £108,103,000 (31 March 2019: £119,350,000).

Valuation process – investment properties

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

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

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

The key assumptions made in the valuation of the Group's investment properties are:
• The amount and timing of future income streams;
• Anticipated maintenance costs and other landlord's liabilities;
• An appropriate yield; and
• For investment properties under construction: gross development value, estimated cost to complete and an appropriate developer's margin.

Valuation technique – standing investment properties

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

9 Trade and other receivables

	Unaudited 30 September 2019 £000	Unaudited 30 September 2018 £000	Audited 31 March 2019 £000
Current			
Trade receivables	**2,223**	2,531	1,935
Prepayments and accrued income	**4,229**	2,797	3,527
Other taxes	**374**	250	177
Other debtors	**276**	124	604
	7,102	5,702	6,243

10 Cash and cash equivalents

	Unaudited 30 September 2019 £000	Unaudited 30 September 2018 £000	Audited 31 March 2019 £000
Cash and cash equivalents - unrestricted	**12,850**	13,105	22,395
Restricted cash	**1,115**	713	495
	13,965	13,818	22,890

Restricted cash is cash where there is a legal restriction to specify its type of use. This is typically where the Group has agreed to deposit cash with a lender with regards to top-ups received from vendors on completion funds, to be realized over time consistent with the loss of income on vacant units.

11 Trade and other payables

	Unaudited 30 September 2019 £000	Unaudited 30 September 2018 £000	Audited 31 March 2019 £000
Current			
Trade payables	**1,888**	632	1,229
Accruals	**1,909**	1,757	2,272
Deferred rental income	**3,281**	3,155	3,457
Taxes	**2,418**	2,697	2,540
Other payables	**204**	219	503
	9,700	8,460	10,001

12 Borrowings

	Unaudited 30 September 2019 £000	Unaudited 30 September 2018 £000	Audited 31 March 2019 £000
Current borrowings	**1,836**	6,124	5,999
Non-current borrowings	**105,026**	91,692	112,017
Total borrowings	**106,862**	97,816	118,016
Non-current borrowings			
Secured bank loans drawn	**106,267**	93,081	113,351
Unamortised facility fees	**(1,241)**	(1,389)	(1,334)
	105,026	91,692	112,017

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

	Unaudited 30 September 2019 £000	Unaudited 30 September 2018 £000	Audited 31 March 2019 £000
Within one year	**1,836**	6,124	5,999
From one to two years	**1,836**	2,436	29,825
From two to five years	**92,669**	78,447	71,546
From five to ten years	**11,762**	12,198	11,980
Total borrowings	**108,103**	99,205	119,350

Facility and arrangement fees
As at 30 September 2019

Secured borrowings	All in cost %	Maturity date	Loan balance £000	Unamortised facility fees £000	Facility drawn £000
Scottish Widows	**2.90%**	**July 2026**	**13,765**	**(177)**	**13,942**
National Westminster Bank plc	**2.86%**	**August 2024**	**19,560**	**(440)**	**20,000**
Barclays	**3.20%**	**June 2024**	**41,032**	**(284)**	**41,316**
Santander Bank plc	**3.72%**	**August 2022**	**25,774**	**(226)**	**26,000**
Lloyds Bank plc	**2.71%**	**March 2023**	**6,731**	**(114)**	**6,845**
			106,862	**(1,241)**	**108,103**

Facility and arrangement fees
As at 31 March 2019

Secured borrowings	All in cost %	Maturity date	Loan balance £000	Unamortised facility fees £000	Facility drawn £000
Scottish Widows	2.90%	July 2026	13,985	(175)	14,160
National Westminster Bank plc	3.35%	March 2021	29,204	(185)	29,389
Barclays	3.24%	January 2023	38,589	(554)	39,143
Santander Bank plc	3.74%	August 2022	25,961	(289)	26,250
Lloyds Bank plc	2.80%	March 2023	6,715	(130)	6,845
Lloyds Bank plc	2.95%	May 2019	3,562	(1)	3,563
			118,016	(1,334)	119,350

Facility and arrangement fees
As at 30 September 2018

Secured borrowings	All in cost %	Maturity date	Loan balance £000	Unamortised facility fees £000	Facility drawn £000
Scottish Widows	2.91	July 2026	14,191	(187)	14,378
National Westminster Bank plc	3.63	March 2021	14,658	(231)	14,889
Barclays	3.14	January 2023	39,123	(627)	39,750
Santander Bank plc	3.69	August 2022	26,169	(331)	26,500
Lloyds Bank plc	2.91	April 2019	3,675	(13)	3,688
			97,816	(1,389)	99,205

The Group has unused loan facilities amounting to £46,500,000 (31 March 2019: £26,500,000). A facility fee is charged on £20,000,000 at a rate of 1.05% p.a. and a fee is charged on £26,500,000 at a rate of 1.30% p.a. and both are payable quarterly. This facility is secured on the investment properties held by Property Investment Holdings Limited and Palace Capital (Properties) Limited. The £26,500,000 balance of the unused facilities relates to a Barclays loan secured on the Hudson Quarter, York development held by Palace Capital (Developments) Limited.

13 Derivatives financial instruments

The Group adopts a policy of entering into derivative financial instruments with banks to provide an economic hedge to its interest rate risks and ensure its exposure to interest rate fluctuations is mitigated.

The contract rate is the fixed rate the Group are paying for its interest rate swaps.

The valuation rate is the variable LIBOR and bank base rate the banks are paying for the interest rate swaps.
Details of the interest rate swaps the Group has entered can be found in the table below.

The valuations of all derivatives held by the Group are classified as Level 2 in the IFRS 13 fair value hierarchy as they are based on observable inputs. There have been no transfers between levels of the fair value hierarchy during the year.

Bank	Notional principal	Expiry date	Contract rate %	Valuation rate %	Unaudited 30 September 2019	Unaudited 30 September 2018	Audited 31 March 2019
Barclays Bank plc	35,097,900	25/01/2023	1.3420	0.5483	(897)	(37)	(526)
Santander plc	19,530,516	03/08/2022	1.3730	0.5549	(438)	(67)	(289)
	54,628,416				**(1,335)**	**(104)**	**(815)**

14 Share capital

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

	Unaudited 30 September 2019	Unaudited 30 September 2018	Audited 31 March 2019
Ordinary 10p shares	**46,388,515**	46,388,515	46,388,515
Share capital – number of shares in issue	**46,388,515**	46,388,515	46,388,515
Share capital – £	**4,638,852**	4,638,852	4,638,852

The Company has set up an employee benefit trust, 'The Palace Capital Employee Benefit Trust', for the granting of shares applicable to directors and employees under the Long-Term Incentive Plan. On 20 June 2019 the Company transferred 150,000 ordinary shares held in Treasury into The Palace Capital Employee Benefit Trust.

On 24 July 2019 the Company granted 67,798 shares, being the awards granted on 17 July 2018 under the Palace Capital Deferred Bonus Plan from The Palace Capital Employee Benefit Trust. On 24 July 2019, 85,461 share options were exercised under the 2016 employee LTIP scheme.
As at 31 March 2019 there were 449,587 shares held in treasury but as a result of the 150,000 shares transferred into the Employee Benefit Trust, there are 299,587 shares remaining in Treasury.

The Company's issued share capital as at 30 September 2019 comprises 46,036,508 ordinary shares which is the denominator for the calculations of earnings per share and net asset value per share. This excludes the 352,007 ordinary shares held in treasury and the Employee Benefit Trust.